

Final Findings Social protection in Uganda

In Uganda, the Expanding Social Protection Program (ESP) was set up to establish a national social protection system as a core element in the national planning process and with the objective to reduce vulnerability. Although there is latent political support for social protection in Uganda, many stakeholders still view non-contributory social protection solely as consumptive expenditure and not as a strategic investment in human capital. The research project 'Building the economic case for investment in social protection in Uganda' performs a comparative cost-effectiveness analysis of the ESP flagship program SAGE (Social Assistance Grants for Empowerment) using a mixed-method approach. The main objective is to generate empirical evidence of the pathways from social transfers to human capital development, household productive capacities, and local economy outcomes. The research findings will contribute to evidence-based policy design and implementation and improve our understanding of the inclusive growth effects of social transfers. The findings and policy recommendations follow.

Final findings

- Our findings indicate that human capital investments decision are constrained by financial constraints that cash transfers such as SAGE could alleviate. Simulation results indicate that after 10 years the Senior Citizen Grant (SCG) and the Vulnerable Family Grant (VFG) programmes will increase school enrolment rates of school-age children (6 years–24 years) by 0.1%–0.5% on average and average school attainments by 0.01 years in the whole population, as compared with a scenario without SAGE. Programme-related returns to education are low in the beginning, but increase exponentially, reaching indirect program returns of 15 to 80 Uganda Shillings per capita after 10 periods. However, in the reduced simulation framework, comparing the costs and benefits, both programmes still show negative rates of return after 10 years.
- Experiment and survey results indicate that inequality aversion ranges between 0.17 and 0.5 among a sample of students of the Uganda Christian University. The results are in line with findings of other studies; however, it is the first such experiment conducted in Uganda and the region. Using these results to compute social welfare weights, we find that the simulated SAGE benefits and the rate of return increase significantly by up to 10 percentage points. The results clearly illustrate the importance of social preferences in welfare evaluations of social policies.
- Using a mixed methods-research design and the case of the SCG, we find that there are differences in the dominant function of the cash transfer between recipient households living in areas with unequal structural circumstances. Recipient households in integrated areas are more likely to exploit the promotive potential of SCTs, while recipient households in remote areas utilise the SCT in a more protective manner.
- Using a qualitative approach, we find that there are considerable differences in the scope of economic multipliers of SCG between structurally integrated and remote areas. Integrated communities are in a better position to access the secondary benefits of the SCG since they are better able to respond to the increased demand by recipients with higher value and more profitable investments. Moreover, community members in integrated areas are also more likely to benefit from improvements of already existing infrastructures and services than community members in remote areas where growth-enhancing structures and services remain absent.

Policy messages

- **Consider indirect benefits in social protection decisions:** The results suggest that the indirect income effects of investments in social protection in Uganda are considerable. SAGE programme-induced investments in education and health are expected to yield monetary returns and to trigger positive processes of human capital development.
- **Consider social preferences in the evaluation of social policies:** The growing literature evaluating the outcomes of anti-poverty programmes has paid close attention to identifying reliably the changes in the beneficiaries themselves and in the local economy. Much less attention has been paid to evaluating the outcome changes in welfare terms. Our results show that an additional shilling for a poor household has a higher welfare effect than the same shilling transferred to a richer household. Explicitly regarding these social preferences suggests that the welfare returns of SAGE are considerably larger than the unweighted monetary returns.
- **The expansion of SCTs in low-income countries should be accompanied by measures that reduce pre-existing structural inequalities across areas.** Our findings suggest that a disaggregated lens towards studying the impacts of social protection interventions is crucial once these interventions are expanded nationwide and cover areas with unequal structural conditions.
- **Consider the infrastructure that promotes returns on social protection:** The indirect benefits of investment in education and health require an appropriate investment in infrastructure to unfold their potential. Cash transfers will create positive returns and trigger investment in human capital only if beneficiaries have access to quality schools and health facilities. Thus, social protection should not be regarded as a standalone investment, but be embedded in a broader investment framework.

Knowledge products

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