

## Social security systems in Uganda

DEBORAH KASENTE<sup>1</sup>, NARATHIUS ASINGWIRE<sup>2</sup>, FIRIMOONI  
BANUGIRE<sup>3</sup> AND SWIZEN KYOMUHENDO<sup>4</sup>

### ABSTRACT

*As a result of its recent disturbed history, Uganda has the most undeveloped formal social security systems and the least documented non-formal social security systems of the countries participating in this study. Through the use of qualitative research methods, it was observed that communities are providing the most useful response to the rising risks and vulnerabilities posed by poverty, unemployment, emergencies and inevitable life-cycle factors while the State has not provided social security at the community level. The following social security systems exist in Uganda: formal social security schemes targeting the employed, community groups that serve only group members, kinship-based solidarity groups that serve the extended family and village residents' mutual assistance groups, which are compulsory for all adults in the villages where they operate. These groups are currently the most widespread and effective of all, though they are plagued with poor management and a low capital base. The village-wide mutual assistance groups offer the potential for reaching most community members but operate in only one of the four districts visited. District Development Programmes offer a feasible entry point for beginning to address the lack of policy-led social security at community level.*

---

<sup>1</sup> Dept. Women and Gender Studies, Makerere University, Kampala

<sup>2</sup> Dept. Social Work and Social Administration, Makerere University, Kampala

<sup>3</sup> Executive Director, Small Enterprise and Community Management Institute, Kampala

<sup>4</sup> Dept. Social Work and Social Administration, Makerere University, Kampala

## **Background**

This study is based on a regional initiative to try and understand the nature and functions of non-formal social security systems in four selected countries in eastern and southern Africa; Uganda, Tanzania, Zambia and Zimbabwe.

In the case of Uganda, recent economic and political developments offer the opportunity to take stock of what people are doing about their social protection after three decades of political turmoil and war. Uganda is predominantly a rural society with a high dependence on agriculture for income and employment. The poor mainly live in the rural areas. As one of the World Bank studies on Uganda pointed out (1993), a number of factors appear to threaten the continued effectiveness of the extended family and individual's own solutions in the face of growing impoverishment, low agricultural productivity, the failure of poverty alleviation measures to reach the poorest and the inadequate provision of social safety-nets by government.

In recent times it has been acknowledged that, due to a strong macroeconomic policy performance, there has been a reduction in downward poverty trends but poverty has reduced in urban more than rural areas. It is still a big challenge to bring growth to the poorest 20% of the population.

While literature exists to show the trends of formal social security in Uganda, of the countries participating in this study Uganda has the most undeveloped formal social security systems and the least documented non-formal social security systems. This is mainly a result of the disruption during the country's turbulent past.

## **The research problem**

Up till now there has been inadequate knowledge of both formal and non-formal social security systems in Uganda. This is dangerous, particularly at a time when the State is rapidly retreating from the provision of social services. Thus, this study focused on analyzing the current inadequate knowledge base of the status and implementation of social security systems, particularly non-formal social security systems. While the general guidelines were followed, the following

specific research questions were formulated to address the Uganda context:

- What formal and non-formal social security schemes exist; what supporting inputs do they have and where do they come from?
- How have non-formal social security schemes been organized and in what way are they effective?
- What is the experience of different groups of people with various types of non-formal social security systems?
- How can effective forms of social security be strengthened and extended to cover more groups of people?

### **SUMMARY OF THE LITERATURE**

The research into both formal and non-formal systems of social security was guided by a simple framework to document and determine the organizational factors that are related to the quality and quantity of the outcomes of social security for different groups of people. It was conceptualized that social protection needs would vary with the context of the different groups.

Social security reforms currently going on in the African region have largely focused on formal social security, particularly favouring social insurance schemes. There are two problems here that policymakers need to address. First, formal social security systems do not reach most people in the region because they are designed only for the small percentage of people in formal employment. Second, even for the few who are reached by formal systems, women are disadvantaged because of gender inequalities in the labour market. Social security reformers need to factor in the different work experiences of women and men when designing the reforms. Non-formal systems in the region have not been adequately documented and there is therefore a need for comprehensive research into these systems.

There are a number of informal social security organizations. The extended family system used to be the most important of the latter. It is common for people employed in urban areas to send remittances in cash or in kind to their relatives in the rural areas. In some instances, people in the rural areas also send remittances, usually in kind, to their

urban relatives. Following the gradual disintegration of the extended family system and given the lack of access to formal social security systems, the poor have mobilized themselves to develop semi-formal systems to meet their social security needs. These usually take the form of mutual aid groups (Kaseke 1993).

Examples of such organizations include burial societies, saving clubs and credit schemes. Burial societies are commonly found in rural areas while savings clubs are more common in urban areas. Although the operations of such organizations are not governed by any legislation, they operate in accordance with rules agreed by the members and, with the support of development agencies, they could expand and bring in new members to provide a gradual increase in benefits.

People in rural communities use a variety of informal and semi-formal strategies to help them cope with adversity. These are normally non-statutory and do not get any support from the State. Fultz (1997) argues that efforts to redefine social security to take into account the realities of rural life in developing countries should focus on the concept of living standards. This means that social security should refer to the broad class of measures that people adopt to restore their standard of living. Such a definition recognizes the existence and role of arrangements in rural communities such as the family, the savings club, rotating credit associations, burial societies and other forms of traditional measures.

### **Formal social security schemes: operating principles and structure**

Formal security is provided through social security schemes. These include social insurance, social assistance, provident funds, employer's liability schemes and benefits funded from general revenue. The difference between these schemes lies in the principles on which they operate (Wilber 1997). In informal schemes local people pool their resources and come to the aid of members (Kaseke 1998, 1999; Kayongo 1999, Kasente 2000, Kyomuhendo 2000). For instance, in times of sickness or death, the affected person may be helped with goods or with cash (Kayongo 1999).

Most formal social security funds are regionalized. In some countries the services are further localized and delivered at zone levels which are smaller units of the districts. This helps to achieve better services for clients. Many social security schemes have an administrative structure consisting of a managing director (director general), a board of directors and different heads of department (Tumwesigye 1993). These departments tend to reflect the functions of social security schemes, such as an accounts section, a compliance department, public relations, a legal department, computer operations and a medical advisory department. The National Social Security Fund (NSSF) of Uganda displays some of these characteristics.

Throughout the world social security is a public responsibility (Kayongo 1999). No private business-person can provide meaningful social security because private businesses need to make a profit to survive. Private institutions cannot provide for people who lose income due to old age, invalidity or the loss of a breadwinner (*New Vision* March 1998:34).

Most social security schemes derive their finances from employers' and employees' contributions, investment incomes, government subsidies and incomes from public penalties or surcharges imposed on employers who pay contributions late. Employees contribute because they are saving for their own future contingencies and employers contribute because they are using the workers for their own benefit while they are still energetic: the employer is therefore bound to provide for them in times of need. The government contributes because it is required to provide social protection for its citizens (Kakooza et al., 1992)

Contributions to national social security schemes are paid monthly at a fixed rate. Uganda's National Social Security Fund requires the employer to deduct 5% from the worker's gross wage and add his own contribution of 10% monthly (NSSF Guidelines for employers and employees).

These schemes normally invest their income in areas where profits can be yielded quickly. The National Social Security Fund, for instance, has invested in government stocks, bonds and fixed deposits with banks as well as estates. In 1998 the NSSF reported that it had over

UShs. 29 billion in fixed deposits, UShs. 4 billion in Treasury Bills, UShs. 2 billion in East African Development Bank bonds and UShs. 30 billion in estates (*New Vision* March 19 1998:34).

### ***Membership***

The NSSF registers only those employers in the formal sector with at least five employees (NSSF Guidelines to employers and employees).

### ***Benefits***

The benefits paid by NSSF include old age benefit, survivors benefit, withdrawals, invalidity benefit and an emigration benefit. In addition to these five, CIS pays benefits for orphans, widows, maternity, funerals and a missing person's allowance (Kyobe 1993).

### ***Compliance and methods of collecting contributions***

Compliance and enforcement operations need to be thorough and efficient (Semanda 1997) for any social security system. For some formal schemes the employer normally pays the workers' contributions. Large-scale social security systems employ a workforce to collect contributions and detect employers who are not fulfilling their obligations. It has been argued that inspectors should be rotated regularly so as to prevent them getting too "cosy" with employers (Kakooza et al., 1992).

### ***Processing claims***

All social security schemes strive to make this process as short as possible as the public sees this an indicator of the scheme's efficiency. The shorter the period within which a beneficiary is paid, the more perfect the social security scheme is seen to be (Semanda 1997). To meet this goal, many social security schemes try to computerize their work and attempt to reduce the number of stages through which the claim has to go before it is paid. Uganda's social security system is poorer than that of Cyprus, for instance, because Cyprus has only seven stages through which claims have to go before payment whereas Uganda's has 14 (Kyobe 1993).

Client involvement is also critical. Various studies point to the need for social security schemes to involve their clients in their activities, rather than treating them as mere files. To achieve this goal, programmes to educate customers are commonly initiated. This is sometimes

done by compliance officers at the work premises who explain how the scheme mobilizes and spends the money, its duties to the customers and the contributor's obligations (Kayongo 1999). This is true for large-scale organizations, including Uganda's NSSF and similar schemes exist in developed countries (Kyeyune 1993).

### ***Accountability***

Social security systems everywhere strive to be accountable to their owners or clients, but with different levels of success. In formal schemes commonly cited in the literature, statements are normally issued to both employers and employees to indicate how much they have saved with the scheme over the last period. This is crucial for confirming whether or not the finances paid in reach the fund. Such confirmation reassures contributors and enables them to make personal plans and allows the public to judge the performance of the scheme. (Tumwesigye 1993).

### **Non-formal social security systems: resilience amidst change**

In Uganda, as elsewhere, traditional social support systems were most prominent before the introduction of formal social security for those in paid formal employment. As Mudondo (1991:01) notes: "There used to be a universal tradition of family, tribe, village, class, or community care."

The emergence of urban commerce and formal employment has led to labour mobility and a subsequent disintegration of kinship and extended family systems (Kyomuhendo 2000). Education, family planning and urban employment all weaken the family. This has happened against a background of high poverty levels in the rural areas while, at the same time, worsening the poverty. Education, like urban employment, takes away sons and daughters who would normally care for the aged. As people try to economize because of low incomes, it is no longer common to find people paying school fees for their brothers' or sisters' children.

However, a bond still exists between family members. The educated and the urban employed go to the countryside for Christmas and Easter to meet and share some of what they have earned with their extended families and friends. The continued existence of this bond between the

rural and urban (which translates into the continued existence of the extended family) is linked to the "economy of affection" (Hyden 1983) and the inability of capitalism to destroy the African peasant mode of production. While the urban élite buy land and invest in the towns, they also do the same "back home" in the rural areas where they would have originally inherited land from their parents.

### **Semi-formal social security schemes**

Semi-formal social security schemes have achieved a considerable degree of success. An adult literacy centre, for example, was erected by the local women social security scheme (with local community leader support) in Thatha village, Koch parish. The same group has established livestock-rearing projects of cows, goats and rabbits and have set up a revolving fund to assist group members. Other groups have also pioneered impressive projects like that of Achi village, Jonam County. It started by contributing firewood, which was sold in Pakwach and the money kept in the pool. Such money has helped members in different ways.

The operation of semi-formal social security systems is friendly and personal (Kyomuhendo 2000). A member may seek assistance on weekends, public holidays or during the night. Benefit or relief is provided promptly, with very little or no paperwork and application procedures. The contingencies covered arise from a variety of local realities, including the death of family members, urgent and unanticipated domestic expenditure, school fees, sickness, cultural ceremonies and investment. Most schemes will not define or limit the circumstances for which funds are provided. It is because of the unique features of these schemes namely; simplicity, convenience, user-friendliness and effectiveness, that contentment among members is high (Kyomuhendo 2000).

However, semi-formal social security structures in Nebbi have weak management structures and financial basis. Although the cost of administration and management of these schemes is generally low because the executive members provide voluntary service (Kyomuhendo 2000), there is inadequate knowledge of the book-keeping, for instance, that is necessary to manage such schemes.



In addition, the financial base of most schemes is too small to address all contingencies. Schemes which pay school fees for orphans at primary level I (notwithstanding government support in form of Universal Primary Education), meet a setback when they cannot raise secondary school fees. Nevertheless, semi-formal social security systems remain popular. Some non-government organizations like CARE support such community initiatives, especially in capacity building. It is the view of the researchers that providing financial assistance in form of cash to the scheme's pool undermines the people's commitment and their ability to save. Intervention should be in terms of technical assistance, management, sensitization and investment guidelines.

### **Existing gaps in the literature**

The gaps in the literature on social security in Uganda are as follows:

- While it is known that existing formal social security systems are limited in scope and coverage and they are plagued with poor management, it is not known whether suitably reformed security systems would deliver higher levels of benefits and to whom.
- It is not known what different groups of people are doing about their social protection, in light of the turbulent history the country has experienced, the growing impoverishment and the inadequacy of the existing formal social security systems. Detailed empirical studies that will fill this gap are recommended.

### **Findings from the study**

#### ***The concept of social security***

The concept of social security in rural districts is radically different in Uganda from the Western concept. In districts where most people are smallholder peasant cultivators who do not depend for their survival entirely on a daily, weekly or monthly income, the key to this concept is solidarity. Social security is seen as an expression of solidarity in both emotional and material support. Solidarity is commonly expressed in the event of crop failure, displacement as a result of civil conflicts or other emergencies. Urban people, on the other hand, appear to conceptualize social security as a safety net.

### ***Kinds of problems that call for collective social arrangements***

From focus groups it was found that the problems were forcing communities to form collective social arrangements were, in this order:

- Sudden and unanticipated personal emergencies, particularly the death of family members and sickness.
- Life-cycle factors, particularly school fees, funerals, weddings, baptism and graduation and assisting women who have given birth.
- Impersonal crises, particularly drought and those leading to food shortage, floods or landslides.
- Structural long-term factors related to a low demand for services produced in the community, poverty, an intense seasonal demand for labour (particularly women's labour) and the lack of capital to start up or expand business.
- Collective social arrangements are thus made in the struggle for survival, to secure a certain dignity and for maintaining a minimum economic threshold against risks posed by multiple pressures.

### ***Existing social security arrangements***

The existing social security arrangements and the contingencies addressed are presented in Table I. Most people, including those benefiting from formal social security systems, depend on semi-formal and informal arrangements for their social protection. Community groups are the most prominent and widespread and the contingencies they cover vary from place to place but many individuals belong to all types of groups at the same time.

### **Formal social security systems**

The types of social security arrangements in the formal sector include the government pension scheme for government workers and the NSSF and a government-initiated occupational scheme. There are also private insurance schemes such as the health insurance scheme provided by African Air Rescue services (AAR) in Kampala.

In occupational social security systems companies which are capable of making their own retirement arrangements for their workers are exempted from participation in the National Social Security Fund e.g.

**Table I: Social security arrangements and contingencies addressed**

<b>Social Security</b>	<b>Contingency addressed</b>
1. Formal social security funds (National Social Security Fund and Pension Fund).	Retirement (loss of employment).
2. Semi-formal community membership groups.	Death of family members; taking the sick to hospital; funeral requirements; school fees; organizing functions like weddings, baptism, graduation; food shortages; capital to start or expand business; seasonal demand for (agricultural) labour
3. Kinship-based solidarity groups.	Food shortage; funeral requirements; organizing social functions; taking the sick to hospital.
4. Village residents' mutual assistance groups.	Sudden unanticipated family and community emergencies; funeral requirements; organizing functions.

banks and British American Tobacco, which have a strong financial base. As participants are dependent on job security in a specific organization, however, when their jobs are at risk then their social security arrangements are also at peril.

### **Case study I: The National Social Security Fund (NSSF)**

The Social Security Act was established in 1967 and enforced in 1968. Under this Act, the employers contributed Ushs. 40 and employees Ushs. 40 per month. The Social Security Act 21 of 1967 and the Social Security (Amendment) Decree 33 of 1972 were repealed with the establishment of the National Social Security Fund (NSSF) Act of 1985. This Act required employers to register their organizations when they employed more than five people. All employees between the age of 16 and 55 years were to be members of the NSSF. The Act requires a total

contribution of 15% of an employee's monthly wages, 10% from the employer and 5% from the employee. NSSF is a national saving scheme for workers and provides benefits to cover contingencies such as old age, invalidity and death.

### ***Qualifying employer registration***

A qualifying employer registers by completing the National Social Security Fund Registration form and is issued with a certificate of registration, the SF.2. At the time of registration, members must put their right thumbprint in the space provided on the SF.3/4 card, whether they can write or not. When claiming benefits members are required to place the same thumbprint on the claim form which is then compared with the master card. They must be identical in order for benefits to be paid. It is, therefore, important that a clear thumbprint is provided.

### ***The National Social Security Fund pays the following benefits:***

Age benefit: payable to members who have attained the age of 55 years, whether they are still working or not.

- Withdrawal benefit: payable to a member aged 50 years who has been out of work for a period of 12 months.
- Invalidity benefit: payable to members so disabled and incapacitated that they are unable to work as a result.
- Survivors benefit: payable when a member dies. Wives, husbands and dependant children have a priority claim.
- Emigration grant: payable to the member who is leaving the country permanently. The amount payable is normally the whole balance in the member's account, including all contributions paid by the employer and member, plus interest.

Under the Act the following people are exempt from the National Social Security Fund legal requirements: members of the government pension scheme and the Army, the Police Force and prisons' and teachers' pension schemes.

The resource base of NSSF widened when it became a corporation recently. It bought 16 houses in Bukoto which it rents mainly to

expatriates. It has 36 mansions and 18 houses in Namuwongo Lower Estate, each rented at Ushs. 200,000 per month. It has deposits in Stanbic Bank and investments in the Workers House, a commercial multistoried building in Kampala.

### ***Constraints***

NSSF in Uganda in general and Kampala District, in particular, is constrained by the following factors. Employers often understate the workers' salary in NSSF schedules in order to remit less money and divert the difference for their private, personal use. Poor record-keeping also constrains NSSF operations as employers do not keep information in acceptable ways. In some cases the documents on which they register employee's names, ages, numbers and other information are lost. So, when filling in the NSSF S.F. 3/4 card, they may misquote the dates of birth and it becomes hard to process claims.

Similarly, some people resist contributing to NSSF because they believe they will not reach the age of 55 years for their age benefits claims. People are not interested in the other claims offered like the survivors, withdrawal and invalidity benefit.

There is no comprehensive register of organizations or businesses and therefore, the identification of eligible employers proceeds by mere enquiry by NSSF field staff. This is costly for NSSF. Claims to benefits are also sometimes delayed if the information given by the employer does not correspond with that given on the original S.F. 3/4 card of the employee. This necessitates the cumbersome interviewing of the employees.

Understaffing is another constraint with inadequate numbers of field officers and supervisory staff. Kampala, for instance, has only three supervisory area managers although most of NSSF activities are concentrated in Kampala.

### **Case study II: Uganda's National Pensions Scheme**

Provisions for pensions in the public service is enshrined in Article 254 of the Constitution. The pension scheme for the civil service and local administration is administered by the Pension Act (CAP 281) and the

Pensions Regulations. The pension scheme for the military is provided for under the Armed Forces Pensions Act (CAP 298), while the urban authorities' pension schemes are administered in accordance with the Municipalities and Public Authorities Provident Fund Act (CAP 291).

### ***Pension Act (CAP 281)***

The Act provides for the granting and regulating of pensions, gratuities and annual lump sum allowances in respect of public officers in the Government of Uganda. A public officer qualifies for pension in a number of circumstances, including retirement; removal from the public service; on the attainment of 45 years of age after serving for a continuous period of ten years or more; on successful completion of 20 years of continuous service in a pensionable appointment.

Women officers who resign on, or retire with a view to, marriage are eligible for pensions if they have served for a continuous period of five years. Police and prisons officers below the ranks of Assistant Inspector and Principal Officer respectively are eligible if they have served for at least 13 years. Member of the Police Force retire on reaching 55 years of age or on completing 20 years continuous service.

### ***Developments in Uganda's National Pension Scheme***

In order to improve pensioners' benefits, in 1994 government made major amendments to the Pensions Act (CAP 281). These provided for the computation of pension whenever the salaries of serving public officers, in terms of rank and length of service, are equalled. This should increase the pension levels of older pensioners and improve their standard of living and dignity.

The implementation of the amendments was, however, delayed, mainly because government wanted to establish the number of pensioners and their service records. By the end of the financial year 1999–2000 the revalidation and recomputation exercise was complete for verified pensioners, including those who had retired in the higher salary scales. As a result their monthly pensions increased from Ushs. 50,000 to Ushs. 600,000 at the higher levels and from Ushs. 3,000 to Ushs. 80,000 at lower levels.

Between June and August 2000 inter-ministerial teams of officers were dispatched to all counties and municipalities to verify and update the

records of pensioners. The response was tremendous. Nearly 15,000 pensioners updated their life certificates and another 5,378 completed the census registration forms. The processing and analysing of data is currently underway. It is planned that by the end of December 2000, all pensioners with valid and authentic records will receive new pensions and catch up with their colleagues.

Another factor affecting pensioners is the lack of information about the basic procedures involved in pension administration. It was realized that an information manual on pensions management would be useful for stakeholders and so a Pensions Management Information manual was prepared and published by the Ministry in April 2000.

***Some of the challenges of Uganda's National Pension Scheme***

- The scheme lacks a redistributive component. The moneys obtained are a function of the last salary scale of the officer in question and length of service. Low salary payments to workers means that these pensioners also get poor benefits, perpetuating poverty. The process of securing terminal benefits is still largely initiated by the claimant, not the government.
- This leads to cases of very late claims or no claims at all, especially when the officer in question has died or retires to a remote village.
- There is often a time-lag between the time a public officers cease to receive a salary and the time they receive the gratuity.
- The pension offices and the mother ministries are centralized in Kampala city. Costly trips to Kampala by claimants militate against the objective of solving the financial problems of the pensioners.
- The process is painfully bureaucratic and irritatingly slow. Even in the advent of HIV/AIDS, no marked improvement in speed has been realized.
- Pension officers are badly understaffed.
- Excessive numbers of files and paperwork lead to the misplacement of documents. The process can only be partially computerized as some situations need human judgement.
- The centralized workload overstrains the officers and renders them liable to errors and possible misjudgement and miscalculation.

***Other challenges to formal social security***

Benefits are not paid promptly and in many cases, they are inadequate. Formal security systems promise more than they give. Absolute figures are required which take into account the value of currency and future inflation. The fragmentation of social security is another problem facing formal social security systems. When you segment you disunite. This leads to too few contributors available for each scheme. The following, for example, have their own small and unviable schemes: local government, Makerere University (with National Insurance Corporation) and the civil service with its government-funded pension scheme.

One of the key informants based in a rural district assessed the formal social security systems as follows:

---

*Government social security systems are hopeless, completely hopeless. My father worked for 27 years and on retirement he was given as his package Ushs. 25,861. Twenty-seven years for this? Hopeless! It shows that those who work hard to benefit in retirement in the Ugandan situation are fooled at the end. People who probably picked a few things [a euphemism for embezzlement] from government and built houses and bought exotic cows are now telling him, "Man, I think you are absolutely hopeless". Social security schemes are hopeless. Somebody might get Ushs. 700 as a pension: does this make sense? 700 x 12: Ushs. 8,400 for a whole year! If somebody works very hard for you and you give him Ushs. 84,000 for a whole year, this will not encourage his son to work hard himself in future. That is why you find that, when it is market day, teachers in this district are not in the classroom; they are busy in the market. Because they know that at retirement the package will be very small. Key informant, district leader.*

---

### **Semi-formal social security activities**

Semi-formal social security schemes are not recognized by government but they are recognized by the local authorities where they operate and are governed by rules and regulations that are agreed upon by their members. The struggle against poverty and other social problems in



urban areas like Kampala has led to the emergence of various semi-formal social security arrangements. These are common among low-income groups like taxi operators, guides and conductors, market vendors, hawkers and, in slum areas, sellers of local brew. Although both men and women are involved in these schemes, there is a tendency for more women than men to join, as one of the key informants said:

---

*These days things are not easy: men no longer look after their children properly. The unfortunate part of it is that more and more men are becoming unemployed and it is now the women who are the breadwinners for the family. So I advise every woman who is not a member of any scheme to join so she will have a way of providing for her family.* Women FGD.

---

### **Non-formal social security systems**

This is provided to people in need by their families, friends and neighbours, mainly for the aged and young children, especially orphans. Informal social security is strong at the level of the extended family. The family used to help in the inheritance of the widow on the death of her husband, but this practice is being discontinued because of AIDS. When Western education was introduced people tried to invest in their children, especially their education, but this has been found to be an unsound investment. It appears that the more highly educated a person is, the less use is made of informal social security. Children educated up to Primary Seven tend to live near their parents and grandchildren are therefore able to take care of their grandparents. Traditional social security support has actually weakened because education and waged employment tend to take away people from their parents.

However, AIDS has created a dramatic new need for social security, especially for orphaned children. These children are cared for by the extended family who provide school fees, medical care, clothing, food and shelter. When it is not possible to house such orphans in the towns because of the limited space available, they are sent up-country

to other members of the extended family, like grandparents and financial and other support is provided from the city members of the family.

Non-governmental organizations like World Vision help to strengthen families and communities so they can look after their orphans and the elderly and other people in need. We might say, therefore, that although village rural structures are crumbling and are therefore becoming less and less reliable as safety nets, modern techniques are penetrating the countryside to strengthen families.

### ***Principles and organization of existing arrangements***

The principles behind the different groups and the way they are managed are summarized in Table II. The principles behind the different social security arrangements and the management processes influence which groups in the country are reached. In terms of coverage, the NSSF reaches a very small part of the population, consisting only of those in formal employment. Semi-formal social security covers more people because it is community-based. Almost all community members qualify for the semi-formal social security systems and they enjoy the benefits much more than those covered by NSSF because they control the principles and conditions that are applied. They are also more responsive and can react rapidly to problems and help members according to the needs of the day, unlike formal systems that operate like an obstacle course with a long series of barriers and no real guarantee of help at the end.

There is a sense of ownership of semi-formal social security systems because all members participate in decision-making and in monitoring the scheme. This rarely happens in the formal schemes because the workers are simply forced to contribute and take no decisions concerning the level of benefits paid or investment decisions. To illustrate the issues raised about the management and responsiveness of non-formal social security, a case from peri-urban Kampala is given;

---

*We come together so as to solve our problems. At first we were 10, then 20 and now we are over 30. We do not have restrictions on membership. We accept men, youth and women. We meet once*

**Table II: Principles and management of existing social security arrangements**

<b>Social Security Structure</b>	<b>Principles Type</b>	<b>Management Characteristics</b>
Formal social security funds (NSSF & Pension)	Compulsory savings by employee; providing economic protection on termination of employment.	Established by an Act of Parliament; managed by government.
Semi-formal membership community groups	Pooling together. Monthly contribution of an agreed amount of money and food during the harvest season; optional membership; addressing specific contingencies as agreed by members	Management structure with leaders elected and regulations developed by members and recognized by local councils; regulations enforced by members with sanctions agreed by members.
Kinship-based solidarity groups	Solidarity and an obligation to care for family members and relatives in times of need. Reciprocity: those faced with contingencies expect support from their kin	An informal arrangement with societal sanctions for those who fail to meet their obligations (this is becoming ineffective).
Village residents mutual assistance groups committee	Risk sharing through pooling resources; reciprocal mutual assistance.	Co-operation enforced through sanctions elected against non-compliance an elected committee of women and men in the village allocate tasks; a written constitution and regulations spell out the contributions and obligations of all adult village members.

*every week and each of us contributes Ushs. 500. If someone is unable to attend the meeting they send the money.*

*We loan out money to members, for example, to start a food-selling kiosk. A member may approach us for a loan of, say, Ushs. 30,000 to inject in his business. We normally assist such a member. But we charge a small interest so that the association does not just give out money gratis. The interest is kept in the association's account. If a member gets sick or dies, we try to help. In cases such as the imprisonment of a member, we look after their family. If a person is unemployed, he is likely to land into many problems; he is tempted to steal. But you see, if we are together, in a group like ours, such a person cannot get involved in such practices because he has colleagues he can fall back to. However if the association is financially weak, it may not adequately help a member with a problem. So our main challenge is: we need support; someone to help us.*

---

All the semi-formal social security groups visited are run by committees headed by chairpersons with their executives. They have posts like vice chairperson, general secretary, organizing secretary, purchasing secretary, treasurer and welfare officers and some also have the post of health secretary. Leaders are democratically elected and they face little competition during elections because the services they render are voluntary and hardly involve any allowances or other fringe benefits. The candidates are normally nominated and supported by all members unless proved to be incompetent. In some cases the term of office is not well defined and an officer just ceases to hold the position as a result of incompetence, old age or through resignation.

### **Observations on existing social security systems**

#### ***The viability of different social security systems***

Formal social security systems, which are employment-based and implemented on the principles of pooling resources and sharing risk, are only accessed by a small percentage of the urban population. Contributors to the fund do not participate in the decisions and management of

the investment of their funds and neither do they have the means of monitoring the activities of the fund. The NSSF generates large sums of money that do not serve the interests of the participating employees. As one key informants said,

---

*The NSSF scheme has been abused and it has also been made ineffective by other reforms. Employees' salaries are deducted but the employers do not all pay their contributions. The devaluation of the Ugandan currency made the scheme meaningless. When the scheme moved out of banking and entered real estate, the value of the fund improved but beneficiary do not know how their money is invested—it all happens far away in Kampala. As for the Pension Scheme, nobody knows how it works. Government cannot really afford gratuities to public employees and the pension paid is valueless. The pension scheme does not factor inflation into its operations.*

---

Non-formal social security arrangements serve most people in the districts the team visited and probably the whole country. Semi-formal, membership-based social security arrangements appear to be the most feasible from the perspective of the communities they serve. This view was expressed by one of the focus group members:

---

*If there were no such groups in our community, it would not have been possible for most of us to manage this far and the future is likely to remain the same. Even without considering the emergencies that happen to different families in the community, we would all be much poorer than you see now. We also get some peace of mind knowing that the groups we have paid to join will come to our aid when we fall into big trouble. Those who get too old or too sick or fail to honour their membership requirements have to ask their children to rescue them and help them to pay the membership requirements or they will be left out. That the way things are turning out. Translated from vernacular, district focus group.*

---

It was, however, observed that semi-formal social security arrangements have a weak management structure and an inadequate financial basis. While the cost of administration and management is quite low because executive services are voluntary, the knowledge of managing the schemes within the organization is limited. Bookkeeping is informal and irregular and the strategic planning skills to make the schemes economically viable are missing. The schemes depend largely on social support. While they have the potential to meet social security needs of most communities, because of their wide coverage, flexibility and being owned by the beneficiaries, their financial base is too small to create the required impact, leaving most contingencies inadequately addressed.

That having been said, there is a sense of ownership of the semi-formal social security systems because most members participate in decision making and monitoring the activities of the scheme. In the formal schemes however, this rarely happens. The informal schemes are friendlier than the NSSF, where people are forced to join.

Kinship based solidarity groups are declining in effectiveness and limited to specific contingencies, particularly those related to life cycle factors like celebrations and deaths. In some districts they also cater for sudden emergencies and food security. The strength of the extended family in providing social security has been undermined by modern life styles that are spreading to rural areas quite fast, introducing individualistic and market-centred behaviour. Increased urbanization and the poverty and death of breadwinners, mainly from AIDS, have compounded the situation. While some bond still exists between extended family members, it is becoming less obligatory for people to be responsible for financial needs of the extended family. The bond that exists is increasingly limited to affection and empathy. The potential for kinship based solidarity groups to expand into meaningful social security is therefore low.

The kinship-based social protection tends to exploit women to the benefit of other family members, without guaranteeing their own social protection. As one women's focus group observed,

---

*We find the family groups very demanding on our labour for the benefit of our husbands and in-laws. For example, in some ex-*

*tended families, orphans are distributed to different homes within the family. It is the woman who usually has to feed them, dress them and even find money to pay for their education. During celebrations when we gather together, the men provide meat and we have to do the rest. We would rather spend our energy in membership groups where there is some hope for material gain but, as you know, it is difficult to come out and say all this without being misunderstood. Translated from vernacular.*

---

Village residents' mutual assistance groups are all-embracing, operating on the premise that all households need their collective services. All adults (over 17 years old) are liable to pay contributions determined by the general assembly. All are, therefore, automatically eligible for all the welfare and insurance services provided by the organization unless they have been declared unco-operative by their peers. The performance of these organizations is good, particularly in mobilizing villages for mutual support in times of emergencies. Their coverage was also found to be quite wide in one of the four districts visited where all households have access to one of these village organizations. These groups have gradually taken on some of the judicial, administrative and even political roles of the local administration council, which are enshrined in the Local Government Act (1997). There is a need to evaluate not only their performance in this respect but also the possible area of conflict and co-operation between the two forms of village governance (formal and informal).

While this kind of organization for social security was found in one district only, it is the one with most potential to reach all community members. For that reason, we found it worthwhile to recommend a more detailed follow up to establish whether it could be supported to promote the cause of community and household social security.

### ***Problems and constraints***

Stakeholders identified severe constraints facing social security organizations. The kinship-based solidarity arrangement has been eroded by poverty and cultural change to such an extent that most people are either unable or unwilling to meet their traditional kinship obligations.

Community groups lack recognition and support from government, as well as from intermediary non-government organizations, despite repeated recommendations that they do so since the mid 1980s. The limited external resources they do get are remittances from urban migrants especially aspiring politicians and a few compassionate individuals. Their main strength is in the co-operative spirit and meeting felt needs, but rampant poverty keeps internal contributions to woefully inadequate levels. Low levels of literacy limit members' organizational capacities and functional literacy programmes do not exist.

Many members find it difficult to meet their contributions, partly because of poverty but also because of alternative demands on their labour and funds. At the same time, the demand for social security services has expanded rapidly due to diseases (especially malaria, HIV/AIDS, sleeping sickness) and the high cost of living. Among these expenses are the cost recovery measures demanded for social services, the increased monetization of the economy and their own increasingly limited cash opportunities, together with natural misfortunes such as El Nino, drought and famine.

### ***Perceived solutions and prospects***

Stakeholders are unanimous that the government must recognize its responsibility for the social security of the family by putting in place appropriate schemes. According to local authority leaders and administrators at district level, the current Poverty Eradication Action Plan has failed to appreciate and address the nature and magnitude of this problem. Communities wonder how government can claim to be fighting poverty when it neglects community-based organizations which are the frontline organizations in the struggle. Many members of the community recognize that intermediary non-government organizations should focus on activities from which community members are likely to reap tangible benefits.

The prospects for improving social security services will depend largely on support services targeting grassroots self-help community-based organizations. What is required is the strengthening of their social and institutional capacity and focusing on poverty eradication through these organizations. Liberalized markets will not fill this gap without massive subsidies.



### ***Distinctions***

From the presentations made by the different groups that were consulted, a number of distinctions between social security schemes, systems and organizations were made, as follows:

- **A scheme** is perceived as a specific arrangement (with facilities and procedures mutually agreed by suppliers and beneficiaries) designed to address a specific set of contingencies (such as famine relief, medical support, funeral services, seasonal mutual labour transfers and reciprocal consumption loans). Such schemes and services may be organized or rendered by a wide range of community-based organizations but they are not all social security systems.
- **An organization** was said to be an arrangement such as a community-based organization which may be providing social welfare or development services.
- For an arrangement to qualify as a **social security system**, it should have clear criteria for membership, it should be long-term and not ad hoc, with a system that is operational and a clear management structure, based on contributions and backed by law and policy. If these criteria are followed, very few of the current arrangements can be called social security systems.

### ***Distinguishing the roles of stakeholders***

The roles of all stakeholders in the business of providing social security services at household, community and local government council levels must be identified. Field experience illustrates that communities represent the principle strategic response to the rising demands of rural households for social security. There is lack of specific State support for social security at community level and therefore an explicit development programme targeting the social security dimension of family welfare and poverty eradication is needed.

### ***Policy implications***

#### ***On local governance and decentralization***

It is understood that sub-counties will be allocated funds for their development plans as components of the District Development Plans. This provides an opportunity for targeting poverty eradication through

social security by supporting at least two community-based organizations in each parish. This will promote social security schemes and capacity building.

Using community-wide village residents' mutual assistance groups as the grassroots organizations for social security support to households will maximize poverty targeting. Ways and means for integrating the community-wide social security arrangements with the local council system should be identified. Feasible intermediary community-based organizations need to be identified and developed as channels for social security support.

### ***Market liberalization and community participation.***

Important roles have been identified for collective community action in natural resource management, education development and primary healthcare, among others, but the currently effective and operational community action groups for social security have been neglected. This is a major inconsistency in government service delivery systems, which is very difficult to justify and defend. It gives the impression of a government that is not really committed to its own declared goal of poverty eradication and broadbased economic growth. There is a strong need to shift towards a community-focused Poverty Eradication Action Plan (PEAP) while retaining a market-oriented growth promotion strategy under market liberalization. Growth policies must recognize the limits to liberalization, which ignores support to collective action of both market enterprises and communities.

### ***Employment creation and social safety nets.***

The key to the creation of employment and social safety nets is a social development strategy that seeks to expand and deepen the space for collective action in the medium and long-term concern for social security. Besides enhancing self-help efforts for community safety nets and household initiatives, it will improve access to external funds, thereby spreading effective demand for goods and services. In particular, it will spread existing and innovative financial services related to social security provision (micro-finance) as well as economic infrastructure (such as communication and power).

### ***Researchers' views***

We have noted the lack of an appropriate conceptual framework for defining and identifying the various types of social security services (products) provided to the rural population. It is clear that the ILO definition of social security referring to "statutory provision" for employed persons alone is inadequate and, indeed, inappropriate for rural areas. The relevant concept has to embrace both financial and non-monetary services as well as informal and semi-formal arrangements, as exemplified by operations of village residents' organizations.

The World Bank has supported the policy of building social safety nets but this strategy has not been concretized in specific measures. Their neglect of community-based organizations that are trying to fill this wide gap is clear evidence of their lack of commitment to such a programme. Indeed, the Community Trust proposed in the budget of 1991 as a support mechanism for such community-based organizations was shelved, probably due to the over-emphasis (and the over-valuation) of the liberalization strategy.

Development of social security systems in rural areas, whether as social safety nets or as investments in social and human capital, is central to the poverty eradication strategy in rural areas. It must be noted that social and institutional capacity building for collective action and human development requires different types (or baskets) of instruments compared with the capacity building of liberalized markets.

District development plans depend heavily on external resources from donors, non-government organizations and central government. Support to semi-formal social security will depend on the sensitivity of development programmes to social security concerns. This points to the importance of targeting social security services in the macro-economic policy framework and social sector development programmes.

## References

Fultz, E. 1997. *Social Security for Rural Households: Problems, Challenges and Prospects*, Occasional Paper, Harare, ILO