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**The relevance of local structures for economic multiplier effects  
of social pensions in Uganda**

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UNU-MERIT Working Paper

**The relevance of local structures for economic multiplier effects of social pensions in Uganda**

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## **Abstract**

This paper provides insights into the differences in economic multiplier effects of Social Cash Transfers in unequal structural settings. Using a qualitative approach and the case of Uganda's Senior Citizens Grant (SCG), the paper confirms that there are considerable differences in the scope of economic multipliers 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 lucrative 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 at times growth-enhancing structures and services remain entirely absent. The paper concludes that the expansion of SCTs in low-income countries should be accompanied by measures that reduce pre-existing structural inequalities across areas.

**Keywords:** Social pension, cash transfer, economic multiplier, Sub-Sahara Africa, Uganda

**JEL codes:** H53, H55, I38

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# 1 Introduction

One of the key arguments in support of the introduction and extension of social cash transfers (SCT) in low income countries relates to economic multiplier effects. These effects link SCTs with economic growth at the meso level, one of the pathways identified by Alderman and Yemtsov (2012). SCT recipients spend the cash locally thereby increasing demand for goods and services and contributing to the productivity of the local community. The existence of local multiplier effects has been confirmed for SCTs in several countries in Sub-Saharan Africa (see e.g. Filipinski, et al., 2015; Thome et al, 2013; Taylor et al., 2016). They range between 1.3 and 2.5, which implies that every dollar invested in a poor household translates into an increase of total community income of more than one dollar (Taylor et al., 2016). Yet, the extent and magnitude to which SCTs generate multiplier effects depends on the local structural context and may vary considerably across communities.

This paper contributes towards the evidence base on the differences in economic impacts of SCTs in unequal structural settings in low income countries. It is a timely contribution given the vast expansion of these interventions in recent years. SCTs are now implemented in different geographical areas with often sharply unequal structural circumstances. These structural settings influence the ways people generate their livelihoods and consequently the potential of SCTs to contribute to economic growth. The existing evidence base on the impacts of SCTs has so far largely ignored the structural circumstances in which interventions are implemented. The main focus of the existing literature is on providing evidence on the overall effectiveness of SCTs at the aggregate level using large-scale quantitative methods.

This paper acknowledges that the economic contribution of any intervention depends on the structural circumstances in which people generate their livelihoods – including among others transport and communication services, credit facilities and market access. Given the expansion of SCTs to structurally different geographic areas, there is a need to adopt a disaggregated lens that captures the workings of social protection interventions within their wider structural context. In order to fully capitalise on the economic impacts of SCTs, understanding whether and to what extent the effects of SCTs depend on the structural context is essential. This will allow policy makers to strengthen the potential of SCTs by addressing structural constraints.

Therefore, this paper focuses on the following question: under what structural conditions can SCTs generate local multiplier effects? It contributes to the broader discussion regarding the link between social protection and inclusive economic growth. The paper utilises a SCT intervention

in Uganda as a case study. Specifically, it focuses on the complex local circumstances under which SCTs are introduced and which may increase or constrain its economic impacts. Uganda constitutes an ideal case given the existence of unequal structural circumstances across the country and the recent government decision to expand the Senior Citizens Grant (SCG) to all Ugandan districts. The SCG is a universal social pension that is targeted at every Ugandan above the age of 65<sup>3</sup>.

Kuss, Llewelin and Gassmann (*forthcoming*) confirm that structural circumstances across Uganda shape the economic outcomes of SCTs for recipients. Specifically, they find that in integrated areas well-endowed with infrastructure and services, the SCG predominantly impacts recipients in a livelihood-promoting manner, while in remote areas with limited access to markets and services the SCG supports recipients in a livelihood-protecting manner. This is partly expected given that social pension recipients are older and often labour constrained. The study also confirms that even in integrated areas recipients are at times unable to utilise the available infrastructure and services to promote their livelihoods because of limitations associated with their old age and fragility.

In order to fully understand the economic impacts of the SCG in areas with different structural circumstances, this paper looks beyond the direct impacts of the intervention on recipients and instead focuses on the effects of the SCG on non-recipients as well as on structures and services for the wider community. The overall argument advanced in this paper is that the structural context matters for the likelihood and extent of local multiplier effects of SCTs.

This paper contributes to the literature in the following ways: First, it substantiates the need to account for different local settings when analysing outcomes of SCT programmes. Second, it provides new qualitative data on the relevance of SCTs for local communities in Uganda, in particular from the perspective of non-recipients. The analysis uses primary qualitative data collected in structurally different localities. Third, the paper provides evidence of the difference in local economic multiplier effects of a SCT in unequal structural settings. People living in integrated areas are in a better position to make profitable investments in response to the increased demand of SCG recipients for certain goods and services. In contrast, people in remote areas are merely benefiting from the SCG when low or no investments are required to access secondary benefits of the SCG. Overall, the paper shows that the SCG is able to improve already existing growth mediating and livelihood structures for all community members living in integrated and remote areas. Yet, in the absence of existing structures prior to the introduction

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<sup>3</sup> Except for the poorer Karamoja region where the age of entitlement is 60.

of the SCG, the SCG is not able to fill the gap. Hence, the structural gap between remote and integrated communities widens.

The remainder of this paper is structured as follows: the next section sets out the analytical framework that links social protection through growth-mediating processes with micro-level growth taking account of three different levels of impacts: primary impacts on recipients, secondary impacts on non-recipients, and tertiary impacts on structures and services available to all community members. The third section describes the qualitative methodology used for the analysis. The findings are presented and discussed in section four. The concluding section draws some policy conclusion.

## **2 Analytical framework**

This paper primarily considers the meso level and differences in economic multiplier effects of social protection interventions in unequal structural setting. It takes the findings of Kuss, Llewellyn and Gassmann (*forthcoming*) which focus on the differences in economic impacts on recipients (primary benefits) as a starting point for examining the differences in secondary and tertiary economic benefits in structurally unequal areas.

Social transfers can act as instruments strengthening the economic performance at the micro (household) and meso (community, region) level, thereby promoting inclusive growth and development at the macro level. The frameworks offered by Alderman and Yemtsov (2012) and Barrientos (2012) distinguish between household level, community level and macro-level in the relation between social protection and economic growth. Alderman and Yemtsov (2012) identify three transmission channels that link social protection with inclusive growth, distinguishing between household level, community level and macro-level. At the household level, recipients use social transfers for covering basic needs and investing in human capital and productive assets. At the community level, SCTs have the potential to generate local multiplier effects and contribute to infrastructure. At the macro level, social protection interventions protect aggregate demand, contribute to social cohesion and enable policy reforms.

At the household level, Kuss, Llewellyn and Gassmann (*forthcoming*) conceptualise the economic impacts of social protection on recipients using Barrientos' (2012) framework that links social transfers and micro-level growth. This framework suggests that the transmission channel from social transfers to micro-level growth consists of two main components: *growth mediating-processes* and *productive activities*. Growth-mediating processes refer to intermediate processes that impact

the ability to engage in productive activities. This includes access to credit or access to transport. Productive activities refer to activities that directly affect the growth of income of households in poverty, such as wage labour (Barrientos, 2012).

In terms of primary impacts on recipients, Barrientos' framework implies a positive relationship between social transfers and micro-level growth. It is argued that social transfers lift restrictions that previously impeded on the involvement of recipients in growth-mediating processes. Moreover, social transfers are seen to improve the engagement of recipients in productive activities (Barrientos, 2012).<sup>4</sup>

In terms of impacts on non-recipients, Barrientos' framework postulates that the effect of SCTs on non-recipients is primarily negative through taxation.<sup>5</sup> This assumption however ignores circumstances in which social transfers are funded by external donors as well as the strong evidence-base on the positive economic multiplier effects of social transfers. Specifically, for SCTs, several impact studies have established that the impact of these transfers go beyond the direct impact on recipients, but also include vital indirect impacts on non-recipients (Taylor et al., 2016; Filipski, et al., 2015; Thome et al, 2013; Ardington, et al. 2007; Posel, et al. 2006; Devereux, 2002). For instance, Taylor et al. (2016) provide strong evidence on local economic multiplier effects in a variety of countries in SSA. Their quantitative analysis based on a local economy-wide impact evaluation (LEWIE) model has shown that nominal income multipliers range from 2.52 in Hintalo in Ethiopia to 1.27 in Malawi (Taylor et al., 2016: 111).

In contrast to Barrientos' (2012) framework, the present paper considers non-recipients as indirect beneficiaries of SCTs. Specifically we distinguish between two levels of impacts on non-recipients, namely secondary and tertiary effects: *Secondary effects* are benefits for non-recipients who provide goods or services to recipients (e.g. higher profits for transport providers because of the increased demand for transport by recipients) as well as benefits for those non-recipients that share certain services with recipients ((e.g. the increase in available credit for non-recipients who participate in village saving groups together with recipients) *Tertiary effects* are defined as benefits for the wider community through the SCTs' impact on local structures and services in the communities (e.g. more available transport services for all). Figure 1 (below) illustrates the expanded framework which takes account of these secondary and tertiary benefits.

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<sup>4</sup> Barrientos (2012:12) notes that the impact on the recipient's supply of wage labour is an exception since it can also reduce as a result of receiving social transfers. This might be particularly the case with pensions given that the target group is less productive. ).

<sup>5</sup> Another potentially negative effect is inflation - if increased demand for goods and services results in higher prices.



At the aggregate level, existing impact studies provide evidence on a variety of secondary and tertiary impacts of SCTs in Uganda. In terms of secondary benefits, it has been suggested that Uganda's social pension scheme has significant spill over effects on wage labour of non-recipients because recipients are more likely to employ labour for gardening or small-scale farming (OPM, 2016; Ibrahim & Namuddu, 2014; Bukuluki & Watson, 2012; Calder & Nakafeero, 2012). Moreover, the OPM impact assessments imply that SCT recipients have improved the profits for providers of agricultural goods because they are using the money for veterinary drugs, seeds, agro-chemicals, as well as to rent land (OPM 2016 & 2015). It has also been suggested that other local business owners and service providers benefit from the increased demand for goods and services of SCT recipients (Ibrahim & Namuddu, 2014).

In terms of tertiary benefits, the OPM study finds an increase in the proportion of communities operating community-based savings and credit schemes (OPM, 2016). Moreover, it shows that the increased purchasing power among recipients means that SCTs have played a crucial role in enhancing 'the vibrancy of local markets' (ibid:61). Likewise, it has been reported that particular payment days attract traders and create new market opportunities at pay points (Bukuluki & Watson, 2012).

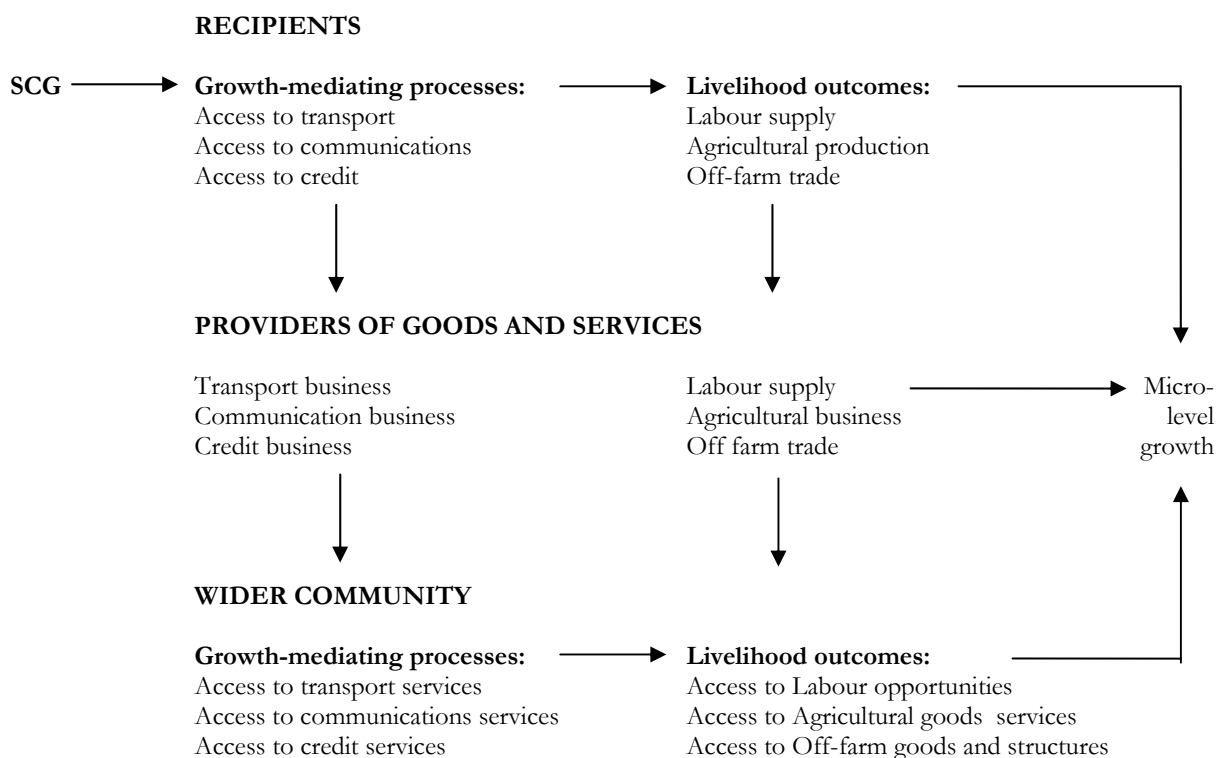
This evidence on the secondary and tertiary impacts of SCTs in Uganda may however disguise significant differences between implementation areas with unequal structural circumstances. People living in more remote areas may have fewer opportunities to engage in growth-mediating processes than people in integrated areas given their more limited access to adequate infrastructure and services— including roads and transport service, mobile phone network coverage and high-level credit facilities. Moreover, people in remote areas may be more restricted in terms of their engagement in productive activities than people in integrated areas given more limited labour opportunities, overreliance on subsistence-farming and inadequate access to markets in remote areas. These structural differences between remote and integrated areas are thus likely to influence the extent to which SCTs can contribute to growth through micro and meso level transmission channels.

In this paper, we therefore adopt a more disaggregated lens to shed light on the case of Uganda's Senior Citizens Grant (SCG). The SCG is a universal social pension targeted at old people aged

65 and above<sup>6</sup> which pays UGX 50,000 (USD 16) every two months. The scheme is currently expanded to all Ugandan districts including both more remote and more integrated areas.

In order to understand the differences in secondary and tertiary economic impacts of the SCG between structurally unequal areas, this paper applies the framework to both integrated and remote areas. We expect to find differences between remote and integrated areas regarding the potential for economic multiplier effects of the SCG. People living in remote areas are expected to benefit less from secondary and tertiary effects of the SCG compared to people in integrated areas. This would suggest that their ability to contribute to micro and meso level growth will also be restricted.

**Figure 1:** *The extended transmission channels between the SCG and micro-level growth*



Source: Own elaboration based on Barrientos (2012).

### 3 Methodology

This paper seeks to uncover under what structural conditions SCTs generate different local multiplier effects. The main research interest is thus of explorative nature. Therefore, the study relies on a qualitative research approach using primary data and a country case study. Uganda is

<sup>6</sup> In Karamoja the age of eligibility is 60 years and above due to the extreme poverty and reduced life expectancy in the region.

selected as a country case primarily because it recently announced the nation-wide expansion of its SCG programme. At the end of 2016, Uganda's SCG was implemented in 47 districts. It provided monthly transfers to 153,703 recipients of which 60 percent women. Each subsequent year the scheme will be expanded to five additional districts until national-coverage is reached (Kuss & Llewelin, 2016).

Fieldwork was conducted in four SCG parishes, of which two were considered integrated and two remote. The research sites were selected after the analysis of the SAGE community baseline survey (World Bank Microdata Library, 2012), which collected data on 399 SAGE villages spread across eight districts in Uganda. The analysis focused on those communities (198) which implemented the Senior Citizens Grant (SCG).

The criteria for selecting the field sites included in first instance four primary indicators: existence of a permanent or periodic market within the parish<sup>7</sup>; the existence of bus, taxi or matatu stop; the existence of a truck or pick-up point for inputs or produce; and the existence of a road that is accessible by motor vehicles all year round. In addition, the analysis considered the following secondary indicators: the existence of Savings and Credit Cooperatives (SACCOs), which reflects access to credit; the presence of a primary school; and the existence of health facilities. The average value of the villages in a given sub-country was used to rank the sub-counties along each primary indicator. Given the considerable heterogeneity in terms of access to different types of infrastructure within sub-counties, we then analysed average access at parish level (114 parishes with SCG villages).

**Table 1.** *Distribution of best and least access parishes by sub-county and district*

District	Parish	Sub-County	# of Parishes in Sub-county	Sub-county population *	Estimated Parish population **	Number of current SCG beneficiaries		
						Total	M	F
<b><i>Best access</i></b>								
Kyenjojo	Mukunyu	Butiiti	7	18,747	2,678	157	50	107
Moroto	Campswahili juu	South Division	2	8,435	4,218	83	42	41
Kyenjojo	Kisojo	Kisojo	6	22,075	3,679	180	65	115
Kyenjojo	Rwaitengya	Kisojo	6	22,075	3,679	114	45	69
<b><i>Least access</i></b>								

<sup>7</sup> or alternatively, permanent/periodic market within one hour walking distance.

Apac	Tel-Oro	Abongomola	6	34,249	5,708	137	60	77
Apac	Abwong	Abongomola	6	34,249	5,708	254	108	146
Apac	Akokoro	Akokoro	8	41,935	5,241	165	64	101
Katakwi	Akurao	Toroma	5	11,825	2,365	170	74	96
Apac	Apoi	Akokoro	8	41,935	5,241	137	63	74
Apac	Kungu	Akokoro	8	41,935	5,241	122	59	63

*Source: own analysis of SAGE community baseline survey. \* Provisional Results for the 2014 National Housing Census; \*\*Provisional Results for the 2014 National Housing Census do not present population data by Parish. The estimated parish population is calculated as the sub-county population size divided by the number of Parishes.*

The distribution in the table above shows that after the analysis, Kyenjojo district has three parishes ranked as having best access - two of which are in Kisojo sub-county. In terms of least access, Apac district accounts for five parishes. By estimated parish size, the parishes in both Akokoro and Abongomola sub-counties of Apac each nearly double the size of Akurao parish in Toroma sub-County in Katakwi. Apart from Mukunyu parish in Butiiti sub-county, parishes in Kisojo, Rwaitengya and Campswahili juu sub counties (except Mukunyu) also have relatively bigger populations.

Given that the best and least access parishes identified through the analysis of the SAGE community survey exceeded the target of two, further criteria were set to select the two parishes in both cases. First, if the parish was located in Karamoja, it was excluded from sampling due to its rather different economic and social environment compared to the rest of Uganda and most importantly the different SAGE targeting criteria (enrolment to SCG set at 60 years compared to 65 in other locations). Secondly, if the parish had a tarmac road nearer [or running through it] compared to the other best access parishes, it was preferred. A least access parish was excluded if it possessed characteristics that seemingly offered an economic advantage over the others in the same sub-county or district. Finally, the selection aimed to be regionally balanced.

Based on this assessment, Kisojo and Mukunyu parish in Kyenjojo district were selected as integrated study areas reflecting good structural circumstances. As remote study areas, Apoi parish in Apac district and Akurao parish in Katakwi district were selected. Fieldwork in the selected study areas was conducted between October and December 2016.

The qualitative data was collected using Focus Group Discussions (FGDs) separately with SCG recipients and non-recipients, and semi-structured interviews with local key informants. Each

FGD consisted of 9-11 participants. SCG recipients were sampled randomly based on the local SCG registry. The sampling interval was determined by dividing the number of recipients on the list by 10 (the number of FGD participants). If a selected SCG recipient could not be located (e.g. due to death or travel), he was replaced with the immediate next on the list. In terms of non-recipients, adults who lived in the third next house of the selected recipient were selected. It should be noted that non-recipients included in this study do not constitute a counterfactual as it is common in many quantitative impact assessments. Instead, they represent a group with different characteristics compared to SCG recipients (e.g. able to work, young). It is assumed that this group benefits through secondary or tertiary effects from the presence of the SCG in the parish. Given the sampling strategy for non-recipients participating in FGDs, there is potential overlap with key informants. Key informants were selected purposively based on their involvement in the administration of the SCG, local civil society organisations, local businesses or financial facilities. Given that the analysis in this paper is based on qualitative data collected in selected field sites, the external validity of the findings is to some extent limited. However, the field sites have been carefully selected and are thought to be representative for similar areas in Uganda. Moreover, it can be argued that such structural differences across communities as found in Uganda are prevalent in many other low income countries in Sub-Saharan Africa. Hence, the findings of this paper are indicative for similar contexts.

The qualitative data consists of data generated by 16 Focus Group Discussions (FGD) with recipients and non-recipients, as well as 37 semi-structured interviews with key informants from the local administrative level (11), civil society (3), the business sector (11), and the financial sector (12).

**Table 2.** *Overview FGDs*

<b>Instrument</b>	<b>Category</b>	<b>Sex</b>	<b>Kisojo integrated</b>	<b>Mukunyu integrated</b>	<b>Akurao remote</b>	<b>Apoi remote</b>	<b>Total</b>
FGD	Recipients	Men	10	10	10	10	40
		Women	11	10	10	10	41
	Non-recipients	Men	10	11	9	10	40
		Women	11	10	9	10	40

Data from FGDs and key informant interviews were analysed using a thematic analysis approach using the key themes of our research framework. As a first step of the thematic analysis process

audio records were transcribed by research assistants. As a second step we divided the transcripts into two groups – those from Mukunyo and Katakwi and those from Kisojo and Apoi – which were read and manually coded by two researchers. . The codes used largely emerged from the data in an inductive manner but were of course predetermined by the indicators of the research instruments. Thus, they largely corresponded with the key themes of the research framework. For example, the codes related to transport included boda boda, transport fee and driver; the codes related to communications included mobile phone, mobile phone credit and mobile phone charging services; the codes related to credit included village saving groups, borrowing from others, and purchasing on credit; the codes related to wage labour included agricultural labour, labour opportunities, paid for help; the codes related to agricultural production included agricultural produce, agricultural inputs and farming; and the codes related to off farm trade included among others markets, weekly markets, and trading centres.

In a third step the rich set of codes were validated by a comparison of the codes used by each researcher and clarification of their meaning. Fourthly, codes were organised in a hierarchical manner. Thus, they were clustered around the analytical themes, sub-codes identified and grouped together or codes were renamed. As a fifth step we brought the data back in and disaggregated them by remote and integrated areas. Finally the data was also disaggregated in line with the three different types of impact, namely primary, secondary and tertiary levels.

## **4 Findings**

This section presents and discusses the findings from the qualitative analysis on the differences in economic multipliers of the SCG in integrated and remote areas. It takes the findings from Kuss, Llewelin & Gassmann (*forthcoming*) on the differences in the economic effects of the SCG on recipients in structurally unequal areas as analytical starting point for understanding the channels through which economic multipliers operate. The discussion below follows the two dimensions proposed by the theoretical framework, namely growth-mediating processes and livelihood outcomes, and structures the findings around the differences in economic effects of the SCG on the recipients, secondary beneficiaries, and on available structures and services for the wider community.

### **4.1 Growth mediating processes**

Overall, the analysis suggests that the SCG has improved already existing growth-mediating structures that are available to community members. However, the findings also show that when structures did not pre-exist, improvements have not occurred. Another important finding

presented in this section is that non-recipients in integrated areas were better able to access the secondary benefits of the SCG than non-recipients in remote areas. Table 3 at the end of this section provides a detailed breakdown of the impacts of the SCG on growth-mediating processes for recipients, secondary benefits for non-recipients, and available community structures and services for the wider community in remote and integrated areas.

#### **4.1.1 Access to transport services**

Kuss, Llewelin & Gassmann (*forthcoming*) find that SCG recipients in both remote and integrated areas were better able to access transport services. The improved ability to access transport services was particularly important for recipients in remote areas in order to access markets as well as SCG pay points. Yet, recipients in remote areas were found to be disadvantaged in comparison to their peers in integrated areas because transport was considerably more expensive given the long distances transport was needed for. Overall, especially recipients in remote areas felt that the SCG made important contributions towards their increased mobility.

The increased demand for transport services by recipients in both integrated and remote areas had positive impacts on transport service providers. Specifically, the drivers of hired motorcycles – locally known as boda-boda – were perceived to indirectly benefit from the SCG since boda-boda constitutes the main means of transport in rural Uganda. Key informants emphasised that specifically during SCG paydays boda-boda drivers benefited given the increased demand for transport services by recipients to access the SCG pay points. This is illustrated by the following quote of a key informant: *‘During pay day when these elderly persons get money, these boda-boda men make a lot of money picking these elderly persons from their homes bring them up to the pay point and taking them back’* (key informant in remote study area). Moreover, it was reported that often boda-boda drivers increased the transport fee during pay days in order to make additional profits from the recipients. This would support the argument that cash transfers can stimulate inflation, thereby reducing the positive effect on the (local) economy (see Taylor et al., 2016). This was noticed in both integrated and remote areas. Yet, the secondary benefits were perceived to be particularly high for boda-boda drivers in remote areas given the longer distances involved in accessing pay points and the lack of alternative means of transport for recipients.

While in both areas respondents<sup>8</sup> perceived that boda-boda operators benefited from the SCG, some respondents noticed a difference in the origin of non-recipients working as transport providers in remote and integrated areas. In remote areas, boda-boda operators from more integrated areas were coming to the communities to provide transport services. This was

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<sup>8</sup> The term ‘respondents’ includes both FGD participants and key informants.

observed in particular on pay days as explained by a participant of a non-recipient FGD in a remote study area: *'these boda-boda they are not from this place. They show up on pay days. Then we wonder where they come from'* (non-recipient FGD participant in remote study area). In integrated areas, on the other hand, local non-recipients were reported to switch their main income-generating activities in order to benefit from the SCG. This is illustrated by the following quote of a key informant from an integrated study site: *'the youth used to do farming at home but when SAGE came in, they bought boda-bodas and target the recipients, especially on the pay day'* (key informant interview in integrated area). These reports suggest that transport service providers in integrated areas were in a better position to reap the indirect benefits of the SCG.

The qualitative findings indicate that the indirect benefits for transport service providers resulted in important improvements in access to transport services in both integrated and remote areas. These improvements benefited the entire community - both recipients and non-recipients. These changes were however perceived to be particularly important in remote areas where transport services were previously rather limited. This is illustrated by the following quote of a key informant business operator in a remote area: *'if the morning truck leaves you, then you will either have to wait till mid-day for the next one or if you are in a hurry you will hire a boda-boda'* (business operator in remote study area).

#### **4.1.2 Access to communication services**

In terms of impacts on recipient's access to communications, Kuss, Llewelin & Gassmann (*forthcoming*) reveal a substantial difference between the impact of the SCG on recipient's access to communication services in remote and integrated areas. Recipients in integrated areas were reported to have increased their use of mobile phones upon receiving the SCG. The improved access to communication services was an important means for engaging in trading activities. In contrast, the SCG did not increase the use of mobile phones among recipients in remote areas, which is most probably due to the limited phone network coverage in the remote study areas.

The unequal impacts on the demand for communication services in remote and integrated areas is reflected in the differences in secondary benefits of the SCG on non-recipients engaged in communication businesses. Given the reported increase in demand for communication services in integrated areas, respondents saw operators of communication businesses indirectly benefiting from the SCG. They reported that the effects were particularly positive for the businesses of those people engaged in selling credit for mobile phones, offering mobile phone charging services, or repairing mobile phones. In contrast, in remote areas the demand for mobile phone services was not perceived to have increased as a result of the introduction of the SCG.



Consequently, most respondents in remote areas also did not perceive that communication service providers benefited indirectly from the SCG.

In terms of effects for the whole community, the differences in the SCG's positive impacts on non-recipient's mobile phone businesses were mirrored at community level. In integrated areas the SCG was seen to have contributed to a further improvement of the available communication services for community members. Respondents reported to be able to access mobile phone credit fairly easily and at relatively low cost. Moreover, community members were also able to easily access a variety of mobile phone charging facilities including facilities connected to the main electricity grid at a lower price; and facilities using solar panels at a higher price. In contrast, in remote areas the introduction of the SCG was not perceived to have changed existing communication services. Respondents felt rather disadvantaged in terms of accessing communication services and infrastructure. Besides the limited network coverage, credit for mobile phones was reported to be often scarce as well as considerably more expensive. Moreover, respondents emphasised the higher costs involved in charging mobile phones given the absence of facilities connected to the main electricity grid and the more expensive facilities using solar panels. The observed difference in indirect benefits of the SCG for the wider community suggests that in the case of communication services the SCG even contributed to widening the pre-existing gap between integrated and remote areas.

#### **4.1.3 Access to credit services**

According to Kuss, Llewelin & Gassmann (*forthcoming*), the SCG improved the access to low level credit facilities for recipients in both remote and integrated areas. These include saving and borrowing from village saving groups, borrowing from fellow recipients, or purchasing on credit from shop owners and service providers (e.g. health workers). Despite the availability of higher level savings facilities, such as SACCOs or mobile money services, which offer better credit conditions in integrated areas (e.g. better interest rates or safer facilities), SCG beneficiaries in integrated areas used low level credit options just like their counterparts in remote areas - for the simple reason that these services were equally inaccessible for most recipients in integrated areas because of their age, fragility, or limited and bi-monthly income base.

The improved access to low level credit facilities for recipients in remote and integrated areas translated into two main secondary benefits for non-recipients living in these communities. Firstly, it increased the access to credit for non-recipients participating in low level credit options such as village saving groups or borrowing from recipients in both integrated and remote areas. Non-recipients participating in village saving groups valued recipients as safe saving partners

who were able to pay back loans from their SCG payment. Moreover, the participation of recipients raised the amount of money that the saving schemes collected and made available for borrowing. This increase in savings was seen to have enabled more people to borrow money as illustrated by the following quote of a key informant in a remote study area: *Old people now also get some money and that makes access to credit easier for all parties of the saving scheme, because we have more money* (key informant in remote study area).

In addition, non-recipients reported to be able to borrow money from individual recipients outside of a saving scheme. They valued this new source of support. This is illustrated by the following quote from an interview with a business operator in a remote study area: *Even non recipients can now borrow money from recipients because at least now they have money. Unlike those days, old people are now also able to lend money to other people* (key informant in remote study area).

Secondly, the improved access to low level credit facilities by recipients in remote and integrated areas also unravelled indirect benefits for non-recipients selling lower-value goods (e.g. petty trade items). In both areas non-recipients engaged in these businesses reported to allow recipients to buy on credit because they trusted the recipients to pay back their loan from the next SCG payment. In terms of secondary benefits for providers of higher-value goods and services (e.g. livestock or health care), the findings however point at a difference between integrated and remote areas. Due to the limited supply of higher-value goods and services in remote areas, recipients from remote areas wanting to invest their savings in higher value goods have to refer to providers in more integrated areas where these goods and services are available. This suggests that business owners and service providers in integrated areas benefit relatively more from the SCG than those in remote areas.

The improved access to low-level credit options for recipients and non-recipients translated into an overall increase in the availability of low-level credit options in both integrated and remote communities. In both areas the number of village saving groups and the number of individuals a person was able to borrow from increased because of the introduction of the SCG. Moreover, the increased profits of providers of low and high-level goods and services in integrated areas were associated with an increase in saving practices and improvement of high-level credit facilities which were only available in integrated areas. SACCO operators in integrated areas reported that business owners were more frequently saving with SACCO services because of their higher profits. As a result, more savings accounts were opened and the overall amount of savings increased. Moreover, an increase in demand for mobile money services by non-recipients in integrated areas was seen to have resulted in the opening of new mobile money shops in

integrated areas. In contrast, in remote areas these higher level credit options remained unavailable. Hence, in terms of access to higher level credit facilities, the SCG appeared to have further increased the structural inequalities between remote and integrated areas.

This section has analysed the SCG’s impacts on growth-mediating processes of community members in integrated and remote areas. Table 3 below summarises the findings distinguishing between remote and integrated areas. With respect to *transport services*, the SCG resulted in improved services for community members in both integrated and remote areas. However, even in remote areas these structural improvements were largely owed to transport providers from more integrated areas. This suggests that entrepreneurs from better integrated areas were better able to access the secondary benefit of the SCG than people from remote areas.

With respect to *communication services*, the analysis revealed significant pre-existing structural differences between remote and integrated areas with remote areas not being connected to the mobile phone network. Hence, the introduction of the SCG did not lead to an improvement of communication services in remote areas. Rather, the SCG contributed to widening the structural gap between remote and integrated areas given that the availability of communication services further improved in integrated areas after the introduction of the SCG.

Finally, in terms of *credit facilities*, the SCG has increased the number of already existing credit sources for all community members in remote and integrated areas. The SCG literally brought cash into the communities and increased the income of recipients and the profit made by shop owners and service providers. Particularly providers of higher value goods and services, which were commonly based in more integrated areas, reported to strongly benefit from the increased demand by recipients. Moreover, in integrated areas, the introduction of the SCG was seen to have indirectly strengthened credit facilities which provide better credit conditions (e.g. SACCOs), even though they were inaccessible for most recipients due to their age and limited income-base. Hence, with respect to higher level credit facilities the SCG appeared to have further increased the structural inequalities between remote and integrated areas.

**Table 3.** Overview of perceived SCG impacts on growth mediating processes

		<b>Impacts on recipients</b> <i>(primary benefits)</i>	<b>Impacts on non-recipients</b> <i>(secondary benefits)</i>	<b>Impacts on services and structures for the wider community</b> <i>(tertiary benefits)</i>
<b>Access to transport services</b>	<i>Integrated areas</i>	Improved access to transport services	Improved business for transport service providers	Improved availability of transport services for all community member

	<i>Remote areas</i>	Improved access to transport service	Improved business for transport service providers from integrated areas	Improved availability of transport services for all community member
<b>Access to communication services</b>	<i>Integrated areas</i>	Improved access to communication services	Improved business for communication service providers	Improved availability of communication services for all community members
	<i>Remote areas</i>	No improvement	No improvement	No improvements
<b>Access to credit services</b>	<i>Integrated areas</i>	Improved access to low level credit options	Improved access to credit for participants of low level credit option	Improved availability of low and high level credit option for all community member
	<i>Remote areas</i>	Improved access to low level credit options	Improved access to credit for participants of low level credit options	Improved availability of low level credit option for all community member

*Source: Authors compilation*

## 4.2 Livelihood activities

The main argument of this section is that the SCG improved already existing livelihood structures. Yet, we found that in areas where such livelihood structures did not pre-exist, the SCG had not contributed towards generating new structures. Similar to the previous section on growth-mediating processes, this section argues that overall non-recipients in integrated areas were better able to reap secondary benefits of the SCG. Table 4 at the end of the section summarises the findings in terms of livelihood outcomes for recipients, secondary beneficiaries, as well as community structures and services for the wider community in remote and integrated areas.

### 4.2.1 Wage labour

Kuss, Llewelin & Gassmann (*forthcoming*) conclude that recipients in both remote and integrated areas have reduced their engagement in wage labour activities as a result of receiving the SCG. However, when considering the entire household, the intra-household labour allocation seemed to have changed in remote areas because other household members have increased their wage labour activities. It appeared that recipient households in remote areas depended more on wage labour as a key source of income than recipient households in integrated areas.

The reduced engagement of recipients in wage labour in remote and integrated areas was found to have positive effects for other workers in these areas. Interviewed labourers reported that it became easier to find work because of the reduced labour supply of SCG recipients. This is illustrated by the following quote of a labourer from an integrated study side: *‘We have more labour*

*opportunities because old people have stopped competing with us*” (non-recipient FGD participant in integrated study area). Despite the reduced engagement by SCG recipients on the local labour market, the qualitative findings hint at an increase in labour supply in both integrated and remote areas. This is expressed in the following quote of a non-recipient in an integrated study area: *‘Now there are many casual labourers in our parish because they know there is money, and jobs are available’* (non-recipient FGD participant in integrated study area).

The increase in labourers in the communities was however not perceived as a problem because it was accompanied by an increase in labour demand, reflecting a structural change in the communities. Respondents in both areas reported that recipients offered wage labour opportunities. This structural change is expressed in the following quote of a wage labourer in an integrated study area: *‘I did not work for them before they received the SCT. How could we work for them? They did not have money! ... They would request help from you to come and do a certain kind of work, but you refuse to help. But now we are begging to work for them because they can pay’* (non-recipient FGD participant in integrated study area). Working for recipients was appreciated by labourers because the payment was assured as expressed in a key informant interview with a political leader in a remote study site: *‘non-recipients want to work for recipients because they know they will be paid’* (key informant interview in remote study area). This structural change in terms of labour opportunities was identified as particularly important by respondents in remote areas. This is not surprising given the stronger reliance on wage labour as main source of livelihood as well as the limited alternative income sources.

#### ***4.2.2 Agricultural production***

With respect to agricultural production, Kuss, Llewelin & Gassmann (*forthcoming*) indicate that recipients in both remote and integrated areas increased their agricultural production following the enrolment in the SCG. However, unlike recipients in integrated areas, recipients in remote areas felt somewhat disadvantaged regarding their ability to engage in agricultural productions due to limitations in terms of their ability to hire labour, to access agricultural inputs, and to access markets to sell the produce.

Overall the process of improving the agricultural production by recipients in remote and integrated areas had positive effects for providers of goods and services. In terms of *labour*, in both areas agricultural labourers benefited indirectly from the SCG due to the increased demand for their services (see section 4.2.1). In particular in remote areas labourers could at times even demand a higher wage as implied by complaints among recipients from remote areas about price increases for the service of labourers. Similar complaints were not reported in integrated areas.

In terms of *agricultural inputs*, the qualitative findings imply a difference in terms of secondary benefits in remote and integrated areas. While in remote areas input sellers were largely absent, input sellers in integrated areas reported increased profits due to an increase in demand for inputs by recipients. This is illustrated in the following quote of an input seller in an integrated study area: *“This one I say with a lot of confidence, the demand [for inputs] is higher. Before, my customers were not the elderly, but middle-aged men, and the youth. When SAGE came in, the elderly became more interested in farming because they want to make use of the money”* (input seller, integrated study area). In contrast, in remote areas recipients reported that they had to travel to more integrated areas to purchase inputs. This suggests that providers of inputs in more integrated areas benefited even more given the demand for inputs from recipients in integrated as well as remote areas.

The analysis of tertiary benefits indicates that both remote and integrated communities experienced an increase in labour opportunities. Yet, this increase was of particular importance for community members in remote areas given the lack of alternative income sources.

A different story evolves for *agricultural inputs*, where the indirect benefits of the SCG occur mainly in integrated communities. The qualitative findings indicate an increase in agricultural input sellers in integrated areas following the increase in demand for these inputs by recipients from remote and integrated areas. In remote areas input sellers remained largely absent. This suggests an increase in structural inequalities between remote and integrated areas in terms of the provision of agricultural inputs.

#### **4.2.3 Off farm trade**

The qualitative findings of Kuss, Llewelin & Gassmann (*forthcoming*) indicate that recipients in integrated areas had better opportunities to engage in off farm trade, such as selling goods in nearby markets, than recipients in remote areas. Moreover, SCG recipients in integrated areas were also in a better position to buy tradable items at lower prices in markets in order to sell them at trading centres for a profit. Most recipients in remote areas did not have this option and opted to sell lower value items such as boiled eggs, cassava chips or vegetables.

The increased engagement in off-farm trade by SCG recipients did not seem to strongly affect other vendors neither in remote nor integrated areas. As such the qualitative findings do not indicate an increased competition resulting from recipients engaged in trading at market places in integrated areas or trading centres in remote areas. Neither were there specific reports about vendors benefiting specifically because of recipients purchasing trade items from them. The absence of these reports must however to be weighed against the overall increase in demand for

goods by recipients resulting in strong secondary benefits for traders in both remote and integrated areas. The overall increase in demand may explain the absence of complaints about competition.

The presence of the SCG manifests itself in a variety of ways how trading facilities in remote and integrated communities have changed, including regular markets, temporary markets and trading centres. In terms of *regular markets*, the introduction of the SCG in the communities was reported to have strengthened already existing weekly markets in both remote and integrated areas. Respondents in both areas emphasised an increase in available goods as well as improvements in the market infrastructure. This is illustrated by the following quote of a key informant in a remote study area: *'The existing market is expanding. I can now see some new lockups and more being built around the market area'* (key informant in remote study area).

Respondents in both areas felt that the improvements in the weekly markets in their areas resulted from the increased purchasing power of SCG recipients. This is illustrated by the following quote of a key informant in an integrated study area: *'Before the cash transfer, old people used not to buy things from the market. But since the cash transfer, the number of customers increased because more elderly are buying'* (key informant, integrated study area). It was even reported that market vendors in both areas introduced new goods in order to cater for the specific demand of old people as illustrated by a key informant in an integrated study area: *'People used not to sale goats in the market, but they do sell them now. Also, when these old people come, they try to bring for them traditional herbs to help the elderly with diseases'* (key informant in integrated study area).

The expansion of the markets in integrated areas was not only a result of increased demand but also of an increase in supply as recipients became vendors on their own in the market. As a key informant in an integrated study area explained: *'The stalls have increased because so many old people are selling different commodities which was not the case before. Before there were a lot of spaces in the market'* (key informant in integrated study area). A similar trend was not reported in remote areas, which is consistent with the reported difference in recipient's ability to sell goods in integrated and remote markets. Moreover, new weekly markets had opened in integrated areas since the introduction of the SCG.

However, with respect to *temporary markets*, respondents in both integrated and remote areas reported that the payment of the SCG was accompanied by the opening of new markets on SCG pay days. This is illustrated by the following quote of a key informant in a remote study area: *'There are temporal markets that occur on the particular SCG payment days that attract traders and create new*

*market opportunities at pay points*' (key informant in remote study area). These temporary markets were reported to be customised to the demand of SCG recipients. Respondents noted the dominance of items such as clothes, blankets and meat.

Finally, in terms of *trading centres*, the qualitative findings suggest that both remote and integrated areas saw improvements in trading centres as a result of the introduction of the SCG. This relates to better infrastructure and the availability of more goods and, importantly, a wider variety of goods. These changes were in particular emphasised by respondents in remote areas implying a higher relative importance of these changes in remote areas. Hence, in remote communities the SCG was perceived to have brought goods closer to the communities. This is illustrated by the following quote of a key informant in a remote study area: *Now we do not have to travel to get what we need, because these trading centres have developed. They now have all basic goods which the elderly need*' (key informant in remote study area).

Overall, respondents related these improvements to the increased demand by recipients which had attracted vendors to expand their businesses at trading centres. This is illustrated by the following quote of a key informant in a remote study area: *The trading centres are picking up in terms of development because more people have opened shops to target these recipients of the SCG programme*' (key informant in remote study area).

In integrated areas respondents noted that, similar to developments in regular markets,, recipients themselves were becoming vendors at trading centres and as such contributed to the improvement of these facilities. Yet, in remote areas, respondents emphasised that most vendors of higher-level goods were non-recipients while recipients were merely engaged in petty trading. This is illustrated by the following quotes of two key informants in remote study areas: *The shop owners go and buy items in big shops and markets and they come and sell them here. But shop owners are mainly non-recipients*'; *The recipients themselves can only engage in petty trade like selling tomatoes, chicken, and food items*' (key informants in remote study area).

This section has analysed the indirect impacts of the SCG on the livelihood activities of community members living in integrated and remote areas. Table 4 summarises the key findings. With respect to *wage labour*, the analysis has shown that the SCG considerably improved wage labour opportunities for labourers in and from remote and integrated areas. Given the higher dependence on wage labour in remote areas this structural change was particularly important for people in remote areas.



In terms of *agricultural production*, our findings indicate mixed results depending on the pre-existence of agricultural structures and services at community level. In the case of agricultural wage labour, structural improvements were reported in both integrated and remote areas. Demand and supply of agricultural labour increased. These improvements were particularly welcome for people living in remote areas. However, given the lack of certain structures such as agricultural input shops in remote areas, the qualitative findings show that the SCG was not able to close the structural gap between remote and integrated areas. Rather, while such shops remained absent in remote areas, they expanded in integrated areas benefiting from the demand of recipients of both areas.

Finally, with respect to *off-farm trade*, the SCG contributed to the improvement of markets and trading centres in both integrated and remote areas. In both areas, the increased demand for goods by recipients generated positive secondary benefits for traders and hence the improvement of trading facilities.

**Table 4:** Overview of perceived SCG impacts on livelihood activities

		<b>Impacts on recipients</b> <i>(primary benefits)</i>	<b>Impacts on non-recipients</b> <i>(secondary benefits)</i>	<b>Impacts on services and structures for the wider community</b> <i>(tertiary benefits)</i>
<b>Wage labour</b>	<i>Integrated areas</i>	Reduced engagement in wage labour	Increased supply of wage labour	Increased wage labour opportunities
	<i>Remote areas</i>	Reduced engagement in wage labour by recipients, but reallocation of work to other household members	Increased supply of wage labour	Increased wage labour opportunities.
<b>Agricultural production</b>	<i>Integrated areas</i>	Increased agricultural production.	Increased supply of agricultural labour  Improved business for input sellers	Increased agricultural labour opportunities  Improved availability of agricultural input sellers for all community members
	<i>Remote areas</i>	Increased agricultural production.	Increased supply of agricultural labour and higher wages  Improved business for input sellers in integrated areas	Increased agricultural labour opportunities  No improvements in the availability of agricultural input sellers
<b>Off-farm trade</b>	<i>Integrated areas</i>	Improved off farm trade at market places	Increased profit for market vendors	Expansion of regular markets and opening of new regular markets due

	Improved off farm trade of higher value items at trading centres		increased demand and supply by recipients  Opening of new temporary markets at pay points  Expansion of trading centres due to increased demand and supply of higher value goods by recipients
<i>Remote areas</i>	No change in off farm trade at market places  Improved off farm trade for lower value trade items at trading centres	Increased profit for market vendors	Expansion of regular markets in integrated areas due to increased demand from remote recipients  Opening of new temporary markets at remote pay points  Expansion of trading centres in integrated areas due to increased demand and supply of lower value goods from remote recipients

*Source: Authors compilation*

## 5 Conclusion

The aim of this paper was to better understand the structural conditions under which universal social pensions can generate economic multiplier effects in Uganda. This question goes beyond the scope of conventional large-scale impact assessments that measure the impact of social protection intervention at the aggregate level. Instead it uses a disaggregated lens to look at the economic multipliers of SCT in areas with unequal structural circumstances. Based on a qualitative inquiry this paper confirms the existence of essential differences regarding the potential of Uganda's SCG to generate economic multiplier effects between integrated and remote areas. These differences were found at both secondary and tertiary level and for both growth-mediating processes and livelihood activities.

Specifically, the analysis showed that non-recipient community members in remote areas were less likely to benefit from the increased engagement of recipients in growth-mediating processes. Even though the demand for transport services increased, they were largely provided by transport operators from integrated areas. Given that communication services were largely

absent in remote areas, only service providers in integrated areas could benefit from the increased use of communication services by SCG recipients. Similarly, the lack of higher level credit facilities in remote areas implied that t only people in integrated areas benefited from the improved access to these services.

In terms of wider benefits on growth-mediating structures, our findings indicate that community members in remote areas were less likely to benefit from the SCG's tertiary impacts. This was because the SCG merely contributed to the improvement of already existing infrastructure and services, as in the case of transport services and village saving groups. But the SCG did not induce the set-up of new growth-mediating structures in areas where these structures did not pre-exist, as in the case of the mobile phone network. These differences suggest that the SCG can even reinforce the structural gap between areas with available and absent growth-mediating structures.

In terms of secondary benefits from the engagement of recipients in livelihood activities, the analysis suggests that non-recipient community members in remote areas are less likely to benefit from the SCG than people in integrated areas. This is in particular the case in the context of agricultural inputs. Despite the increase in demand for inputs from SCG recipients, agricultural input providers were largely absent in remote areas. The inputs had to be procured from providers in more integrated areas, which eventually benefitted from the increased demand of recipients in remote as well as recipients in integrated areas.

In terms of wider benefits on livelihood-enhancing structures at community level, our findings suggest that community members in remote areas were less likely to benefit from the SCG's tertiary impacts than community members in integrated areas. The SCG clearly has the potential to improve already existing livelihood-structures (e.g. improved wage labour opportunities and expanded trading centres), but it did not lead to the set-up of new structures in areas where these structures did not pre-exist (e.g. agricultural input shops, regular markets). Hence, the SCG could not close the structural gap in livelihood-enhancing structures between remote and integrated areas.

Overall, the analysis in this paper supports previous empirical evidence that SCTs generate local multiplier effects and, hence, contribute to inclusive economic growth through various transmission channels. Yet, our analysis has shown that the scope for multiplier effects depends on pre-existing structures at community level. Communities endowed with a certain level of infrastructure and services are in a better position to benefit from the cash entering the

community via SCTs. Communities in remote areas often lack basic infrastructure such as all-year roads or mobile network coverage. SCTs alone cannot change these shortcomings. In order to foster the potential of SCTs to generate multiplier effects in Uganda and other low income countries with SCTs, it is important to introduce complementary interventions and invest in growth-stimulating structures that provide direct benefits to more productive groups. This will enhance the ability of communities in remote areas to improve existing structures and services. Overall these 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. A more differentiated approach can help to throw light on the workings of these interventions within the wider structural context of its implementation. This focus will help to uncover future routes for policy-making and policy-coordination.

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