



Terms of Reference

Feasibility study on extension of Social Security coverage to the informal economy in Uganda by the National Social Security Fund

1. Background

Uganda started on the road to establishing a social protection system with the approval of the national social protection policy (NSPP) in 2015; accompanied by the development of the Programme Plan of Implementation (PPI) to guide the implementation of the NSPP. This policy has the mission of establishing comprehensive social protection services to address risks and vulnerabilities. Despite the high levels of poverty, only 2.9 percent of Uganda's population is covered by at least one social protection benefit, well below the African average of 17.8 per cent. Workers in the informal economy have no or limited access to social protection in Uganda. Public social protection expenditure (excluding health) on people of working age in the country is only 0.4 percent of GDP (ILO, 2019) and 0 percent in the case of children. Over 90 percent of employment in Uganda occurs in the informal sector, where fringe benefits are absent, and earnings are low and unpredictable.

The National Development Plan (NDP) III (2020-2025), under pillar 3 on Human Capital Development Programme; aims at achieving increased access by population to social protection. Government of Uganda (GoU) is already implementing programmes aimed at addressing the needs of some of the vulnerable populations. However, these programmes leave out significant numbers of the vulnerable people. This is also evidenced by the percentage of the population covered by social insurance schemes which is 5%, while percentage of population receiving direct income support is 0.5% (2018 NDP).

Under the 2016/17 national labour force survey the population of Uganda stood at 37,730,000, with the working age population at 18,843,000. The proportion of working age population to the total population stood at 49.9%. A large proportion within the working age was categorised as working at 81.1 %. The proportion of working age population in purely subsistence agriculture, forestry and fishing was 33.2 %

In terms of status in employment for the working population, paid employment was 19.5% compared to self-employment which was 74.8%, reiterating that decent work deficits, including

lack of social protection are apparent amongst the majority of the working population. A significant proportion of the working population were in the agriculture, forestry and fishing sectors at 68.3%. The education indicator shows that majority at 53.6% attained primary school education.

Regarding social insurance, only 5 percent of the working age population is contributing to the social insurance schemes. The main scheme within the social insurance framework is still the National Social Security Fund (NSSF). The NSSF provides old-age, survivors, invalidity benefits for which membership and benefit levels remain low and which awaits reform from a Provident Fund to a social insurance scheme. Social security provision under the NSSF is confined to the formal private sector employees. A considerable and increasing number of workers therefore remains outside regulated economic activities and protected employment relationships. This implies that a number of informal workers are without protection against poor working conditions, poverty and absence of social protection. Consequently, majority of the labour force in the informal economy is left unprotected from long and short-term risks due to lack of access to existing social security schemes.

Related, informal economy workers suffer from decent work deficits including lack of access to contributory and non-contributory social security schemes. Informal workers are neither covered by social assistance schemes as they do not qualify as “poor” enough, nor by the contributory social insurance system due to low contributory capacity and/or regulatory barriers. Informal workers are thus classified as the ‘missing middle’. Extending social insurance mechanisms to informal economy workers with contributory capacity would contribute to the transition to formality, while broadening the tax base and freeing resources for tax-financed benefits. Extending social protection to female and male workers in the informal economy and promoting their transition from informal to formal economy reflect recent commitments at global levels, notably through the adoption of the Social Protection Floors Recommendation, 2012 (No. 202) as well as the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). Additionally, the expansion of social protection systems, including floors, constitutes a central component of the 2030 Sustainable Development Agenda.

The current NSSF is a savings fund that does not cover the informal workers, rules and mechanisms related to registration, collection of contributions and benefits claims are not adapted to the informal economy workers’ employment arrangements, income’s levels and patterns, and relative geographic isolation from services. In the wake of the current NSSF reform discussions, this study will contribute towards informing NSSF future efforts on coverage extension through designing benefits that resonate with the social and economic characteristics and needs of informal workers.

Informed by the above narrative, the “The European Union (EU) Joint Action” - a multi-country global initiative that aims at supporting efforts towards ‘Improving Synergies between Social Protection and Public Finance Management’ with the overall objective of enhancing social protection coverage, will collaborate with the NSSF to undertake a feasibility study and analysis towards on-going efforts on identifying and developing appropriate products and benefits for increased participation of the informal economy workers in the government-led contributory schemes. The above undertaking will be critical in providing evidence to inform various stakeholder dialogues as they relate to the extension of coverage and the strategic positioning of NSSF vis-à-vis the anticipated scheme reforms.

One of the components of the Joint Action, is the improvement of innovative capacities for the expansion of social security schemes for the uncovered populations (in particular the informal economy). It is in this regard that the ILO seeks consultancy services to undertake this feasibility study that will inform future dialogues, development and designs of social security contributory systems, with focus on the informal economy; within the context of the on-going policy reform discussions.

2. Objective of the Assignment

The overall purpose of the study is to understand, in their diversity and situation, the feasibility of extending social security to informal economy workers within the ambit of analyzing appropriate benefit design in the context of short and long-term benefits for contributory social security. This study will therefore be instrumental in providing a basis to inform and guide the NSSF on plans towards development of innovations, capacities and systems for inclusive social security schemes for the uncovered population, including, stimulating discussions on options for increasing the fiscal space for the expansion of social security programmes within the reform discussions.

3. Scope of work

The consultant is expected to undertake the following tasks:

- a) Based on existing information and evidence on needs and demand for social security, arising from discussions with key stakeholders and in line with the principles of feasibility, attractiveness and affordability, design and cost two or three options of benefit packages
- b) Based on good practices from international experience, provide advice on rules governing
 - (i) registration, including aspects related to mandatory vs voluntary registration, individual vs household/group registration, windows of registration;
 - (ii) payments, including period of contribution payment and contribution rates
 - (iii) access to benefits (including waiting period and other conditions)

- c) In line with sectors that have a high degree of informality as informed by the current labour force survey, assess preference for benefit packages and associated rules, measure their willingness and capacity to pay and refine the benefit package accordingly
- d) Determine needs for co-financing and possible financing sources and modalities, with the objective to ensure financial sustainability & broad coverage
- e) Assess the current institutional and operational capacities of NSSF in relation to the envisaged role of spearheading the extension of coverage amongst informal workers
- f) Formulate recommendations to support efforts towards enhancing compliance amongst informal workers and associated policy implications
- g) Assess opportunity and feasibility of establishing partnerships with various informal workers' organizations for the distribution of the product, and determine possible roles of partners and conditions of the partnership (incl. financing arrangements)
- h) Propose possible institutional and operational arrangements for the registration of informal workers, contribution collection, benefit claims, awareness raising, complains mechanisms and enforcement, keeping in mind the need for harmonization and reduction of administrative costs both from beneficiaries and service providers
- i) Assess current NSSF institutional capacity and compatibility of the establishment of the model with the anticipated legislative reforms and with existing social security mechanisms/procedures
- j) Support towards integration of priorities for expansion of coverage for uncovered populations (informal economy) into dialogue and advocacy plans of CSOs
- k) Outline main challenges and key conditions of success for the feasibility study

4. Methodology

The methodology for the assignment shall be informed by both the desk review of all relevant documents including similar assignment previously undertaken and also interviews with identified target groups. The consultant will be expected to engage with selected informal sectors and organizations representing informal workers in the overall feasibility study whilst incorporating a gender and disability inclusion approach to this work.

Uganda has data from previously conducted labour force surveys, household income and budget surveys or similar surveys that can provide a detailed socio-economic statistical profile of the characteristics of informal economy workers. The objective of the assignment is to reflect points of view from different selected sectors and actors and present practical recommendations that key stakeholders including NSSF and government and tripartite partners can take in informing anticipated policy dialogue and formulation of coverage extension work.

The study will aim at informing development and design of innovative and attractive benefit package drawing on consultations with the target groups. This will explore possibilities of tailored old-age benefits being coupled with short term social security benefits (e.g. health including

maternity) and other incentives and services (e.g. access to credit, education etc). The design of the benefit package will be guided by the target group's preferences, as well as key principles of attractiveness (mix of benefits, portability, flexibility), feasibility (availability of quality services) and affordability. It will also pay special attention to mechanisms that will not create adverse benefits to formalization. The existence of a dual system – one for formal employees, the other for the informal workers – introduces the risk of encouraging informal employment arrangements. The lowering /subsidization of contribution rates should be considered within context of lesser benefits so as to maintain incentives to achieve higher levels of protection via full formalization. The study will also assess and identify gaps in relation to the current NSSF administrative and operational framework. Discussions with NSSF will be key. For example, an assessment on the extent to which mobile money and mobile devices solutions are seen as efficient medium to make registration and contribution collection possible even in remote places and at a reasonable cost should be considered.

The informal sector representing a significant share of workers, sufficiently organized, and for which knowledge on opportunities and challenges for extension is sound enough will be given priority in agreement with NSSF. The study sectors will be collectively agreed with key stakeholders. There are various informal workers' organizations which NSSF could already start establishing future partnerships within anticipated work on coverage extension.

Furthermore, consultations with trade unions, associations of informal economy workers, surveys of workers in the informal economy or focus group discussions with workers in the informal economy will be undertaken to ensure that priority needs of female and male workers and those with disabilities and employers are addressed.

Finally, in order to ensure active and informed participation of the different stakeholders in the consultations and reach endorsement of the report and its recommendations, the SP&PFM project will attach a particular importance in capacity building through meetings to explain international social security standards, display international experiences and unfold recommendations of the report. The staff of the SP&PFM project will support the capacity-building component.

5. Target Audience

The study is intended to provide information and recommendations to the ILO constituents. This will include relevant government ministries such as Ministry of Gender Labour and Social Development, Ministry of Finance, Planning and Economic Development, National Social Security Fund, workers' and employers' organizations, civil society as well as social protection policy makers, academics and international development partners.

6. Expected Deliverables

Under the guidance of the ILO Technical Officer, the Social Protection Specialist of the Decent Work Technical Team in Pretoria and the SOCPRO unit in Geneva, in collaboration with the NSSF, the project/consultant will deliver the following deliverables:

- a) Inception report, including proposed methodology, expected timeline
- b) Draft report of the feasibility exercise
- c) Power point presentation of the preliminary findings and recommendations to key stakeholders and partners
- d) Undertake a stakeholders validation exercise
- e) Final report covering the full scope of work
- f) Policy brief summarizing key elements of the study

7. Duration

The duration of the consultancy is 40 work days effective from the date of signing the contract.

8. Reporting

The consultant will report to the ILO Technical Officer and the Social Protection Specialist of the Decent Work Technical Team in Pretoria who will in turn liaise with the National Social Security Fund.

9. Fees and Payments

ILO terms and conditions shall apply to the payment of full fees of this assignment based on the consultant's background and experience. The payment schedule for the assignments will be as follows:

- 20% of the consultancy fee to be paid upon receipt and approval by the ILO of Product (a)
- 50% upon receipt and approval by the ILO of Products (b) and (d)
- 30% upon receipt and approval by ILO of Products (e) to (f)

10. Consultant's Profile

The contract will be awarded to a consultant with the following qualifications:

- University level academic qualifications in actuarial studies, social protection, economics, international development, or other relevant fields, or equivalent in experience.
- At least 8 years of demonstrated experiences of relevant work on similar assignments
- Experience and knowledge of working on social security in the informal economy in developing countries
- Good report writing and communication skills
- Excellent command of English, both written and spoken

11. Application Procedure

Interested consultancy firms are encouraged to submit a technical and financial proposal. The submission of the detailed technical and financial proposal should take into account the following points:

- A letter of interest stating eligibility for the assignment;
- A technical proposal and a schedule of planned activities;
- Detailed budget, indicative of all-inclusive costs for activities, including administrative fees;
- Curriculum Vitae of the consultancy firm's individual /professionals to undertake the assignment; and
- Submission of National Identity Cards for the individuals that will undertake this work
- A summary or samples of similar assignments previously undertaken.

The deadline for submission of proposals is Monday, 31st May, 2021 by 17.00hours. The proposal will be sent to klaprocurement@ilo.org . The subject of the email to be titled "Consultancy services to support Feasibility study on extension of Social Security coverage to the informal economy in Uganda by the National Social Security Fund" under the European Union funded Joint Action on "Improving synergies between Social Protection and Public Finance Management."