



Decentralized Pension Reforms in Uganda: Why the slow payment of pensioners?

OVERVIEW

Pension is a very important component of the terms and conditions of service. In accordance with the Constitution of Uganda Article 254(1) and (3), Public Officers on retirement are entitled to receive pension that is commensurate with their ranks, salary and length of service. The payments should be prompt, regular and easily accessible to the pensioners.

The Ministry of Public Service (MoPS) derives its authority from the following Legislations and Policy framework; The 1995 Constitution of the Republic of Uganda (Article 254), The Pensions Act (CAP 281), Armed Forces Pension Act (CAP 298) and Public Authorities Provident Fund Act (CAP 291), the Pensions Policy, Public Service Standing Orders and other relevant Circulars on Pension. The categories paid include traditional civil servants, teachers, Uganda People's Defence Force (UPDF) and former staff of the East African Community.

As part of the Public Finance Management reforms, Ministry of Finance, Planning and Economic Development (MFPED) decentralized pension and gratuity management to Ministries, Departments, Agencies and Local Governments (MDALGs) to address key issues of timely payments; clearance of arrears, and elimination of ghosts. However, some institutions and LGs are not paying out monthly pension and gratuity as released.

This policy brief explores the key constraining factors to pension payments.

KEY ISSUES

- Inadequate staff in human resource, finance and audit departments.
- Lack of training of auditors, accountants and designated officers in the Integrated Personnel and Payroll System (IPPS) pension modules.
- Poor records management by pensioners, MoPs and LGs.
- Delays at vote level in LGs to initiate the retirement process causing slow verification/approval of pension files at MoPS.
- Lack of timely feedback and follow up on raised queries by Human Resource Officers in LGs to MoPS and applicants.

INTRODUCTION

The Pension and Gratuity budget is entirely funded by the Government of Uganda (GoU). From July 2015, payment of pensions and gratuity was decentralized to Ministries, Agencies and LGs. This began with staff that retired in FY2014/5 and those fully decentralized in FY2015/6. Under the decentralized pension management the responsibility for approvals of payments was transferred to Accounting Officers in Ministries, Agencies and LGs. Central Government maintains its role of policy guidance, budgeting and monitoring of pension transactions. All bonafide pensioners are supposed to be paid their

pension and gratuity from votes where they retired from. The decentralized pension payment system has enhanced supervision of staff by the Accounting Officers, led to considerable clean-up of pension payrolls and establishment of clear accountability centers. The responsible officers

especially the Human Resource Officers (HROs), Internal Auditors and Accounting Officers are now held accountable on all pension related issues. The financial performance for pension and gratuity for FY 2015/6 is shown in Table 1.

Table 1: Financial Performance based on the April 2016 Payroll (Ug shs Bn)

Item	Approved Budget	Supplementary provisions	Revised Budget	Projected Annual Outturn	Releases (Q1-Q4)	Expenditure as at 31 st March, 2016 (AGOs data)
Pension	202.542	53.933	256.475	236.618	231.280	159.6
Gratuity	117.052	38.196	155.248	155.248	155.248	117.4
Total	319.595	92.129	411.723	391.866	386.528	276.5

Source: MFPED, IFMS

The performance is good but not perfect. So far, **66,017** pensioners have accessed the active monthly pension payroll. However, payment of pension and gratuity of new applicants who retired, were deleted, underpaid, retrenched before the pension decentralization reforms is not being processed on time. For example it takes an average of eight (8) months or even more for a traditional civil servant to access the active pension payroll and for teachers the period is longer because registration certificates have to be authenticated with Ministry of Education, Science, Technology and Sports before verification commences. For gratuity payment it could take two years or even more. The minimum period of pension processing should be six (6) months.

The MFPED continues to receive complaints of deletions after July 2015 and not reinstated, non-payment of new applicants, underpayments notwithstanding the guidelines on payment of pension and gratuity that were issued to Accounting Officers. In order to assess the status of payments, a circular dated 25th February, 2016 to all Accounting Officers was issued by MFPED

requesting updates of pension and gratuity for staff who retired effectively FY 2014/5. A total of **96** LGs and **29** institutions from Central Government have submitted details of gratuity amounting to **Ug shs 59,727,144, 521**.

Key Issues

Inadequate and inexperienced staff: Records available from MoLG indicate that the number of vacancies in LGs as 47 Principal Human Resource Officers; 18 Senior Human resource Officers; 50 Human Resource Officers HROs; 28 Chief Finance Officers; 41 Internal Auditors and 40 Records Officers. This is inadequate for LGs that currently exceed 100. The situation is compounded with selective recruitments of the above officers who lack technical knowledge, experience, people management and computer skills. The records management officers in LGs further lack hands-on training in records management and archiving to support the reforms. All these issues have affected timely processing of pension and gratuity in LGs.

Poor response of pensioners during the National Verification Exercise: Despite the press releases and announcements made by MFPED, some pensioners delayed to submit relevant documents required to aid the verification process; others submitted incomplete and irregular documentation; while relatives of some claimants for death gratuity were not available at the time of verification. The exercise is still ongoing. All the above issues have slowed down pension processing and payments.

Lack of adequate training in IPPS Pension Modules and Customer Care: There is lack of training in the IPPS Modules, for Auditors, Accountants and designated officers in MDALGs by MoPS and MFPED. Originally it was only the Chief Administrative Officers (CAOs), Deputy CAOs and Human Resource Officers trained in pension reforms. However, despite the training by MoPS in IPPS Modules, the data captured in some instances has errors/omissions. For example the date of first appointment is confused with the date of birth; wrong entry of titles, bank accounts, supplier numbers, salary scales; charge items; deletion of pensioners without any reason and inadequate training in customer care. All the above issues cause delays in the processing of timely pension and gratuity. Additionally, most heads of Finance and Audit departments lacked the technical and professional accounting qualifications as required by law; this compromises the quality of service delivery.

Poor Records Management in MoPS and LGs: Despite decentralization of the pension payroll, a number of pension records under MoPS are not yet decentralized on account of inadequate information. The MoPS has a centralized file tracking system in the pension registry where pension files movements are recorded and monitored. However, to date, out of 153,000 pension files only 53,000 files have been entered in the system. This makes the location of some pension files cumbersome and delays decision making during pension processing.

Most submissions from LGs lack the physical pension files to accomplish the pension and

approval of payments in the IPPS system. This is compounded by lack of adequate space for registries both in LGs and MoPS; nonfunctional records centers for semi active records and archives in LGs, retooling and demotivated registry staff both in LGs and central government.

Delay in approval/processing/validation of Pension Files: This is caused by the lengthy bureaucratic pension processes. For example a pension file moves in eight offices from the retiree to the Permanent Secretary of MoPS then finally to MFPED for payment. Additionally, the Human Resource Department in MoPS is involved in the verification of files instead of the Compensation Department which is duplication of work and it causes confusion and slows down the process. The delays are worsened by HROs in LGs who fail to initiate the retirement process early enough for timely verification. This is exacerbated by late coming and absenteeism from office without any sound reason. Delays imply that many pensioners do not appear on the monthly payrolls prepared by MoPS and have remained unpaid. The problem of delays by HROs to initiate the retirement process is in all LGs.

Lack of timely feedback and follow up by Human Resource Departments in LGs: While the reports on pension queries are generated on the IPPS pension modules by MoPS, the HROs in most LGs fail to internalize the reports and provide a feedback to the MoPS and the claimants on time which slows down the processing and payments of pension and gratuity.

Conclusion

The decentralization of pensions and gratuity to MDAs and LGs has been appreciated by various stakeholders. However, change is associated with so many challenges that have affected the timely payments of pension and gratuity of some MDAs and LGs. The delayed access to pension and gratuity is a violation of the pensioner's right. The challenges are not insurmountable.

Policy Recommendations

1. The MoPS, MoLG, and MFPED should carry out a comprehensive human resource audit of all strategic positions in LGs spearheading human resource reforms. Public Service Commission and line technical ministries should be involved in the recruitments and selection process with the district service commissions.
2. The MoPS and LGs should promptly address queries generated by IPPS pension modules particularly those related to delays in the verification and validation of pension files. A tracking system should be instituted to establish blockages in the system.
3. MoPS should carry out a business re-engineering process and separate the function of verification of pension files from Human Resource department and allocate it to only Compensation Department to address the issue of duplication of work causing delays in verification.
4. The MoPS and MFPED should develop clear communication strategies to address delayed payments arising out of queries on pension and gratuity claims.
5. The MoPS and MFPED should train Auditors, Accountants, Finance Officers and designated staff in the IPPS modules to be able to spearhead the pension reforms in LGs. In addition, continuous mentoring and coaching in IPPS modules and re-tooling of HROs should be done.

6. The MoPS, MoLG and MFPED should address the issue of records management in MoPS and LGs by revamping registries and records centers in LGs, and the pension registry in MoPS. Hands-on training in records management and archiving, retooling, scanning and computerization of all pension records and motivation of registry staff should be undertaken.
7. Accounting Officers and HROs in Ministries, Agencies and LGs who fail human resource reforms without clear reasons should be sanctioned while those who perform well be recognized.

References

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- Uganda Government Standing Orders, 2010
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- IFMS report (2015/16)

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