



CSBAG BUDGET NEWS BRIEF



218TH EDITION | 7TH - 13TH NOVEMBER 2016

Advocating for a People Centered Budget that Dignifies Humanity



Decentralization of the public-sector wage bill: Are the objectives being met?

“The Government of Uganda adopted a decentralized salary payment processing system with effect from FY 2014/15 to reduce delays in salary payment, elimination of ghost employees to save tax payer’s money. In this Edition, CSBAG shares with you the Budget Monitoring and Accountability Unit’s assessment of this reform”



Mr. Keith Muhakanizi, Permanent Secretary of the Ministry of Finance, Planning and Economic Development

Over the years, the Government of Uganda (GoU) has implemented many of Public Finance Management reforms. Some of these include; the Integrated Financial Management System (IFMS), Decentralization of the payroll processing and salary payments, and the Integrated Personnel and Payroll Management system (IPPS), among others. These are aimed at improving service delivery. The decentralization of salary payment processing system to individual government entities/Ministries, Departments, Agencies (MDAs) and Local Governments (LGs) was effected in FY2014/15.

Under this arrangement, Accounting Officers (AO) are directly responsible for the control of, and are accountable for salary payments and ultimately wage expenditure of their respective Votes. Prior to the decentralization, wage management was characterized by delayed payment of employees, persistent wage shortfalls, existence of ‘ghost’ workers, accumulation of arrears, and errors in the hitherto centralized system.

Government decentralized budgeting for and final payroll processing to the respective Accounting Officers. Decentralization has offered some remedy to earlier mentioned problems although some challenges affecting the process persist. Operational guidelines were developed and issued in accordance with Section 6(6) of the PFAA, 2003. They are being used by all Votes under the decentralized arrangement including MDAs, public universities, referral hospitals and LGs. The presence of the IFMS that is supposed to be the sole Government payment system and the introduction of the IPPS as a human resource management information system were to ease the process of decentralized salary payment through their interface. This accelerates the processing of the payroll and approval of salary payments, the detection of errors and omissions in the payroll, and strengthens the control measures of the data contained in the IPPS.

Achievement of Objectives

After one and half years (July 2014 to March 2016) of implementation of the decentralized salary reform, it is evident that some of the key objectives of the reform are being achieved. Below are the key achievements.

Timely payment of salaries: Tremendous achievement has been registered in terms of timeliness of salary payment. Majority of the employees now receive their pay between 23rd

and 28th of every month as stipulated in the guidelines for decentralized salary payment. For example, 85% of employees in LGs now receive salaries on time.

Clean-up of the payroll: A considerable number of “ghost” employees have been identified and since deleted off the payroll.

Savings on the wage bill budget: By the end of FY2014/15, UgX 449.69 bn was saved from a budget of Ug shs 2904.8 bn compared to Ug shs 66.3 bn saved from a budget of Ug shs 2196.45 bn in FY2013/14.

Timely settlement of in-year salary arrears: Accounting officers are empowered to revise the salaries of employees who may be underpaid and payments are effected. Additionally, the Accounting Officers are mandated to ensure that an employee who is recruited accesses the payroll immediately. This has enabled the settlement of most salary arrears within two (2) months from the time they are detected and confirmed as arrears.

Improved staff supervision: Accounting Officers can monitor staff performance, and thus help reduce absenteeism. For example, if a civil servant is to abscond from duty without clear reasons, the threat of actual and immediate deletion from the payroll enforces compliance. Despite the achievement of the objectives, there are still some challenges.

Key challenges in fully meeting the objectives

Manual intervention on payroll processing especially in LGs has made it difficult to eliminate multiple payments and existence of ‘ghost staff’. This is mainly attributed to the non-use of the IFMS-IPPS interface thus leading to variances in the payroll and IFMS figures. In December 2014, whereas the IPPS indicated a total payment of Ug shs 188.6 billion, the IFMS indicated Ug shs 210.6 billion.

Capacity constraints in using the IFMS mostly at the LG level. This explains why most LG Accounting Officers travel to the Ministry of Finance, Planning and Economic Development to effect payments of their respective Votes.

Wage shortfalls arising from failure to establish the right number of public servants. The Ministry of Public Service consolidates the wages of institutions because the information availed to them by the Accounting Officers during the budgeting process. However, sometimes there is underestimation of the wage by Ministry of Public Service. It is on such information that releases are made to various institutions. This leads to inadequate releases and non-payment of salaries which become arrears over time.

Internet downtime has in some cases affected the timely payment of salaries. The payment of salaries is system based (through the IFMS) which requires Internet connectivity. The absence of connectivity affects the timeliness of payments which is common in LGs.

Late payments of statutory dues like Pay As You Earn and National Social Security Fund deductions that distort payroll payment figures.

Conclusion

The decentralization of the wage payment in the public sector has largely achieved the objectives of timely payment of workers’ salaries and increased savings on the wage bill formally spent on “ghost” workers. However, the non-existence of the IFMS-IPPS interface in some institutions especially at LGs level undermines this good progress. There is urgent need to address these challenges to fully meet the reform objectives.

Policy recommendations

The Ministry of Finance should fast track the formulation of the IPPS-IFMS interface, currently being undertaken by the National Information Technology Authority –Uganda (NITA-U), to be able to eliminate manual interference with the payroll.

The MoPS and MFPED should provide refresher/continuous training and support to payroll managers at all levels. This will enhance their understanding and use of both systems in executing their duties regarding payroll management.

The MFPED and the respective Accounting Officers in MDAs/LGs should ensure that salaries to all workers and statutory deductions are paid within the specified time. This will facilitate reconciliation and clearance of unapplied Electronic Fund Transfers (EFTs) to avoid spillover effects that distort cash flow planning and hinder proper analysis of performance. The MFPED and MoPS should strengthen quarterly monitoring of the payroll and wage under the decentralized payment system.

Accounting Officers should avoid in-year recruitments which have not been provided for in the budget.

FUNDS SAVED

UGX 449.69bn

was saved by the end of FY2014/15, compared to Ug shs 66.3 bn saved in FY2013/14.

OUR WEEK IN PICTURES



CSBAG this week hosted a team to discuss human resource investment in health sector for HIV as part of the broader work on sustainable financing for health.



District Planner and CSOs from from Oyam, Gulu, Amuru, Kagadi, Agago, Lira, Mubende, Masindi, Nwoya and Apac districts interacting with the Accountability Sector Secretariat and the Commissioner Budget Policy and Evaluation on the role of CSOs in budget performance monitoring