

**Decentralized payroll management in Uganda: Why the persistent wage shortfalls?****Overview**

The Ministry of Public Service (MoPS) is mandated to develop, manage and administer human resource policies, as well as manage systems and procedures for the public service. This has led to enactment and implementation of a number of Public Financial Management and Public Sector Management (PSM) reforms which include decentralizing the payroll to individual spending entities. This initiative is implemented by MoPS, Ministry of Finance Planning and Economic Development (MFPED), Local Governments (LGs) and other Ministries, Departments and Agencies (MDAs).

Prior to decentralization of the payrolls to MDA and LGs, payrolls were characterized by delayed payments of salaries, errors, inaccuracies, and “ghost” employees.

This brief highlights trends in wage performance over the last four years, reasons for the persistent wage shortfalls in LGs and suggests policy recommendations.

**Background**

The Government of Uganda (GoU) has over the years implemented a number of Public Financial Management (PFM) 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).

With effect from financial year (FY) 2013/14, the decentralization of the payroll processing and salary payments is implemented in accordance

**Key Issues**

- There is continued submission of wage supplementary requests mostly from LGs, an indication of poor human resource forecasts by LGs, and MoPS.
- Understaffing of the human resource departments and capacity constraints affecting timely and accurate wage budget analysis.
- Lack of comprehensive analysis and use of submitted recruitment plans by the MoPS and MFPED.
- Lack of coordination between MoPS; Ministry of Health, Ministry of Education and Sports, Health Service Commission and MFPED on clearance of recruitments and funding of mostly primary health workers and secondary school teachers in LGs.

with Section 4 (1) (c) of the Public Finance and Accountability Act, 2003.

The GoU adopted a decentralized processing and payment system. This was further accelerated by the introduction of the IPPS. Under this reform, individual accounting officers are directly responsible for the control and accountability for salary processing and payments, and ultimately the wage expenditure of their respective votes. This involves budgeting, administering and payment of salaries.

As a result of this reform, there has been timely payment of salaries, and considerable clean-up of the Government payroll. That notwithstanding and despite the provisions in Section 25 of the



PFM Act (2015) and the PFM Regulations (2016) on supplementary budget and expenditure, the MFPED continues to receive

overwhelming requests for supplementary budgets especially under Wage, Pension and Gratuity as highlighted in **table 1 and figure 1**.

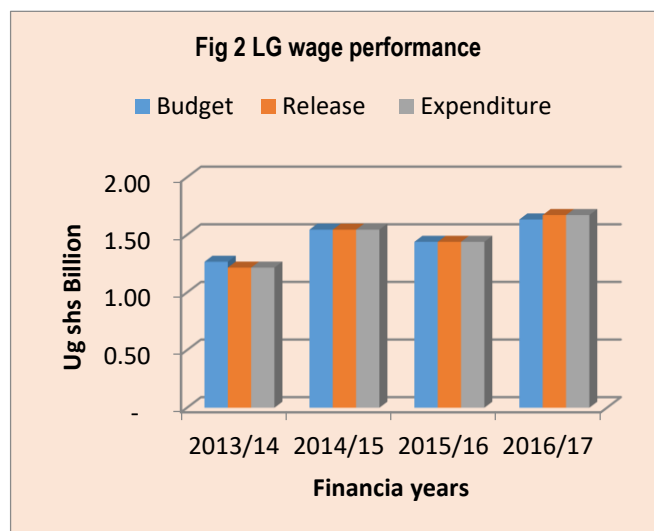
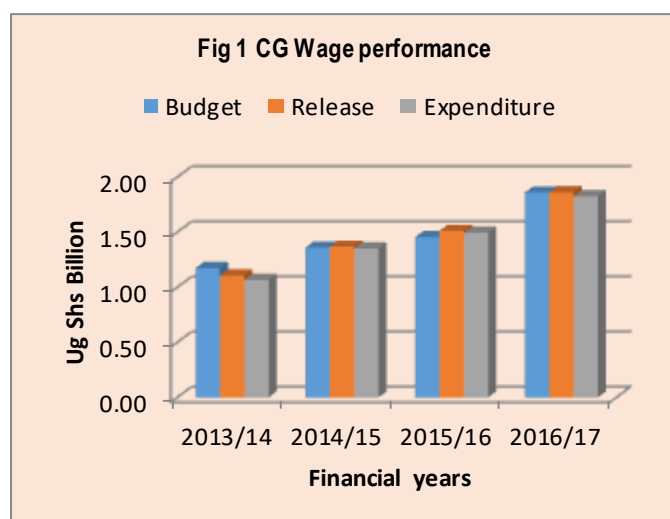
**Table 1: GoU wage performance from FY2013/14 to FY 2016/17 in Ug shs (billion)**

Financial Years	Budget (B)	Release (R)	Expenditure	Variance (R-B)	% Variance (R-B)
2013/14	2.44	2.32	2.28	-0.12	-4.8
2014/15	2.90	2.91	2.90	0.01	0.4
2015/16	2.89	2.95	2.93	0.06	2.0
2016/17	3.49	3.53	3.50	0.04	1.2

Source: IFMS data

From table 1, release and expenditure in FY 2014/15 to FY 2016/17 exceeded the budget. The variance between release and budget was Ug shs 0.01 billion (0.4%) in FY 2014/15, Ug shs 0.06 billion (2.0%) in FY 2015/16, and Ug shs 0.04 billion (1.2%) in FY 2016/17. All these point to wage shortfall resulting in supplementary requests. This is more prevalent in LGs.

**Figure 1: Central Government (CG) and Figure 2: LG Wage performance from FY2013/14 to FY 2016/17**



Source: IFMS data

From Figure 1, FYs 2014/15 and 2015/16 under CG wage performance indicate release and expenditure higher than the budget. In FY 2016/17, LG release and expenditure exceeds the budget by 2.3%. These statistics and trends point to supplementary budgeting arising out of wage shortfalls.



### Why the persistent wage shortfalls?

- **Use of wrong indicative planning figures (IPFs):** Despite the submission of recruitment plans and details of staff by LGs as required to MoPS and MFPED, these have not been honored. The MFPED has persistently used the IPFs of former months (March to May) to allocate wage for the subsequent FY. This gives wrong IPFs because some LGs are still in the recruitment processes, while in others some officers might not appear on the payroll because they were either deleted erroneously from the payrolls, interdicted and not accessed, or they have just been reinstated. This was a common complaint in all LGs sampled by the Budget Monitoring and Accountability Unit (BMAU).
- **Deliberate overpayment of staff** through connivance among finance, audit and human resource departments in some local governments resulting in wage shortfalls. This was rampant in Wakiso, Lira, Bundibugyo, Kayunga, Napak, and Nakasongola districts.
- **Inadequate training** resulting in capacity gaps of some human resource departments and planning units especially in newly created districts. This affects human resource forecasting, analysis of recruitments plans, and determination of annual and quarterly wage requirements for staff, leading to over/under-budgeting for some positions. This was evidenced in Napak, Moroto, Nakapiripirit, Bugiri, Kayunga, Rukungiri, Mukono, and Bushenyi districts.
- **High staff turnover** especially human resource officers in LGs. This has resulted in a high prevalence of acting staff who make errors in the salary processing, leading to accumulation of salary arrears. This was evident in Rukungiri, Napak, Moroto, Kayunga, Bugiri, Masaka and Nakapiripirit districts, plus Entebbe and Kira municipal councils.
- **Secondment of staff not planned and budgeted for** from district local governments to new and upgraded municipal councils. In Lugazi Municipal Council, nine (9) senior staff were seconded from Buikwe District Local Government but were not in the staff structure of the municipal council, this resulted in wage shortfalls.
- **Poor coordination** between MFPED, MoPS, Ministry of Education and Sports (MoES); Ministry of Health (MoH); Health Service Commission (HSC); Education Service Commission (ESC), and district service commissions (DSCs) in the recruitments and posting of health staff and secondary school teachers. Bukedea town council for example recruited a town clerk in FY 2016/17 without clearance from MoPS. It was also demonstrated in the transfer of a head teacher from Ngora High School to Bukedea by the education ministry, this affected the district's wage budget resulting in wage shortfalls. The problem of education transfers affected most Local Governments that registered wage shortfalls.



### Conclusion

Management of the decentralized payroll in the public service improved timeliness of wage payment despite the challenges it has faced. That notwithstanding, the persistent wage short falls arising from capacity gaps manifested as under budgeting, poor forecasting as well as poor coordination between stakeholders remains a challenge. This calls for efforts by all stakeholders to curb this vice, and ensure smooth and reconciled wage management for better public service delivery.

### Recommendations

- The MoPS and MFPED should use the recruitment plans and wage plans submitted by LGs, rather than using old records to generate the payroll. This will facilitate the elimination of wage shortfalls that occur in LGs and cause persistent arrears.
- The MFPED through the Wage and Pension Section under the Budget Directorate, in collaboration with MoPS should strengthen the quarterly monitoring of the payroll and wage under the decentralized payment system.
- The MoPS should continue conducting refresher training in payroll management for payroll managers and other stakeholders.

- The MoPS should ensure that all critical positions in the LGs are filled, especially in the human resource department. In addition, it should empower the staff to handle wage, pension, gratuity and other human resource related roles and tasks.
- The MoPS, MoH, MoES, ESC and HSC, should ensure that transfers especially in the health and education sectors are effected after ascertaining availability of vacancies and wage for the posts at the new station to avoid shortfalls.

### References

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#### For more information, contact

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