

Telephone : 256 41 4707 000
: 256 41 4232 095
Fax : 256 41 4230 163
: 256 41 4343 023
: 256 41 4341 286
Email : finance@finance.go.ug
Website : www.finance.go.ug
In any correspondence on
this subject please quote No BPD 103/132/01



Ministry of Finance, Planning &
Economic Development
Plot 2-12, Apollo Kaggwa Road
P.O. Box 8147
Kampala
Uganda

3rd August, 2021

The Hon. Minister of Public Service,
Ministry of Public Service,
KAMPALA

Dear Colleague,

DECLARATION OF ANNUAL INFLATION TO FACILITATE PENSION INDEXATION

Reference is made to a letter under Ref: COM 96/153/01 dated 31st May, 2021 from the Permanent Secretary, Ministry of Public Service seeking for a no objection to effect Pension indexation for FY 2019/20 and FY 2020/21 on the Pension payroll and further inquire about the availability of funds to meet this funding requirement.

I take note of the fact that although it is a mandatory requirement to adjust the pension payroll to capture the annual inflation rate, no adjustments have been made on the Pension payroll since FY 2018/19, yet it is a statutory obligation.

I wish to state that application of this adjustment undermines budget credibility in form of issuance of Statutory Pension budget revisions or creation and accumulation of Pension arrears in case of failure to make these adjustments, which in each case was unwarranted, had there been adequate follow up to this issue by your Ministry within the stipulated timelines in the Budget Calendar.

The purpose of this letter, therefore, is to inform you that;

- i. In order to promote Budget Credibility especially on Wage, Pension and Gratuity requirements, prior determination, planning and budgeting of such must be done at the earliest possible stage of the budget process each financial year in any case **not later than 30th December of the preceding financial year**, to ensure that this scenario never reoccurs in future.

Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

- ii. To effect the above, your submission of annual Pension estimates should take into account a 5% inflation rate projection which shall be adjusted based on the rate confirmed by UBOS before the final estimates are laid in Parliament by 1st April. Therefore, I wish to emphasize that your Ministry's submission and any adjustments for the FY 2022/23 onwards, must be included as part of the Budget approval process.
- iii. Notwithstanding the above, and given the current economic hardships being experienced by Senior Citizens like Pensioners, due to COVID-19, and the statutory nature of the expenditure, this Ministry has no objection to the adjustment of the Pension Payroll for FY 2021/22 to incorporate the annual inflation rates of the last two financial years.



Matija Kasaija (M.P)

MINISTER OF FINANCE, PLANNING & ECONOMIC DEVELOPMENT

Copy to: The Auditor General
 The Head of Public Service and Secretary to Cabinet
 The Permanent Secretary/ Secretary to the Treasury
 The Permanent Secretary, Ministry of Public Service