

**STATEMENT TO PARLIAMENT ON EMERGING ISSUES AT NATIONAL SOCIAL
SECURITY FUND (NSSF)**

BY

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MINISTER OF GENDER, LABOUR AND SOCIAL DEVELOPMENT



Rt. Hon. Speaker,

I thank you for giving me this opportunity to make a statement on this matter as to enable me to clarify several misrepresentations ongoing in Social media.

I will provide an update to you on the operations of the National Social Security Fund (NSSF), and the implementation of its new mandate as provided for in the NSSF Act, as amended.

1.0 BACKGROUND

As you might be aware, the President of the Republic of Uganda, H.E Yoweri Museveni assented to the National Social Security Fund (Amendment) Act, 2022 on the 2nd January, 2022.

The NSSF (Amendment) Act, 1/2022

The NSSF Amendment Act commenced upon publication in the Uganda Gazette on Friday 7th January, 2022 save for Section 20a (1) & (2) which commenced on 3rd March 2022 by virtue of S.1 No. 18 of 2022 (NSSF (Midterm Access to Benefits) Regulations).

- ✓ The NSSF (Amendment) Act provides for;
- i. A stakeholder Board
 - ii. Contributions by all workers irrespective of the size of the employer or number of employees
 - iii. Voluntary contributions
 - iv. Mid-term access to benefits
 - v. Use of in-house investment expertise

- vi. Introduction of additional benefits
- vii. Appointment of Statutory Officers
- viii. Offences and Penalties

Among other objectives, the Amendments are intended to;

1. *Expand Social Security Coverage*

Where Section 4 and 13 A introduced mandatory contributions by all workers regardless of the size of the enterprise or the number of employees.

In addition, the Act introduced voluntary contributions to the fund where a member can contribute over and above his/her standard contributions, and also where a self-employed person can apply and open a member's saving account to make voluntary contributions to the fund.

2. *Ensure Compliance with the Act*

With the coming into force of new amendments, it is imperative to drive compliance.

- i. The NSSF (Amendment) Act removed the requirement for a contributing employer to have 5 or more employees. The law provides that: "Every employer, irrespective of the number of employees shall register and make contributions to the fund..." (**Ref to Section 7 as amended**).
- ii. The NSSF (Amendment) Act also introduced a new category of members under voluntary registration and contribution (**Ref to Section 13A as amended**).

2.0 NSSF OBLIGATION

The National Social Security Fund (NSSF) is under obligation to implement these, and other provisions of the NSSF Act as amended without exception.

Rt. Hon. Speaker and Hon. Colleagues may wish to note that the new law came into effect with the mandate for overall political supervision of the Fund placed under my Ministry being the Minister in charge of Social Security. Oversight over the investment function of the Fund was left under the Minister responsible for Finance.

Therefore, in order to attain the strategic objectives of the new law, as the supervising Minister, I directed the Board to propose key initiatives that would be implemented to expand coverage of social protection and enforce compliance.

Our target is to increase coverage from the current 1.3 million members with balances in NSSF to 15 million by 2035. This is achievable because the current employer base stands at 27.628 with an annual growth of 2,685 employers.

With the new amendments, I directed the Board to examine some of the key questions, I had posed to them, including;

- How can the Fund leverage Ministries, Departments and other Government agencies to ensure compliance with the NSSF Act as amended?
- How can the Fund leverage the Labour Inspectors under the Ministry of Gender, Labour & Social Development to expand its membership recruitment and ensure employer compliance, especially at Local Government level?
- How can the Fund leverage the reach and services of the Ministry of Foreign Affairs to ensure that Ugandans in the diaspora are part of the social security network? This after receiving a proposal from the organizers of the Uganda-UK Convention as indeed from my interaction with Ugandan Migrant Workers when I visited the United Arab Emirates (December 2021) and the Kingdom of Saudi Arabia (January 2022).
- How can the Fund leverage existing groups or associations in the informal sector, such as the markets, farmers, transport sector, and other communities to begin savings with the fund?

It is also important to note that currently:

- ✓ The working population of labour force stands at 17m, with 58% (10.2m) of them employed :- (42%(7.3m) in Agriculture; 25% (2.6) in the Formal Sector; and 75% (7.6m) in the Informal Sector. (UBOS 2021).
- ✓ Compliance rate by employers in the formal sector stands at only 51%. Meaning 49% of employers aren't remitting contributions of employees. (That is why I directed that a budget allocation be made from within the Fund's Operational Expenses to handle compliance in accordance with Section 14 of the NSSF Act).

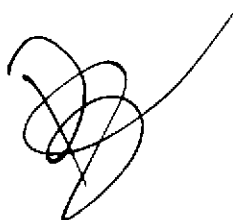


- ✓ That by December 31, 2021, 420 cases were reported by whistleblowers indicating employers who are non-compliant, which required a special strategy to address.
- ✓ That by January 17, 2022, 213 cases were registered at Magistrate Courts across the country; (65% central), 15% (North) and 20% (East and Western Regions), with an estimated **200bn unremitted contributions by defaulting employers.**
- ✓ That over 20 cases by Employees are in Court against NSSF, seeking recovery from NSSF their money not remitted by their employers.
- ✓ That under the old law, only 48% of employers in the Fund have 5 or more employees. Therefore, the new law enables the Fund to target 52% of employers under the formal sector, far higher than what was covered under the previous law.
- ✓ That informal sector accounts for 75% of the total workplaces, a reason why the new law was enacted; to target informal workers/employers to remit their contributions and conduct registration.

3.0 STRATEGIC INITIATIVES TO EXECUTE THE NEW MANDATE

Given that background and with my mandate as a Political Supervisor, I directed the Board to examine the following options in a bid to achieve the strategic objectives outlined above:

- 1) Establishment of an online system for whistleblowers to report non-compliance by employers who deduct and do not remit employee's contributions. This intervention is important because compliance at the moment stands at only 51% in the formal sector.
- 2) Drive mass registration of both eligible employers and employees considering that the new law is targeting 75% of the employment categories (Informal Sector) that were originally not captured under the old law; and an additional 52% of employers with less than 5 employees, also not covered under the old law.



- 3) Drive mandatory registration by undertaking on-site registration in all industrial parks; plantations (including sugar, coffee, tea, and fruits); road construction sites, and other mass employment sectors across the country.

NB. Statistics from the Uganda Bureau of Statistics Report of 2021, indicate that the total labour force in Uganda now stands at between 15-19 million workers and this constituency needs to tap into the new benefits under NSSF.

- 4) Follow up with enforcement in case of defaulting entities as per Section 14 of the Act.
- 5) Strengthen collaboration with other stakeholders to support us in driving and scaling up communication between employers and employees. E.g;
 - ✓ URA (partnership with their PAYE)
 - ✓ Uganda Investment Authority (UIA) (partnership in industrial parks, licensing data)
 - ✓ Government MDAs to enforce non-registration of businesses without a compliance certificate from NSSF.
 - ✓ Federation of Ugandans Employers, Labour Unions, Private Sector Foundation, Uganda Chamber of Commerce, and Uganda Manufactures Association for purposes of coordinating, sensitizing, creating awareness, and consensus building on implementation, compliance, and enforcement.

Colleagues, these strategic initiatives were considered by the Board and the Chairman wrote to me on 10th June 2022, indicating how the activities had been budgeted for (**Annex "A"**). Additionally, on 25th /11/2022, a Board meeting was convened at Serena hotel and detailed corresponding activities for which an allocation of UGX 6 billion was presented by NSSF Management led by Mr. Richard Byarugaba, then Managing Director, and the work plan was reviewed (**Annex" B"**).



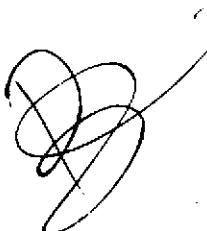
It is worth noting that:

- The 6bn budget I approved is appropriated under the NSSF Operations Budget for FY 2022/2023 and the work plan has been presented to me by the Board and Management of NSSF on 25/11/2022.
- The activities I have mentioned above are NSSF activities, not of the Ministry of Gender, Labour & Social Development.
- These activities will be undertaken by the NSSF; in partnership with relevant entities, be it Government Agencies or private sector players.
- The Ministry of Gender, Labour & Social Development will only provide oversight, and support the Fund in the implementation of these activities, in line with its legal mandate as the Ministry responsible for social security.
- And I acted within my mandate provided under Section 29 of the NSSF Act, which gives me the power to approve the budget estimates of the income, capital, recurrent and other expenditures of the Fund; specifically, Section 29(3) states that "The Minister shall, upon receipt of the annual budget or any supplementary budget, approve or disapprove the budget or may approve it subject to such amendment as he or she may deem fit."

4.0 INVESTIGATIONS

Rt. Hon. Speaker, a number of Petitions had been presented to several authorities including H.E. the President, Rt. Hon. Prime Minister, the Coordinator of Operation Wealth Creation (OWC), the Inspector General of Government and myself as Minister of Gender, Labour and Social Development. Consequently, several Stakeholders Meetings were conducted including those that I refer to in my letter of 7th December 2022 addressed to the NSSF Board Chairperson, which ultimately resulted into the Board referring the issues raised to IGG for investigations (**Annex "C"**).

Suffice it to clarify that the meeting I refer to, of the Board's visit to meet Gen. Salim Saleh, in Kapeeka on 6th December 2022 had the intention of establishing how a Private Industrial Park with a big number of workers can inform strategies for the Fund to enroll these as Members and contributors of NSSF as well as other strategic issues in line with the mandate of the Fund.



5.0 • SAFETY OF MEMBERS' SAVINGS

As I have earlier stated, the Ministry of Gender, Labour, and Social Development is in charge of supervision and operational matters while safety of the Savings and Investments is a mandate of the Ministry of Finance, Planning, and Economic Development.

In our various engagements with the Management of the Fund, and during our recent Meeting with the Committee of Finance, Planning and Economic Development, it has been repeatedly stated that Members' funds are safe and invested as clarified hereunder:

- i. The operations of the Fund are based on the following business model
 - a. Funds are collected from Employee and Employer
 - b. Funds are invested
 - c. Funds are then paid back to beneficiaries, i.e. members.
- ii. Supporting the business model are three rings of defense: Legal Management, Risk Management and Internal Audit (Assurance) Management. These rings of defense are to ensure that the operations of the Fund are managed within an environment that minimizes risk to the workers' savings.
- iii. On an overall basis, all the three defenses are very functional at the Fund. I know that the various control oversight levels have continued to work normally. Management is being held to account. The reports from the control functions still report to an independent oversight committee of the board.
- iv. I want to comment on each aspect of the business model, specifically, as it pertains to the safety of the member funds.

Collection of contribution

I am glad to report that collections are going on normally. Amazingly, during the Month of December, the Fund collected approximately Ugx148Bn. This has been the highest monthly collection for the Fund ever. This brought total collections for the 6months ending December 2022, to UGX786Bn, compared to UGX651Bn i.e. 21% higher than at the same period in the previous year. This



increased contribution is evidence that there is trust that savers have in, continuing to contribute to the Fund.

Investment of Funds

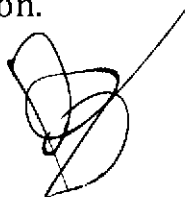
The Fund invests in three main classes of assets; Fixed Income, Equities (Stocks), and Real Estate. The Fixed Income portfolio is invested in Government Bonds, which are the safest investment instruments for they are guaranteed by sovereign Governments. As of the end of December 2022, Fixed Income constitutes 78% of the investment portfolio. Equities constitute 15% of the portfolio. Equity portfolio consists of blue chip companies like Safaricom, MTN etc. Real estate consists of only 7% of the investment portfolio. This is the same asset mix for the fund over the last 5 years. So the investments of the Fund are as safe as they were 5 years ago.

Benefit Payments

The payment of benefits is based on eligibility that is laid down in the law. The Fund has approved procedures to ensure that criteria laid down are followed; and indeed they are. For the 6 months ending December 2022, The Fund has paid a total of UGX712Bn to 22,242 savers, compared to UGX356Bn that was paid to 15,065. The increased in payment during the current six month period was the payment of Mid term Benefits that was non-existent in the previous period. My office has not received any complaints that a genuine beneficiary applicant has been denied his/her benefits. I can assure the members that benefit processing is continuing normally and as before.

Interest to Members

There is concern that has been expressed as to whether members will receive a fair interest. First it important to note that interest earned from the incomes of the Fund are subject to macro-economic conditions. Notwithstanding that dependency, in the budget that I approved in June 2022, the Fund had made a provision to pay members 10-Year Average inflation plus 200 basis points. As of December 2022, the Fund is on course to fulfill that commitment. Therefore, the value of member savings is being protected from erosion caused by inflation.



6.0 CONCLUSION

In summary, Member funds are safe while the Board preferred to address the petitions and allegations addressed to me and the authorities I outlined above to the relevant investigative authorities. Those that required a forensic audit were accordingly referred to the Auditor General and those bordering on impropriety, abuse of office or corruption to the Inspectorate of Government, with a request that their findings be shared within a period of 60 days. Considering the fact that these issues are now a subject of investigations at the end of which a final decision on the fate of the former Managing Director, Richard Byarugaba will be determined, I beg not to go into details of the Petitions and grounds.

For God and My Country

B. Amos
19/1/2023
Amos BESTY O.