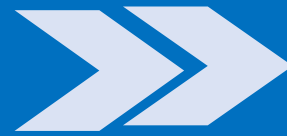


**UGANDA MANUFACTURERS
ASSOCIATION**

A presentation on policies that
impact on manufacturing,
meriting government redress
in the national budget FY
2024/2025



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Introduction

- The manufacturing sector remains a key driver of Uganda's economic growth and development. Over the last 30 years since the Structural Adjustment Policies in Uganda (1991/95), UMA has proactively engaged in policy advocacy for manufacturing growth. The impact of structural adjustment policies on industrialization in Uganda unfolded against a backdrop of both challenges and opportunities. While the initial years witnessed disruptions in traditional industrial sectors, subsequent policy refinements and strategic interventions aimed to mitigate adverse effects and lay the groundwork for sustainable industrial development backed by rigorous UMA engagements with government to bring us to this point.

Over 7,000
factories
Today from
1,289 in 1994



2 million
direct and 4.5
million
indirect Jobs



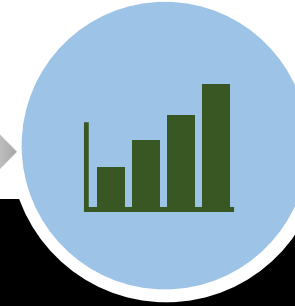
Manufactured
exports at
19.1% against
NDP III Target
of 23.1%



89% Industries in
secondary processing
with up to 80% value
addition and 3% in hi-
tech products



Industrial sector
contribution is
27.4% and
manufacturing
with 15.7%



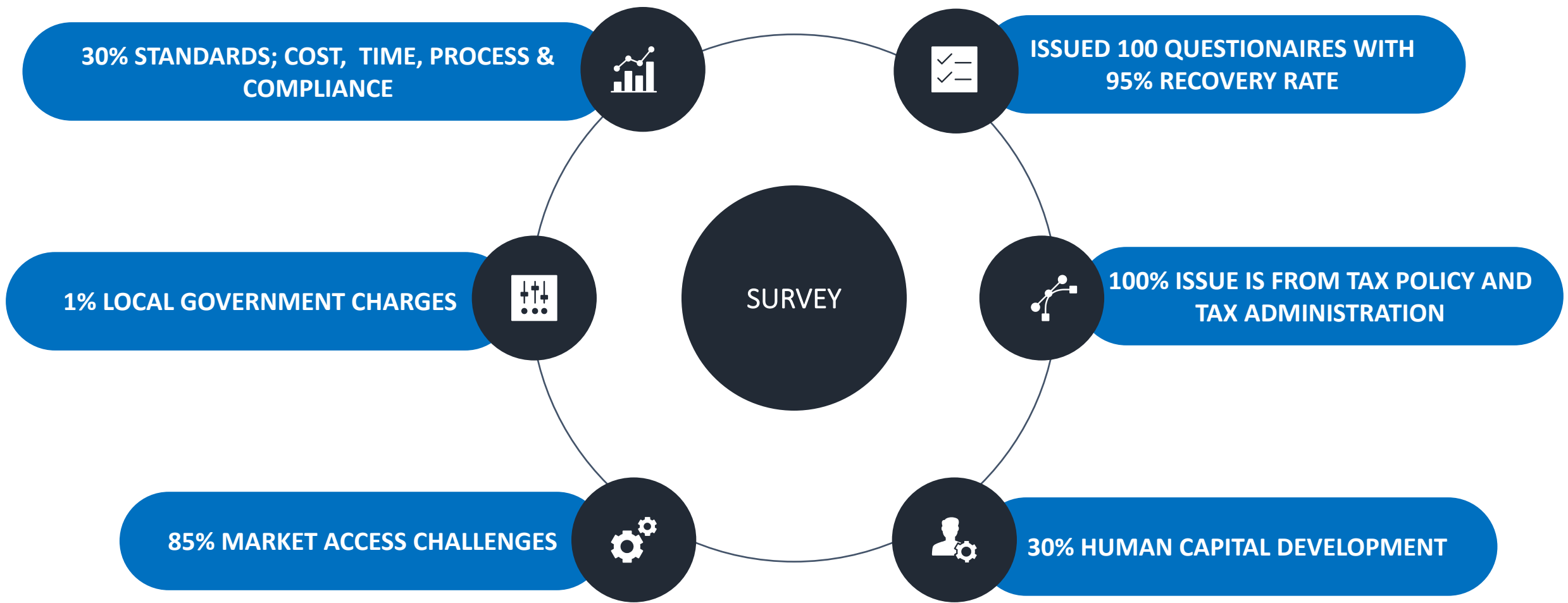
15.7%
Contribution
to GDP



- **UMA targets to double the manufacturing value added as a percentage of GDP from 8.3% in 2018/19 to 16% in 2029/30 and increase industry sector contribution to GDP from 27.1% in 2018/19 to 31.7% in the next ten years.**



SURVEY SUMMARY ANALYSIS



TAX POLICY AND ADMINISTRATION

1. **EXCISE DUTY ON PLASTICS (2.5% OR \$70 WHICHEVER IS HIGHER) CAUSING LOSS OF EXPORT MARKET AND PROLIFERATION OF IMPORTS REPLACING THE DOMESTIC MARKET.**
2. **THE HIGH COST OF PRODUCTION EMANATING FROM UNWARRANTED DTS COST EATING THROUGH THE PROFITABILITY OF PRODUCING UNITS.**
3. **THE ANNUALIZED TAX POLICY CHANGES AND CONTRACTIONARY REGULATORY ENVIRONMENT, DELIBERATELY AIMED AT REVENUE MOBILISATION GENERATION DENY ABILITY FOR LONG TERM SUSTAINABLE DOMESTIC REVENUE MOBILISATION, JOB CREATION AND CAPACITY GROWTH.**
4. **EFRIS DEFIES REALITIES OF BUSINESS, THAT INCLUDE CREDIT SALES, INPUT CREDIT CLAIMS, DELAYS IN INVOICE ACTIVATION, STOCK RECALLS/DAMAGES/EXPIRED PRODUCTS.**
5. **THE SPORADIC RE-AUDITS WHERE THE SAME COMPANY, SAME BOOKS ARE AUDITED BY DIFFERENT DEPARTMENTS OF URA AT DIFFERENT INTERVALS.**



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TAX POLICY AND ADMINISTRATION

1. RE-AUDITS OF CLOSED BOOKS DATING BACK 5 TO 10 YEARS, WHERE AUDIT QUERIES RAISED CAUSE DISTRESS AND UNWARRANTED DELAYS IN BUSINESS OPERATIONS.
2. SPONTANEOUS 6 MILLION SHILLINGS PENALTIES FROM URA FIELD ENFORCEMENT TEAMS ON INVOICES WITHOUT FDN CAUSED BY EFRIS SYSTEM DELAYS WITHOUT CLEAR EXPLANATION.
3. TAX INCENTIVES REGIME THAT FACILITATES NEW ENTRANTS INTO THE SECTOR TO EAT INTO THE MARKET SHARE OF EXISTING INDUSTRIES CREATING UNLEVELED PLAYING GROUNDS.
4. THE REQUIREMENT TO CLAIM INPUT CREDITS DURING THE MONTH THEY ARE GENERATED CAUSES UNDUE STRESS WHEN CLAIMS MADE IN ANOTHER MONTH OTHER THAN THE MONTH THEY ARE GENERATED ARE DENIED CONTRARY TO SECTION 28(14A) -VAT ACT THAT ALLOWS A TAX PAYER 6 MONTHS WITHIN WHICH TO CLAIM.



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MARKET ACCESS



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INADEQUATE MARKET ACCESS BOTH EXTERNAL AND INTERNAL UNDERMINES MANUFACTURING GROWTH AND CAPACITY UTILISATION.

1. EXTERNAL MARKET IS LIMITED BY INADEQUATE ACCESSIBILITY INFRASTRUCTURE, PRODUCT STANDARDIZATION, VOLATILITY OF MARKETS, COST TO MARKETS, UNCOMPETITIVE PRICING, NON-TARIFF BARRIERS AS WELL AS LEVIES AND CHARGES OF EQUIVALENT EFFECT
2. INTERNAL MARKET IS LIMITED BY THE ABSENCE OF AN ENFORCEMENT MECHANISM FOR BUBU (PPDA REGULATIONS), TAX HOLIDAYS TO NEW ENTRANTS THAT UNDERMINE ALREADY EXISTING INDUSTRIES CREATING UNFAIR COMPETITION, HIGH COSTS EMERGING FROM POLICY DISTORTIONS (TAX ON RAW MATERIALS, CONVERSION COST)



BROADER ISSUES

1. THE HIGH GOVERNMENT DOMESTIC BORROWING AMIDST INADEQUATE FINANCING OPTIONS FOR MANUFACTURERS NECESSARY FOR DELIBERATE STRATEGIC INDUSTRIALISATION AGENDA REQUIRING LONG-TERM AND LOW-COST FINANCING FOR MEANINGFUL RETURNS ON INVESTMENT AND SECTOR GROWTH. THIS EXPLAINS THE ABSENCE OF INVESTMENT IN CRITICAL PRIMARY INDUSTRIES IN UGANDA.
2. THE VERY HIGH LEVEL OF THE INFORMALITY AND ILLICIT TRADE AND THE ABSENCE OF COMPELLING REGULATION THAT WOULD ENSURE ALL PRODUCERS BELONG TO A RECOGNIZED ASSOCIATION TO DRIVE COMPLIANCE. AT LEAST 62%, 25% AND 45% FOR BEER, CIGARETTES, AND FAST-MOVING GOODS (FMG) RESPECTIVELY.



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BROADER ISSUES

1. ABSENCE OF SPECIFIC STANDARDS FOR SOME PRODUCTS SUCH AS ON THE FURNITURE PRODUCTS REQUIREMENT FOR MDAS
2. ABSENCE OF MUTUAL RECOGNITION OF UNBS STANDARDS MARK ESPECIALLY FOR GOODS EXPORTS OUTSIDE THE EAC AND COMESA REGION, BUT ALSO IN TANZANIA AND KENYA
3. INSUFFICIENT HUMAN CAPITAL DEVELOPMENT THAT CONSTRAINS ECONOMIC DIVERSIFICATION, PRODUCTIVITY ENHANCEMENT, JOB CREATION, AND INCOME GENERATION. THIS LIMITATION CURTAILS THE NATION'S ABILITY TO FOSTER A DIVERSE AND RESILIENT ECONOMY, HINDERING THE ALLEVIATION OF POVERTY AND THE CREATION OF SUSTAINABLE LIVELIHOODS.



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➤ THANK YOU ➤