

A) **Microeconomic Developments:**

| Issue                                | Market Updates  |
|--------------------------------------|---|
| <b>Employment</b>                    | Formal sector employment registered a significant reduction of 28.9% from 828,170 employees in February 2023 to 588,656 employees in March 2023. The decline is attributed to the new requirement that necessitates employers to include employees' TINs while filing PAYE returns.   |
| <b>Living Standards</b>              | Monthly Inflation for Food and Non-alcoholic Beverages increased by 1.4% in March 2023 compared to the 1.2% drop registered in February 2023. On the other hand, monthly EFU Inflation decreased by 0.2% in March 2023 compared to the 0.1% rise recorded in February 2023.   |
| <b>Equity and Economic Inclusion</b> | The number of active mobile money customers increased by 9.4% from 21.2 million customers in June 2021 to 23.2 million customers in June 2022 <sup>1</sup> .  |
| <b>Environmental Sustainability</b>  | The Air quality improved by 42.9% from 39.56 µg/m <sup>3</sup> in February to 22.58 µg/m <sup>3</sup> in March. This is partly explained by the favourable seasonal changes in rainfall, which has substantially reduced particulate matter in the air.   |
| <b>Productivity</b>                  | Average national monthly malaria incidence increased by 5.6% from 2.3 per 1,000 persons in February 2023 to 2.43 per 1,000 persons in March 2023. From the development budget allocation of Ushs. 13,825.69 Billion, the PIP Budget Absorption rate for FY 2021/22 was registered at 85.5% and out of Ushs. 11,282.22 Billion that was released, Ushs. 9,643.57 Billion was spent.  |
| <b>Competitiveness</b>               | Fuel prices (Liquid Energy Fuel Inflation) decreased by 0.4% in March 2023 compared to the 3.1% drop registered in February 2023. The decrease is attributed to the continued reduction in the liquid fuels prices. For instance, petrol and diesel prices averaged Ushs 5,138 and Ushs 5,075 respectively in March 2023 from Ushs 5,139 and Ushs 5,109 per litre in February 2023.   |
| <b>Markets &amp; Regulation</b>      | Global reduction in commodity prices led to a 3.7% decrease in the primary commodity price index from 173.9 in February 2023 to 167.4 in March 2023. Major reductions mainly happened in the energy and petroleum products. The All Share Index declined to 1,140.5 in March 2023 from 1,207.93 in February 2023, representing a 5.58% drop. On the other hand, business registrations have picked up by 25.5% movement from 3,365 in January 2023 to 4,230 in February 2023. |
| <b>Local Content</b>                 | Trade balance deficit widened by 26.4% from US\$ 231.8 million in January 2023 to US\$ 293.0 million in February 2023. This was due to a reduction in export earnings from base metals and products such as maize, beans and coffee.  |

<sup>1</sup> Bank of Uganda Statistical Abstract 2022.

**B) Policy Response Measures:** This edition of the MIND focuses on Markets and Regulations as a thematic area, with a special attention on Tax Administration particularly Electronic Fiscal Receipting and Invoicing Solution (EFRIS) which was introduced by URA in 2020 in order to address tax administration challenges related to business transactions and issuance of receipts.

| Objective   | Interventions  |
|---|--|
| <p><b>Improve Uganda's revenue collection efforts to raise the Tax-to-GDP ratio</b></p> | <p>The NDP III targets to increase the country's revenue-to-GDP ratio from 15.6 percent to 18 percent by 2025. Government has undertaken several measures to expand the tax base in line with the NDP III target. These are discussed below:</p> <ol style="list-style-type: none"> <li>1) <b>Launched the Domestic Revenue Mobilisation Strategy in 2020</b>, which seeks to develop a robust and fair tax system that:               <ol style="list-style-type: none"> <li>a) Supports the implementation of the NDP III and Vision 2040</li> <li>b) Increase the country's fiscal autonomy and dependence on external funding</li> <li>c) Expand the country's tax base by encouraging formalization of businesses and compliance.</li> </ol> </li> <li>2) <b>Introduced the Electronic Fiscal Receipting Invoicing Solution (EFRIS)</b>, an initiative under the DRMS to address tax administration challenges relating to business transactions and issuance of receipts. The EFRIS provides businesses with a platform to maintain records in an easy, secure, and retrievable digital format, quick processing of tax claims or refunds, fair tax assessments, track and validate business transactions in real-time. It is, therefore, critical in:               <ol style="list-style-type: none"> <li>a) Improving business efficiencies and reducing the cost of compliance.</li> <li>b) Bringing on board the large informal sector to a taxable and compliant segment of the economy</li> <li>c) Curbing falsified tax returns, fictitious purchases, and unverified claims by taxpayers.</li> </ol> </li> <li>3) <b>In addition, URA is in advanced stages of integrating EFRIS with the Integrated Financial Management System (IFMS)</b>. A formal request to the Accountant General's office has been made. This measure will ensure that all taxpayers and other Government payments are made against EFRIS invoices.</li> <li>4) <b>In a bid to widen the tax base and improve tax compliance and improve service delivery, URA introduced the issuance of instant Tax Identification Numbers (TIN)</b> to individual taxpayers. This is in addition to the intensification of tax education, using a mobile tax office. Tax education is aimed at helping the population to understand Uganda's tax regime, their rights, and responsibilities in revenue mobilisation.</li> </ol> |

**C) Microeconomic Outlook:** The continued reduction of global commodity prices coupled with improved weather patterns provide a positive outlook for economic activity parameters hence improving household welfare. In addition, the upsurge in public investments in key sectors will reverberate effective demand.

# MICROECONOMIC ISSUES IN THE NEWS & REPORTS

**MAR 2023**
**STRENGTHENING TAX ADMINISTRATION**
**Electronic Fiscal  
Receipting and  
Invoicing  
Solution  
(EFRIS)  
Performance  
Report, January  
2023**

The EFRIS Performance Report for January 2023 highlighted the following milestones against the objectives of the Domestic Revenue Mobilisation Strategy launched in 2020:

1. Introduction of the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) in 2020 has resulted in a 14% increase in average VAT collections.
2. As of 31<sup>st</sup> January 2023, the EFRIS register had 58,284 taxpayers, of these, 33,483 are VAT registered and 24,801 are non-VAT registered.
3. 1,526 VAT taxpayers are not enrolled on the EFRIS because they are not required to register on EFRIS. These include Diplomats, Diplomatic Missions, and Public International Organisations.
4. 65% of EFRIS VAT registers are issuing e-invoices.
5. Public Sector Offices (PSO) account for 24.7% of entities not yet enrolled on EFRIS because of the delay to integrate EFRIS with the Integrated Financial Management Information System (IFMIS).

**Improving tax  
expenditures'  
reporting in  
Uganda for  
Social Economic  
benefits, March  
2022<sup>2</sup>**

SEATINI's Policy Paper on Improving tax expenditures' reporting in Uganda reveals that tax expenditures that are provided for in the tax laws contributed about Ushs 5 trillion in revenue foregone in FY 2019/20, representing 30% of total net revenue collections. The tax foregone contributes to the stagnation of the country's tax to GDP ratio at 13%. Tax expenditures can take different forms such as exemptions, zero-ratings, credits or deferrals. The Paper further states that the revenue foregone would finance several MDA budgets. It is observed that domestic revenue mobilization accounts for about three-quarters of Uganda's revenues, which is the most sustainable source of funding government programs. The report recommends the following;

- a) Regular monitoring and review of tax expenditures. This would be aligned to the medium-term review of the Domestic Revenue Mobilisation Strategy (DRMS) and National Development Plans (NDPs)
- b) Conduct feasibility studies of proposed tax expenditures to establish the cost-benefit analysis before such exemptions are granted.
- c) Improve clarity on the criteria used in granting tax incentives.

MIND is compiled by Economic Development Policy and Research Department (EDP&RD) in the Ministry of Finance, Planning and Economic Development

EDPRD: We generate and manage knowledge for effective formulation, implementation and communication of Uganda's economic development policy

<sup>2</sup> [Policy Briefs – SEATINI \(seatiniuganda.org\)](https://seatiniuganda.org)

| Issues                              | Indicators                                       | Frequency                       | Status                        |  | Issues   | Indicators                                       | Frequency     | Status         |            |  |
|-------------------------------------|--|---------------------------------|-------------------------------|--|--|--|---------------|----------------|------------|--|
| Employment                          | Jobs   | Formal Sector <sup>1</sup>      | Monthly                       | 588,656 (-28.9%)                                   | Productivity   | Literacy Rate (Grade 6) <sup>11</sup>            | Yearly        | 21.7%(66.8%)   |            |  |
|                                     |  | Informal Sector                 | Yearly (-1)                   | 8,796,480  |  | Numeracy Rate (Grade 6)                          | Yearly        | 41.2% (-19.1)  |            |  |
|                                     |  | Migrant Workers                 | Monthly                       | 7,588 (0%)   |  | Morbidity Rate (Malaria Incidence) <sup>12</sup> | Monthly       | 2.43 (5.7%)    |            |  |
|                                     |  | LIPW <sup>2</sup> (Average)     | Monthly                       | N/A  |  | PIP Budget Absorption (GoU, IFMS %) <sup>b</sup> | Yearly        | 85.5% (-0.5%)  |            |  |
|                                     | Incomes  | Per-capita GDP (US\$): 2021/22  | Yearly                        | 1,046 (12.2%)                                      | Competitiveness  | Power Tariff (Ushs per Unit)                     | Medium        | Quarterly      | 472.3(-2%) |  |
|                                     |  | Income Poverty (%)              | Yearly (-2)                   | 20.3% (-1.1)                                       |  |  | Large         | 386.3 (-0.57%) |            |  |
| Remittances (US\$,M)                |  | Yearly                          | 1,133.94 (-1.76%)             | Extra Large  |  |  | 326.6(-0.58%) |                |            |  |
| Living Standards                    | Utilities (Retail Tariff Rates)                  | Water (M <sup>3</sup> )         | Quarterly                     | 3,735(6.2%)  | Av. Freight Costs (US\$, Mom-Kla, 40ft)                  | Monthly  | 3,500         |                |            |  |
|                                     |  | Power/Domestic                  | Quarterly                     | 808.9 (1.5%)                                       | Commercial Case Backlog <sup>14</sup>                    | Yearly (-1)                                      | 6,178 (1.38%) |                |            |  |
|                                     |  | Data (Ushs, 1GB)                | Monthly                       | 10,000   | Fuel Prices (Liquid Energy Fuel Inflation) <sup>15</sup> | Monthly  | -0.4          |                |            |  |
|                                     | Education Expenditure <sup>3</sup> (HH,Ushs)     | Yearly (-2)                     | 440,000(13%)                  | Customs Clearance (Hours)                          | Monthly  | 5.13 (0%)  |               |                |            |  |
|                                     | Healthcare Expenditure (HH, Ushs)                | Yearly (-2)                     | 15,000 (-34.2)                | Transit Times (Mom-Kla, Days)                      | Monthly  | 5 (41.1%)  |               |                |            |  |
|                                     | Food Inflation (%)                               | Monthly                         | 1.4 (20.9)                    | Investment Registration (Days)                     | Yearly   | 2  |               |                |            |  |
|                                     | EFU <sup>4</sup> Inflation (%)                   | Monthly                         | -0.2 (4.3)                    | Business Registration (Days)                       | Yearly   | 1  |               |                |            |  |
|                                     | Residential Property Price Index (RPPI) for GKMA | Quarterly                       | 98.32(0.3%)                   | Electricity Connection (Days)                      | Monthly  | 28 (-6.7%)                                       |               |                |            |  |
|                                     | Crime Rate (per 100,000):2022                    | Yearly                          | 523(18%)                      | Water Connection (Days)                            | Monthly  | 3 (0%)   |               |                |            |  |
|                                     | Equity and Economic Inclusion                    | Private Pension: Active Members | Yearly (-1)                   | 1,105,870(36.2%)                                   | Tax Refund (Months)                                      | Monthly  | N/A           |                |            |  |
| Private Pension: Registered Members |  | Yearly (-1)                     | 2,150,721(4.66%)              | Communication Rates                                | Quarterly  | 4 (33.3%)  |               |                |            |  |
| Public Pension (Beneficiaries)      |  | Monthly                         | 85,651 (0%)                   | Data <sup>16</sup> (Unlimited)                     | Monthly  | 550,000(0%)                                      |               |                |            |  |
| SAGE (Beneficiaries)                |  | Yearly                          | 345,867(13.56%)               | IMF Primary Commodity Price Index                  | Monthly  | 167.4 (-3.7%)                                    |               |                |            |  |
| Agent Banking (Agents)              |  | Yearly                          | 26,858(16.8%)                 | Average Monthly Net Salary (After Tax)             | Yearly   | 628,611  |               |                |            |  |
| Environmental Sustainability        | Water Quality (PM <sub>2.5</sub> ) <sup>5</sup>  | Quarterly                       | Low, 20.97 (31.1%)            | Markets and Regulations                            | Quarterly  | 63.9% (16.1%)                                    |               |                |            |  |
|                                     | Air Quality (PM <sub>2.5</sub> ) <sup>6</sup>    | Monthly                         | High, 22.58 µg/m <sup>3</sup> | USE All Share Price Index                          | Monthly  | 1,140.5 (-5.58%)                                 |               |                |            |  |
|                                     | Noise Pollution (Decibels, Kampala)              | Monthly                         | High, 62.10 (7.3%)            | New Business Registrations                         | Monthly  | 4,230 (25.7%)                                    |               |                |            |  |
|                                     | Seasonal Changes in Rainfall                     | Monthly                         | Normal Plus                   | Hotel Occupancy Rate (Kla)                         | Yearly   | 44% (-15.4%)                                     |               |                |            |  |
|                                     | Natural Disaster Incidences <sup>7</sup>         | Monthly                         | 2,890 (87.7%)                 | Plant Utilisation Rates (SME-Large Firms)          | Yearly   | 53.6%  |               |                |            |  |
|                                     |  |                                 |                               | Local Content                                      | Yearly   | N/A  |               |                |            |  |
|                                     |  |                                 |                               | Trade Balance (US\$, Millions)                     | Monthly  | -293.0 (-26.4%)                                  |               |                |            |  |
|                                     |  |                                 |                               | Contracts Awarded to Local Providers <sup>19</sup> | Yearly   | 61%(-17.6%)                                      |               |                |            |  |

\*Unless indicated all quarterly figures are for Q3, FY2022/23.<sup>1</sup> Active PAYE Register Jobs<sup>2</sup> Labour Intensive Public Works<sup>3</sup> Average household expenditure on Primary education |<sup>4</sup>Energy, Fuel and Utilities |<sup>5</sup> Particulate Matter (July 2022) |<sup>6</sup> 0-50 is good |<sup>7</sup> Total number of individuals affected by Natural Hazards |<sup>11</sup> Persons aged 10 years and above |<sup>12</sup> Cases per 1,000 population |<sup>13</sup> Cumulative Absorption in Q2 (31<sup>st</sup> Dec 2022) |<sup>14</sup> December 2021 |<sup>15</sup> Percentage Average change |<sup>16</sup> Average monthly price of data bundles for MTN (1705GB) and Smile (150GB) |<sup>17</sup> Electronic Fiscal Receiving and Invoicing System |<sup>18</sup> Made in Uganda (MUG) |<sup>19</sup> By Value.