The Republic of Uguganda

THE BUDGET STRATEGY FOR FINANCIAL YEAR 2025/2026

Theme: *Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access.*

Delivered By

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SPEKE RESORT AND CONVENTION CENTER – MUNYONYO.

Address

The Rt. Honorable Prime Minister,

The Honorable Ministers Present,

The Honorable Members of Parliament,

Representatives of the Diplomatic Corps,

Permanent Secretaries,

All Local Government Leaders,

The President Uganda Local Governments Association,

The President Uganda Urban Authorities,

All Accounting Officers,

Distinguished Religious and Cultural Leaders

Members of The Civil Society,

The Private Sector representatives,

Distinguished Guests,

Ladies and Gentlemen.

1. INTRODUCTION

1. Rt. Hon Prime Minister, in fulfilment of Article 155(1) and (2) of the Constitution and Section 13 (1) and (2) of the Public Finance Management Act, 2015 (Amended), we have embarked on the consultative process of preparation of the Budget for FY 2025/2026.
2. I want to thank H.E the President for the strategic direction he recently gave us to guide the budget process for next financial year and the medium term. I also wish to profoundly thank the NRM Government under his visionary leadership for undertaking targeted

investments in the last 10-years that have built a resilient economy with an adequate infrastructure and human capital base required to speed up economic transformation at a faster pace than before.

3. Rt. Hon Prime Minister, the FY 2025/2026 will be:

i) The last year of implementation of the current NRM Manifesto 2021 – 2026;

ii) The first year of implementation of the Fourth National Development Plan (NDP IV) anchored on the four key growth areas underpinned by the goal of full monetization and formalization of the economy: **A**gro-Industrialization, **T**ourism Development, **M**ineral-based Industrial Development including Oil and Gas, and **S**cience Technology and Innovation including ICT (the Knowledge Economy) (**ATMS**);

iii) The first year of commencement of implementation of our tenfold growth strategy of expanding the economy from the baseline GDP of about US$ 50 billion in FY 2022/23 to US$ 500 billion by the year 2040;

iv) The first year of major implementation of Rationalization of Public Expenditure (RAPEX) reform; and

v) A year for consolidating the gains from implementing the fiscal consolidation strategy which is intended to enhance revenue collection, limit borrowing for only critical and strategic investments and control government expenditure.

4. In this Strategy Paper, I will present the following:

i) The strategic policy direction for FY 2025/2026;

ii) Performance of the Economy FY 2020/2021 – FY 2024/2025;

iii) The Economic Growth Strategy;

iv) Priority areas of the Budget Strategy;

v) The Financing Framework; and

vi) Risks and Mitigation Measures.

2. THE POLICY DIRECTION FOR THE FY 2025/26 BUDGET STRATEGY

5. Following the consultation with, and guidance by H.E. the President, the strategic policy direction for FY 2025/2026 will be as follows:

   i) Prioritizing the first phase accelerator actions of the ten-fold growth strategy anchored on the four key growth areas underpinned by the goal of full monetization and formalization of the economy These include:

      a. **A**gro-Industrialization and light manufacturing with a focus on fully commercialising and formalising farming as well as undertaking strategic value addition for export.

      b. **T**ourism Development with a focus on increasing tourist arrivals by five-fold under the current spend-per-tourist and length-of-stay.

      c. **M**ineral-based Industrial Development including Oil and Gas with a focus on: undertaking quantification of mapped mineral deposits and their governance regime and delivering of first oil as we prepare for commercialising operations of the petrochemical industry.

      d. **S**cience, Technology and Innovation (STI) including Creative Industry and ICT with a focus on fast-tracking commercialization of on-going innovations in pathogen control and management for vaccines, diagnostics and therapeutics.

6. The above areas will be guided by the overarching tenfold growth strategy, the NRM Manifesto 2021- 2026, the NDPIV and the attendant Programme Implementation Action Plans (PIAPs). Other interventions will be administered as growth enablers in line with the NDPIV programme priority areas.

3. PERFORMANCE OF THE ECONOMY

7. As already noted, the FY 2025/26 budget is the first to implement the NDPIV. As a result, under this section, I will account for the overall performance of the economy and provide the economic outlook for FY 2025/26 and the medium term as well as account for performance on the key commitments under the NDPIII objectives and key programme areas.

Macroeconomic performance and economic outlook

8. Rt. Hon. Prime Minister, Uganda's economy has fully recovered from various shocks. In the last quarter of FY 2023/24, GDP growth was recorded at 6.7% and at the end of the financial year, it grew at 6% up from an average of 4.1% for the period FY2019/20 to FY2022/23.

9. Rt. Hon. Prime Minister, you will recall that the growth rate of GDP had reduced to 3.0% in FY2019/20, having fallen from 6.4% in FY2018/19 due to the effects of COVID-19.

10. Uganda's economy has strongly recovered and remains buoyant. In nominal terms, the size of the economy increased from **Shs. 183 trillion (US$48.8 billion)** registered in FY 2022/23 to about **Shs. 202.13 trillion (US$ 53.2 billion)** in FY 2023/24.

11. As I earlier noted in the budget speech, in March 2024, Uganda met the requirements to graduate from the category of Least Developed Countries (LDCs). Uganda also moved from the category of low human development to medium human development. This is a result of consistent improvement in health, education, economy, and a decent standard of living. This is a big milestone achieved well before the country starts earning from oil exports. When oil and gas start to flow, in FY2025/26, with deliberate value addition to our raw materials, and productive utilisation of the PDM and other wealth creations initiatives, attainment of prosperity for all and socio-economic transformation will be faster.

12. Rt. Hon. Prime Minister, the other indicators of economic health also look quite good:

i) At 3.5% in August 2024, **inflation** has been contained within the target rate.

ii) The **shilling** has remained relatively stable, for example, appreciating against the US Dollar by 1.1% in July 2024 despite other previous depreciation pressures at the beginning of this year. All the currencies of the EAC Partner States depreciated against the US Dollar in July 2024, except for the Ugandan Shilling. The Tanzanian and Kenyan Shillings depreciated by 1.2% and 0.5% respectively, while the Rwandan and Burundian Francs weakened by 0.5% and 0.2% respectively.

iii) **Interest rates** have remained broadly stable, with the Central Bank Rate reducing by 250 basis points to 10%. Commercial bank lending rates for Shilling denominated credit averaged at 17.89% for the year ending June 2024, down from the 18.56% average recorded in FY 2022/23. This decline was partly due to a reduction in risk aversiveness of commercial banks following continued improvement in economic activity.

iv) **Exports** have increased to over USD 7.5 billion, up from USD 4.9 billion in 2023. Uganda traded at a surplus of USD 45.26 million with the rest of the EAC Partner States in June 2024, a shift from the deficit of USD 72.20 million registered the previous month. This is despite the tariff and non-tariff barriers on some of Uganda's products by some EAC member states. My Ministry is going to undertake an in-depth analysis of these barriers and inform engagements at different EAC governance platforms.

v) **Foreign Direct Investment (FDI)** inflow to Uganda has boomed to USD 3.01 billion in April 2024 mainly driven by investments in oil and gas.

vi) **The economy has created more jobs**, thanks to the various wealth creation initiatives that have been implemented. The list of formal jobs has grown to 3.14 million while informal jobs created by *Emyooga*, Youth Livelihood Programme, PDM and Women Entrepreneurship Programme, are over 4.66 million.

vii) **Uganda's public debt remains sustainable** on account of continued commitment to the implementation of our fiscal consolidation agenda and sustained growth of the economy. The nominal debt-to-GDP ratio recorded at end June 2023 was 46.9 percent.

13. Rt. Hon. Prime Minister, the strong recovery has been on account of good economic management. Government has been deliberate with its fiscal policy, and its efforts are being complemented by Bank of Uganda's good monetary policy actions and the relatively good weather as well as improving global economic conditions.

Economic Outlook

14. Rt. Hon. Prime Minister, the economy is projected to grow at 6.4 percent by end of this financial year. This growth is based on H.E the President's guidance to direct available resources to the following areas:

    i. Peace and security (of life and property) for all the people of Uganda;
    ii. Roads and bridges maintenance, rehabilitation of the Meter Gauge Railway and construction of the Standard Gauge Railway and water transport;
    iii. Electricity, with focus on enhancing transmission;
    iv. Wealth creation initiatives like PDM, Emyooga, ACF, Microfinance Support Center etc.;
    v. Science, Technology and Innovation including ICT (the Knowledge Economy);
    vi. Investing in the people of Uganda through Human Capital Development, including; health, education, provision of clean water for human consumption and for production; creative industry and social protection; and
    vii. Management of natural disasters, and regional and international commitments.

15. Strengthening governance and public sector efficiency with a focus on eliminating corruption, improving implementation, follow up and accountability for results will be a bedrock for effective execution of the above areas.

16. The implication of these interventions is that, Uganda's overall GDP will expand from **Shs. 224.204 trillion (equivalent to US$ 57.5 Billion)** and equivalent to **US$163.3 Billion** in Purchasing Power Parity (PPP) terms in FY 2024/25 to **Shs 250.871 trillion (equivalent to US$. 63.6 Billion)**, translating to **US$180.8 Billion** in Purchasing Power Parity (PPP) terms in FY2025/26. This

demonstrates a strong growth path, from **US$1,198.6** income per capita by end of FY 2024/25 to **US$1,287.9** as income per capita for FY 2025/26.

17. Therefore, over the span of the NDPIV period, our macroeconomic outlook will be driven by the following objectives:

    i) Reduce poverty from the current 20.3 percent to 14 percent by FY2029/30;
    ii) Attaining double-digit growth to double the current GDP by FY2029/30;
    iii) Achieving an average of 884,962 stock of jobs annually over the NDPIV period;
    iv) Maintaining price stability marked by single digit inflation within the target band of 5% +/-3;
    v) Pursuing prudent fiscal policy with the aim of supporting macroeconomic stability consistent with regional and domestic fiscal policy rules, specifically ensuring that debt to GDP remains below 50% in present value terms and gradually reduce fiscal deficit to 3% by FY2029/30; and
    vi) Attain an increase in revenue to GDP ratio by 0.5 percentage points annually over the NDPIV period.

4.2 Performance of NDPIII Key Result Areas

18. Rt. Hon. Prime Minister, the goal of the NDPIII is "Increased Household Incomes and Improved Quality of Life of Ugandans", based on five strategic objectives, namely:

    i) Enhance value addition in key growth opportunities;
    ii) Strengthen the private sector to create jobs;
    iii) Consolidate and increase the stock and quality of productive infrastructure;

iv) Enhance the productivity and social wellbeing of the population; and,
v) Strengthen the role of the state in guiding and facilitating development.

19. In line with the above objectives, the following milestones have been achieved as at midterm evaluation of the NDPIII:

i) **There has been improvement in household income, productivity, quality of life and well-being of the population**.

20. Life expectancy improved to 64 years in FY2023/24 from 63.3 years in FY2017/18. Uganda's per capita income stands at USD 1,146, above the World Bank's lower middle-income threshold of USD 1,036. Poverty reduced to 20.3% in FY2023/24 from 21.4% in FY2017/18. Income inequality reduced to 0.527% in the FY2023/24 from 0.565% in the FY2022/23. A recent report by the United Nations Development Program (UNDP) shows that Uganda moved from the Low Human Development category in FY 2021/22 to Medium Human Development category in FY 2023/24, reflecting improvements in key human development indicators.

21. Overall, the key human capital development indicators show overall improvement in health, education, water and social protection:

a) **With regard to education and training**, the average years of schooling increased from 6.1 in FY 2017/18 to 11 years in FY 2021/22 while Learning adjusted Years of Schooling increased from 4.5 years to 5 years respectively. The percentage of employers satisfied with the training provided by the TVET institutions increased from 40 percent to 48.8 percent over the same period. Primary school net enrollment increased to 91% in FY 2019/20 from 82.3% in FY 2012/13. At secondary level, gross enrolment rate increased to 36.8% in FY2019/20 from 33.8% in FY2012/13. Primary-to-secondary school transition rate improved to 69.3% in FY2023/24 from 61% in FY2017/18. The survival rates for primary and secondary education were 37% and 29%.

b) **With regard to health and well being of the population,** there has been an increase in the percentage of the population accessing health care from 44 to 65 percent. The population living within a 5 km radius of a health facility increased to 91% in 2020/21 from 86% in 2016/17. Infant Mortality Rate reduced to 36 per 1,000 live births in FY2023/24 from 43 in FY2017/18. Maternal Mortality Ratio improved to 189 per 100,000 live births in FY2023/24, surpassing the target of 236. Neonatal mortality rate reduced from 27/1,000 live births to 19/1,000. Also, under five mortality reduced from 64/1,000 to 42/1000 live births, while mortality due to Non-communicable Diseases (NCDs) reduced from 40 to 30 percent, and mortality due to high-risk communicable diseases (Malaria, TB, HIV/AIDS) reduced from 60% in 2017 to 30%.

c) ***With regard to Water, Sanitation and Environmental Protection,*** sanitation coverage improved to 83% in the FY2023/24 from 19% in FY2017/18. Safe water coverage in rural areas improved to 91.3% in FY2023/24 from 73% in FY2017/18.

d) **There has been improvement in social protection coverage** though remains below NDPIII target. For example, 7.5% of the population is currently accessing health insurance and social insurance, compared to the NDPIII target of 20% and 15%, respectively.

ii) **The country has registered progress in enhancing value addition in key growth opportunities**. Manufactured exports saw a significant increase to 27% of total exports in FY2023/24 from 12.3% in FY2017/18. The total formal exports increased to USD 4,919.0 million in the FY2022/23 from USD 2,901 million in the FY2017/18.

Agro-industrialization

22. Rt. Hon. Prime Minister, there has been progress in advancing commercialization and value addition in agriculture. Food secure households increased from 60 percent to 90 percent. The export value of processed agricultural commodities: coffee, tea, fish, dairy, meat, and maize (and its products) increased from USD 0.935bn (FY2020/21) to USD 2.7bn (FY2022/23).

23. There have been increased investments in agricultural value-addition infrastructure. Over 2,263 Agro-Processing Facilities (APFs) have been established across the country including the Zonal Industrial Hubs and National Industrial Parks and Urban Markets. What remains going forwards is addressing the constraints to capacity utilization. In particular, 40% of the Agro-Processing Facilities are non-functional, while 30% are performing below capacity.

24. There has been improvement in harvest, post-harvest handling and storage facilities mainly in the grain and diary industries. A cumulative storage capacity for grains has increased to 1,236,219 MT in the FY 2022/23 from 550,000 MT in the FY 2017/18. This has contributed to a reduction in post-harvest losses for grain from 37% in the year 2017/18 to about 18.2% in the FY2022/23. Similarly, storage capacity for dairy products has increased to 3 million liters in FY2022/23 from 2.7 in FY2017/18.

Tourism Development

25. During the period FY 2020/21 – 2024/25, public investment of about Shs. 2.9 trillion has been undertaken in the tourism industry. As a result of this sustained investment, Uganda's tourism showcased exceptional resilience by achieving a recovery of 82.6% of the pre-pandemic international arrivals, reaching 1,274,210 visitors by end of 2023 compared to 814,508 in 2022. The compliance of tourism businesses with national and international service standards rose to 55% from 34%. International tourism receipts increased by 48.5% in 2023, rising from Shs. 2.57 trillion in 2022 to Shs. 3.819 trillion in 2023.

Petroleum Development

26. There has been progress in establishing value addition, transportation, and storage infrastructure for petroleum. The Upstream Petroleum Project has advanced with drilling works in preparation for production and construction of support infrastructure such as roads, the international airport, and water transport infrastructure.

There is significant progress in development of the East African Crude Oil Pipeline (EACOP) such as land acquisition, resettlement of affected persons, and commencement of construction. Land for construction of the refinery has been acquired.

27. Also, there have been efforts to increase the stock of skilled human capital for the extractives industry. Through partnerships with private and development partners, 11,021 Ugandans have been trained, in both technical and vocational aspects of the petroleum industry between 2017 and 2022, with 940 attaining industry certifications.

***Mineral* Development**

28. Rt. Honorable Prime Minister, there has been progress in establishing value addition, transportation, and storage infrastructure for minerals. Value addition infrastructure in form of cement and ceramics factories (marble, limestone, pozzolana, feldspars, and koalin), refineries for gold, and smelting plants for iron ore and tin have been established. Two beneficiation centers have been established in Ntungamo and Kabarole districts to support value addition. Establishment of minerals analysis laboratories is ongoing to cover all the mineral resources in the country.

29. Also, there have been efforts to reduce informality and increase adoption of appropriate technologies in the mining industry. Two mineral beneficiation centers to train and skill miners in best mining equipment use and practices have been established. The artisanal miners are being organized, registered, and licensed to undertake

mining activities. Between FY2020/21 and FY2023/24, 7,530 small-scale miners were registered and 24 associations have been formed.

iii) **Consolidating and Increasing the stock and quality of productive infrastructure**.

Energy Infrastructure

30. At the current suppressed demand level, adequate electricity generation capacity has been built, tripling in the last 13 years. Energy generation capacity increased to 2,046.8 MW in FY2023/24 from 984 MW in FY2017/18. Households with access to electricity rose to 57%, in the FY2023/24 from 21% in FY2017/18. This increase was largely due to increased uptake of the off-grid technologies such as mini-grids, stand-alone solar systems and solar home kits. As such, electricity consumption per capita increased to 218kWh in FY 2023/24, from 100kWh in FY2017/18. The current grid availability at distribution is 75% with a loss of 18.7%. The transmission network coverage has increased to 4,518.7km in FY2023/24 from 2,354km in FY2017/18.

Transport Infrastructure

31. Rt. Honorable Prime Minister, Investment in road transport infrastructure has significantly improved connectivity providing potential for better movement of people, trade, and tourism. By FY2023/24, 29.4% of the national road network was paved from 21.1% in FY2017/18. The proportion of freight cargo transported by railway increased to 8% in FY2023/24 from 3.5% in FY2017/18. Travel time by rail from Kampala to Mombasa improved to 15 days down from 19 days in FY2017/18.

ICT Infrastructure

32. The cost of internet access has progressively reduced to USD35 in FY2022/23 per megabyte per second (Mbps) from USD70 in FY2017/18. Accordingly, the commercial Internet Service Providers (ISPs) have slashed their prices for 1 Mbps/month to an average of USD 85 from USD237 over the same period. The internet penetration rate improved to 55% in FY2023/24 from 25% in FY2017/18. The percentage of the population subscribed to the internet rose to 53 percent in 2022 from 1.8 percent in 2010. In addition, the National Backbone Infrastructure (NBI) has increased to 4,229 kms in FY2022/23 from 1,380 kms in FY2010/11 and broadband coverage has increased to 85% in FY2022/23 from 74% in FY2017/18. Between 2017 and June 2024, the internet usage increased from 25% to 63.7%.

iv) Progress has been registered in strengthening the role of the state in guiding and facilitating development.

33. **With regard to Peace and Security**, substantial capacity has been built to respond to security threats. The country has invested in modernizing its military and police forces incorporating advanced technology and improved training programmes to better respond to internal and external threats.

34. **With regard to addressing corruption**, Uganda has put in place an elaborate policy, legal and institutional framework to combat corruption. Decisive action is being taken to investigate and prosecute the offenders.

35. ***With regard to legislation and oversight***, there have been efforts to enhance evidence-based legislation and the

capacity of legislative actors. There is improved use of evidence to support legislation through strengthened collaboration and comprehensive collection of data.

Enhancing efficiency of Government

36. **With regard to improving efficiency of Government, several reforms have been implemented.** These include;

a) **Rationalization of Government Agencies (RAPEX).** Government is implementing the rationalization of agencies in line with the recent approvals by Parliament and Cabinet. Out of the forty (40) bills submitted to Parliament for approval, twenty-three (23) were passed, seventeen (17) are still pending legislation. To ensure efficient and effective financial management during the RAPEX, my Ministry has issued specific financial management guidelines aimed at safeguarding public assets during the rationalization process and ensuring compliance to the relevant laws during the process.

b) **Roll out of the Human Capital Management System**. The system was rolled out to automate human resource management across 140 MDAs. It is integrated with the Integrated Financial Management System (IFMS) and the Programme Budgeting System (PBS) to facilitate payment of staff salaries.

c) **New Public Procurement and Disposal of Public Assets Regulations 2023**. Following the amendment of the Public Procurement and Disposal of Public Assets Act (PPDA Act), Government issued new regulations, which became effective in February 2024, to guide public procurement and disposal of public assets processes. These changes are expected to significantly improve the speed and efficiency of procurement operations.

d) **Implementation of the Electronic Procurement System (e-GP)**. To further enhance transparency and accountability and improve efficiency in public sector procurement, Government is implementing e-GP to automate public procurement and disposal processes.

e) **Rollout of the Asset Management Framework and Guidelines (AMFG).** This framework provides Accounting Officers with comprehensive guidance on managing government assets in an effective, efficient, and transparent manner.

f) **Enhancement of Public Financial Management Automation.** To further improve efficiency, effectiveness, transparency, and accountability in the use of public funds, Government has continued to enhance the automation of public financial management processes. The Integrated Financial Management System (IFMS) was extended to the last 5 Local Governments, Uganda's Embassies in Cuba and Luanda and entities with branches and regional offices (NARO, KCCA and MoWE) to provide a platform for timely and efficient execution of their budgets. IFMS was integrated with the Integrated Revenue Administration System (IRAS) deployed in district Local Governments to facilitate efficient and timely collection of local revenues.

4. THE ECONOMIC GROWTH STRATEGY

37. Rt. Hon Prime Minister, based on the immense economic potential of our country, we propose to anchor the Budget Strategy on the Strategic Direction of the NDP IV as approved by Cabinet and the Tenfold Growth Strategy of

building the size of our economy from the current GDP of US$ 53 billion to US$ 500 billion by the year 2040.

38. This targets to grow the economy by leveraging the ATMS underpinned by the goal of full monetization of Uganda's economy by eliminating the 39% subsistence economy and reducing size of informal sector.

  i) **A**gro-Industrialization and light manufacturing: the target is to generate annual export earnings of US$ 20 billion by FY 2039/40;
  ii) **T**ourism development: The target is to generate annual export earnings of US$50 billion.
  iii) **M**ineral-based Industrial Development including Oil and Gas. The target is to generate annual export earnings of US$ 25 billion.
  iv) **S**cience, Technology and Innovation (STI) including Creative Industry and ICT. This is a multiplier anchor program with a huge economywide growth impact.

39. The implication of growing the economy tenfold therefore, means:

  i. Shifting the economic growth rate to a higher trajectory, to an average real economic growth rate of about 8% per annum. With the onset of commercial production of oil & gas, this growth will go to double digit.
  ii. More than doubling the size of the economy (GDP) every 5 years for the next 15 years.
  iii. Raising per capita GDP six-fold from the current USD 1,146 to about USD 7,000 in 2040;
  iv. Doubling the level of savings in the economy from 20 percent of GDP to 40 percent of GDP in 2040 to match the required level of investment

v. Raise the share of exports in GDP from 15 percent in FY 2022/23 to 50 percent, and the share of manufactured products in merchandise exports from 13 percent to 50 percent; and medium high-tech exports from 21 percent to 50 percent by 2040; and

vi. Increase the annual FDI inflows from USD 3.01 billion as at April 2024 (driven by investments in oil and gas) to USD 50 billion by 2040.

40. Therefore, to achieve this ambition, we shall undertake a change in the execution of public businesses to take full advantage of the new ways of doing things, especially with emerging technologies; invest in new sources of growth, that is, the new emerging sectors; and leverage the new markets, trade and economic relationships.

41. Rt. Hon Prime Minister, the first five years of the 10-fold growth strategy will be implemented under the NDP IV. During the NDP IV Period (2026-2030), emphasis will be on:

i) Achieving the goal of the Plan, which is, to **"*Achieve higher household incomes and employment for sustainable socio-economic transformation*".** This goal is to be achieved under the theme **"*Sustainable Industrialization for Inclusive Growth, Employment, and Wealth Creation*".**

ii) Overall, the NDPIV strategic objectives aim to achieve industrialization for inclusive growth, employment, and wealth creation. The Plan has five strategic objectives namely:

a) Sustainably increase production, productivity and value addition in agriculture, minerals, oil & gas, tourism, ICT, and financial services,

b) Enhance human capital development along the entire life cycle,

c) Support the private sector to drive growth and create jobs,

d) Build and maintain strategic sustainable infrastructure in transport, housing, energy, water, industry, and ICT, and,

e) Strengthen good governance, security, and the role of the state in development.

42. The detailed priority setting across the various programmes is being finalized through the Programme Implementation Action Plans (PIAPs) and these will inform annual budgeting going forward.

5. THE BUDGET STRATEGY AND PRIORITY AREAS OF FOCUS FOR FY 2025/26.

Theme

43. To concretize the gains so far achieved during the Third National Development Plan (NDPIII) and the NRM Manifesto 2021 – 2026, and in order to propel the economy to higher levels of socio-economic transformation towards double digit, we have agreed to maintain the **theme** for the coming financial year's budget as follows: ***"Full Monetization of the Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access".***

Objective

44. Rt. Hon Prime Minister, the overall objective of the FY 2025/26 Budget Strategy is to strengthen economic growth drivers that underpin the restoration of the economy back to the medium-term growth path and

directly contribute to the expansion of GDP ten-fold from the current US$ 53 billion to US$ 500 billion by 2040 and double to US$100 billion by FY 2029/30.

45. The Budget Strategy for next financial year is therefore based on the principles of the tenfold growth strategy, the gains, lessons learnt and opportunities from NDPIII as well as NDPIV strategic direction. This demonstrates continuity of our socio-economic transformation strategy. This strategy underscores employment, wealth creation, and higher household incomes by prioritizing key enablers for accelerated growth.

Priority Areas of the Budget Strategy

46. Rt. Hon Prime Minister, in line with the Tenfold Growth Strategy, the fourth National Development Plan, the NRM Manifesto and the priority areas of this year's budget, we propose the following areas to guide the planning and budgeting process for FY 2025/2026:

47. ***Prioritizing the first phase accelerator actions of the ten-fold growth strategy which include:***

i) Full monetisation of Uganda's economy through effective implementation of wealth creation initiatives like, Pilar III of the PDM, Emyooga, the GROW and Invite projects, UDB and UDC support among others.
ii) Agro-industrialisation with a focus on fully commercialising and formalising farming as well as undertaking strategic value addition for export.
iii) Tourism Development with a focus on increasing tourist arrivals by five-fold under the current spend-per-tourist and length-of-stay.
iv) Mineral based industrial development including oil and gas with a focus on: undertaking quantification of

mapped mineral deposits and their governance regime; and delivering of first oil.

v) Science, Technology and Innovation with a focus on fast-tracking commercialization of on-going innovations in pathogen control and management for vaccines, diagnostics and therapeutics.

Agro-Industrialization

48. Rt. Hon Prime Minister, under this Program, we propose to undertake the following accelerator actions to raise annual export earnings of US$ 20 billion by 2040:

i) Facilitating the process of access to credit for small farmers at affordable costs, increasing long-term capital for SMEs to support agro-industrialization through UDB, PDM, ACF, Small business Recovery fund (SBRF), Agriculture Guarantee Scheme, World Bank Funded INVITE & GROW Programmes, etc.

ii) Facilitate vertical and horizontal value addition to support production of high-value multi-input products like nutritional foods, baby foods etc. that use several products like milk, eggs, maize, vegetables, fruits, etc.

iii) Improving agricultural production, productivity and profitability especially through provision of fertilizers, quality seeds and seedlings for better yields per acreage.

iv) Supporting farmers to access micro-scale irrigation systems.

v) Implementing of the warehouse receipt system (WRS) to help in sensitization, education, financing, transportation and aggregation, storage, quality standards, and linkage to markets.

vi) Effective enforcement and implementation of rules and regulations to support exports, such as beef, horticulture and other agricultural products.

vii) Implementation and mainstreaming of climate change mitigation strategies.

viii) Diversifying the sources of electricity and invest in expanding the geographical coverage to support agro-industrialization.

Tourism Development

49. Rt. Hon Prime Minister, unlocking the constraints to tourism development will require the following interventions in order to boost growth and be able to realize US$ 50 billion:

i) Improving the roads, ICT and other infrastructure in all tourism sites;

ii) Ensuring security, and countering negative publicity and negative travel advisories;

iii) Promotion and marketing by hiring international specialized consultants or bodies;

iv) Supporting training in hospitality and setting standards;

v) Grading of tourism facilities based on international standards and enforcement of sanitation standards;

vi) Promotion of health tourism—for health services and education tourism, targeting regional markets;

vii) Promoting the un-tapped domestic tourism market to help sustain tourist facilities in very low seasons.

Minerals Based Industrial Development Including Oil and Gas

a)**Minerals Industrial Development**

50. The development of the mining sector and its value chains through establishment of a conglomerate of specific companies in this sector to operate and undertake mineral processing in Uganda will entail the following:

i) Mapping of mineral resources for the country and documenting the mineral potential for strategic investors;
ii) Establishing a minerals-tracking system to ease exports;
iii) Establishment of the National Mining Company as a commercial vehicle for investment and trading in minerals. Capitalization of this company will commence this financial year;
iv) Putting in place a governance framework for the exploration and development of the mineral sector;
v) Ensuring transparency of mining activities and accountability for the revenues to Government;
vi) Establishment of more value addition facilities in the country, and
vii) Facilitating private sector participation in exploration, mining and value addition to minerals.

b) **Oil and Gas**

51. Rt. Hon Prime Minister, accelerating investments in oil and gas will be instrumental in contributing to faster growth of Uganda next financial year and over the medium term by:

i) Accelerating the construction of the East African Crude Oil Pipeline (EACOP);
ii) Expediting the construction of the Oil Refinery by Government identifying private investors as equity partners;
iii) Completing the construction of Kabalega International Airport by providing the required financing requirements (FY2024/25: Shs 162 billion);
iv) Prioritization of the Kabalega Industrial Business Park to include the Petrochemical industries arising from the Oil Refinery, EACOP activities and the Airport infrastructure.

v) The development of the refined oil facility in Bujuuko.
vi) Strengthening the Uganda Extractive Industries Transparency Initiative to improve the governance and management of extractive industries; and
vii) Issuance of additional exploration licences to increase production volumes.

Science, Technology, Innovation and Knowledge Economy

52. Rt. Hon Prime Minister, harnessing the power of the 4th Industrial Revolution and the knowledge-based economy will require:

i) Supporting Research and Development (R+D) for new product development, new business ways, and innovation.
ii) Fast-tracking development and commercialization of investments already made in the auto-mobile industry, electronics and the pathogen economy for production of vaccines, and Artificial Intelligence (AI).
iii) Strengthening partnerships with private sector Research and Development institutions and scientists in the pathogenic and knowledge economy.
iv) Deliberate investment to improve the quality of education (skills development) and investment in ICT based skills development.
v) Putting in place a strategy for long-term development of specialized skills to support a more sophisticated and diversified economy.
vi) Developing an effective apprenticeship program with more developed and emerging economies to quickly acquire knowledge, expertise and technology transfer.
vii) Linking research hubs with universities and industry operators.

viii) Putting in place a reward system and a functional transparent patent system for innovation.

53. ***Sustaining peace and security, macroeconomic stability as well as strengthening Governance and Public Sector efficiency.***

6. FINANCING PLAN FOR FY 2025/2026

54. Rt. Hon Prime Minister, we shall finance the budget for FY 2025/2026 using our domestic resources as well as external resources. However, as I already indicated, external financing has been on the decline and this calls for strengthening the implementation mechanisms of our Domestic Revenue Mobilization Strategy. In this regard, we shall undertake the following:

i) Repurpose the resources in the current budget and improve allocative efficiency, to focus on the prioritized sectors of the economy (in the context of fiscal consolidation, greater accountability for tax expenditures, improving return on public investments, etc).

ii) Effective implementation of the Domestic Revenue Mobilization Strategy (DRMS) with a major focus on combating tax evasion and smuggling.

iii) Incentivize diversification of private capital to balance government securities vis-à-vis other forms of private finance, e.g. equities.

iv) Rethinking the reform of the pension sector, insurance, and capital markets (e.g. infrastructure bonds) to unlock the huge financing potential.

v) Form a conglomerate of equity companies around the mineral reserves/assets owned by Government, and attract private capital by listing of shares.

vi) Further exploration of Oil & Gas reserves to increase revenue that can finance other sectors of the economy.

vii) Leveraging affordable and sustainable financing through adequate capitalization of UDB, UDC, ACF, SBRF, Emyooga, Etc.

viii) Incentivizing and promotion of Corporate debt financing to relieve Government of the debt burden generated from financing such institutions, e.g. Corporate Bonds with more favorable terms for institutions like UDB, UDC, National Water and Sewerage Corporation etc.

ix) Attracting more Foreign Direct Investment (FDI), through sound economic and financial policies, infrastructure development, reducing the cost of doing business, improving governance of Government institutions, and corporate sector.

x) Integrating PPPs in both social and commercial sectors (roads, institutional housing, waste management, etc).

xi) Diversify public finance options by implementing the Public Investment Financing Strategy (PIFS), including concessional and commercial loans, Islamic finance, Climate Finance, and others.

55. Rt. Hon. Prime Minister, Honorable Colleagues, Permanent Secretaires and Accounting Officers, I wish to remind you that the Public Finance Management Act (PFMA) 2015 as amended gives sole responsibility to the Minister responsible for Finance to mobilize and receive financing to support the Budget. Therefore, all requests for Development Assistance should be made by the Minister responsible for Finance on behalf of the respective Ministries, Departments and Agencies (MDAs).

MDAs are not mandated to seek financing directly from Development Partners. In addition, all projects and programmes funded by Development Partners in Uganda shall be signed off by the Minister responsible for Finance in line with the laws of Uganda. This will ensure that there is no duplication of efforts by different Partners and Government.

7. RISKS AND MITIGATION MEASURES

56. Rt. Honorable Prime Minister, we are cognizant of some risks that could undermine the implementation of the Budget for next financial year. These risks and mitigation measures include:

i) Global factors resulting in: high interest rates; high cost of debt; external trade, tourism and FDI disruptions as well as lower than projected performance by URA. To deal with this, we shall continue strengthening efforts to increase domestic revenue mobilization, and implementation of economic and commercial diplomacy for sustaining trade, tourism and FDI flows.

ii) Climate Change issues. To hedge against this, we shall continue implementing the climate change adaptation and mitigation measures across the various programmes.

iii) Effectiveness of public institutions especially dealing with weak implementation and corruption. We shall continue implementing the public sector efficiency reforms including rationalization of Government departments and agencies as well as intensifying the fight against corruption.

8. CONCLUSION AND WAY FORWARD

Rt. Hon Prime Minister, in line with the Public Finance Management Act, 2015 Amended, the following are the next steps;

i) Issuance of the first Budget Call Circular to give detailed guidance to all Programmes, Ministries, Departments and Agencies to start preparation of the FY 2025/26 Budget Framework Paper in line with this strategy.
ii) Completion of the NDP IV and detailed Programme Implementation Action Plans that will detail the actions required to implement the strategy.
iii) Preparation of the National Budget Framework Paper to be submitted to Parliament by 31st December 2024.

I thank you all, **FOR GOD AND MY COUNTRY**.