THE REPUBLIC OF UGANDA

The National Budget Conference

Financial Year 2024/2025
Budget Strategy

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

By: Honorable Matia Kasaija

Minister of Finance, Planning and Economic Development.

14th September 2023.

Rt. Hon. Prime Minister,

Deputy Prime Ministers,

Colleague Ministers,

Honorable Members of Parliament,

Members of the Diplomatic Corps,

Local Government Leaders,

The Private Sector,

Civil Society Organizations,

All Invited Guests,

Ladies and Gentlemen

1. The Budge Strategy for FY 2024/2025 is outlines interventions required to achieve faster socio-economic transformation of Uganda. It is anchored on the objectives of the Third National Development Plan (NDPIII), NRM Manifesto 2021 – 2025 and accelerating economic growth to expand the size of the economy to US$ 500 billion in the medium term.

2. The Theme for the FY2024/25 budget remains the same as this, which is: **“Full Monetization of Uganda’s Economy Through: Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation and Market Access”.**

3. The ultimate goal of the Budget Strategy for FY2024/2025 is to accelerate economic growth to at least 7% in the medium term with the ultimate goal of building an independent, integrated, and

self-sustaining economy. This will involve transitioning from a raw-materials-based to a manufacturing and knowledge-based economy; as well as improve the environment of doing business in Uganda and making it competitive.

4. Over this fiscal year 2023/2024, the focus is on the following key priorities of the Budget:

   i. Boosting household incomes and micro-enterprises;

   ii. Commercializing agriculture to enhance production and productivity and improve competitiveness of agricultural products;

   iii. Supporting private sector growth;

   iv. Investing in the people of Uganda;

   v. Improving the stock and quality of infrastructure; and

   vi. Expediting the implementation of strategic interventions, research and development, minerals, oil and gas industry.

5. Next financial year, the process of repurposing the budget will continue to provide resources to high impact growth areas while consolidating economic recovery and resilience, as well as implementing measures to mitigate the negative effects of climate change.

6. This presentation, therefore, covers the following:

   i. An assessment of economic performance and outlook;

   ii. Interventions to shift the economy to a higher growth path;

iii. The medium-term financing strategy; and

iv. Feedback on key issues raised during the last budget consultative process.

ASSESSMENT OF ECONOMIC PERFORMANCE AND OUTLOOK

Economic Performance

7. During FY2022/23, the economy grew at 5.5% compared to 4.6% in FY2021/2022, resulting in an upward growth of the size of Uganda's economy from UShs. 162.9 trillion in FY 2021/2022 to UShs. 184.3 trillion in FY 2022/2023 equivalent to US$45.6 billion and US$ 49.4 billion, respectively.

8. This expansion was on account of good performance of all sectors of the economy, with services growing at 6.2%, Agriculture 5% with food crops growing at 4.7% from 3.5%; livestock 8.9% from 8.3%; while fish activities grew by 7.7% from 0.3%, in FY2022/23 and FY2021/22, respectively. Industry grew by 3.9% slower that slower than 5.1% recorded in the same period mainly on account of slower growth in manufacturing and construction activities.

Inflation and Interest Rates

9. Inflation reduced to 3.5% in August 2023 from the peak of 10.7% in October 2022. The recent reduction is mainly on account of reduced transportation costs, a decline in manufactured foods

and food crop prices. Inflation is currently managed below the policy target inflation rate of not more than 5% per annum.

10. Within the East African Community (EAC), annual inflation in August 2023 averaged 13.1%, and was as follows for individual EAC countries.

Burundi—28.9%
DR Congo—26.7%
Rwanda—17.3%
Kenya—6.7%
South Sudan—5.6%
Tanzania—3.3% (the lowest in the region).

11. The recent changes increase in the price of oil in the global market could result in an increase in with domestic fuel pump prices. This may put pressure on prices of other goods and services to rise. However, with our coordinated efforts on both fiscal and monetary policies between my Ministry and Bank of Uganda, this will be contained.

12. As a result of low inflation, the Central Bank Rate (CBR) was reduced to 9.5% in August 2023 up from 10% in July 2023 and commercial bank lending rates fell to 18.4% in June 2023 from 20.1% in the previous month. This was also partly due to an increase in prime borrowers who were able to access credit at lower rates owing to their good credit rating with banks.

Private Sector Credit Growth

13. This remained weak, at 3.0% in FY 2022/23 compared to a growth of 8.9% in FY 2021/22 partly due to the tightening of

monetary policy. In terms of Sector composition, the largest proportion of credit was for Personal Loans and Household Loans (22.2%) followed by Building, Mortgage, Construction and Real Estate (20.1%), trade (18.2%) and manufacturing at 13.3%.

14. During the course of FY 2023/2024, Private Sector Credit growth is expected to improve, supported by the reduction in inflation and continued improvement in economic activity.

External Sector

15. Merchandise exports increased significantly, growing by 42% from USD 3,838 million in FY 2021/22 to USD 5,467 million in FY 2022/23, largely driven by gold exports.

16. Whereas exports have increased, the goods trade deficit has widened slightly by 2.7% from USD 3,299 million in FY 2021/22 to USD 3,388 million in FY 2022/23. This is mainly due to the significant recovery in private sector imports which increased by 27.2% in FY2022/23 compared to a decline of 11.8% in FY2021/22. Overall, Government imports declined in the past 2 years while private sector imports increased significantly in FY2022/23.

17. Export receipts are expected to improve as Uganda accelerates the production of light manufactured goods and middle high-tech industrial products as well as value addition.

Tourism Remittances

18. Tourism receipts have risen since the beginning of FY 2022/23, averaging US$ 260 million every quarter in the past year ending March 2023, compared to the average of US$ 238 million in the same period a year ago. This is still below potential and interventions are outlined in this strategy to increase tourism receipts to US$ 5 billion per annum by 2028.

19. Remittances have also been on the increase, reaching US$ 375 million in the Quarter to March 2023. The annual remittances to end March 2023 amounted to US$ 1.38 billion on account of improving economic conditions in the source countries, as the global economy continued its post-pandemic recovery.

Foreign Direct Investments (FDIs)

20. FDI reduced sharply from USD 1,274 million in 2019 to USD 874 million in 2020. They have since increased to USD 1,526 million in 2022, the highest level on record.

21. I am happy to report that Uganda is one of the 10 top African countries in FDI inflows for calendar year 2022 and the number one in East Africa due to growth in the minerals sector, and oil and gas which recorded increased activity after the Final Investment Decision (FID) in February 2022.

Fiscal Performance

Domestic Revenues

22. Tax revenues for FY 2022/23 performed on target at 99.9% worth Ushs 23,732.99 billion against the target of Shs 23,754.86

billion. Surpluses were recorded under PAYE 105.3 billion; Excise Duty on fuel Shs. 65.75 billion; Witholding Tax Shs. 23.59 billion. On the other hand, major deficits were recorded under: VAT Shs. 51.76 billion and Local Supplies and Imports Shs. 85.17 billion.

23. The shortfall was only Shs 21.87 billion during the fiscal year.

24. This FY 2023/2024, overall net revenues collections for the period July – August 2023 amounted to Shs. 4,038.9 billion against the projection of Shs. 4,139.6 billion, posting a shortfall of Shs. 100.67 billion (Tax Shs. 76.29 billion and NTR Shs. 24.38 billion). Despite this shortfall, there was a 12.5% growth in revenues worth Shs. 405.21 billion.

Expenditure

25. Total Government expenditure (excluding domestic debt refinancing and Appropriation in Aid (AIA), amounted to **Shs 36,722.66 billion** in FY2022/23 against the planned budget of **Shs 37,471.92 billion**, implying a performance of 98.0%.

26. The less than programmed expenditure was due to the development expenditure which was lower by **Shs 3,531.61 billion**, more than offsetting the higher than programmed recurrent expenditure that was above planned by Shs 2,836.24 billion

27. Government recurrent expenditure was above the original budget following supplementary budgets for wages and salaries to

cater for the increment in wages for scientists, as well as to non-wage recurrent items.

28. Spending for externally financed development projects was lower than planned mainly due to absorption constraints faced by implementing agencies, leading to slower disbursement by development partners.

29. For the First Quarter of FY 2023/24, we have released Shs. UShs. 52.74 trillion. The total Government of Uganda budget (debt, external financing and AIA) is 25.249 trillion. To date, UShs. 5.181 trillion has been released, that is, 20.5 percent of the total budget. Wage is UShs. 1.82 trillion, Non-Wage 2.61 trillion, Development 0.39 trillion, Arrears 0.36 trillion.

Fiscal Deficit FY 2022/2023

30. Execution of the budget during FY 2022/23 resulted in a fiscal deficit of Shs 10,391.53 billion which is equivalent to 5.6% of GDP. Although this is higher than what was programmed, it is lower than the 7.4% registered for FY2021/22 and thus reflects the fiscal consolidation drive the Government is pursuing.

31.

Public Debt Performance

32. Preliminary estimates indicate that the nominal stock of Uganda's public debt increased from Shs 78,833 billion (USD 21 billion) at end June 2022 to Shs 86,7820 billion (USD 23.6 billion) at end June 2023. However, due to a significant increase in

nominal GDP, the ratio of debt to GDP declined from 48.4 to 47% over the same period. The reduction in the debt to GDP ratio was also on account of a slower rate of debt accumulation, in line with Government's commitments to fiscal consolidation.

Economic Outlook for FY 2024/2025

33. Over the past decade, economic growth has averaged 4.7% per annum, which is lower than the average growth of 7.3% in the previous decade.

34. However, the implementation of strategic interventions such as the Parish Development Model (PDM) for full monetisation of Uganda, development of the minerals sector, agro-industrialization and manufacturing among others, will spur economic growth to 6% by end of FY2023/24 and to 6.5% in FY 2024/2025 and therefore accelerate to an average of at least 7% over the medium term.

35. This will largely be driven by growth in industry, services and agriculture sectors of the economy. On that account, the size of the economy is expected to grow from UShs. 184.3 trillion in FY2023/24 to UShs. 234.44 trillion in FY 2024/2025, equivalent to US$ 63.36 billion at market prices.

SHIFTING THE ECONOMY TO A HIGHER GROWTH PATH

36. Over the past decade, (2012/13-2022/23), economic growth has averaged 4.7% per annum, which is lower than the average

growth of 7.3% in the previous decade (2001/02-2011/12), as shown in Figure 13.

37. The main reasons for the slow growth in the past decade include:

i. The regional and global shocks such as climate change, Covid-19 Pandemic, volatility in commodity prices, global and regional conflicts, etc;
ii. Low productivity in key growth sectors especially the agricultural sector which is the backbone of the Ugandan economy.
iii. Low efficiency, effectiveness and productivity of Government institutions stemming from limited coordination across MDAs, and low return on public investments;
iv. The high cost of doing business albeit the significant improvement in infrastructure such as roads, energy, ICT, etc;
v. The high cost of capital which continue to constrain business growth and innovation, and at the same time creating high debt servicing costs for government.
vi. The domination of raw primary products in the export market which are vulnerable to world market prices and the effects of climate change.
vii. Limited access to and transfer of technology; and
viii. The mismatch between available skills and the labour requirements of markets.

38. Accelerating economic growth and socio-economic transformation require addressing these strategic constraints in the short to medium term.

39. To achieve the strategic objectives of accelerating economic growth, faster socio-economic transformation, increasing the size of the economy to US$ 500 billion in the next 15 years, the budget

for financial year 2024/25 will contribute to this target by focusing on building an integrated, independent and self-sustaining economy through the following:

i. Ensuring security, good governance and the rule of law which are the bedrock of sustainable economic growth and socio-economic transformation;

ii. Maintaining macroeconomic stability especially keeping inflation low and achieving fiscal sustainability including debt sustainability through implementation of fiscal consolidation interventions.

iii. Boosting household incomes and microenterprises through effective implementation of all the 7 pillars of the Parish Development Model (PDM);

iv. Commercializing agriculture to enhance production and productivity and improve competitiveness of agricultural products;

v. Development of oil and gas industry including renewed efforts to construct the oil refinery and laying the ground work for the petrochemical industries.

vi. Development of the Mineral Sector including putting in place the required regulatory and governance frameworks.

vii. Undertaking specific and deliberate investments in the tourism sector including undertaking reforms in the regulatory environment.

viii. Supporting private sector growth by improving further the business environment and targeted interventions, such as supporting ICT infrastructure, reducing bureaucracy, and reviewing the regulatory frameworks.

ix. Investing in the people of Uganda through education, health and social protections measures.

x. Revamping the stock and quality of infrastructure by deliberately prioritizing areas that have immediate high growth impact to lower the cost of doing business, for example, the Greater Kampala Metropolitan Area Infrastructure Project.

xi. Putting in place effective frameworks for strategic interventions in innovation, and research & development;

xii. Implementing measures to improve the efficiency, effectiveness, coordination and productivity of the public sector and public expenditure, including conclusion of the rationalization exercise of MDAs.

xiii. Continued provision of affordable credit by Government and unlocking private finance through:

   a. The Agricultural Credit Facility (ACF) which has supported small and large private enterprises;
   b. The Small Business Recovery Fund (SBRF) for small and medium enterprises;
   c. Emyooga for micro enterprises and low-income groups;
   d. Uganda Development Bank for medium to large enterprises;

e. Uganda Development Corporation for equity investments and Government taking a lead role in some strategic investments where capital outlays are huge or to de-risk such investments to attract private capital; and

f. Implementing reforms in the pension and insurance sectors for the private sector to access diversified and long term affordable financing products. This requires political commitment.

xiv. Continued investments in industrial parks and energy transmission to support private sector activity by reducing costs of production for manufacturers.

xv. Continued deepening of regional integration is expected to boost growth in trade and exports following the admission of Democratic Republic of Congo (DRC) into the East African Community.

xvi. Implementing Climate Change interventions to mitigate the adverse effects on agriculture and infrastructure resilience.

xvii. Ensuring value addition to raw primary commodities and improve standards including through R&D, to boost exports in traditional regional and global markets and to penetrate new markets.

xviii. Implementing interventions to optimize the benefits under the Greater Kampala and Metropolitan Area.

40. The above will be anchored in the recommendations of the recently concluded Mid Term Review of the Third National

Development Plan and the 7th Economic Growth Forum. The key interventions are outlined below.

Effective Implementation of the Parish Development Model (PDM)

41. In FY 2021/2022, Government launched the Parish Development Model (PDM) as the key driver to transform the 39% of the population from subsistence to the money economy, through job creation, increase in household incomes and wealth creation. To date, Government has invested UShs. 2.32 trillion in this Model, targeting all the 10,459 parishes across the country.

42. Next financial year and beyond, the strategy of implementation of the Model will be strengthened to ensure all the seven pillars are effectively implemented by the respective MDAs for attainment of the intended goal of moving all people from non-cash to cash economy. This will therefore entail the following interventions:

   i. Effective implementation, monitoring, and evaluation of the Parish Development Model;

   ii. Operationalization of the other 6 pillars of PDM beyond the financial inclusion pillar; and

   iii. Streamlining all Government program interventions and service delivery at the parish to ensure realization of PDM.

Agricultural production and value addition

43. This will involve identification of agricultural commodities to be the anchors for agro-industrialization, for example: dairy,

cassava, maize, cotton, tea, beef, fish, oil palm. Other proposed intervention areas will include:

i. Facilitating the process of access to credit for small farmers to at affordable costs, increasing long-term capital for SMEs to support agro-industrialization through UDB, ACF etc.

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

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

iv. Effective enforcement and implementation of rules and regulations to support exports, such as beef, horticulture and other agricultural products. This includes eliminating counterfeit products including pesticides, fertilizers, vaccines, etc.

v. Supporting farmers to access micro-scale irrigation systems.

vi. Implementation and mainstreaming of Climate change mitigation strategies including:

    a. Carbon pricing; investing in emission tracing infrastructure to showcase carbon competitiveness;

    b. Investing in climate-smart infrastructure

c. Supporting Research & Development in climate-smart technologies;

d. Investing in economy-wide adaptation in all sectors e.g., efficient irrigation structures and water management infrastructure, introduction and adoption of drought-prone and flood-prone crop varieties; and

e. Make financing options more accessible such as insurance schemes for agriculture.

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

viii. Improve reliability and reduce the cost of electricity.

Development of Oil and Gas sector and the petro-chemical industry

44. Accelerating investments in oil and gas will be instrumental in contributing to faster growth of Uganda next fiscal 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 taking a lead role in mobilization of funding and undertaking the required investments using appropriated funds.

iii. Prioritization of the Kabalega Industrial Business Park to include the Petrochemical industries arising from the Oil Refinery, EACOP activities and the Airport infrastructure.
iv. Completing the construction of Kabalega International Airport by providing the required financing requirements;
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.

Accelerated Development of the Mineral Sector

45. 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. This will entail the following:

i. Expedite the mapping of mineral resources for the country and documenting the mineral potential for strategic investors;
ii. Putting in place a governance framework for the exploration and development of the mineral sector;
iii. Ensuring transparency of mining activities and accountability for the revenues to Government through loyalties and taxes;
iv. Establishment of more beneficiation facilities in the country, and establishing a minerals-tracking system to ease exports.

Unlocking the Constraints to Tourism Development

46. Unlocking the constraints to tourism development will require the following interventions in order to boost growth:

    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 set 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.

Continue implementation of the export strategy and import replacement strategy through the industrialization drive, local content strategy, and agro-based manufacturing.

47. Implementation of this strategy will require:

    i. Promoting targeted industries and enterprises with a critical focus on export-oriented industries.
    ii. Supporting various strategic sectors with the goal of developing domestic competencies and scale, skilled labor,

promote economic growth, and lay foundation for industrialization.

iii. Developing export products where we have comparative and competitive advantages.

iv. Developing specialization in the export markets.

v. Enforcing quality standards along the entire processing chain from farm to market, including reforming the UNBS to improve its governance and technical capacity as a regulator to supervise and enforce quality standards.

vi. Urgently hire more quality inspectors especially at the border crossings.

vii. Political negotiation of trade markets in the context of deepening regional integration and promoting intra-Africa trade.

Investing in the people of Uganda

48. Human Capital Development is central for the development of a healthy population and a skilled labour force through provision of quality healthcare, education and safe and clean water. In FY 2024/2025, the strategy will focus on the following sub-program interventions:

Health

49. The health sub-program aims at providing high quality and accessible health services to all people in Uganda, including addressing broader determinants of health to attain socio-economic development and prosperity. To achieve this, the

following focus areas will guide the planning and budgeting process for FY 2024/25.

i. Prevention and control of Communicable Diseases with focus on high burden diseases and epidemic prone diseases through community-based surveillance approaches.
ii. Expansion of community-level health promotion, education and prevention services in all programs.
iii. Prevention and control of Non-Communicable Diseases (NCDs) ;
iv. Improvement of Reproductive, Maternal, Neo-natal, Child and Adolescent Health (RMNCAH) services by functionalizing theatres at HC IVs and equipping (fridges, power back up & laboratory reagents) and provision of blood transfusion services.
v. Improving the Emergency Medical Services (EMS), critical care and referral system through functionalization of high dependency units / ICUs in referral hospitals and hospitals along highways, training in pre-hospital and Hospital Emergency care and improving communication on referral and ambulance systems.
vi. Supporting improvement in health information management and use, research and technology by rolling out the Electronic Medical Records (EMR) system, right from the Reginal Referral Hospitals down to the Health Centre IVs in a phased manner.

vii. Functionalizing all the upgraded Health Facilities under the Uganda Intergovernmental Fiscal Transfer Program for Results (UgIFT). Meanwhile, in FY 2024/25 a total of 122 health facilities upgraded in previous years shall be completed and functionalized to offer services of Level IIIs.

viii. Fast tracking the establishment of the National Health Insurance Scheme (NHIS) and improve the allocative and technical efficiency in the provision of financial resources in the health sector with focus on prevention against curative.

Education

50. Under the Education Sub-Program, the following areas will inform the planning and budgeting process for FY 2024/2025:

51. <u>Under this program, the flowing will be addressed:</u>

i. Promotion of STEM/STEI in Education, Research and development;

ii. Development of a complete National Vocational Qualifications Framework.

iii. Enhancing capacity of the Skilling institutions to cope with the growing demands of the current labor market skills.

iv. Improved data management and evidence-based planning through upgrade of EMIS to include tracking enrolment, drop-out, retention, and uniquely identify learners, teachers, and institutions.

v. Increased uptake of the digitalization strategy in the program through roll-out and maintenance of systems such as TELA, E-inspection, TMIS, E-learning and National Ambulance System.

Water

52. The budget for the FY 2024/25 will focus on further improving access to safe water and sanitation in both rural and urban areas. More resources will also be re-directed towards increasing the stock, access and availability of water for production through the following interventions:

i. Construction, rehabilitation and expansion of large, medium and small piped water systems in all urban areas and rural growth centers with emphasis on the under-served areas of the country. This will also include boreholes, solar-powered pumps and public standpipes;

ii. Strengthening and integration of the water user committees, monitoring and reporting in the Parish Development Model across the country.

iii. Construction of public and community sanitation facilities such as faecal sludges and waterborne toilets.

iv. Promotion of motorized water supply systems through construction of solar-powered schemes.

v. Integration of sanitation facilities in other projects especially under education and health in line with the programmatic approach to planning.

vi. Development of a Water and Sanitation Information Management System under the Uganda Inter-Government Fiscal Transfer Program (UGIFT) with support from the Word Bank to facilitate monitoring and reporting of access to safe water and sanitation.

Investment in Science, Innovation, Research and Development

53. This will be undertaken in all spheres of production and business processes to spur growth. It will include, among others: support to Research and Development in public universities and institutions (such as National Agricultural Research Organization and its affiliates countrywide) as well as strengthening partnerships with private sector Research and Development institutions and scientists in the pathogenic and knowledge economy.

54. Therefore, harnessing the power of the 4th Industrial Revolution and the knowledge-based economy will require:

i. Supporting Research and Development (R+D) to for new product development, new business ways, and innovation.

ii. Deliberate investment to improve the quality of education (skills development) and investment in ICT based skills development.

iii. Putting in place a strategy for long-term development of specialized skills to support a more sophisticated and diversified economy.

iv. Developing an effective apprenticeship program with more developed and emerging economies to quickly acquire knowledge, expertise and technology transfer.

v. Linking research hubs with universities and industry operators.

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

Private Sector Development and Manufacturing

55. This will require harmonization of policies and regulations to relate, and reduce regulatory bottlenecks for investment by enforcing rules and regulations that support manufacturing, business growth and accountability, intensify the fight against corruption and ensuring fair play for economic and business agents/firms.

Industrial Development and Manufacturing

56. Eight government owned industrial parks are currently operational and they include: Namanve, Jinja, Bweyogerere, Mbale, Soroti, Mbale, Kasesse and Luzira. In addition, there are three industrial parks developed under the Public Private Partnership arrangement at Kapeeka, Mukono and Buikwe. Uganda Investment Authority has acquired additional 12 square

miles for industrial development as provided by various Local Governments across the eighteen zones in the country.

57. In line with the development agenda for industrialization and manufacturing, this strategy will focus at ensuring functionality of all these industrial parks with adequate provision of electricity, water, interconnection roads among others.

Integrated Infrastructure Development and Services

58. The focus of this program will be on increasing funding for road maintenance and preservation of the road asset value; completing ongoing road upgrades and rehabilitation projects with special focus on the oil roads and tourism roads; and undertaking preparatory activities for new projects in future including undertaking studies and acquiring infrastructure corridors for future investments.

59. Further, investment in intermodal transportation will be made in rail transport including construction of the Standard Gauge Railway (SGR) and continuation of the rehabilitation projects for the Meter Gauge Railway (MGR) which will be key in connecting productive areas to the market, opening up regional markets, moving heavy cargo from roads to railway and thus reducing freight costs and road maintenance requirements in the long-run.

60. Under air transport, efforts will be put towards operationalization of Kabalega International Airport in Hoima and completion of ongoing studies for upgrading six regional

aerodromes including: Gulu, Kidepo, Kisoro, Arua, Kasese and Pakuba.

61. Furthermore, Government will reduce the unit costs for construction of transport infrastructure in order to reduce the burden on the overall resource envelope.

62. In order to improve road safety Government will implement motor vehicle tracking through the Intelligent Transport Management System (ITMS), undertake motor vehicle inspection and address the issues of road furniture vandalism.

Digital Transformation and Automation of the Economy

63. The goal of the program is to increase ICT penetration and use of ICT services. The program will continue with the implementation of the last mile connectivity/rollout of broadband infrastructure in key government service delivery units, ensuring all essential service providers such as schools, hospitals, post offices, tourism sites, police, Local Governments, etc. through the Uganda Digital Acceleration Program (UDAP). The program will also support the roll-out of e-services such as e-extension, e-education, e-health and remote collaboration solutions, to digitally transform public service delivery.

64. In addition, the program will also support the development and commercialization of local ICT products and build a critical mass of talent to develop applications and services through the ICT Innovation Fund; and provide digital literacy training to SMEs and communities to create awareness about ICTs and empower them in the use of ICT products and services.

Public Sector Effectiveness and Accountability

65. Under this program, key interventions will include:

i. Expediting the rationalization of Government Agencies to create efficiency gains with and improve coordination as well as ensuring effectiveness and efficiency of public resources utilization. This will also include the non-creation of new administrative units within the spirit of Rationalization of Public Expenditure (RAPEX).

ii. Holding Government Accounting Officers accountable for service delivery.

iii. Improving the return on investment for public investments to increase productivity and multiplier effects on the economy. Implementing the Public Investment Management System (PIMS) reforms and improving governance of project selection and reintroducing a competitive process to contractors.

iv. Effective and efficient utilization of public funds, including borrowed funds. This requires proper project assessment/studies and a transparent project selection process based on the potential to contribute to socio-economic transformation.

v. Effective supervision of Government projects to ensure value for money, improve the return on investment of public expenditures, and to realize the required multiplier effects in the economy.

vi. Improving coordination with the Uganda Investment Authoity in removing binding constraints to investment. These are high cost of capital, expensive and unreliable power, high costs of transport, etc.

vii. Ensuring balanced growth across regions of the country regarding the distribution of new projects, prioritizing lagging regions and districts.

Addressing Security and Good Governance

66. Matters of national security and adequacy of governance structures remain the bedrocks of development. Addressing the challenges impacting the performance and delivery of services by all sister security organs will be in the focus of the budget for next year. This will include the Uganda Peoples' Defence Forces, Uganda Police Force and the Uganda Prisons Service.

67. On the same note, improving Governance effectiveness for national socio-economic transformation will be instrumental for private sector development and Foreign Direct Inflows; and for

steady global, continental, and regional competitiveness. Next financial year, the following will be undertaken:

i. Supporting the welfare of our security agencies;
ii. Enhance surveillance and improving timely crime detection for the upkeep of law and order
iii. Increase support to the Directorate of Ethics and Integrity, and the Office of Inspectorate of Government (IG)
iv. Integration of human rights culture to accommodate diversity and inclusion;
v. Enhance Inspection, monitoring and evaluation of Government projects.
vi. Enhancing support for better performance of Uganda's diplomatic missions abroad.
vii. strengthening performance of program secretariats to improve communication, coordination, and cooperation of MDAs.

Social Protection

68. Social protection follows the human life cycle. Uganda's social protection strategy is well diversified, inclusive, and ensures the protection and promotion of the fundamental and other human rights and freedoms.

69. Government has in place a number of interventions: Universal Primary and Secondary Education; Persons Living with Disabilities (PWDs); Persons Living with HIV/AIDS; the elderly persons through the Social Assistance Grant for the Elderly (SAGE); Youth Livelihoods Program (YLP) for the Youth; Uganda Women's Empowerment Program (UWEP); Emyooga; Small Business Recovery Fund; and now the newly introduced Parish Development Model (PDM) which is targeting the 39% of vulnerable households trapped subsistence economy that Government is committed to delivering them to the money economy.

70. To enhance the functionality of the above interventions, therefore, the following areas will guide the planning and budgeting in FY 2024/2025:

i. Continue with the implementation of the Parish Development Model while targeting enterprises that will foster income generation and improved living standards for all
ii. Continue to support provision of social services for all, e.g., primary health care, universal primary and secondary education etc.
iii. Enhancing support for inclusive businesses recovery and growth;
iv. Concessional financing to enhance support for the youth, women, PWDs, the elderly, etc;

v. Recovery of UWEP and YLP funds from the beneficiaries to sustain and make affordable and accessible the availability of the revolving funds;
vi. Regulation of the externalization of labour through the Ministry of Gender, Labour and Social Development;
vii. Strengthening occupational safety and health.

Addressing the main factors of production to create wealth

71. The NRM has been working hard to improve the five factors of production namely land, labour, capital, entrepreneurship and knowledge, and markets. The Ministry's efforts are geared towards harnessing the factors of production as follows:

Capital

72. Government has addressed all the segments of the economic agents:

i. Large and Medium enterprises through capitalization of UDB and UDC
ii. Small and Micro Enterprises (SMEs) by allocating resources to the Microfinance Support Centre, Small Business Recovery Fund, Agricultural Credit Facility, Women & Youth Funds, Emyooga, and PDM.

73. A total of Shs 2.1 trillion has been provided in this financial year to support wealth creators to access patient and affordable capital.

Land

74. The interventions to improve governance and efficient utilization of land include:

i. Titling 80,000 pieces of land every year under the Competitive and Enterprise Development Project (CEDP)
ii. Digitising the land registry and take services closer to the people by opening up zonal offices.
iii. Continued capitalization of the Land Fund to purchase and/or compensate land owners.

Labour

75. A total of 1.8 million jobs have been created in the period 2016 and 2021 in all sectors of the economy and more jobs will be created by implementing interventions to accelerating economic growth outlined in this strategy.

76. The budget for FY2024/24 will continue to give emphasis on teaching science subjects, skilling through vocational and apprenticeship training, innovation, and research & development (R&D).

Entrepreneurship

77. Support to entrepreneurship involves the following:

i. Women and Youth Funds;
ii. Generating Growth Opportunities and Productivity for Women (GROW) Project;
iii. Uganda Investment for Industrial Transformation and Employment (INVITE); and
iv. The H.E Zonal industrial Training Hubs in carpentry, fabrication and welding, shoemaking, embroidery, tailoring,

weaving, hairdressing, knitting, bakery, crafts and stone-cutting.

v. Support to Creative art by supporting copyrights and infrastructure for production of songs and films/comedies, and providing access to patient and affordable finance.

78. Ultimately, the private setor wioll remain the main facilitator of entrepreneurship and the budget has support a number of interventions to scale up the capacity of local enterprises and Financial Development Institutions (DFIs).

Science, Technology and Innovation

79. To build the knowledge economy requires enhancing Science, Technology and Innovation (STI) by providing additional resources for scientists and innovators starting this financial year.

Markets

80. Government is continuing to work with the rest of Africa to trade together under the common market agreements of EAC, COMESA, AfCFTA, but also to negotiate with bigger markets in Asia, China, Russia, Eastern Europe, UAE and the rest of Middle East.

81. Emphasis will be put on strengthening market entry by facilitating the private sector to set up export hubs in strategic markets. Government is also deepening industrialization beyond the production of raw materials and intermediate goods to tertiary

products, such as industrial sugar, casein, industrial starch, among others.

82. Also, investment in facilities to meet phytosanitary requirements to make our products competitive on the world market will be prioritized in FY2024/25.

Climate Smart Agriculture

83. The FY2024/25 budget will continue to prioritize Climate Smart Agriculture. This has included provision of US$ 354 million this financial year for the following:

i. Mechanization (US$ 121 million);
ii. Seed multiplication and research (US$ 47 million);
iii. Scaling up small scale solar power irrigation (US$ 62 million);
iv. Fisheries (US$ 50 million);
v. Pest and disease control (US$ 37 million); and
vi. Storage particularly of agricultural inputs and certification (US$ 37 million)

Administration of Justice

84. Administration of Justice directly contributes to structural transformation of an economy by promoting the rule of law through effective regulation of economic activity, clarification and affirmation of rights, and strengthening laws, regulations and institutional frameworks.

85. To improve access to justice for all Ugandans, Government will focus at enhancing the performance of Institutions involved in the administration of justice.

86. Adjudication of cases should be handled in a judicious, impartial and expeditious manner in order to raise confidence of citizens and investors in the rule of law and justice system for national development.

87. The focus for next financial year on improving efficiency and effectiveness in administration of justice will be through:

i). Development of appropriate infrastructure for Administration of Justice. Special focus will be on construction and equipping of courts and additional Justice Centers.

ii). Strengthening the capacity of human resource through recruitment of Judicial Officers and relevant non-judicial Officers to further extend Judicial services nearer to the people. This would reduce case backlog through improved staffing levels and case management innovations.

iii). Strengthen Courts to resolve disputes in special areas including land, Commercial, Family disputes, Environment, Standards, Utilities and Tax disputes

iv). Enhancing support to the Office of the Directorate of Public Prosecutions v). Advancing the use of ICT and other technologies. Focus will be on rolling out Electronic Court Case Management Information System (ECCMIS) to additional Courts, procurement and installation of Court Recording and Transcription Systems, and Video Conferencing Systems to enhance capacity of Courts to handle cases online;

vi). Promoting Alternative Dispute Resolutions (ADR) and other case management interventions, such as Plea-Bargaining, Small Claims Procedure; and Mediation.

vii). Operationalize more High Court Circuits and strengthen the Inspectorate functions in the Administration of Justice System;

viii). Strengthen prevention, detection/investigation and adjudication of corruption.

Issues of Legislation

88. The Legislature Program will focus on the following intervention areas in line with NDPIII undertake the following interventions in order to achieve NDP III goals given the ever-changing social economic environment, both in the short and medium term:

i. Timely enactment of legislation to support implementation of NDP III interventions and other government policies and program to properly address the needs of the people of Uganda.

ii. Strengthening the oversight role by building capacity in PFM reforms for improved service delivery.

iii. Improve transparency and compliance with accountability rules and regulations especially on parliamentary recommendations.

iv. Strengthen stakeholder engagement and participation in the legislative process to ease implementation of enacted legislations.

89. Ladies and gentlemen, other program intervention areas will be undertaken in line with the NDPIII and agreed principles of planning and budgeting for FY 2024/2025.

IMPROVING ALLOCATIVE EFFICIENCY OF THE BUDGET

90. During the past two financial years, the ministry has carried out a repurposing of the budget to move resources from consumptive e to productive expenditure. The Ministry has, for example identified resources from the budget to fund the PDM (Shs 1.1 trillion), enhancement of scientists (Shs 954 billion), UPDF salaries, pensions and gratuity (Shs 339 billion), Emyooga (Shs 100 billion), maintenance of district roads (Shs 176 billion), and UDB (Shs 455 billion). Over the past two financial years, Shs 2.1 Trillion has been repurposed and redirected towards productive areas as identified by H.E The President, NDP III, and the NRM Manifesto.

91. Currently, the Ministry is addressing following budget challenges to strengthen budget credibility.

i. Avoid budget “tokenism” during finalization of the budget estimates at Cabinet, Parliament and operational levels, which causes distortions in the appropriated budget;
ii. The concept of distributive versus redistributive budgeting;
iii. Address escapist planning, where the budget sometimes becomes serially adversarial and accommodative, yet we can’t take it all.
iv. Repurposing of budget resources on the basis of high performing programs that meet the expected strategic objectives and interests of Government and the general public.
v. Institutionalizing the allocation of resources from areas that have since ceased to be priority areas to the now high demand and priority areas with high multiplier effects.

92. The Ministry is also working on strengthening revenue collection by developing and administering a rational tax policy to widen the tax base as we continue to plug the existing revenue leakages at both the national and local government levels. The Ministry is also reviewing non-tax revenue policies to boost collections. The target is to raise the revenue collection effort to 18% of GDP from the current 14% of GDP. Details are contained in this Strategy.

93. As we start the budgeting process for FY2024/2025, we should be cognizant of the resource limitations including domestic

revenue and limited space for borrowing. Therefore the Ministry will be unable to accommodate all MDA priorities.

THE MEDIUM-TERM FINANCING STRATEGY

94. Funding the intervention areas of the Budget Strategy for FY 2024/2025 proposed above will require adoption of the the following financing framework:

Deepening the Fiscal Consolidation Agenda.

95. This will include undertaking the following interventions:

i. Effective implementation of the Domestic Revenue Mobilization Strategy (DRMS) to enhance revenue collection, through:
   - Digitization of the tax system.
   - Enhancing the audits and taming tax evasion and avoidance;
   - Adequate staffing and training of URA staff.
   - Rationalizing tax expenditures, and also publishing them regularly to facilitate cost-effective assessments, ultimately helping to reduce wasteful tax expenditures.
   - Strengthening the social contract of the tax system. Effective service delivery to justify to Ugandans why they should pay taxes.

ii. Undertaking fiscal adjustments to generate higher growth and support faster socio-economic transformation;

iii. Reducing wasteful expenditures, through repurposing the large public administration budget, improving efficiency across government, strengthening anti-corruption systems through digitization and automation (e-government), and repurposing the budget;
iv. Undertaking policies to reduce inefficiencies in the social sectors, especially education and health. These inefficiencies include absenteeism of teachers, repetition and drop out of students as well as diversion of funds.
v. Reducing borrowing, particularly from domestic resources and external commercial loans which have high debt service cost and have resulted into a narrow fiscal space for development spending;
vi. Effective implementation of the Charter of Fiscal Responsibility, and the EAC fiscal Convergence Criteria of limiting the budget deficit to 3% of GDP in the medium term and
vii. Improving efficiency in the execution of projects and public investments, especially with respect to project implementation and maintenance of physical assets. In addition, incorporating climate change perspectives in managing these investments.

Implementation of the Public Investment Financing Strategy (PIFS) to diversify development financing options and ensure debt sustainability.

96. This will entail the following:

i. Leveraging additional financing from innovative sources to meet the increasing development finance requirements. Implementation of this Strategy is being expedited.
ii. Diversify sources of development finance and improve alignment of financing options to suitable Government programs. This includes domestic revenue, concessional financing (grants and loans), PPPs, Corporate and Private Equity, Institutional Finance such as Pension funds and insurance products, Climate Finance, Infrastructure Bonds, Islamic finance, etc.
iii. Minimize the cost and risk exposure of financing modalities. The Ministry is already undertaking financial market sounding by calling for several mechanisms that are innovative, less costly, and undertaking clear due diligence to minimize risk.
iv. Provide a framework for partnership with the private sector, both in implementing and financing public investment programs and projects.

Financing of Agriculture Value Chains

97. The following measures are proposed to be undertaken to help finance the Strategy next fiscal year:

i. Re-organizing existing resources across all the sectors that deliver Agro-Industrialization in conformity with the Presidential directive on realization of the real economy through industrializing agriculture.

ii. Accelerating recapitalization of UDB and UDC to support the NDP III Agro-industrialization Program.
iii. Reorienting the portfolio of the Agriculture Credit Facility to close financing gaps along the agricultural value chains.
iv. Supporting UDC to undertake Joint Ventures in enterprises with agriculture value chains.

Financing of the Development of the Mineral Sector.

98. The mineral sector development is a capital-intensive venture. To attract capital and technology in the mining sector, the following is proposed:

i. Government will establish a conglomerate of the specific companies in the mineral sector, and then form a Special Purpose Vehicle (SPV) that is 100% Government owned.
ii. This SPV becomes the shareholding company.
iii. Government then would have the following options:
iv. Hiring specialized international management concession(s) to manage mining, processing and marketing of the final products on behalf of Government with all the revenues coming into the Uganda economy,
v. Selling some equity shares of the SPV to some strategic investors in order to attract technology and capital,
vi. Acquisition of the required high capital equipment through leasing arrangements, or
vii. Listing the conglomerate SPV on the international capital market to raise the necessary capital.

viii. Working out a Revenue Sharing mechanism/agreement between investors and Government.

99. **Climate Finance:** As the need for large-scale and predictable climate financing becomes more glaring, the government is presented with the challenge of exploring innovative instruments for effective and efficient resource mobilization for among others climate action. Focus on mobilization of climate finance, implementation and mainstreaming of Climate change mitigation strategies will include:

i. Carbon markets development by:
ii. Working out a Framework for Green bonds issuance.
iii. Leveraging blended financing by:
iv. Supporting Research & Development in climate-smart technologies;
v. Investing in economy-wide adaptation in all sectors e.g., efficient irrigation structures and water management infrastructure, introduction and adoption of drought-prone and flood-prone crop varieties.

RISKS AND MITIGATION MEASURES

A. RISKS AND MITIGATION MEASURES

100. Factors likely to undermine the implementation of the Budget Strategy next financial year.

i. Achieving the revenue projection target for FY 2024/2025 is a critical factor for maintaining the revenue growth trajectory of 18% of GDP in the medium term.
ii. The unprecedented rise in prices of essential goods due to the increase in global demand for petroleum products leads to suppression of aggregate demand, hence negatively affecting taxes on consumption.
iii. Exchange rate depreciation, which may dampen the volumes of trade, hence lower than projected international trade taxes; and
iv. Likely adverse effects of climate change in the production regions of the country which may affect production, inflation, and household incomes. Also, climate change affects infrastructure resilience.

101. Coordinated and prudent fiscal and monetary policy management between this Ministry and the Bank of Uganda will mitigate effects of imported inflation, while climate change adaptation interventions will minimize the adverse impact of climate change on the economy.

THE PRELIMINARY RESOURCE ENVELOPE FOR FY 2024/2025

102. Preliminary domestic revenue is projected to increase to Shs. 29,957.9 billion in FY2024/25 from 29,672.3 billion. The total resource envelope for FY2024/25 amounts UShs. 52,722.7

billion. Due to the large debt servicing costs, the GOU resources available for allocation have reduced to Shs. 21,734.2 billion for FY2024/25, from shs 25,205.2 billion this financial year.

103. Other emerging Government priorities will be financed within the principles of the fiscal consolidation agenda.

FEEDBACK ON SALIENT ISSUES RAISED DURING THE LAST BUDGET CONSULTATIVE PROCESS FOR FY 2023/2024

104. To ensure continuity in planning, budgeting, execution, reporting and accountability, I wish to provide a status update on some of the critical policy and administrative issues that were raised during the last National Budget Conference and Local Government Regional Workshops:

i. **Issue No. 1**: There are many MDAs and some with unclear and similar mandates. Government should expedite the rationalization of administrative units and public expenditure.

   Progress: Government, under Cabinet Minute No. 280 CT (20230 and Cabinet Memorandum CT (2023) 92 has submitted the Omnibus Bill to Parliament for approval to implement the Rationalization of Public Expenditure including Government MDAs.

ii. **Issue No. 2**: Effective management of Uganda's Public Debt:

   Progress: Uganda has since adopted a coherent fiscal consolidation program that includes: stronger revenue mobilization; effectiveness and efficiency of public expenditure, and reduction of Uganda's debt.

iii. **Issue No. 3**: Lack of coordination of MDAs leading to silo planning, implementation, reporting and accountability as well as wastage of resources.

Progress: Government fully transitioned from Sector Wide Approach to Program Based Planning and Budgeting and all challenges related to the former, have since been resolved.

iv. **Issue No. 4**: Accumulation of arrears has constrained private sector credit stock.

Progress: Government remains committed to clearing the existing arrears stock annually.

v. **Issue No. 5:** Lack of quality seeds and seedlings is affecting agricultural production and productivity for both domestic consumption and for the market.

Progress:

vi. **Issue No. 6:** Non-payment of ex-gratia for Local Government newly created administrative units

Progress: Government has in this financial year provided a supplementary of UShs. 34 billion to cater for all ex-gratia non-payments and shortfalls.

vii. **Issue No. 7**: The poor state of roads in Districts, Cities, and Municipalities makes access difficult.

Progress: Government has provided UShs. 1 billion for each District/City/Municipality for opening and maintenance of roads.

viii. **Issue No. 8**: UGIFT Hybrid lotting procurement has caused more implementation challenges and should be addressed.

Progress: MoFPED will discuss this issue with the World Bank for the Successor Program since all procurements under UGIFT have ended because the Program will end in FY 2024/2025.

CONCLUSION

105. The budget strategy for FY 2024/2025 is designed to accelerate economic growth to 6.5% next fiscal year, and by at least 7% over the medium term through a shift from a raw-materials-based to a manufacturing and knowledge-based economy; as well as improving the environment of doing business in Uganda and making it competitive. This will ultimately contribute to building an independent, integrated and self-sustaining economy over the medium term

106. Special attention will therefore be paid to the proposed intervention areas to guide the planning and budgeting for next fiscal year.

107. Accordingly, I call upon my colleague Ministers to preside over their respective Programs and Accounting Officers during this process to guarantee collective responsibility and ownership of the overall plan and budget including the National Budget Framework Paper for FY 2024/2025 – 2028/2029.

108. To our esteemed Development Partners, Civil Society Organizations and the Private Sector, I wish to reassure you all that Uganda's planning and budgeting process is very transparent, inclusive and merits us all. It is my appeal that we give support to this process to ensure we achieve the common goal of delivering socio-economic transformation to all Ugandans.

109. I thank you all for listening to me.

For God and my Country.

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

September, 2023.