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PRIVATE SECTOR STATEMENT ON THE FY 2025/2026 NATIONAL BUDGET STRATEGY

PRESENTED TO

THE NATIONAL BUDGET CONFERENCE FOR FY 2025/2026

PRESENTED

BY

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About PSFU

The Private Sector Foundation Uganda (PSFU) is Uganda's apex Private Sector body made up of Business Associations, Corporate bodies and major public agencies that support private sector growth. Founded in 1995, PSFU is a focal point for Private Sector Advocacy and capacity Building. The Entity has a direct membership of 334 members with over 3 million Business establishments in Uganda. The membership is premised on 12 sectors that drive Uganda's Economic growth. PSFU is Government's implementation partner for several projects and programmes aimed at strengthening the private sector. These sectors include Agriculture, Agribusiness and Forestry; Construction and Real Estate; Financial Services; Professional Services; Tourism; Manufacturing; Human Resources (Skills, Health, and Education); Transport and Logistics; Trade and Commerce; ICT; Culture and Creative; and Energy, Mining, Oil and Gas.

1. Introduction

Uganda's Vision 2040 aims to achieve a Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years. The Private Sector can play a critical role in the realization of this vision because it generates 77% of formal jobs, contributes 80% of GDP, funds 60% of all investments, and provides more than 80% of government domestic revenues, employs approximately 2.5 million people and provides more than 80% of domestic government revenues[1]. We commend the Government for its goal of expanding the economy from USD 50 billion in FY2022/23 to USD 500 billion by 2040. To achieve this, four key sectors have been identified as central to driving this growth. These sectors, which are also priorities for the Private Sector Foundation Uganda (PSFU), include: Agro-Industrialization, Tourism Development, Mineral Development (including oil and gas), and Science, Technology, and Innovation (STI), including ICT[2].

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[1] NPA. (2020). National Development Plan III.; http://www.npa.go.ug/wp-content/uploads/2020/08/NDPIII-Finale_Compressed.pdf

[2] Ministry of Finance, Planning and Economic Development. (2024). *Budget speech financial year 2024/25*. https://budget.finance.go.ug/sites/default/files/National%20Budget%20docs/Budget%20Speech%20FY%2020 24-25.pdf

For the Private Sector to achieve its goals, it must enhance competitiveness throughout the entire supply chain and across all sectors, which necessitates addressing the policy and ecosystem challenges that currently limit its effectiveness. This paper explores the primary challenges faced by the Private Sector in Uganda and highlights key areas where funding is needed for FY 2025/2026. The performance of the four sectors in FY 2024/25 is as follows:

Agriculture sector

In FY2023/24, Uganda's agriculture sector experienced growth, with food and cash crops increasing by 5.1% and 7.6%, respectively. This was supported by favourable weather and government initiatives like quality seedlings and affordable credit[3]. The Agricultural Credit Facility (ACF) provided Shs 41.091 billion in loans, though the Northern region faced challenges due to land tenure and financial literacy issues. The Uganda Development Corporation (UDC) supported agro-industrial projects, generating USD 2,874,783 in export revenue. The Uganda Agricultural Scheme's subsidy was extended to June 2025, with discussions to raise it to Shs15 billion due to high demand. By the third quarter, Shs28 billion had been allocated, benefiting over 350,000 farmers. The Government also plans a new Agriculture Finance and Insurance Policy and National Agriculture Bank, while PDM campaigns helped over 1.2 million people and funded 69 enterprises, with 66% led by women[4].

Tourism Sector

Uganda's tourism industry experienced a significant growth of 56.5% in 2023, with international tourist arrivals reaching 1,274,210 and tourism receipts rising by 48.5%, from USD 0.736 billion to USD 1.025 billion, indicating a robust recovery. The international tourism sector recovered by 82.6% in 2023, with notable contributions from Asia and Africa. Key overseas source markets included India, the USA, the UK, China, and Germany. Tourists in Uganda spent an average of 8 nights, with leisure visitors staying for 8 nights and MICE visitors for 5 nights. The median length of stay remained steady at 4 nights. In December 2023, Uganda set a record for the highest number of international passengers in a single day, with

[3] Ministry of Finance, Planning, and Economic Development. (2024). Background to the budget: Fiscal year 2024/25

[4] Ibid

198,961 passengers, including 104,160 arrivals and 94,800 departures, averaging 6,418 passengers per day. Domestic tourism in Uganda surged by 25.3% in 2023, reflecting a growing interest in local travel. The country also gained international acclaim as a top travel destination, ranking fourth in Bradt Guides' top 13 destinations for 2024.

Mineral sector

In 2022-2023, Uganda's mining sector, which includes 27 commercially viable minerals, contributed 2.2% to the national GDP. Despite government efforts to attract investment and improve regulatory frameworks, the sector struggles with insufficient investment, with government spending on mining remaining below 2% of total resources[5]. To boost jobs in the mineral value chain by 63% from 1.6 million in FY2017/18 to 2.6 million by FY2024/25—the government introduced the ICGLR Certificate in FY2023/24 to improve transparency and sustainability. Uganda has become the fifth of twelve member states to issue this certificate. Mining licenses have increased from about 100 in 2003 to 556 as of June 2023. In April 2024, Uganda launched its first Tin Smelting facility in Mbarara, making it the fourth African country and fifteenth globally to engage in tin processing.

Over 13,000 Ugandans participated in the Tilenga Massive Open Online Course (MOOC), with 200 selected for training in production operations at the Uganda Petroleum Institute, Kigumba. Uganda aims to start oil production by the end of 2025, having drilled 11 wells—8 in the Tilenga region and 3 in the Kingfisher area—with a combined production capacity of 230,000 barrels per day.

ICT sector

The ICT sector in Uganda is a key driver of social economic growth, contributing 9% to the country's GDP. Its growth is attributed to policy decisions, infrastructure improvements, internet penetration, and e-services, demonstrating its potential for further economic growth. Science, Technology, Engineering, and Innovation (STEI) are essential drivers of socio-economic development, enhancing productivity, generating employment, and fostering accelerated growth. These elements are critical for poverty eradication, wealth creation, and sustainable development. Uganda's Global Innovation Index (GII) score is 25.3, below the NDP

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[5] Mpanga, J. (2024). What awaits Uganda's mining sector in 2024. The Observer. Retrieved from https://observer.ug/news/headlines/80255-what-awaits-uganda-s-mining-sector-in-2024.

III target of 35.0. In the 2019 GII rankings, Uganda was positioned 102nd out of 129 countries, trailing behind Kenya (77), Rwanda (94), and Tanzania (97). The country's expenditure on research and development (R&D) was 0.4% of GDP in 2019, compared to the NDP III target of 1%.[6]

Crosscutting Policy Issues

1. **Ensure a predictable (stable) tax regime** to enable proper planning and implementation of investment plans by enterprises. Any new tax measure should be thoroughly scrutinised to assess its impact on macro-economic stability and competitiveness of the sector in line with NDP 3 and the policy of export promotion and import substitution. Note that on average, tax accounts for between 45% and 55% of the price of a final product. The Excise Duty regime is reviewed on an annual basis and yet investment is planned for a period of 3-5 years. Our proposal is that the Government develops an Excise Duty regime for 2-3 years to facilitate proper planning.

2. **Digital Tax Stamps:** The FY 2018/19 budget approved the use of DTS with the objective of addressing tax leakages in Excise Duty payments. Although the objective is much appreciated, the implementation of the regime increases the costs of doing business through installation costs incurred by companies. In addition, it is increasing costs of exports as companies are forced to change branding designs just to incorporate the DTS, especially for export products. Information from compliant tax payers does not show an increase in the excise duty collected by URA as a result of DTS. We recommend that;
   - ✓ Digital Tax Stamp (DTS) payments be restructured to consider the increased Excise Duty collections, to ensure the government and country benefits commensurately from this solution.
   - ✓ DTS be applied only to taxpayers who have proven to be continuously under-declaring the right excise duty payable.

[6] Third National Development Plan (NDP III)

3. **Strengthen the capacity of URA in tax administration** through effective Private Public Partnerships. The rate at which the private sector is growing cannot be matched with continued recruitment of staff. The established-on line systems need information to support the efficiency which is still provided by people. Through this PPP, Government would partner with Private Sector Tax experts to conduct tax assessments and audits for the general business community while the URA concentrates on regulation. This could support closing tax leakages and also generate information in areas such as real estate and other opportunities to widen the tax base and increase collections.

4. **Develop different tiers/threshold on the Excise Duty regime** for new innovative products which utilize local raw materials, mainly in the agriculture industry. This should consider products at introduction stage to enable them benefit from the sunken costs (research) so targeting them for tax discourages innovations but also reduces the expected revenue development through the value chain - especially supply chains.

2. Key areas that need funding in FY 2025/2026

There are several issues in the priority areas which are affecting the private sector's growth and competitiveness. These issues require prioritization in the FY 2025/26 Budget to consolidate the achievements registered under the NRM Manifesto, NDP III and SDGs implementation.

a. Agriculture Sector

While the Government has increased funding for Agro-Industrialization from Shs. 1.8133 trillion in FY 2023/24 to Shs. 1.8783 trillion, a rise of Shs. 64.97 billion (3.6%), this increase is commendable but still inadequate given the program's crucial role in economic recovery[7]. To increase the value of Agriculture's contribution to GDP several issues require urgent attention.

[7] Ministry of Finance, Planning and Economic Development. (2024, June). The Budget Speech Financial Year 2024/25.

i. **Scaling up Agricultural development projects.**

Expanding projects like the Agricultural Technology and Agribusiness Advisory Services (ATAAS), which have already boosted maize yields by 22.4%, cassava by 41.7%, and milk production by 57.7%, could greatly enhance Uganda's agricultural sector. Scaling these successful initiatives nationwide could increase overall agricultural output by 20-25%, potentially adding USD 1.5 billion to Uganda's GDP[8]. This growth would also raise household incomes, drive consumer spending, and create approximately 200,000 new jobs in agriculture and related fields, significantly contributing to the country's economic stability and long-term growth.

Recommendation: The FY 2025/26 Budget should allocate funds to broaden agricultural development initiatives like ATAAS. This investment will boost the agriculture sector by advancing technology, improving extension services, and strengthening market connections for farmers.

ii. **Reduction in high import bill of agricultural seeds:**

We commend the Government for building a local anti-tick vaccine manufacturing facility in Namulonge during FY 2023/24. This development will help prevent the US$ 1.1 billion annual loss from tick-borne diseases and enable Uganda to tap into the Shs. 3 trillion regional market for meat and milk[9]. However, the high import bill of agricultural seeds has continued to affect easy access which has subsequently affected agricultural output to meet the required tonnage by available markets. Currently, Uganda imports 78% of its agricultural seeds through 28 importers from 31 suppliers[10]. The country's reliance on imports is due to the limited number of certified seed companies only 35 which produce around 18,000 metric tons of

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[8] Ministry of Agriculture, Animal Industry and Fisheries. (2024). *The ATAAS Project*. Retrieved from https://www.agriculture.go.ug/the-agricultural-technology-and-agribusiness-advisory-services-ataas-project/

[9] Ministry of Finance, Planning and Economic Development. (2024, June). The Budget Speech Financial Year 2024/25

[10] [10] Volza. (2024). *Agricultural seed imports in Uganda: Market size & demand based on import trade data*. https://www.volza.com/p/agricultural-seed/import/import-in-uganda/

seed, meeting just 30% of local demand. This shortfall has led to an estimated 40% of counterfeit seeds being available in the local market[11].

Recommendation: In the FY 2025/26 Budget the government should allocate more funds to the National Agricultural Research Organization (NARO) to boost the domestic production of high-value agricultural seeds, thereby decreasing Uganda's reliance on imports and lowering the associated costs.

iii. Expand Irrigation Infrastructure and Support.

By the end of December 2023, Uganda's public debt reached Shs 93.38 trillion (USD 24.69 billion), with 12% allocated to enhancing water sources for drinking, irrigation, and livestock[12]. Despite this investment, Uganda's irrigation infrastructure, including dams, reservoirs, and water distribution systems, remains inadequate. Only 1% of the country's potential irrigable area (15,000 hectares out of 3,030,000 hectares) is formally irrigated[13]. Currently, large-scale irrigation systems dominate the functional and rehabilitated schemes, covering 76% of the irrigated area, or about 8,500 hectares of the total 11,200 hectares. Moreover, smallholder farmers who make up **80%** of Uganda's agricultural production[14] are left out of the current irrigation model, leaving them to depend on rain-fed agriculture. Moreover, most of the installed tanks were under capacity tanks below the recommended 10,000-litre water tanks which has resulted in the underutilization of the irrigation equipment[15].

Recommendation: In the FY 2025/26 budget, the government should focus on investing in irrigation infrastructure such as dams, reservoirs, and water distribution systems, while also

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[11] New Vision. (2019). Uganda Lacks Enough Planting Seeds; https://www.newvision.co.ug/news/1496553/uganda-lacks-planting-seeds

[12] Ministry of Finance, Planning and Economic Development. (2024, June). The Budget Speech Financial Year 2024/25.

[13] MoFPED. (2018). BMAU Briefing Paper; https://www.finance.go.ug/sites/default/files/archive-files/Publications/BMAU%20Briefing%20Paper%20%206-18%20-%20Modernization%20of%20Agriculture%20in%20Uganda.%20How%20much%20has%20government%20done%20through%20irrigation.pdf

[14] IFAD. (2020). Uganda Impact Assessment of the Small and Medium Agribusiness Development Fund (SMADF); https://www.ifad.org/documents/38714170/41904822/uganda_cecofa_report.pdf/bcdc87e4-32a8-c5aa-4756-e7b83f57c1d2?t=1588840394000

[15] OAG. (2022). Annual Report of The Auditor General to Parliament for The Financial Year Ended 30th June 2022; https://www.oag.go.ug/viewmegareport/20

offering financial incentives to encourage farmers to adopt irrigation technologies. Additionally, local governments should receive support to oversee and monitor the installation of irrigation equipment provided to farmers.

Modernization of agriculture cannot be realised with complete reliance on nature and hence the need to invest water for production to the last mile level to facilitate quality and consistent production in large quantities for both domestic and export market.

As a long-term objective/target, Government should prioritize funding the infrastructure for water for production to the level of road and energy infrastructure as this will guarantee access to water by both small and large/commercial scale farmers. This will be the cheapest way of ensuring investment by the farmers in both mini and large irrigation schemes.

b. Tourism Sector

i. Invest in Infrastructure for Tourism

The private sector commends the Government of Uganda for putting in place interventions to promote Uganda as a preferred tourist destination. This has seen the sector create 620,000 jobs or 3.5% of total employment in 2022[16].Steadily growing tourist numbers are estimated to have reached 1.5 million per year, contributing 7.7% to GDP[17]. We appreciate the government for boosting its investment in tourism development in FY 2024/25, increasing the allocation from Shs. 248.7 billion in FY 2023/24 to Shs. 289.60 billion, which represents a 16.4% rise. The Ugandan government has allocated substantial funds amounting to Shs 1.629 trillion for various initiatives, including support for the Uganda Wildlife Authority, infrastructure improvements in Kampala, enhanced security at tourist sites, and internet accessibility in these areas. An additional Shs 55 billion is specifically earmarked for Ugandan embassies abroad to aid the Uganda Tourism Board (UTB) in promoting Uganda as a tourism destination, boosting exports, and attracting foreign investment[18].

[16] Ministry of Tourism, Wildlife & Antiquities. (2024). Annual Tourism Development Performance Review Report 2022/2023 - Launched. Retrieved from https://www.tourism.go.ug/single-post/annual-tourism-development-performance-review-report-2022-2023-launched#:~:text=Over%2C%20620%2C000%20jobs%2C%20or%203.5,trillion%2C%20or%20USD%200.736%20billion

[17] Uganda Investment Authority. (2024). Opportunities in tourism. Retrieved from https://www.ugandainvest.go.ug/why-uganda/opportunities/tourism/

[18] Ministry of Finance, Planning and Economic Development. (2024, June). The Budget Speech Financial Year 2024/25

Despite the positive increases in funding, there remains a critical need to enhance the country's tourism infrastructure.

Key areas requiring urgent attention include roads to tourist sites, air transport, hotels, internet access, and electricity. For instance, 70% of tourist revenue is derived from gorilla permits, highlighting the importance of improving access and facilities[19], the 31km Kanyantorogo – Buhoma road, 10 km Buhoma – Nkuringo road and 50 km Butogota – Ruhija road are impassible when it rains. As a result, tourists prefer Gorilla tracking in Rwanda where a permit cost US$ 1400 as opposed to Uganda where it costs US$ 750. Moreover, these roads would ease access to tourist attractions in the Bwindi Forest and Mgahinga Park tourism value chain is in urgent need of upgrade. Furthermore, whereas Rwanda and Kenya have announced visa-free entry for all Africans[20] to boost tourism and trade, Uganda has yet to follow suit. Free movement of persons in Uganda by waiving visa fees by the government could also lead to labour mobility, intra-Africa knowledge and skills transfer, improving trans-border infrastructure and shared development.

Recommendations: To boost the performance of the sector, the FY 2025/26 Budget should:

(i) Free up more resources for UNRA to ensure the construction and maintenance of tourism roads including internet hotspots and aerodromes at regional and international required levels.

(ii) Emulate Kenya and Rwanda in promoting the free movement of persons by granting visa-free entry for all Africans.

ii. Promote and Diversify Tourism Products

Uganda has increasingly regained her global position among the top ten best tourism destinations in global tourism rankings. In the year 2023, international tourist arrivals increased by 56% to 1.274 million tourists compared to 814,085 arrivals in 2022 and the peak of 1.52 million in 2019. The international tourism receipts reached USD 1.03 billion in 2023 making tourism a high return investment. We commend the government for allocating Shs 289.6 billion to tourism development in FY 2024/25, along with an additional Shs 55 billion to

[19] Parliament of Uganda. (2020). ALTERNATIVE POLICY STATEMENT FOR THE MINISTRY OF TOURISM, WILDLIFE AND ANTIQUITIES FOR THE FY 2020/2021; https://www.parliament.go.ug/cmis/browser?id=09e4c7a2-ab5a-4a9c-a4d9-50aca2a7921a%3B1.0

[20] Other countries that have waived visas to African nationals are Gambia, Benin and Seychelles.

Uganda's Missions Abroad. This funding supports the promotion of Uganda as a tourist destination, marketing our exports, and attracting more investors. It will further support international and domestic tourism marketing, modernize tourism products by completing key infrastructure projects such as the pier at the Source of the Nile and climbing ladders on the Rwenzori Mountains, and enhance the quality of services through grading and classification of tourism facilities. Additionally, the upgrade of the Uganda Hotel and Tourism Training Institute will be completed to establish it as a centre of excellence. Efforts to conserve Uganda's 22 Wildlife Protected Areas will include constructing 150 km of electric fencing, maintaining existing fences, increasing patrols, removing invasive species, and building four water dams.

Despite the substantial investment in tourism for FY 2024/25, Uganda needs to focus on promoting and diversifying its tourism offerings. Expanding beyond popular attractions like gorilla permits to include adventure sports, cultural heritage tours, and eco-tourism can draw a wider range of visitors and foster sector growth. Diversification will not only broaden Uganda's appeal but also create a more resilient and sustainable tourism industry, supporting long-term economic stability.

Recommendation: For the FY 2025/26 budget, it is recommended to allocate funds for diversifying Uganda's tourism offerings by investing in new attractions like adventure sports and cultural tours. This will boost sector growth, attract a broader audience, and support long-term economic stability.

c. Mineral Development (including oil and gas)

i. Invest in Mining Sector Infrastructure.

In the FY 2024/25 budget, Shs 41.55 billion was allocated to advance Uganda's minerals sector, including the launch of the Mineral Resource Infrastructure Development Project (MRIP) to establish crucial infrastructure for monitoring and regulating mining activities nationwide. This follows significant progress in the sector, such as comprehensive national mapping, the creation of the National Mining Company, and the development of key projects like gold mining in Busia, rare earth metals in Bugweri, a graphite project in Kitgum, limestone mining in Moroto, and the establishment of Seven Gold Refineries in Kampala. To build on these achievements, investing further in mining sector infrastructure is essential to support and sustain this growth[21].

It should be noted that Uganda's mining sector faces significant challenges due to limited infrastructure, including inadequate roads, transportation networks, and essential services such as electricity and water. These deficiencies lead to logistical issues, delays, and high costs; for instance, freight transportation from Mombasa to Kampala costs approximately US$ 0.16 per tonne-kilometer. Insufficient housing, healthcare, and educational facilities affect staff well-being and community relations, while poor telecommunications infrastructure and regulatory delays hinder the adoption of advanced technologies. Additionally, deteriorating roads and rail contribute to congestion and higher transportation costs, raising expenses related to gasoline, tolls, and employment. These issues reduce the sector's efficiency and attractiveness to investors, impeding economic growth and development.

Recommendation: In the FY 2025/26, the government should allocate more resources to upgrade critical infrastructure, including roads, transportation networks, electricity, and water services. These investments are crucial for reducing operational costs, improving sector efficiency, and attracting investors. This strategic investment will lead to increased mineral production, higher sector revenues, and broader economic benefits, ultimately contributing positively to Uganda’s economic growth and strengthening budget outcomes.

ii. Formalize Artisanal Mining and Improve the Gold Value Chain:

Artisanal and Small-Scale Mining (ASM) is a significant economic activity in Uganda's rural areas, accounting for over 90% of the country's mining output and employing more than 60% of the mining workforce. A baseline assessment and value chain analysis of the development minerals sector reveal that ASM contributes at least USD 850 million to Uganda’s economy. If ASM's contributions were fully incorporated into national economic statistics, Uganda’s GDP would see an increase of approximately 1.3%[22].

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[21] Ministry of Finance, Planning and Economic Development. (2024, June). The Budget Speech Financial Year 2024/25

[22] UNDP. (2024). *Development minerals: Innovation and enterprise empowering women artisanal miners of Uganda*. United Nations Development Programme.

The informal nature of Artisanal and Small-Scale Mining (ASM) and the lack of collateral limit miners' ability to invest in necessary equipment, technology, and safety measures. This situation often results in the continued use of mercury, which is favored for its ease of use, availability, and low cost, despite miners being either unaware of or ignoring the associated health risks. The Shs 41.55 billion allocated to Uganda's mineral sector in the FY 2024/25 budget includes provisions to address the reduction of mercury use among ASMs engaged in gold mining. To further enhance the sector, more efforts are needed to formalize artisanal mining by establishing regulations for licensing, safety standards, and anti-smuggling measures. Additionally, developing support programs and training to help miners transition to formal operations will improve sector transparency, optimize revenue, and increase operational safety.

Recommendation: In the FY 2025/26 budget, the government should allocate funds to formalize artisanal mining by establishing comprehensive regulations for licensing, safety standards, and anti-smuggling measures. Additionally, funding should also be directed towards modernizing mining equipment and technology and developing support programs and training to facilitate the transition to formal operations.

d. Science, Technology, and Innovation (STI), including ICT.

Science, Technology, Engineering, and Innovation (STEI) are essential drivers of socio-economic development, enhancing productivity, generating employment, and fostering accelerated growth. These elements are critical for poverty eradication, wealth creation, and sustainable development. Uganda's Global Innovation Index (GII) score is 25.3, below the NDP III target of 35.0. In the 2019 GII rankings, Uganda was positioned 102nd out of 129 countries, trailing behind Kenya (77), Rwanda (94), and Tanzania (97). The country's expenditure on research and development (R&D) was 0.4% of GDP in 2019, compared to the NDP III target of 1%.[23] With the rise of the digital economy, regional E-Commerce is projected to hit **37.1%** in 2024, and Uganda's E-Commerce revenue is projected at **$421 million** by 2025[24], the need to increase and upgrade Uganda's digital infrastructure is urgent.

[23] Third National Development Plan (NDP III)
[24] MoICT. (2021). Uganda National E-Commerce Strategy; https://ict.go.ug/wp-content/uploads/2021/07/E-Commerce-Strategy-Formulation.pdf

Recommendations.

In the FY 2025/26 budget, the government should:

(i) Expedite plans to extend broadband connectivity to the parish level and last mile connectivity to expand access to affordable high-speed internet through the National Backbone Infrastructure. According to the International Telecommunications Union (ITU), a **10%** increase in broadband penetration yields **1.4%** in GDP growth[25].

(ii) Support the development of local ICT products (innovations) by supporting regional ICT incubation hubs and training communities and SMEs on digital literacy.

e. **Other critical issues for consideration.**

(i) Create a Dedicated Fund for the Creative Sector.

In FY 2018/2019, Uganda earned an estimated US$ 1.6 billion from the arts, culture, creativity, and tourism sectors. Despite its potential to drive innovation and creativity, the sector faces several challenges that need addressing. Establishing a dedicated fund to train and equip artists with technical skills to meet international standards is essential. This fund would also support the creation of a common user facility, providing crucial infrastructure for the sector. Such a facility could foster young talent by offering affordable access to tools, technology, and mentorship, thereby levelling the playing field for those who cannot afford costly equipment or education.

Recommendation: In the FY 2025/26 budget the government should set funds to establish a dedicated fund aimed at supporting the growth, development, and sustainability of the creative sector. This fund should provide financial assistance, facilitate access to finance, and support innovation, managed by a government agency or a public-private partnership. These funds should also be dedicated to establishment of common user facilities such as studios for the actors and singers. This will enhance talent and create millions of jobs for the young people.

(ii) Increase utilization of domestic, regional, and global markets

[25] ITU. (2019). Economic contribution of broadband, digitization and ICT regulation; https://www.itu.int/dms_pub/itu-d/opb/pref/D-PREF-EF.BDT_AFR-2019-PDF-E.pdf

We commend the government for having successfully negotiated trade agreements at EAC, Continental and Global levels. However, Uganda's utilization of these markets as evidenced by the high trade deficit of USD 490 Million as of July of 2024[26]needs to be addressed. The untapped potential of Uganda's products is due to a number of factors including (a) the prevalence of post-harvest losses which reduce Uganda's exports of sorghum, maize and peanuts by **45%**[27]; (b) insufficient trade facilitation infrastructure like cold chains (*the few available are expensive-charge a cost of US$* ***10*** *daily per cubic meter*) and one-stop cargo consolidation centre/hub (*the existing ones are concentrated in urban centres yet* ***90%*** *of producers are MSMEs largely in rural areas*) to ensure standards across the chain and reduce on the cost of production while meeting the required quantity and quality respectively; (c) low levels of aggregation of farmers to support manufacturers easily access raw materials while ensuring traceability; and (d) less focus on improving competitiveness and local procurement in the domestic market among others.

Recommendations.

In the FY 2025/26 budget, PSFU proposes that the Government should:

a. **Invest in cold chains and warehousing facilities** (ones-stop cargo consolidation hubs) for export across the country and most especially on key border posts as a critical trade facilitation infrastructure for maintaining the freshness and quality of essential products like fruits, vegetables and oils (shea butter/oil) among others. these should be located near major production areas.

b. **Prioritize aggregation** of farmers and other supply chain actors in key export products to ensure traceability and easy access by the private sector to raw materials for value addition and export.

c. **Strengthen the portfolio of Commercial Attaches** to promote commercial diplomacy for market intelligence, investment promotion, marketing and branding of Uganda within the international and regional system.

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[26] TradingEconomics. (2024). *Uganda balance of trade*. Retrieved from https://tradingeconomics.com/uganda/balance-of-trade#:~:text=Uganda%20recorded%20a%20trade%20deficit,source%3A%20Bank%20of%20Uganda

[27] Resilient Food Systems. (2022). Reducing food waste in Uganda by tackling post-harvest loss; https://resilientfoodsystems.co/news/reducing-food-waste-in-uganda-by-tackling-post-harvest-loss

(iii) Lower electricity costs and ensure adequate national fuel reserves

We commend the Government for the strides in developing the energy sector through electricity generation and investing in local content in the oil and gas sector. Agenda 2030 includes Sustainable Development Goal 7, which aims to provide universal access to affordable, reliable, sustainable, and modern energy by 2030. Enhancing access to clean energy aligns with Uganda's third National Development Plan. Nevertheless, electricity access remains a challenge for certain segments of the population. As of 2022, access to electricity in Uganda was reported at 47.1%, according to the World Bank's collection of development indicators.[28]

The tariff schedule for the third quarter of 2024 shows a reduction in rates for various consumer categories: Commercial Consumers will see their tariffs decrease from Shs. 615.9 to Shs. 606.2, Medium Industrial Consumers from Shs. 459.8 to Shs. 452.1, Large Industrial Consumers from Shs. 388.5 to Shs. 383.4, and Extra-Large Industrial Consumers from Shs. 328.4 to Shs. 324.5[29]. Despite these reductions, energy costs remain high, accounting for approximately 15% of production expenses, and can reach up to 35% for some SMEs[30].

We also acknowledge Uganda's vulnerability in terms of fuel reserves, as the existing infrastructure can only always hold 30,000,000 litres of fuel, which covers just 4.5 days of the nation's needs given a daily consumption of 7,000,000 litres[31]. The Uganda National Oil Company (UNOC) is currently constrained by limited resources and unable to establish the additional 60 million litres of fuel reserve capacity that is recommended.

Recommendations

The high cost of electricity and lack of sufficient fuel reserves limit the private sector's competitiveness as they have led to a high cost of doing business. Therefore, in the FY 2025/26 budget, the Government should:

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[28] TradingEconomics. (2024). Uganda - Access to electricity (% of population).

[29] Energy Regulatory Authority (ERA). (2024). *ERA reduces electricity end-user tariffs for quarter three of 2024*.

[30] PSFU. (2023). Private Sector Platform for Action; https://www.psfuganda.org/policy-papers/291-psfu-platform-for-action-2022-2023/file.html

[31] Parliament of Uganda. (2022). Report of The Sectoral Committee on Tourism, Trade and Industry on the Fuel Crisis in the Country; https://parliamentwatch.ug/wp-content/uploads/2022/02/TTI2-22-Report-on-the-Fuel-Crisis-in-the-Country.pdf

a. **Fast-track the construction of the planned Kampala storage terminal** which is to store about 60 million liters of fuel as this would complement the existing oil reserve in Jinja which can only store 30 million liters.
b. Expedite the implementation of the Electricity Access Scale-up Project to achieve the target of delivering about **1.3 million**[32] last-mile connections on both the grid and off-grid. Furthermore, the energy tariff should be reduced to 5 USD Cents/KWH for both high-end and low-end industrial users.

(iv) Roll out the National Graduate/ Youth Service Scheme and support the Sports sector.

The NDP III emphasizes that well-educated, skilled, and healthy human resources are crucial for development. However, the education sector is currently hampered by resource limitations, which hinder the nurturing of talent in sports and the development of supporting infrastructure. This scarcity affects the availability of sports instructional materials and equipment, potentially impeding the growth of the arts and creative sector. Additionally, the Government has not yet established a National Graduate/Youth Service Scheme. Implementing such a scheme is vital for promoting civic engagement, skill development, and national unity in Uganda.

Recommendations: PSFU proposes that the FY 2025/26 Budget should prioritize.

a. In addition to the Shs 287.6 billion directly allocated to the tourism sector, an extra Shs. 1.629 trillion has been allocated for various essential interventions related to tourism including support for the Africa Cup of Nations (AFCON) 2027 and the completion of key stadiums. However, there is a need to further attract both domestic and FDI targeting Investment in the sports sector to establish sports activity.
b. Enacting the National Graduate Scheme bill into law and rolling it out to introduce a mandatory National Service Scheme.

(v) **Need to improve Transport and logistics infrastructure for reduced cost of production**.

[32] Ministry of Energy and Mineral Development. (2022). Renewed Hope for Free Electricity Connections; https://energyandminerals.go.ug/wp-content/uploads/2020/07/Access-Newsletter-Issue-1-Vol-3-Final-1.pdf

The World Bank notes that Uganda's transport and logistics industry is small, weak, informal, fragmented, inefficient, and costs the country **UShs 3 trillion** annually[33]. According to the Logistics Performance Index (LPI), Uganda ranks **102nd** out of **139** countries, worse than Rwanda and Kenya, ranking **57th** and **68th** respectively[34]. **Uganda is therefore 50 places below Kenya and 34 places below Rwanda.** Uganda's weak transport and logistics industry has led to an increase in the cost of production and trade, lowering the optimal capacity utilization of manufacturing firms, and reducing market access and, consequently, economic growth. At the company level, transport, and automobile expenses alone account for **17.4%** of the manufacturing firm's cost[35]. The transport margins for industrial goods are equally high with estimates ranging between **40%-50%,** while the percentage of transport costs to the total cost of products in agriculture is estimated at about **60%-70%**[36]**.**

We commend the government for allocating Shs 4.989 trillion in the FY 2024/25 for the maintenance of existing roads, the construction of new strategic roads, the acceleration of Meter Gauge Railway rehabilitation, and the initiation of the Standard Gauge Railway project. This funding will support the repair of over 10,000 km of national and community access roads and commence key projects such as the reconstruction of the Masaka-Kyotera-Mutukula Road (89.5 km), and the rehabilitation of the Nyendo-Villa Maria Road (11 km) and surrounding access roads (7 km). However, to fully address the sector's extensive needs and ensure comprehensive development, additional financial resources are necessary in the FY 2025/26. Increased investment would enable more extensive infrastructure improvements, accelerate project timelines, and better support the growing demands of the sector.

Recommendations: In the FY 2025/26, PSFU proposes that the Government should:

[33] World Bank. (2016). UGANDA: Skills to Support the Transport and Logistics Sector; https://documents1.worldbank.org/curated/en/253121510894144054/pdf/121435-16-11-2017-16-6-4-TransportLogisticsapprovalcopy.pdf

[34] World Bank. (2023). Logistics Performance Index (LPI); https://lpi.worldbank.org/international/global

[35] PSFU. (2023). Cost Drivers of Manufacturing Firms in Uganda.

[36] SGR Uganda. (2018). Project Justification; https://www.sgr.go.ug/project-justification

a. **Leverage Public-Private Partnerships to invest in trade-facilitating logistics like One Stop Logistics Center**, National Integrated Logistics Platform Project, Hub and Spoke Logistics Supply Chain Model project.

b. **Free more resources to promote Water as a viable and safer alternative means of transport** for cargo by increasing cargo ships through government investments and PPPs. This will require tabling and expediting the passing of the draft Water Transport Bill, 2020 to cater for modalities of promoting water transport.

c. **Support Uganda Air Cargo Corporation (UACC)** with cargo planes to provide quick delivery of goods in regional and global markets. The appropriated **US$ 266 million**[37] as a resuscitation plan for UACC's purchase of cargo planes should be released to facilitate this plan.

(vi) **Address delays in paying Domestic Arrears.**

In the FY 2024/25 budget, Shs 199.90 billion was allocated to address domestic arrears, which represent the government's obligations to local contractors who provided goods and services to various ministries, departments, and agencies. However, this amount is a small fraction of the total outstanding arrears of Shs 2.7 trillion, highlighting the need for more significant efforts to resolve the backlog. The delay in settling these arrears has significantly hindered Ugandan companies' participation in government procurement and contracts with development partners and international organizations. Additionally, the existing arrears are impacting private-sector access to financing, leading to higher default rates and forcing businesses to rely on expensive money lenders. This situation has adversely affected liquidity, private sector growth, and competitiveness. Moreover, the outstanding arrears have increased the costs of applying for government contracts, resulting in higher government spending and reduced value for money.

Recommendation: We propose that the government implement fiscal discipline by allocating sufficient resources to the domestic arrears in the FY 2025/26 budget to clear the current backlog over the medium term.

3. Conclusion

[37] Air Insight. (2022). Uganda Air cargo targets A330F, 777F under 5-year plan; https://airinsight.com/uganda-air-cargo-targets-a330f-777f-under-5-year-plan/

We extend our gratitude to the Ministry of Finance, Planning, and Economic Development for granting us the opportunity to present the Private Sector's proposals for inclusion in the FY 2025/26 budget. We also commend H.E. the President, through the Office of the Prime Minister and other Ministries, for his continued efforts to foster Private Sector growth by exploring new markets and supporting government programs.

Additionally, we appreciate the Government of Uganda's positive response to 82% of the Private Sector's proposals for FY 2024/25. To further enhance effectiveness, we strongly recommend the establishment of clear monitoring and evaluation mechanisms to ensure value for money and the rigorous implementation of the agreed-upon policy actions.