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CRITICAL AREAS THAT NEED FUNDING IN FY 2026/27 TO BOOST PRODUCTION, PRIVATE SECTOR ACCESS TO MARKETS & NATIONAL COMPETITIVENESS

PRESENTED TO

THE PRESIDENTIAL ADVISORY COMMITTEE ON BUDGET (PACOB)

PREPARED BY

PRIVATE SECTOR FOUNDATION UGANDA (PSFU)

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1.0 ABOUT PSFU

The **Private Sector Foundation Uganda (PSFU)** is the country's **apex private-sector body**, bringing together Business Associations, Corporate Institutions, and key public agencies committed to private-sector development. Established in **1995**, PSFU has grown into Uganda's central platform for **private-sector advocacy**, coordination, and strategic engagement.

Today, PSFU commands a direct membership of **over 340 institutions**, representing more than **3 million business establishments nationwide**. This broad constituency makes PSFU the largest organised private-sector platform and a credible voice in national economic policy.

PSFU's membership is anchored in **12 strategic sectors** that drive Uganda's economic growth. These 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 Industries; and Energy, Mining, Oil & Gas**.

As Government's trusted implementation partner, PSFU manages several flagship projects and programmes aimed at strengthening enterprise competitiveness, improving productivity, and supporting industrial transformation across the country.

PSFU executes its mandate through **evidence-based advocacy**, capacity development, structured **public–private dialogue**, investment facilitation, and direct implementation of Government and development-partner initiatives.

The Foundation also leads private-sector mobilisation and policy engagement under the **Tenfold Growth Strategy**, **Vision 2040**, and the **National Development Plans**, ensuring that national priorities reflect private-sector needs and growth opportunities.

Across all sectors, PSFU champions a **competitive**, **predictable**, and **enabling business environment** that reduces the cost of doing business, expands exports, strengthens value addition, and positions Uganda strongly in regional and global markets.

2.0 INTRODUCTION

Uganda has entered a pivotal phase in its economic transformation journey. With the economy expanding to **UGX 226.3 trillion (USD 61.3 billion)** in FY 2024/25 and projected to grow between **6.5–6.8%** in FY 2025/26, the foundations for sustained medium-term growth are firmly in place. As highlighted in the PSFU State of the Economy Report, this momentum is anchored by strong performance in **agriculture, tourism, ICT, and extractives**, improved export receipts, stable inflation averaging **3.9–4.2%**, and strengthening private-sector activity, with the PMI consistently above **55.0**.

Chairperson and distinguished Members of the Committee, PSFU conveys its deepest appreciation for your continued support, guidance, and open-door engagement. Your commitment to a collaborative budget process enabled the adoption of **85% of PSFU's policy proposals** in the FY 2025/26 planning cycle—an unprecedented achievement that demonstrates Government's trust in the private sector as a strategic partner in national development.

As Uganda advances toward the ambitious goal of a **USD 500 billion economy by 2040**, deliberate and well-targeted investments in FY 2026/27 will be essential. Despite Government's commendable progress in expanding infrastructure, promoting industrialisation, implementing the Digital Transformation Roadmap, and strengthening trade and tourism development, several structural bottlenecks continue to impede private-sector productivity.

These include high production costs (electricity, transport, credit), inadequate export-enabling infrastructure (cold chains, logistics hubs, testing laboratories), low mechanisation and limited irrigation—which keep **53% of households** in subsistence agriculture—poor tourism access roads, insufficient mineral beneficiation capacity, slow adoption of the National Startup Policy, a burdensome and unpredictable tax regime, rising domestic arrears, persistent skills gaps, and low digital connectivity in rural areas.

If unaddressed, these constraints risk undermining export competitiveness, slowing industrialisation, and increasing MSME mortality.

This paper therefore presents PSFU's consolidated private-sector recommendations for **priority funding in FY 2026/27** to unlock production, reduce the cost of doing business, expand market access, stimulate industrialisation, and accelerate export-led growth. Guided by **Vision 2040, NDP IV, the Tenfold Growth Strategy, and the NRM Manifesto**, it emphasizes high-impact investments, value-chain development, inclusive growth, and strengthened public–private coordination for national competitiveness.

3.0 MACROECONOMIC CONTEXT & OUTLOOK

Chairperson and Honourable Members of the Presidential Advisory Committee on Budget (PACOB),

Uganda's macroeconomic landscape as we enter FY 2026/27 remains broadly stable, resilient, and strongly positioned for medium-term expansion. Key indicators—including GDP growth, inflation, private-sector credit, export earnings, fiscal operations, and high-frequency business sentiment indices—collectively signal an economy that continues to recover and expand, even amid global uncertainty and persistent domestic structural challenges.

3.1 GDP Growth and Economic Activity

Uganda's economy grew from **UGX 203.7 trillion (USD 53.9 billion)** in FY 2023/24 to **UGX 226.3 trillion (USD 61.3 billion)** in FY 2024/25, reflecting a real GDP growth rate of **6.3%.** This solid performance was underpinned by robust activity in **agriculture, tourism, ICT, manufacturing, and extractives**.

High-frequency indicators confirm this positive trajectory:

- The **Composite Index of Economic Activity (CIEA)** rose from **178.58** in June 2025 to **182–183** by September 2025, demonstrating broad-based expansion.
- The **Purchasing Managers' Index (PMI)** averaged **54.8–55.6**, remaining above the 50-point threshold for six consecutive months, signalling rising business output, new orders, and

employment.

These indicators affirm that Uganda is on course to achieve **6.5–6.8% growth** in FY 2025/26 and could reach **7% over the medium term**, provided strategic investments are prioritised.

3.2 Global and Regional Economic Environment

The international economic environment continues to shape Uganda's domestic outlook. Global growth for 2025 is projected at **2.7%**, below the long-term average, with risks heightened by:

i. Tight global financing conditions
ii. Elevated oil prices (**USD 86–92 per barrel**)
iii. Supply-chain disruptions
iv. Geopolitical instability in Europe and the Middle East

Softening commodity prices, particularly for **coffee and tea**, have also affected Uganda's export earnings and highlight the necessity of increasing value addition and market diversification.

Regionally, East Africa remains one of the fastest-growing blocs, projecting **≈5.2% growth**. However, neighbours such as Kenya and Rwanda have intensified competitiveness through tourism, air-connectivity, and logistics reforms. Uganda's strong agricultural output, expanding digital economy, and tourism rebound provide a solid foundation—yet competitiveness gaps must be addressed urgently.

3.3 Inflation, Prices, and Cost of Living

Inflation remains within the **5% medium-term target**, with:

- **Headline inflation:** 3.9–4.2%
- **Core inflation:** 3.6%

However, the **cost of living remains elevated**, driven by:

i. High electricity tariffs (up to **9 US cents/kWh** for SMEs)
ii. High transport and logistics margins (**30–50%** of final product value)
iii. Commercial lending rates ranging from **18–23%**
iv. Imported inflation from global fuel price increases

These structural cost drivers reduce private-sector competitiveness and remain central to PSFU's submissions to Government.

3.4 External Sector Performance (Exports & Trade)

Uganda's export performance continues to strengthen:

- Monthly exports averaged **USD 1.18 billion** between July and September 2025.
- The trade deficit narrowed by **22%** driven by improved export receipts.

Nevertheless, Uganda still faces significant export constraints:

- **Coffee:** USD **255 million** in unrealised value due to certification and quality gaps.
- **Horticulture:** constrained by weak cold-chain infrastructure.
- **Gold and minerals:** rising export volumes but limited beneficiation and compliance hurdles.
- **Regional exports:** strong at **38–41%** of merchandise exports.

Uganda's **unrealised export potential remains USD 3.1 billion**, underscoring the need for urgent investment in certification, logistics, and processing.

3.5 Fiscal Operations and Revenue Performance

By Q1 FY 2025/26:

- MoFPED released **UGX 17.18 trillion**, representing **23.7%** of the approved budget.
- Domestic revenue mobilisation reached **UGX 13.2 trillion** (~45% of annual target).

However, domestic arrears rose to **UGX 2.5 trillion**, including:

- **UGX 44 billion** owed to coffee seedling suppliers
- **UGX 832 billion** owed to contractors

These arrears constrain liquidity, increase borrowing costs, and limit private-sector participation in public procurement.

3.6 Exchange Rate and Private-Sector Credit

The Uganda shilling remained relatively stable, with the exchange rate averaging **UGX 3,558–3,590 per USD** in Q2 FY 2025/26.

Private-sector credit grew by **7.2% year-on-year**, with increased lending to manufacturing, real estate, ICT, and trade. However, agriculture continues to receive disproportionately low credit due to perceived risk and collateral gaps. High lending rates suppress expansion and innovation, particularly among MSMEs.

3.7 Election-Year Effects

Expenditure associated with the 2026 General Elections—estimated at **UGX 5 trillion**—is beginning to influence macroeconomic behaviour.

The **Business Climate Index** declined from **91.1 to 88.8**, and foreign investors have adopted a cautious approach.
While short-term demand for services has increased, medium-term risks include liquidity tightening, inflationary pressure, exchange-rate volatility, and slowed capital investments.

3.8 Outlook for FY 2026/27

With the right policy support and strategic public investment, Uganda's growth outlook remains highly positive:

- GDP is projected to grow at **6.5–7.0%** in FY 2026/27
- Growth drivers include agriculture, tourism recovery, oil & gas development, digital transformation, and regional trade

Key risks include global commodity price volatility, high production costs, delayed infrastructure projects, domestic arrears, slow certification reforms, and climate-related production shocks.

Economic Opportunity:

If Government prioritises the critical funding needs outlined in this paper, Uganda can:

i. Increase exports beyond **USD 15 billion** by 2030
ii. Reduce the trade deficit by **40–50%**
iii. Transition **2–3 million households** into the money economy
iv. Create **1.2 million+ jobs** in agro-industry, manufacturing, tourism, ICT, logistics, and creative sectors
v. Reduce production costs by **15–25%**

4.0 FUNDING PRIORITIES FOR ANCHOR SECTORS

Chairperson and Honourable Members of the Presidential Advisory Committee on Budget, Uganda's Tenfold Growth Strategy and Vision 2040 designate four anchor sectors as the engines of national economic transformation: **(1) Agriculture & Agro-Industrialisation, (2) Tourism, (3) Minerals, Energy, Oil & Gas, and (4) Science, Technology, Innovation & ICT**. These sectors collectively contribute **over 50% of GDP** and generate **more than 70% of national employment**, while anchoring Uganda's competitiveness in regional and global markets.

PSFU, drawing on detailed sector diagnostics, national consultations, and empirical evidence from the PSFU State of the Economy Paper, the PSFU Budget Strategy Paper FY 2026/27, and the Tourism Roads Position Paper, outlines the following priority funding areas for FY 2026/27.

4.1 AGRICULTURE & AGRO-INDUSTRIALISATION

Agriculture remains Uganda's economic bedrock, contributing **26.1% of GDP** in FY 2024/25, employing **over 70% of Ugandans**, and accounting for **43% of export earnings**. Despite this centrality, **53% of households** remain trapped in subsistence farming due to structural constraints that continue to depress productivity and competitiveness.

4.1.1 Key Challenges

i. Only **1% of irrigable land** (15,000 ha of 3.03 million ha) is irrigated.

ii. Heavy dependency on imported seed: **870 cabbage**, **522 watermelon**, and **191 tomato seed shipments** were imported in 2022.

iii. Only **35 certified seed companies** produce **18,000 MT** against a national demand of **60,000 MT**—with **40% counterfeit seeds** on the market.

iv. Absence of non-wage district extension financing.

v. **30–40% post-harvest losses** across cereals, fruits, and vegetables.

vi. Limited aggregation, weak traceability, and inadequate cold-chain systems.

4.1.2 Funding Priorities for FY 2026/27

A. Irrigation & Water for Production – UGX 950 billion

- Expand irrigation access to **120,000 households**.
- Rehabilitate valley tanks across Acholi, Teso, Lango, Ankole, and Busoga.
- Finalise and operationalise the National Water for Production Masterplan.

B. Mechanisation & Post-Harvest Handling – UGX 420 billion

- Establish regional mechanisation centres.
- Support domestic assembly of tractors, threshers, planters, and dryers.
- Roll out subsidised hermetic storage technologies.

C. Strengthen Seed Systems – UGX 150 billion

- Modernise NARO infrastructure to reduce seed imports.
- Intensify certification and anti-counterfeit enforcement.

D. Export Market Infrastructure – UGX 240 billion

- National cold chain: **40 refrigerated trucks** and **6 regional cold stores**.
- Establish border consolidation hubs at Mutukula, Busia, Elegu, and Mpondwe.
- Implement national traceability platforms for coffee, dairy, fruits, vegetables, and fish.

E. District Extension Operations – UGX 120 billion

- Restore and strengthen functional non-wage extension capacity.

Expected Impact

i. Reduce post-harvest losses by **30%**, increasing exports by **USD 700 million annually**.

ii. Transition **1.2 million households** into the money economy by 2030.

iii. Raise manufacturing and agro-industrial contribution to GDP by **3–5%**.

4.2 TOURISM

Tourism is Uganda's most immediate opportunity for rapid foreign exchange expansion. In 2024, the sector generated **UGX 4.81 trillion** from **1.37 million international arrivals**, each visitor creating **7–10 jobs** and supporting approximately **840,000 livelihoods**. However, poor tourism access roads—especially in the Bwindi and Mgahinga gorilla catchment—continue to weaken competitiveness.

4.2.1 Key Challenges

- Critical routes such as the **31 km Kanyantorogo–Buhoma**, **10 km Buhoma–Nkuringo**, and **50 km Butogota–Ruhija** remain impassable during rains.
- Travel time from Kampala to Bwindi is **12 hours**, compared to **2.5 hours** from Kigali to Rwanda's Volcanoes National Park.
- Kihiihi and Kisoro airstrips lack international-standard facilities.
- Underdeveloped MICE industry and insufficient marketing budget.

4.2.2 Funding Priorities for FY 2026/27

A. Tourism Roads Upgrade – UGX 1.2 trillion

- Prioritise Kanyantorogo–Buhoma (16.5 km), Butogota–Buhoma (15 km), Kabale–Ruhija–Buhoma (144 km), Rubuguri–Mgahinga (60 km), and Kisoro–Rubuguri–Muko (74 km).

B. Upgrading Kihiihi & Kisoro Airstrips – UGX 480 billion

- Extend runways, install immigration and customs, expand cargo and ATC facilities, and establish PPP-run passenger terminals.

C. Destination Marketing – UGX 90 billion

- Aggressive digital marketing, diaspora campaigns, MICE promotion, and leveraging the **"Visit Uganda 2027 AFCON Window."**

D. Tourism Product Diversification – UGX 60 billion

- Develop cultural routes, birding circuits, adventure tourism, nature conservancies, and marine tourism assets.

Expected Impact

- Increase tourism earnings from **UGX 4.8 trillion** to **UGX 7.2 trillion** by 2028.
- Grow international arrivals to **2.5 million** within five years.
- Create **250,000 new jobs**, particularly in western Uganda.

4.3 MINERALS, ENERGY, OIL & GAS

Uganda's extractive sector is entering a period of accelerated development. The country holds **6.5 billion barrels** of oil in place, of which **1.4 billion barrels** are recoverable. Annual FDI inflows into oil and gas are averaging **USD 2 billion** during 2024–2027. Mineral exploration in lithium, graphite, gold, rare earths, and iron ore is also expanding.

4.3.1 Key Challenges

i. Limited mineral beneficiation; exports remain largely raw.
ii. High industrial energy tariffs (**5–9 US cents/kWh**).
iii. Slow geological data digitalisation.
iv. Weak local-content participation in O&G.
v. Refinery and storage infrastructure gaps.

4.3.2 Funding Priorities for FY 2026/27

A. Mineral Beneficiation – UGX 620 billion

- Establish national smelters for graphite, lithium, gold, copper, and iron ore.

B. Energy Tariff Reduction – UGX 400 billion

- Invest in renewables and grid loss reduction.

C. Oil & Gas Local Content – UGX 180 billion

- Supplier development centres, standards hubs, and advanced industrial training.

D. Geological Data Digitalisation – UGX 90 billion

- Online mineral registry and digitised geological mapping.

E. Refinery & Storage – UGX 700 billion

- Support UNOC for storage and accelerate refinery financing.

Expected Impact

- Boost mineral export earnings by **USD 2.5 billion** by 2030.
- Lower industrial energy costs by **20–30%**.
- Create **80,000+ jobs** in O&G and mining.

4.4 SCIENCE, TECHNOLOGY, INNOVATION & ICT

The ICT sector is among Uganda's fastest-growing industries: **3.1% of GDP** (narrow), **9–10% of GDP** (digital economy), and **2.5 million youth employed**. Uganda leads in fintech innovation in Africa, yet infrastructure, digital literacy, and financing gaps constrain growth.

4.4.1 Key Challenges

- Broadband penetration stands at **43%**, with rural access extremely low.
- **94% of households** lack internet access.
- Only **29% of Ugandans** live within 10 km of a fibre node.

- No operational Startup Fund despite a nationally approved Startup Policy.
- Rising cybersecurity risks.

4.4.2 Funding Priorities

A. National Broadband Expansion – UGX 620 billion

- Last-mile broadband to all parishes through NBI.

B. National Startup & Innovation Fund – UGX 150 billion

- Support **500+ startups** with incubation and prototype financing.

C. Digital Skills for Jobs – UGX 120 billion

- Train **250,000 youth**, establish **10 digital academies**.

D. National Cybersecurity Infrastructure – UGX 180 billion

- Cybersecurity operations centre, digital ID enhancements.

E. ICT Manufacturing & BPO – UGX 200 billion

- Expand BPO jobs to **50,000**, promote device assembly.

Expected Impact

- Increase ICT's GDP contribution to **15% by 2030**.
- Reduce internet costs by **40%**.
- Create **500,000 digital jobs** and strengthen Uganda's fintech leadership.

5.0 FUNDING PRIORITIES FOR ENABLING SECTORS

Chairperson and Honourable Members of PACOB,

Uganda's economic transformation will not be achieved by anchor sectors alone. While **Agriculture, Tourism, Minerals/Energy/Oil & Gas, and ICT/STI** drive growth, their full potential depends on a set of **critical enabling sectors** that power production, move goods and people, reduce the **cost of doing business**, facilitate trade, stimulate domestic demand, and build the skills and human capital required for competitiveness.

Based on extensive consultations with PSFU members and analysis of the **PSFU Budget Strategy Paper** and **State of the Economy Report**, PSFU has identified six enabling sectors whose constraints directly affect national productivity and private-sector expansion. **Targeted investment in these sectors in FY 2026/27 is essential** to realise the Tenfold Growth Strategy and Vision 2040.

5.1 MANUFACTURING & INDUSTRIALISATION

Manufacturing contributes approximately **15.2% of GDP** and is central to **import substitution, value addition, and export diversification**. It supports hundreds of thousands of jobs and links closely with agriculture, construction, transport, and trade. However, the sector operates below potential due to **high production costs**, limited long-term finance, and weak standards infrastructure.

Key constraints include:

- **High energy costs** and frequent supply interruptions.
- **Expensive imported inputs** and low local raw material production.
- Limited access to **long-term and patient capital**.
- **High logistics and transport costs** accounting for **30–50%** of product value.
- Weak testing, standards, and certification capacity.

Funding Priorities for FY 2026/27

i. **Support to Industrial Parks & Manufacturing Clusters — UGX 800 billion** Develop and service parks in **Namanve, Mbale, Kapeeka, Gulu, Kasese, Soroti, and Mbarara**, including **roads, water, sewerage, last-mile electricity, and fibre-optic connectivity**

ii. **Industrial Raw Material Development Fund — UGX 300 billion**

   Promote domestic production of:

   - Textiles (cotton, silk, synthetics)
   - Pharmaceuticals (active ingredients)
   - Steel (iron ore beneficiation)
   - Cement (limestone processing)

iii. **Industrial Energy Tariff Support — UGX 400 billion;** Implement measures to reduce industrial tariffs to **5 US cents/kWh**, as consistently recommended by PSFU and its membership.

iv. **Medium & Long-Term Manufacturing Credit Facility — UGX 500 billion;** Channelled through **UDB and commercial banks** to finance equipment acquisition, factory expansion, and export-oriented ventures.

v. **Testing Laboratories & Standards Accreditation — UGX 180 billion** Expand **UNBS laboratory capacity**, support private laboratories, and strengthen **anti-counterfeit enforcement**.

Expected Impact

These interventions are expected to:

i. **Lower production costs by 20–25%**.

ii. Increase manufactured exports by **USD 1.2 billion annually**.

iii. Create at least **150,000 formal jobs**, especially for youth.

5.2 TRANSPORT & LOGISTICS

Uganda's logistics system is among the **most expensive in East Africa**, costing firms up to **UGX 3 trillion annually**. The World Bank's Logistics Performance Index ranks Uganda **102nd out of 139 countries**, significantly behind **Rwanda (57th)** and **Kenya (68th)**. This erodes competitiveness and undermines export growth.

Key challenges include:

- Poor conditions on strategic trade routes.
- **High freight costs** and long transit times.
- Limited **cold-chain infrastructure**.
- Slow border procedures and non-tariff barriers.
- Overreliance on road transport; under-investment in **water and rail**.

Funding Priorities for FY 2026/27

i. **Logistics Infrastructure & One-Stop Cargo Hubs — UGX 620 billion**
Invest in:
   - National Consolidation Centres at **Mutukula, Malaba, Elegu, Mpondwe**.
   - Cold-chain terminals for **fruit, dairy, horticulture, and fish**.
   - Bonded warehouses and logistics parks.

ii. **Upgrade of Major Trade Roads — UGX 1.1 trillion**
Prioritise:
   - **Masaka–Kyotera–Mutukula (96 km)** – over **310 trucks/day**.
   - **Malaba–Bugiri–Iganga–Jinja corridor** – key Northern Corridor link.
   - **Gulu–Atiak–Elegu** – gateway to South Sudan.

iii. **Expansion of Water Transport — UGX 350 billion**
Develop cargo services on **Lakes Victoria, Albert, and Kyoga** and upgrade **Port Bell, Jinja, and Bukasa**

iv. **Meter Gauge Railway Modernisation — UGX 550 billion**
Reduce freight cost from **USD 0.16 per tonne-km** to **USD 0.03 per tonne-km**.

v. **Support to Uganda Air Cargo Corporation — UGX 266 billion (release)**
Operationalise cargo aircraft to support **high-value and perishable exports**.

Expected Impact

i. **25–30% reduction in logistics costs**.
ii. Significant improvement in logistics ranking (by **20+ positions**).
iii. Enhanced competitiveness of both **agricultural and manufactured exports**.

5.3 TRADE & COMMERCE

Trade employs approximately **3.6 million Ugandans**, contributes around **9.6% of services GDP**, and is central to market inclusion and domestic revenue mobilisation. While Uganda's **regional exports account for 38–41%** of total exports, domestic and cross-border trade remain constrained by structural bottlenecks.

Key issues include:

- Limited aggregation and structured markets.
- Widespread **counterfeit products** (estimated at **54%** of market).
- Poor market infrastructure.
- Limited export financing and trade facilitation support.
- Low adoption of **standards and certification**.

Funding Priorities for FY 2026/27

i. **National Market Infrastructure Modernisation — UGX 280 billion;** Construct **model wholesale markets** in **Kampala, Arua, Mbarara, Mbale, Lira, and Gulu**, with digital weighing, cold storage, and testing centres.

ii. **SME Export Capacity Fund — UGX 150 billion**; Support SMEs with:
   - Packaging and branding
   - Certification
   - Market intelligence
   - E-commerce and digital trade integration

iii. **National Anti-Counterfeit Framework — UGX 120 billion**
   a. Strengthen **UNBS surveillance** (from the current ~37 officers nationwide).
   b. Support enactment and implementation of the **Anti-Counterfeit Bill**.

iv. **Commercial Attaché Strengthening — UGX 60 billion** Equip missions abroad to drive **commercial diplomacy and export promotion**.

Expected Impact

i. Increase formal exports by **USD 500 million annually**.
ii. Reduce counterfeit market share from **54%** to **below 30%.**
iii. Expand the tax base and boost domestic revenue mobilisation.

5.4 CONSTRUCTION & REAL ESTATE

Construction and real estate jointly contribute about **19.3% of GDP** (**12.9% construction**, **6.4% real estate**). Demand is fuelled by population growth, urbanisation now at **26.8%**, and public infrastructure investment.

Key constraints include:

i. High cost of inputs (cement, steel).

ii. Weak and shallow mortgage market.

iii. Slow and costly land registration and titling.

iv. Uncoordinated urban planning and infrastructure.

v. High lending rates for real-estate projects.

Funding Priorities for FY 2026/27

i. **Affordable Housing Programme — UGX 450 billion;** Promote PPP-driven mass housing and **subsidised serviced land** for affordable units.

ii. **Digitisation of Land Registry — UGX 300 billion;** Roll out the **National Land Information System (NLIS)** nationally to reduce disputes and fake titles.

iii. **Urban Infrastructure for Real Estate Growth — UGX 400 billion;** Invest in roads, drainage, waste management, and utilities in **GKMA, Wakiso, Mbarara, Gulu, and Jinja**.

Expected Impact

i. Reduce housing costs by **up to 25%**.

ii. Increase mortgage uptake and formal land ownership.

iii. Improve Uganda's **Ease of Doing Business** rankings in land and construction.

5.5 CULTURE & CREATIVE INDUSTRIES

The creative economy is growing at **7–9% annually**, employing an estimated **350,000–400,000 people**, with potential to generate over **UGX 140 billion** per year in direct value. It is especially important for youth employment and export of Ugandan culture.

Key challenges include:

- Absence of a **national creative hub**.
- Weak intellectual property (IP) protection.
- Limited financing and training opportunities for creatives.

Funding Priorities for FY 2026/27

i. **National Creative Industry Hub — UGX 180 billion;** A common-user facility for **film, audio production, digital content, animation, fashion, and design**.

ii. **Creative Skills Development Fund — UGX 80 billion;** Train youth in:

- Film-making
- Music production
- Digital animation
- Graphic design
- Creative entrepreneurship

iii. **IP Enforcement Strengthening — UGX 40 billion**
- Digital copyright systems
- Specialised IP courts/tribunals
- Support to collecting societies

Expected Impact

i. Creation of **over 100,000 new jobs**.

ii. Increase creative exports by **UGX 100 billion within 5 years**.

iii. Significant reduction in piracy and copyright abuse.

5.6 HUMAN CAPITAL DEVELOPMENT (Health, Education, Skills & Attitudes)

Uganda's **median age of 16.7 years** presents both a challenge and an opportunity. Youth unemployment remains high at **14–17% in urban areas**, and only **23% of youth** possess intermediate digital skills.

Funding Priorities for FY 2026/27

i. **National Graduate Service Scheme — UGX 220 billion;** Implement a structured national service to equip graduates with **work-readiness and soft skills**.

ii. **Technical & Vocational Skills Enhancement — UGX 310 billion;** Upgrade **25 TVET institutions** and align curricula with **manufacturing, tourism, ICT, agro-processing, and logistics**.

iii. **Primary Health Care Strengthening — UGX 400 billion;** Invest in disease prevention and health facilities to safeguard workforce productivity.

iv. **Behavioural Attitudes & Work Culture Programme — UGX 90 billion;** Address issues of **punctuality, ethics, communication, and productivity**.

Expected Impact

i. Boost national productivity by **15–20%**.

ii. Increase youth employability and reduce skills mismatches.

iii. Lower disease-related productivity losses.

6.0 CROSS-CUTTING COMPETITIVENESS ISSUES

Uganda's private sector cannot achieve regional or global competitiveness without addressing deep systemic constraints that cut across all sectors of the economy. These cross-cutting issues weaken productivity, raise the **cost of doing business**, distort investment planning, slow industrialization, limit export performance, and ultimately constrain job creation. As highlighted in the **PSFU Budget Strategy Paper**, the **PACOB 2023 Paper**, and the **State of the Economy Paper (Q1 FY2025/26)**, targeted action in FY 2026/27 is essential to unlock private-sector potential, attract investment, and accelerate inclusive growth.

This section outlines the priority competitiveness issues that require urgent attention by Government, and the recommended interventions to sustain momentum under the **Tenfold Growth Strategy** and **Vision 2040**.

6.1 Domestic Arrears Clearance and Public Procurement Efficiency

Domestic arrears continue to undermine liquidity, business confidence, and private-sector participation in government procurement. According to the **PSFU Budget Strategy Paper FY2026/27**, **verified arrears now exceed UGX 2.5 trillion**, including:

- **UGX 44 billion** owed to coffee seedling suppliers
- **UGX 832 billion** owed to contractors, especially under UNRA

These arrears:

- Constrain working capital
- Increase non-performing loans
- Force businesses to borrow at high interest rates
- Lower tax compliance
- Push SMEs out of government procurement markets

The procurement ecosystem remains dominated by foreign companies, with **83% of works contracts awarded to foreign firms in 2021**. This undermines Uganda's domestic industrial capacity.

Priority Actions for FY 2026/27

i. **Allocate UGX 600 billion annually** for arrears clearance over a 3-year plan, prioritizing contractors, seedling suppliers, UNRA obligations, and private service providers.

ii. **Establish a Public Procurement Special Purpose Vehicle (SPV)** to aggregate local suppliers, de-risk large contracts, and facilitate joint ventures

iii. **Enforce 30–40% Local Content** in construction, extractives, ICT, and manufacturing procurements.

6.2 Predictable, Competitive, and Growth-Oriented Tax Regime

Private-sector consultations consistently point to the need for a stable and predictable tax environment. Key concerns include:

- Frequent tax amendments
- Unpredictable tax administration
- Multiple taxes and levies (especially in tourism, ICT, construction, and manufacturing)
- High cost of compliance for SMEs
- Limited incentives for value-addition and export-oriented firms

Uganda's tax unpredictability is a significant competitive disadvantage compared to Kenya and Rwanda.

Priority Actions for FY 2026/27

i. **Introduce a 3-Year Tax Stability Framework**, with no new taxes on manufacturing inputs, tourism operations, digital services, agro-processing, or export-oriented industries.

ii. **Harmonize and remove nuisance taxes**, including **18% VAT on tourism guiding services**, overlapping licensing fees, and multiple withholding taxes.

iii. **Expand tax incentives** for agro-processing, ICT manufacturing, pharmaceuticals, and mineral beneficiation.

iv. **Fully digitalise URA processes** to reduce compliance costs and curb discretionary assessments.

6.3 High Cost of Energy and Limited Access

Energy remains one of the largest cost drivers for industry. Current tariffs stand at:

- **9 US cents/kWh for SMEs**
- **5 US cents/kWh for large industries**; Electricity accounts for **15–35%** of manufacturing production costs.

Fuel insecurity further destabilises production:

- Uganda consumes **7 million litres of fuel daily**
- Existing reserves store only **30 million litres** (4.5 days of supply)

Priority Actions for FY 2026/27

i. **Reduce industrial tariffs to 5 US cents/kWh**, through bulk energy purchase agreements, targeted subsidies, and reduced technical losses.

ii. **Fast-track the Kampala Fuel Storage Terminal**, adding **60 million litres** to complement Jinja's 30 million litres.

iii. **Promote off-grid solar and hybrid energy solutions**, especially for SMEs, tourism facilities, and industrial parks.

6.4 Standards, Certification, and Anti-Counterfeit Enforcement

Uganda loses an estimated **UGX 6 trillion annually** to counterfeit and substandard products. According to PSFU analysis:

- **54%** of market products are substandard
- **40% of seeds** and **60% of herbicides** are counterfeit

UNBS faces major capacity limitations:

- Staff presence at only **27 out of 170** border points
- Only **37 surveillance officers nationwide**
- Inadequate accredited labs

Priority Actions for FY 2026/27

i. **Increase UNBS funding by UGX 200 billion** to recruit personnel, improve surveillance, and expand testing laboratories.

ii. **Fast-track enactment of the Anti-Counterfeit Bill**, withdrawn in 2021 but urgently needed.

iii. **Support private laboratories to attain accreditation**, reducing certification delays for exporters.

iv. **Introduce a National Product Traceability System** focusing on coffee, dairy, fruits & vegetables, fish, and pharmaceuticals.

6.5 High Cost of Credit and Limited Access to Finance

Private-sector credit growth stood at **7.2% year-on-year (Sept 2025)**—below the level required to support growth. Barriers include:

- High interest rates (**18–23%**)
- Limited long-term finance
- High collateral requirements
- Weak credit guarantees
- Limited financing for agriculture and SMEs

Priority Actions for FY 2026/27

i. **Capitalise UDB with UGX 650 billion** to provide long-term, single-digit financing.

ii. **Expand the Agricultural Credit Facility to UGX 500 billion**, with flexible collateral policies.

iii. Establish a **National Credit Guarantee Scheme** of **UGX 300 billion** to de-risk lending to SMEs, women, youth, and new sectors.

iv. **Promote private equity and venture capital** through incentives and startup-friendly regulations.

6.6 Regulatory Burden, Business Formalization, and Governance

Regulatory inefficiencies continue to limit enterprise growth. Challenges include lengthy business registration, complex licensing, slow land administration processes, and limited judicial efficiency.

Priority Actions for FY 2026/27

i. **Fully digitalise licensing and business processes**, integrating URSB, local governments, NEMA, MTIC, UNBS, and Immigration into a single interface.

ii. **Strengthen the commercial courts** by increasing judges, introducing e-litigation, and fast-tracking commercial dispute resolution.

iii. **Complete the rollout of the National Land Information System (NLIS)** to reduce title processing time to **10 days**.

iv. **Reduce formalization barriers**, including temporary waiver of registration fees for new MSMEs.

6.7 Climate Resilience, Environment, and Sustainable Production

Climate change poses significant threats to agriculture, tourism, infrastructure, hydropower generation, and food security.

Priority Actions for FY 2026/27

i. **Invest UGX 300 billion in the National Climate-Smart Agriculture Programme**, focusing on irrigation, drought-resistant seeds, water harvesting, and farmer insurance.

ii. **Allocate UGX 200 billion for land restoration and watershed rehabilitation**, especially in Rwenzori, Bugisu, Karamoja, and the cattle corridor.

iii. **Introduce green industrialisation incentives**, including tax exemptions for solar farms, effluent systems, and waste-to-energy investments.

iv. **Strengthen climate information and early-warning systems** for farmers and fisheries.

6.8 Public–Private Dialogue and Policy Coordination

Effective policy implementation requires coordinated, structured engagement between Government and the private sector.

Priority Actions

i. **Strengthen the PSFU–Government Coordination Framework**, with quarterly policy dialogues and sector-specific sub-committees.

ii. **Establish a national competitiveness monitoring unit** to track key cost drivers—electricity, fuel, transport, taxes, and regulatory compliance—and provide quarterly updates to Cabinet and Parliament.

7.0 SUMMARY OF KEY POLICY ASKS FOR FY 2026/27

A. ANCHOR SECTORS

Table 1: Agriculture & Agro-Industrialisation

Priority Area	FY 2025/26 Allocation	PSFU Proposed FY 2026/27	Funding Gap	Expected Impact
Irrigation & Water for Production	~UGX **340B** (WfP Programme)	**UGX 950B**	+610B	Increase irrigated land from 1% to 4%; reduce crop losses; boost exports by USD 700M.
Mechanisation & Post-Harvest	~UGX **120B**	**UGX 420B**	+300B	Reduce post-harvest losses by 30%; improve yields; enhance food security.
Seed Systems & NARO R&D	~UGX **310B**	**UGX 150B (additional)**	+150B	Reduce seed imports by 40%; increase productivity.
Export Cold Chain & Hubs	~UGX **75B**	**UGX 240B**	+165B	Reduce rejection of agro-exports; expand horticulture earnings.
Extension Non-Wage Operations	**0 allocation** (cut)	**UGX 120B**	+120B	Activate 7,000 extension workers; improve farmer productivity.

Total Additional Investment Required: UGX 1.345 trillion

Table 2: Tourism

Priority Area	FY 2025/26 Allocation	PSFU Proposed FY 2026/27	Funding Gap	Expected Impact
Tourism Roads (Bwindi/Mgahinga)	~UGX **78B** (scattered road	**UGX 1.2T**	+1.122T	Increase Uganda's gorilla tourism revenue from USD

	works)			47M → USD 120M; reduce leakage to Rwanda.
Upgrade of Kihiihi & Kisoro Airstrips	~UGX **20B**	**UGX 480B**	+460B	Reduce travel time from 12 hours → 45 minutes; attract high-value tourists.
Destination Marketing	~UGX **30B**	**UGX 90B**	+60B	Compete with Rwanda & Kenya; increase arrivals from 1.4M → 2.5M.
Tourism Product Development	~UGX **14B**	**UGX 60B**	+46B	Diversify tourism (birding, culture, adventure).

Total Additional Investment Required: UGX 1.688 trillion

Table 3: Minerals, Energy, Oil & Gas

Priority Area	**FY 2025/26 Allocation**	**PSFU Proposed FY 2026/27**	**Funding Gap**	**Expected Impact**
Mineral Beneficiation Fund	~UGX **220B**	**UGX 620B**	+400B	Increase mineral exports by USD 2.5B by 2030.
Industrial Energy Tariff Subsidy	~UGX **80B**	**UGX 400B**	+320B	Reduce energy cost to 5 US cents/kWh.
O&G Local Content Development	~UGX **48B**	**UGX 180B**	+132B	Create 80,000 jobs; boost SME participation.
Digital Geological Data System	~UGX **15B**	**UGX 90B**	+75B	Improve investor confidence; streamline licensing.
Fuel Storage & Refinery Support	~UGX **300B**	**UGX 700B**	+400B	Increase reserves from 4.5 days → 14 days.

Total Additional Investment Required: UGX 1.327 trillion

Table 4: Science, Technology & Innovation / ICT

Priority Area	**FY 2025/26 Allocation**	**PSFU Proposed FY 2026/27**	**Funding Gap**	**Expected Impact**

Broadband Expansion	~UGX **100B**	**UGX 620B**	+520B	Increase penetration from 43% → 75%.
National Startup & Innovation Fund	**0 allocation**	**UGX 150B**	+150B	Support 500 tech startups; drive youth jobs.
Digital Skills for Jobs	~UGX **40B**	**UGX 120B**	+80B	Train 250,000 youth; strengthen BPO.
Cybersecurity Infrastructure	~UGX **25B**	**UGX 180B**	+155B	Protect digital economy; reduce cyber fraud.
ICT Manufacturing & BPO Expansion	~UGX **45B**	**UGX 200B**	+155B	Create 50,000 new BPO jobs.

Total Additional Investment Required: UGX 1.06 trillion

B. ENABLING SECTORS

Table 5: Manufacturing & Industrialisation

Priority Area	**FY 2025/26 Allocation**	**PSFU Proposed FY 2026/27**	**Funding Gap**
Industrial Parks Infrastructure	~UGX **780B**	**UGX 800B**	+20B
Raw Material Development Fund	~UGX **67B**	**UGX 300B**	+233B
Industrial Energy Support	~UGX **80B**	**UGX 400B**	+320B
Long-Term Credit Facility	~UGX **300B**	**UGX 500B**	+200B
Standards Labs & Accreditation	~UGX **68B**	**UGX 180B**	+112B

Total Additional Investment Required: UGX 885 billion

Table 6: Transport & Logistics

Priority Area	**FY 2025/26 Allocation**	**PSFU Proposed FY**	**Funding**

		2026/27	Gap
National Logistics Hubs	~UGX **120B**	**UGX 620B**	+500B
Key Trade Roads	~UGX **3.8T**	**UGX 4.9T**	+1.1T
Water Transport	~UGX **60B**	**UGX 350B**	+290B
MGR Railway Rehabilitation	~UGX **80B**	**UGX 550B**	+470B
Air Cargo Corporation	Allocated but not released	**Full release of UGX 266B**	+266B

Total Additional Investment Required: UGX 2.626 trillion

Table 7: Trade & Commerce

Priority Area	**FY 2025/26 Allocation**	**PSFU Proposed FY 2026/27**	**Funding Gap**
Market Infrastructure	~UGX **90B**	**UGX 280B**	+190B
SME Export Capacity Fund	~UGX **35B**	**UGX 150B**	+115B
Anti-Counterfeit Enforcement	~UGX **20B**	**UGX 120B**	+100B
Commercial Attaché Enhancement	~UGX **10B**	**UGX 60B**	+50B

Total Additional Investment Required: UGX 455 billion

Table 8: Creative Industry

Priority Area	**FY 2025/26 Allocation**	**PSFU Proposed FY 2026/27**	**Funding Gap**
Creative Industry Hub	~UGX **10B**	**UGX 180B**	+170B
Creative Skills Fund	~UGX **5B**	**UGX 80B**	+75B
IP Enforcement	~UGX **3B**	**UGX 40B**	+37B

Total Additional Investment Required: UGX 282 billion

Table 9: Human Capital Development

Priority Area	FY 2025/26 Allocation	PSFU Proposed FY 2026/27	Funding Gap
National Graduate Service Scheme	**0 allocation**	**UGX 220B**	+220B
TVET/Skills Enhancement	~UGX **350B**	**UGX 310B (additional)**	+310B
Primary Healthcare Strengthening	~UGX **1.2T**	**UGX 400B (additional)**	+400B
Work Culture & Attitudes Programme	**0 allocation**	**UGX 90B**	+90B

Total Additional Investment Required: UGX 1.02 trillion

7.1 STRATEGIC JUSTIFICATION FOR INCREASED FUNDING

This investment will:

i. Increase GDP growth to **7.5%–8%**

ii. Grow exports by an additional **USD 3–4 billion** by 2030

iii. Reduce logistics costs by **25–30%**

iv. Add **1.2–1.5 million new jobs over 5 years**

v. Reduce cost of production across manufacturing & agriculture by **20–25%**

vi. Improve Uganda's competitiveness in tourism, agro-processing, and digital economy

8.0 CONCLUSION

Uganda stands at a pivotal moment in its economic transformation journey. With the economy valued at **UGX 226.3 trillion (USD 61.3 billion)** in FY 2024/25 and projected to grow at **6.5–7%** in FY 2025/26, the foundations for sustained growth are strong. Yet the country cannot achieve its aspirations under **Vision 2040**, **NDP IV**, and the **Tenfold Growth Strategy** without strategic, targeted, and catalytic investments in the FY 2026/27 national budget.

This PSFU paper, presented to PACOB, demonstrates that Uganda has **immense untapped potential** in its four anchor sectors—**Agriculture & Agro-industrialisation, Tourism, Minerals/Energy/Oil & Gas, and Science/Technology/ICT**. Complemented by strong enabling sectors such as **Manufacturing, Transport & Logistics, Trade, Construction, Creative Industries, and Human Capital Development**, the private sector can drive Uganda into a higher productivity and export-led growth trajectory

i.
ii.
iii. Prevent election spending from destabilising macro stability or crowding out development financing.
iv. Ensure policy continuity in taxation, incentives and procurement laws through the electoral cycle.
v. Prioritise security and business-operating stability.

Private Sector Implications

i. Adopt **cautious optimism**—leveraging short-term opportunities in printing, logistics, catering, events and media.
ii. Delay major investments susceptible to policy uncertainty while seizing high-return, low-risk opportunities.
iii. Strengthen compliance to avoid reputational risks.

6.5 Strengthen Public–Private Coordination

i. Institutionalise quarterly **PSFU–MoFPED–BoU** dialogue on macroeconomic stability and private-sector constraints.
ii. Establish sector-specific working groups for **agro-industry, ICT, tourism, minerals, logistics, and manufacturing**.
iii. Improve data-driven policymaking through UBOS, MoFPED, EPRC, BoU and sector intelligence systems.

In summary, as Uganda moves through Q2 and into **Q3 FY 2025/26**, sustaining growth above **7%**, attracting private investment, and maintaining macro stability will depend on **predictable policy**, **targeted investment**, and **strong public–private collaboration**—especially in an election-sensitive environment.

7. Conclusion

Uganda enters **Q3 of FY 2025/26** with a firm macroeconomic footing, supported by sustained recovery across key sectors and improving high-frequency indicators. The economy continues to build on the momentum of FY 2024/25, where real GDP expanded by an estimated **6.3%**, with projections for FY 2025/26 remaining close to **7%**, driven by strong performance in **agriculture**, **tourism**, **ICT**, and increased activity in **mineral development**.

By **end-September 2025**, high-frequency indicators pointed to strengthened economic activity: the **CIEA remained above 178**, signalling improving production and trade volumes, while the **PMI stayed above 55**, reflecting rising new orders, employment, and private-sector confidence. Inflation remained contained at **3.9%** in June and **4.1%** by September 2025, still within the Bank of Uganda's **5% medium-term target**, aided by stable food supply, a resilient Ugandan shilling, and prudent monetary policy. Export performance further improved, with monthly exports surpassing **USD 1.2 billion in July 2025**, building on the strong April surge of **USD 1.1 billion**.

Sectoral analysis reaffirms broad-based transformation:

i. **Agriculture** sustained its upward contribution to GDP at **26.1%**, supported by strong export demand and growing investment in agro-industrialisation.
ii. **Tourism earnings** rose to **UGX 4.81 trillion** in 2024, and arrivals continued to rebound strongly.
iii. **Minerals and energy** investments accelerated, with over **50% of the Mineral Development budget** released by December 2024 and steady progress on oil-related infrastructure.
iv. **ICT and the digital economy** maintained double-digit growth, contributing nearly **9–10%** to the broader economy.

Despite this positive trajectory, the transition into Q3 presents heightened risks. The approach to the **2026 General Elections** has introduced a cautious investment climate, with evidence of delayed large-scale private investment and increased liquidity pressures from rising election-related spending—estimated to exceed **UGX 5 trillion**. Business sentiment, reflected in the **Business Climate Index decline to 88.8**, highlights concerns around political uncertainty, inflationary risks, and regulatory unpredictability.

To safeguard progress, Uganda must reinforce **macroeconomic stability**, maintain **fiscal discipline**, and sustain policy continuity, especially in taxation, investment facilitation, and sectoral regulation. Continued prioritisation of infrastructure, digital transformation, agro-industrialisation, and human capital is essential to maintain momentum.

As the country moves further into Q3, the central priority is clear: **protect the gains made**, manage election-year uncertainties prudently, and support private-sector competitiveness. The months ahead will be decisive in determining whether Uganda can maintain its growth trajectory and sustain the path toward a **modern, industrialised, export-competitive economy**, consistent with the long-term **ten-fold growth ambition by 2040**.