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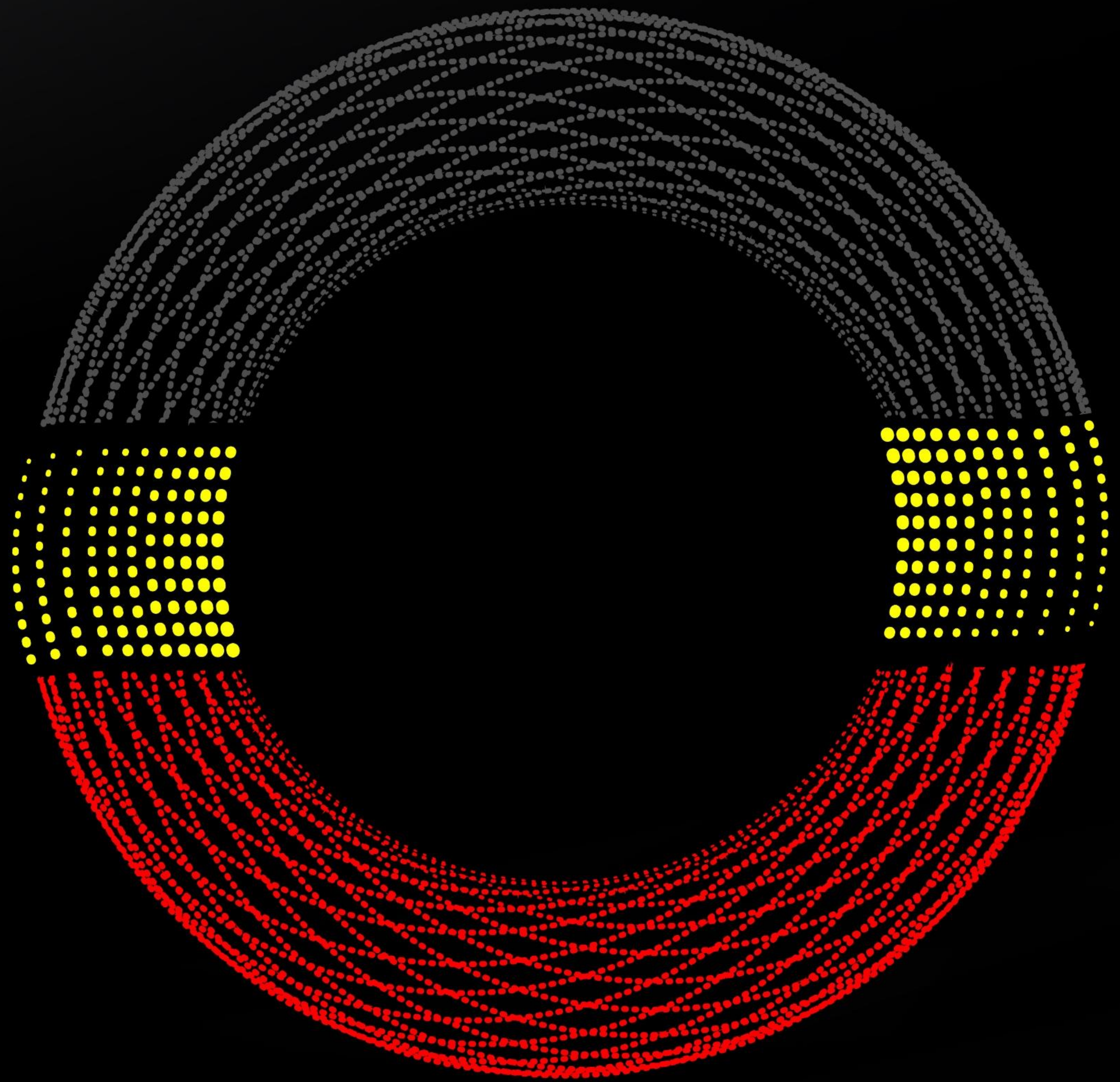
#NationalBudget2025



Uganda Budget Highlights 2025/26

Propelling progress. Unlocking possibilities.

June 2025

Message from the Managing Partner

"This budget cycle presents an opportunity to consolidate gains made in recent years, while navigating the persistent structural challenges and emerging global headwinds that may impact our economic ambitions."

As Uganda embarks on the implementation of the 2025/2026 National Budget, it is my pleasure to present Deloitte Uganda's analysis.

This budget cycle presents an opportunity to consolidate gains made in recent years, while navigating the persistent structural challenges and emerging global headwinds that may impact our economic ambitions.

The 2025/2026 National Budget, themed "Full Monetisation of Uganda's Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Services, Digital Transformation and Market Access" reflects the government's continued commitment to transformation through infrastructure development, human capital investment, digitalization, and private sector-led growth. This is the first budget in the implementation of the Fourth National Development Plan (NDP IV). With a projected increase in domestic revenue mobilization and sustained public investment, the budget aims to stimulate productivity.

Despite strong geopolitical headwinds, including the global impact of US tariffs and global cuts in foreign assistance, Uganda's economic growth is projected to remain resilient, with GDP growth expected at 6.2% in FY 2025/2026, underpinned by improved performance in agriculture, oil and gas sector developments, and infrastructure expansion.

Inflation is anticipated to remain stable within the Bank of Uganda's target range, supported by prudent monetary policy and easing global commodity prices.

The continued rollout of the Parish Development Model, the final phases of oil infrastructure projects, and investment in climate-resilient agriculture will be critical to driving equitable growth.

Our analysis delves into the sectoral view of government priorities, funding allocations, expenditures, and new tax measures. We aim to clearly understand how these components will influence Uganda's economic landscape, drive growth, and impact various sectors. We aim to offer insights that will aid our clients, businesses, and investors in making informed decisions.

At Deloitte, we remain committed to supporting Uganda's economic journey by providing insights, technical expertise, and strategic advisory services to both government and private enterprises. As we analyse and interpret the implications of this national budget, we reaffirm our role as a trusted advisor in helping shape a more prosperous and inclusive Uganda.

Our tax subject matter experts stand ready to assist you in leveraging the opportunities presented by this budget.

We trust this publication will offer valuable perspectives to policymakers, business leaders, and development partners, as we collectively navigate the opportunities and challenges that lie ahead.

Enjoy our analysis and do not hesitate to contact our team for additional information.

Paul Ssali
Managing Partner
Deloitte Uganda

"The achievement of these goals is not just about what Government does. It is also about how as Private sector players we step up and become part of this journey."

Amidst a world that seems to have become more divisive than ever, and with Africa as a whole, Uganda being no exception, having to look elsewhere as US policy pulls the rug from right under our feet, Uganda is powering ahead in its ambitions to reach middle income status, sooner rather than later. The Parliament of Uganda passed the National Development Plan IV (NDP IV) in January 2025 which was launched by H.E. The President of Uganda on 5th May 2025. The NDP is the policy framework guide for Uganda's development reviewed every five years. NDP IV sets out a goal for the country to double its GDP growth by 2030 and increase that tenfold by 2040 to achieve a GDP of USD 500bn. The International Monetary Fund (IMF) estimates Uganda's Real Gross Domestic Product (GDP) at USD 64.2bn in 2025. For Uganda to achieve these ambitions, it would require GDP growth of about 25% coming off a current growth of 6.1%.

The anchors to achieve this growth are meant to be focused on ATMS i.e.:

1. Agro-industrialisation and agricultural development.
2. Tourism development.
3. Mineral-based industrial development including oil and gas.
4. Science, technology, innovation including ICT and digitalization.

But we take stock of where we currently are. Uganda's gross debt stands at 54% of GDP (although still sustainable) and a tax to GDP ratio of 14.3%, which is still below the World Bank recommendation of 15% - 17%.

That said, there are some indications that this can be achieved, if the will to do so surpasses the nature impulse to simply keep talking. Uganda has managed to keep the shilling stable even as a number of countries in Africa witnessed volatility compounded by global shocks in recent times such as the US Government aid freeze and other US foreign policy. Inflation has been kept at below 5% in FY2025.

Although the path to achievement of revenues from oil & gas has been fraught with more challenges than the government had anticipated such as

funding for the pipeline as the country met resistance on the basis of this being an investment in fossil fuel, there is light at the end of the tunnel. The Kabalega International Airport in Hoima is nearly complete, with over 700 kilometres of roads being constructed in the Albertine Region to support commercial production of oil and gas. Those who have had the good fortune to visit the Murchison Falls National Park will definitely have seen this investment. Government is expediting the finalisation of the 1,443-kilometre East African Crude Oil Pipeline (EACOP), which is now 58% complete, with engineering works at 98% and procurement of the major equipment for the pipeline at 83%.

In March 2025, Uganda signed an Implementation Agreement for the development of an oil refinery in Hoima District with Alpha MBM, a UAE entity. With oil & gas revenues on the horizon, the pressure for domestic revenue needed to fund other developmental projects like the SGR and extension of road networks gives Government a bit of breathing space.

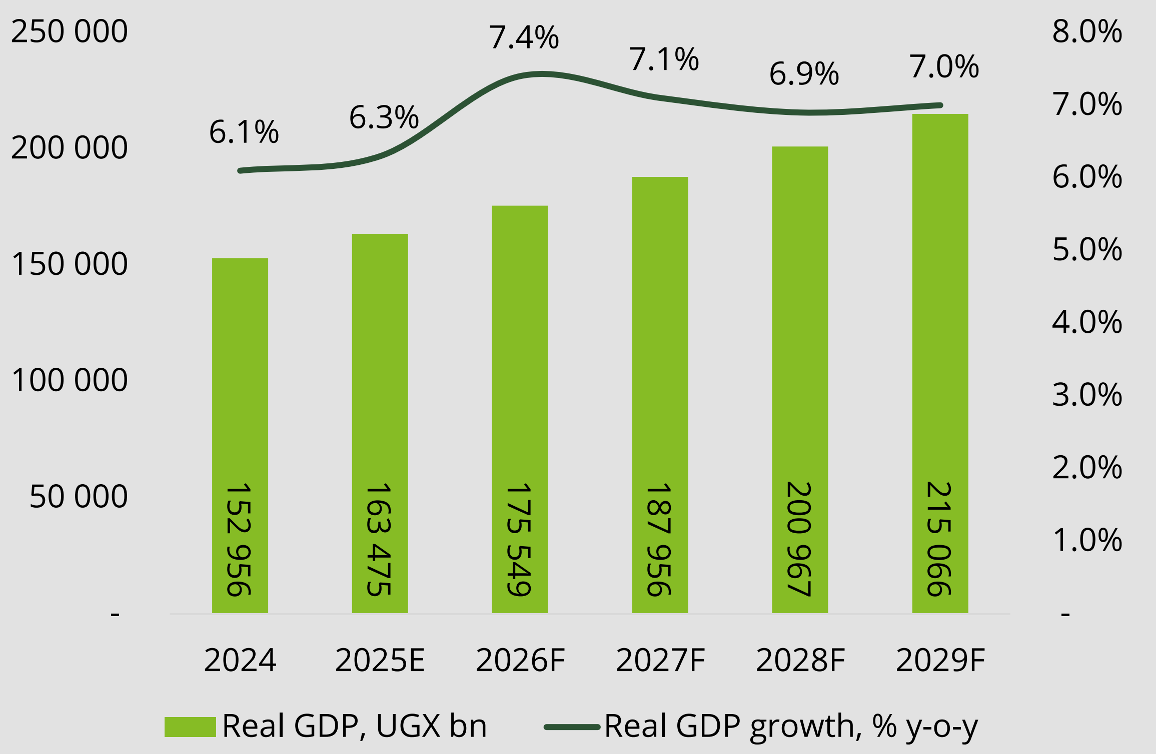
However, monetary policy and potential for O&G revenues in the short term aside, Uganda has to overcome much larger hurdles both internal and external in getting to the promised land. Key among this is dealing with corruption, efficiency, accountability and improved rate of absorption in execution of Government projects, as well as fulfilment of the social contract between Government and the Public.

But the achievement of these goals is not just about what Government does. It is also about how as Private sector players we step up and become part of this journey. So even as we consider the Budget for FY25/26, we need to be asking ourselves, "*What is going to be my contribution towards achieving this goal?*".

Patronella Namubiru
Director, Tax & Legal
Deloitte Uganda

Economic Outlook

Real GDP and growth rates, 2024-2029f

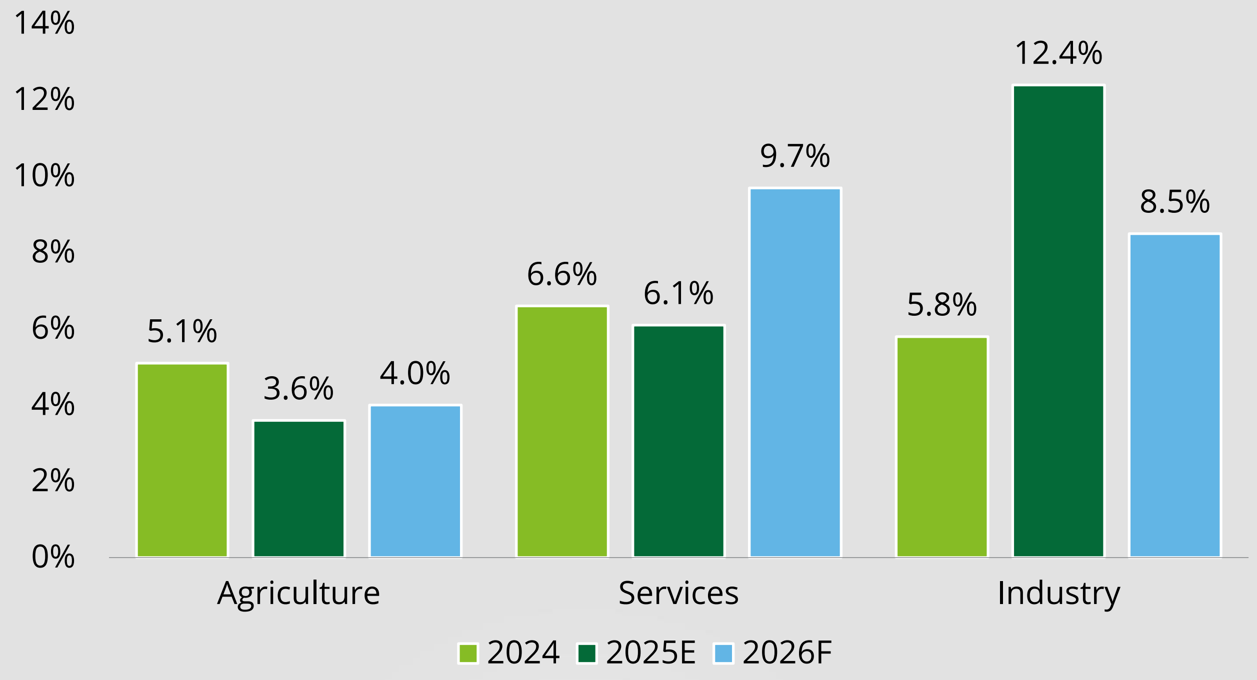


Source: EIU, Deloitte Analysis

GDP growth

- Uganda's economy has remained resilient despite global economic challenges reporting a GDP growth of 6.1% in 2024. This growth was broad-based spanning the services sector, agriculture and industry. It was mainly driven by government interventions as well as sound fiscal and monetary policies that supported private sector investment specifically in the oil sector.
- GDP is expected to grow by a further 6.3% in 2025 owing to stronger regional trade as global supply chains normalise.
- The country's GDP is projected to grow steadily to 7.4% in 2026 driven by investments in the oil sector before dropping marginally to 7.1% in 2027 as oil production plateaus.
- As construction slows towards completion of the large oil projects, GDP growth is expected to be supported by a rise in oil exports in 2028 and 2029.

Sectoral Growth

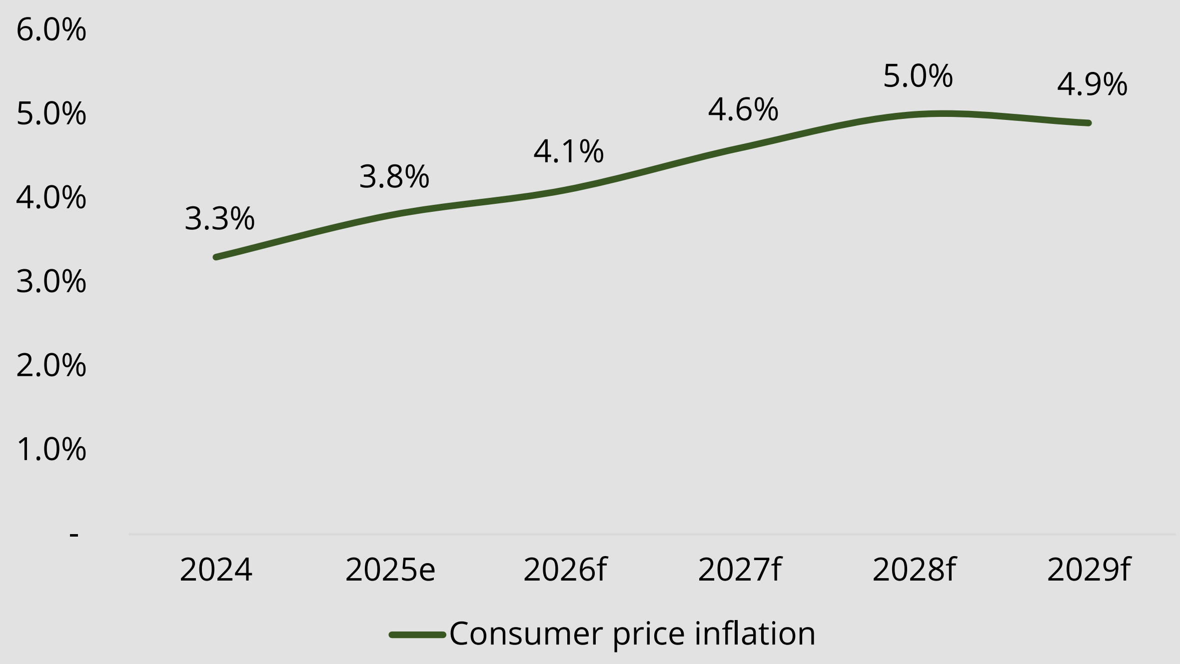


Source: BoU, EIU

Sectoral growth rate

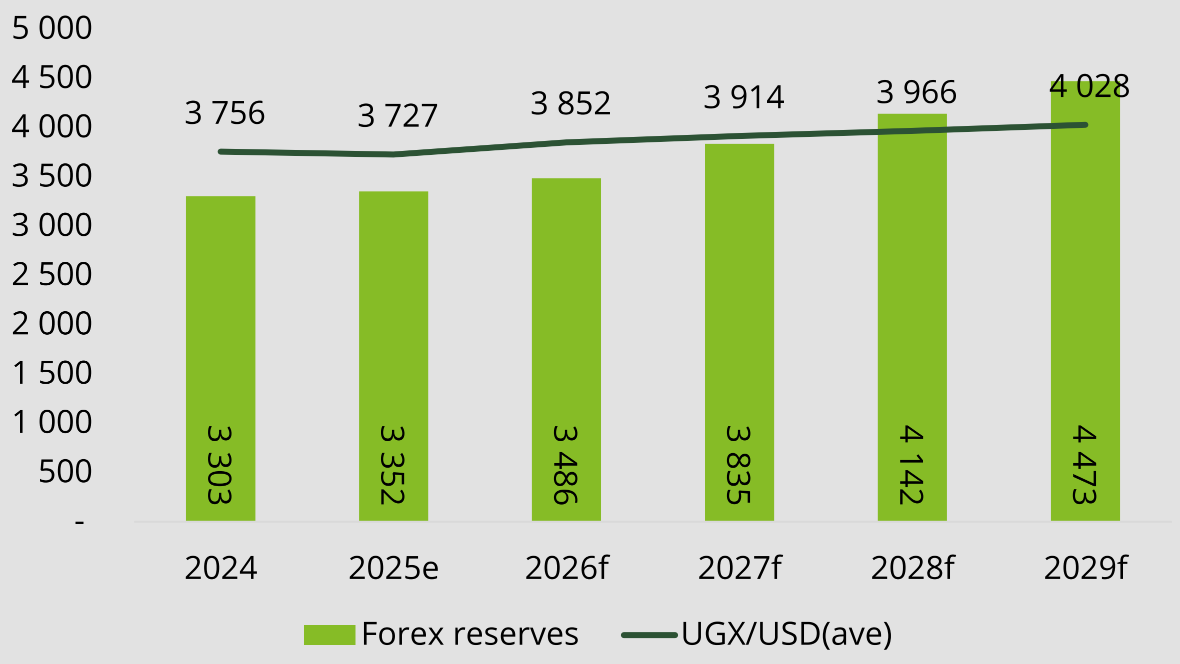
- **Agriculture:** Growth in the agriculture sector is expected to decline to 3.6% in 2025 from 5.1% in 2024. Low mechanisation and infrequent use of fertiliser makes Uganda's agricultural sector highly dependent on weather conditions, leaving the sector vulnerable to climate shocks.
- **Services:** The sector's growth is expected to mildly decline to 6.1% in 2025 from 6.6% in 2024. However, positive spill over effects from developments in the oil and gas sector will see a stronger net flow of Foreign Direct Investments (FDI) accelerating growth in the service sector to 9.7% in 2026.
- **Industry:** Growth is expected to rise to 12.4% in 2025 from 5.8% in 2024, supported by the Kingfisher and Tilenga oil projects which are on track to begin oil production following the completion of some of the mega government projects such as the East African Crude Oil Pipeline (EACOP) which is at 58% completion as of 31st May 2025.

Consumer price inflation (%), 2024-2029f

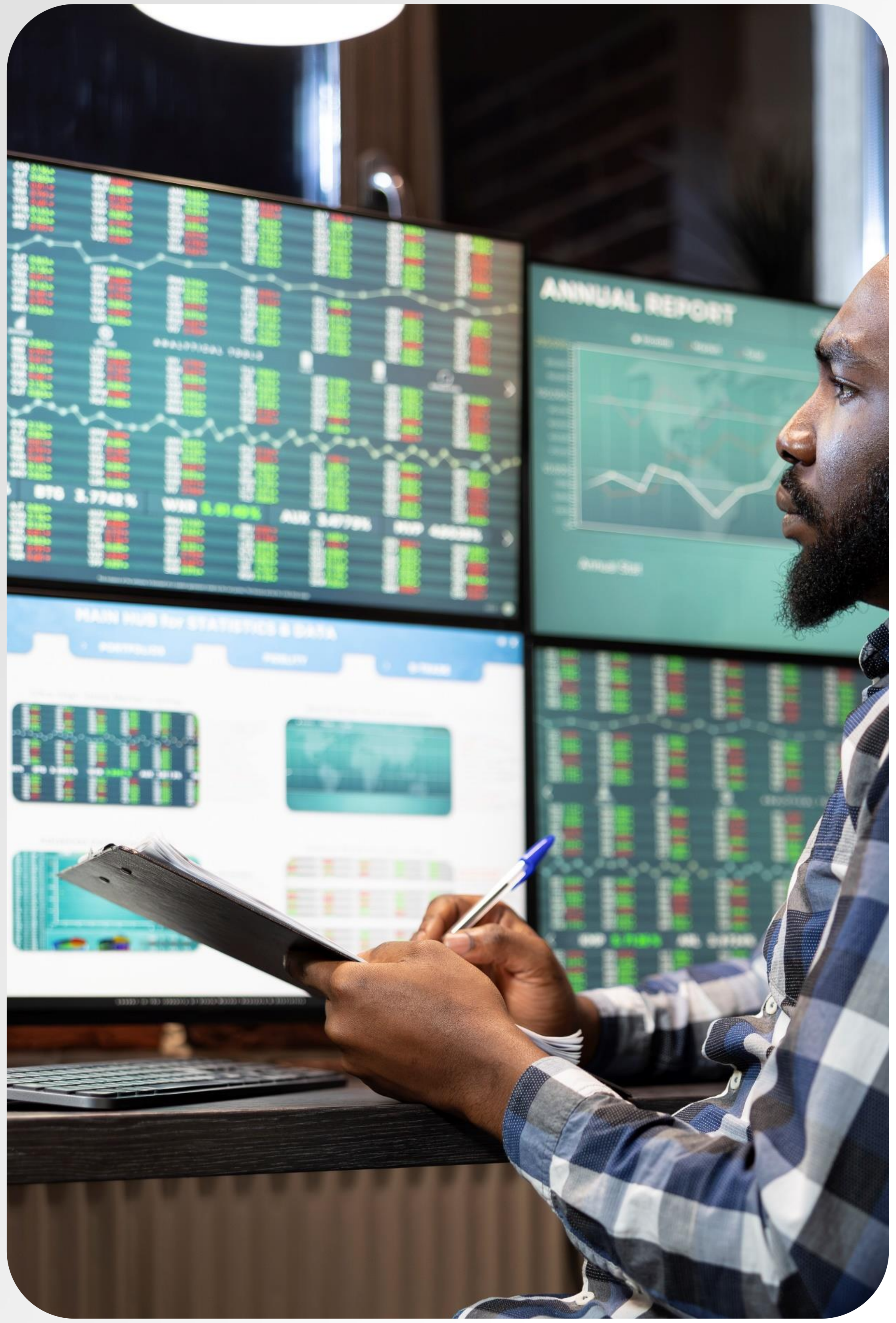


Source: EIU, Deloitte Analysis

Forex reserves/rates, 2024-2029f



Source: EIU, Deloitte Analysis



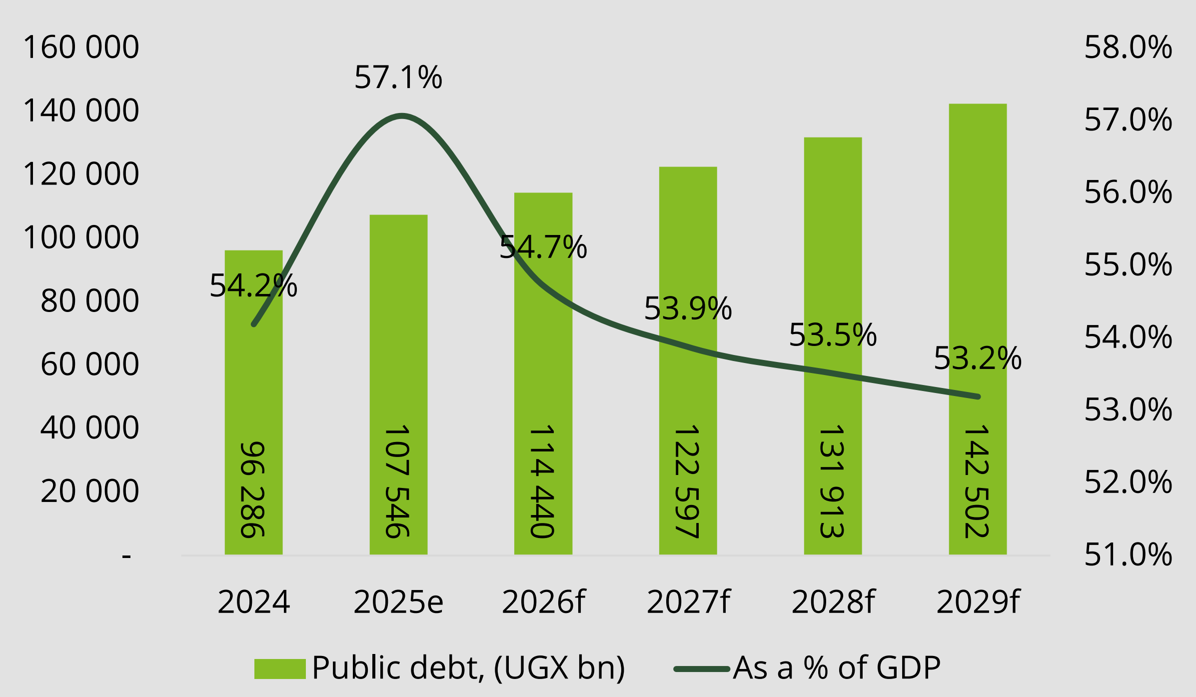
Inflation

- The country reported subdued inflation in 2024, averaging 3.3% supported by falling food prices, tightening of monetary policy, a relatively stable exchange rate and reducing global oil prices.
- Inflation remained low, at an average of 3.5%, going into the first quarter of 2025 and is expected to remain below the central bank's target of 5% in the medium term.
- The Economist Intelligence Unit (EIU) projects a steady rise in inflation to 4.2% in 2026 and 4.6% in 2027, as a result of demand-side factors stemming from strong economic growth.
- Subsequently, imported inflation from rising global food prices is projected to increase marginally. This would be curtailed by a tight monetary policy enforced by the Bank of Uganda (BoU) to keep consumer inflation steady at 5.0% in 2028.
- In 2029, inflation is expected to drop marginally to 4.9% owing to a stable Ugandan shilling, falling global oil prices, and easing of demand-side pressure as construction.

Exchange rates

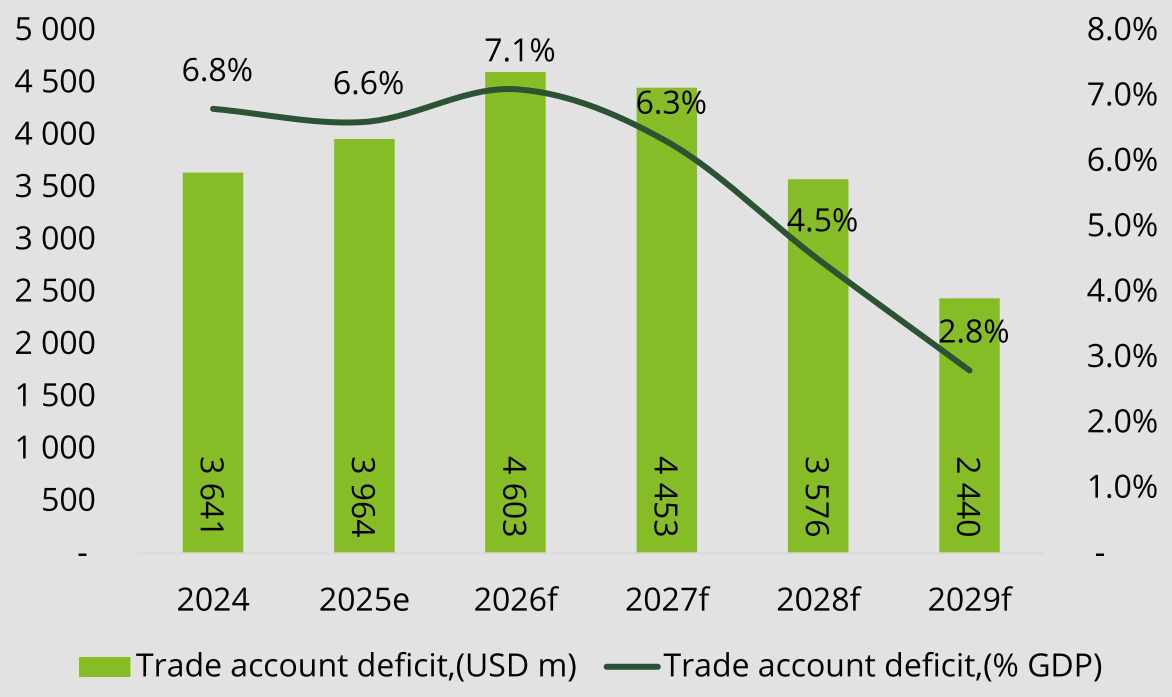
- The Ugandan shilling appreciated modestly in the first quarter of 2025. This is attributable to US dollar earnings from gold export revenues, portfolio investments and remittances, and rising foreign direct investment linked to oil sector development as well as receipts from the tourism sector.
- The EIU forecasts a brief period of stability for the shilling, followed by a gradual depreciation within the central bank's acceptable range. This anticipated decline is attributed to a growing current account deficit, primarily due to significant capital goods imports for oil sector development, which is expected to add to ongoing downward pressures on the currency.
- National elections in early 2026 along with a widening current account deficit in the post-election period is projected to cause further depreciation on the Ugandan shilling.

Public debt, 2024-2029f



Source: EIU, Deloitte Analysis

Trade account deficit, 2024-2029f



Source: EIU, Deloitte Analysis

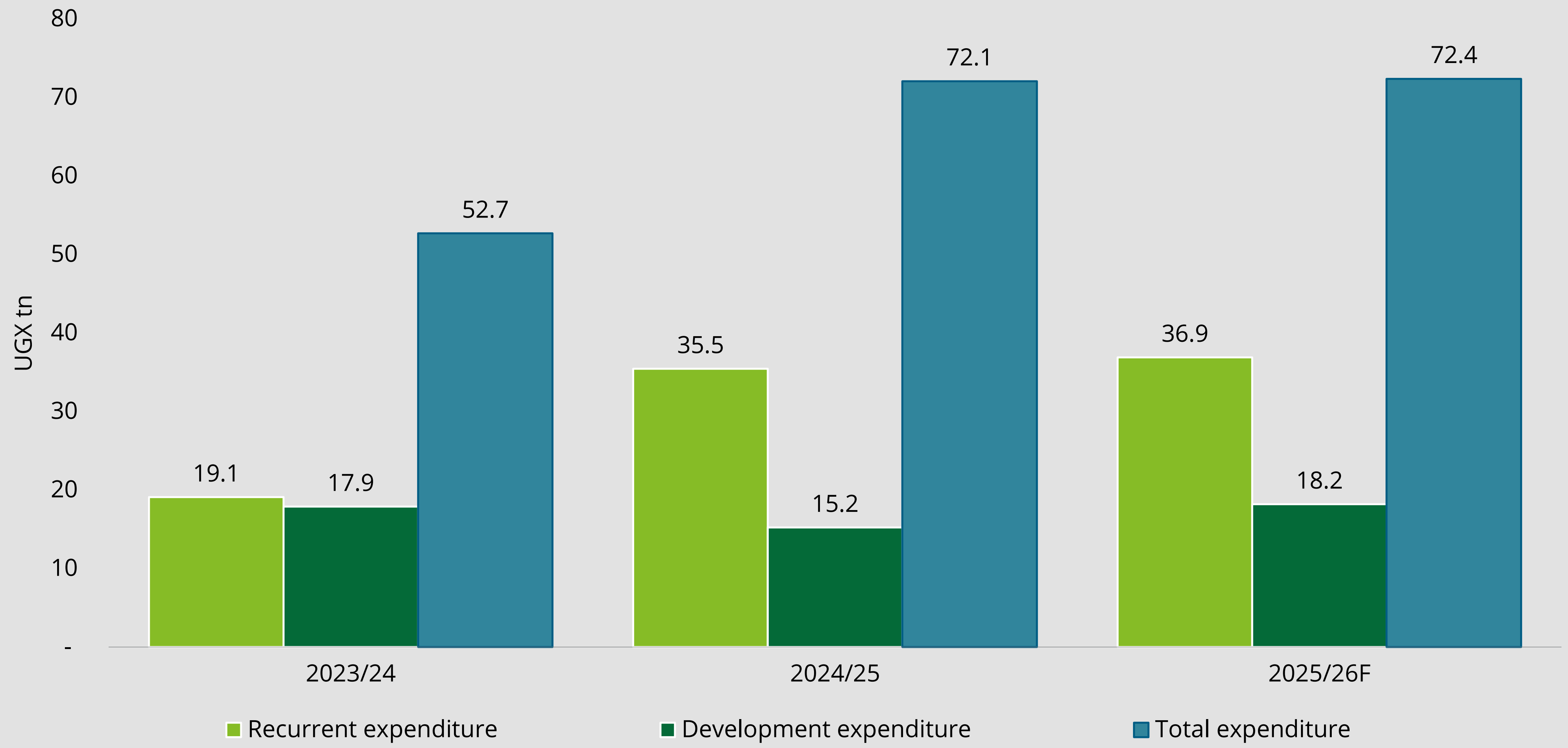
Public debt

- Uganda's public debt has been continuously expanding, and this trend is to expected to continue.
- Recently, reliance on domestic debt has been on a sharp rise following constraints in obtaining external financing. Consequently, the risk indicator and cost of debt have worsened. Additionally, tighter monetary policies and increased financing needs in the public sector have seen a rise in lending rates along with shorter loan maturities.
- Prospectively, the country's public debt is projected to remain sustainable in the medium to long term with a moderate risk of debt distress. However, the country only has a limited capacity to absorb shocks.
- Key vulnerabilities include a high cost of credit and its associated debt service burden, alongside slow export growth.

External trade

- Uganda's export basket is majorly comprised of gold and coffee which are expected to be the main drivers of export earnings between 2025 and 2027. However, upon completion of the EACOP by 2028 crude oil is expected to be the country's second largest export commodity.
- Solid gold and coffee export earnings along with low oil prices are expected to narrow down trade deficit from 6.8% of GDP in 2024 to 6.6% in 2025 before rising to 7.1% in 2026, as construction of the EACOP ramps up.
- Trade deficit is projected to narrow sharply from 6.3% of GDP in 2027 to 2.8% in 2029 driven by slowing import demands upon completion of big infrastructure projects alongside increased earnings from oil exports. This will also be supported by a recovery in global demand as well as increased regional trade.

Budget overview | Government expenditure

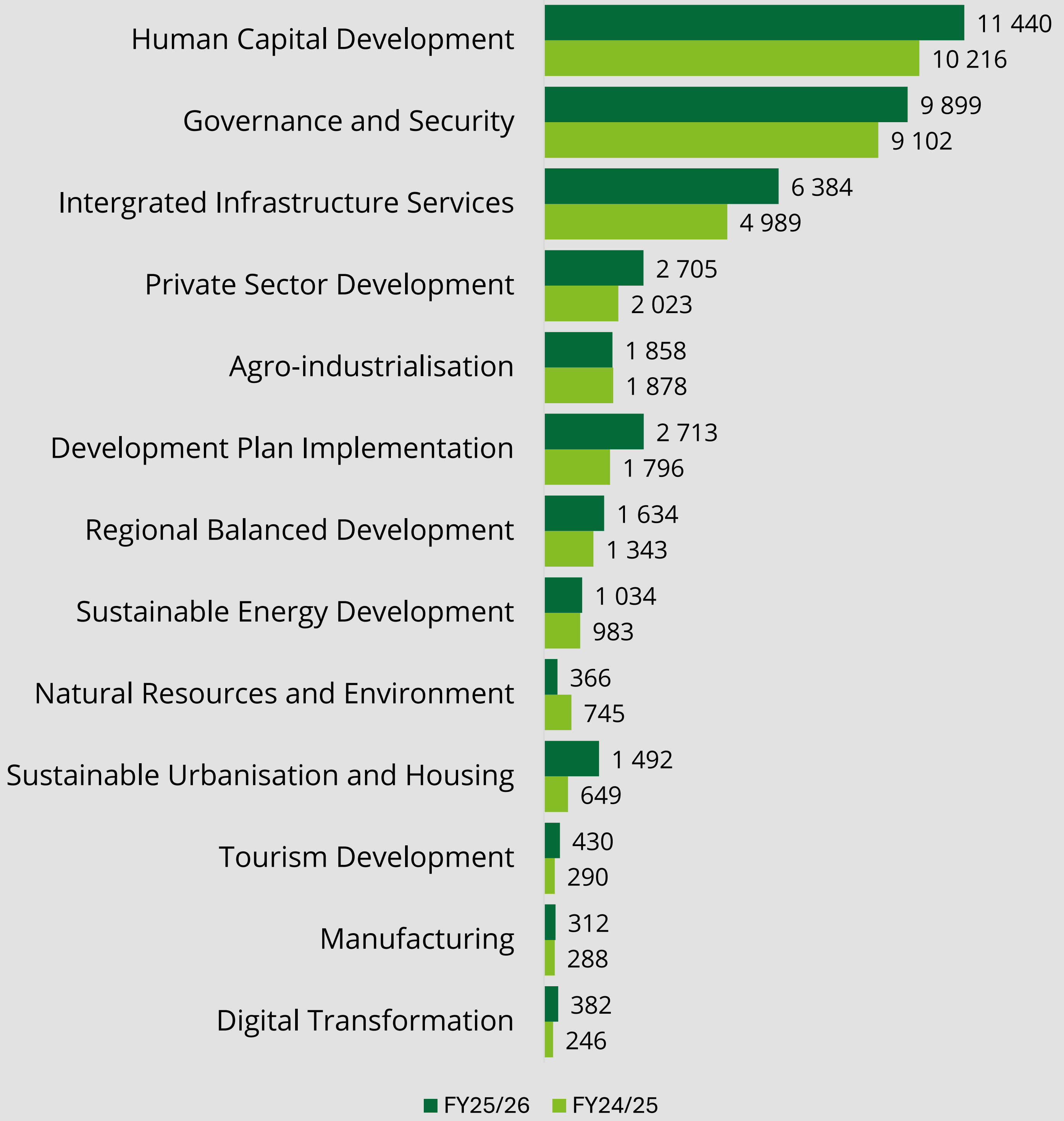


Source: National Budget Framework Paper

- Total expenditure in the 2025/26 fiscal year is projected to increase to UGX 72.4tn from UGX 72.1tn 2024/25 underscoring the government's objective: full monetisation of the economy through commercial agriculture, industrialisation, expanding service and digital transformation
- Development expenditure is projected to increase to UGX 18.2tn in FY 2025/26 from UGX 15.2tn in FY 2024/25. Key infrastructure projects that are expected to benefit from this budget include Standard Gauge Railway, rehabilitation of the Meter Gauge Railway, EACOP and Tilenga oil project.
- Recurrent expenditure is expected to increase to UGX 36.9tn in FY 2025/26 from UGX 35.5tn in FY 2024/25, as the government prioritises spending on key sectors like health, education and security as well as rising wage costs and increased debt servicing.

Budget overview | Government expenditure

Sectoral Allocation



Source: National Budget Speech

Other sector allocations not included in the graph above amount to UGX 2,850bn comprising; mineral development, sustainable petroleum development, innovation technology development and transfer, public sector transformation, community mobilisation and mindset change, administration of justice, legislation oversight and representation, sustainable extractives industry development, debt expenditure

The largest winners in the 2025/2026 budgetary allocation include:

Human capital development

Human capital development has been allocated UGX 11.4tn in FY2025/26, a 12.0% increase from UGX 10.2tn in FY2024/25. The sector received 20.7% of the total budget. Key services included herein are healthcare, education and water.

The government intends to implement various programmes aimed at reducing the burden of communicable diseases and prevention of non-communicable diseases by emphasising the primary health care approach. In education, the government aims at promoting Science, Technology, Engineering and Mathematics (STEM) through early exposure in school and review of curricula.

Governance and security

The governance and security sector has been allocated UGX 9.9tn, making up 18.0% of the total budget. The government remains focused on improving security in the country to ensure a peaceful and safe Uganda.

Key priorities include improving the welfare of security personnel, completion of ongoing security projects and system automation. On the governance front, the government intends to increase transparency, accountability and efficient resource management.

Integrated transport and infrastructure services

The third largest winner is integrated transport and infrastructure services which has been allocated UGX 6.3tn, equivalent to 11.6% of the total budget.

The government remains committed to completing infrastructure projects such as the Puchanga-Alichobur road network, continued development of Bukasa Port, refurbishment of the Metre Gauge Railway line as well as completion of the Standard Gauge Railway and upgrade and rehabilitation of Entebbe International Airport.

Tax Measures

Economic growth indicators

Is tax policy a business enabler?

The theme of the National Budget for FY 2025/26 is **"Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Social Services, Digital Transformation and Market Access**".

It is also important to note that the FY 2025/26 budget is the first in the implementation of the NDP IV whose goal is *"higher household incomes, full monetisation of the economy and employment for sustainable socio-economic transformation".*

The fiscal strategy for FY 2025/26 places a strong emphasis on domestic revenue mobilisation. However, in recognition of the delicate balance between growing revenues and not having tax as an albatross around the necks of business, one of the key priorities under the NDP IV strategy is "Increasing revenue mobilisation without hurting business". Domestic revenue is projected to increase modestly to UGX 37.55 trillion, from UGX 31.98 trillion in FY 2024/25. Of this, UGX 33.94 trillion will be sourced from tax revenue, while UGX 3.28 trillion will come from non-tax sources. However, this projected 7% increase is relatively modest, considering the scale of Uganda's development needs.

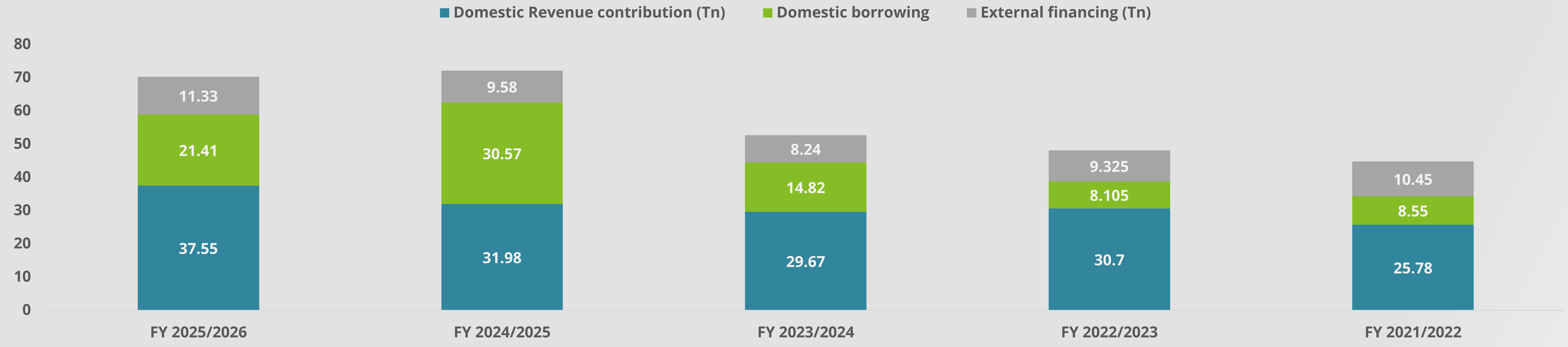
The Budget Framework paper highlights that Uganda's budget composition continues to be heavily skewed toward debt obligations. External debt repayments are expected to increase from UGX 3.11 trillion to UGX 4.03 trillion, while interest payments are projected to rise to UGX 9.23 trillion, consuming nearly a third of domestic revenues. This persistent growth in debt servicing costs underscores the fiscal stress confronting the country and the urgent need to re-examine borrowing practices and their long-term sustainability.

Resource envelope for this financial year and the trend of the previous four financial years

Year	Total Resource envelope budgeted (Tn)	Domestic Revenue contribution (Tn)	Domestic financing (Tn)	External financing (Tn)
FY 2025/2026	72.38	37.55	10.03	11.33
FY 2024/2025	72.13	31.98	30.57	9.58
FY 2023/2024	52.73	29.67	14.82	8.24
FY 2022/2023	48.13	30.7	8.11	9.33
FY 2021/2022	44.78	25.78	8.55	10.45

Source: Budget Speeches for FY 2021-2024

Economic growth indicators



The budget framework paper attributes the rise in the resource envelope to gains on account of higher economic growth and projected revenue gains due to the implementation of the Domestic Revenue Mobilisation Strategy (DRMS).
To achieve this growth, the Government proposes to prioritise compliance improvement in tax administration by implementing the following measures:

a. Investing in tax administration, particularly ICT processes to modernise tax administration;
b. Intensifying audits on large taxpayers, especially on international payments;
c. Fighting tax evasion using the Electronic Fiscal Receipting and Invoicing Solution (EFRIS), Digital Tax System (DTS), and intrusive scanners;
d. Combating smuggling at border points through extended surveillance using advanced technologies like drones and tracking systems with increased patrols in high-risk areas;
e. Zero tolerance to corruption in the tax assessment and payment processes;
f. Using Specific Tax to deter under-declaration; and
g. Supporting Local Governments to increase revenue collection.

Source: Uganda National Budget Framework Paper

Law proposed to be amended	Key Tax measure to boost economy	Our view
Income Tax	Income Tax Exemption for startup businesses with an investment capital of UGX. 500m or less established after 1 July 2025 by a citizen will be exempt from tax for a period of three years.	By exempting income of startup businesses from tax, the Government aims to incentivize the setting up of local businesses so as to solve the chronic problem of unemployment in the country and stimulate economic growth through increased production of goods and rendering of services.
	Extension of the period for which the income tax exemption for the Bujagali Hydro Power project will apply from 30th June 2024 to 30th June 2032.	This extension would help manage the price to the national grid and ultimately the consumer.
	The amendment of section 76(4)(a) of the act to change one of the definitions of reorganization for roll over relief considerations. This definition will be redefined to mean a transaction in which a person transfers their assets to another person, other than an individual controlled by the transferor or the shareholders following which the stock of the transferee is distributed.	Previously, one of the definitions of reorganisation under section 76(4)(a) of the income tax act was defined as a transaction in which a company transfers its assets to another company that is controlled by the transferor or its shareholders following which the stock of the transferee is distributed. The proposed amendment seeks to expand the scope of the transferee for the purposes of enjoyment of roll over relief from a company to any other person apart from a natural person controlled by the transferor or shareholders. The Act defines a person to include an individual, a partnership, a trust, a retirement fund, a government, a political subdivision of a government and a listed institution. This is meant to encourage those who wish to bring assets that they currently hold as individuals as a capital contribution into the business without being treated as having disposed of the said asset at market value (arm's length) and therefore need to pay Capital Gains Tax on a transaction that has no receipt of cash.

Source: Uganda National Budget

The tax measures introduced for FY 2025/2026 are contained within the tax amendment bills and this time round the Government is proposing changes through the following;

1. The Income Tax (Amendment) Bill, 2025;
2. The Value Added Tax (Amendment) Bill, 2025;
3. The Excise Duty (Amendment) Bill, 2025;
4. External Trade (Amendment) Bill, 2025;
5. The Tax Procedures Code (Amendment) Bill, 2025;
6. The Stamp Duty (Amendment) Bill, 2025; and
7. Hides and Skins (Export Duty) (Amendment) Bill, 2025.

Note: These bills have been passed by Parliament but are yet to be assented to by the President. However, once this process has been concluded, they will have an effective date of 1 July 2025.

Tax Cuts - Upon analysis of the tax amendments proposed, we have noted the following tax measures to boost the economy;

Law proposed to be amended	Key Tax measure to boost economy	Our view
Income Tax	The proposed amendment of section 86 of the Income Tax Act seeks to introduce further guidance on the taxation of non-residents providing digital services in Uganda to an associate in Uganda. Subsection 5 excludes from tax non-residents deriving income from providing digital services in Uganda to an associate in Uganda. Section 82 (tax on international payments) and 84 (tax on payments to non-resident contractors or professionals) of the income tax act shall apply to the income of a non-resident person derived from providing digital services in Uganda to an associate in Uganda.	Income earned by non-resident persons providing digital services to customers in Uganda is taxed at a rate of 5%. The amendment seeks to exclude income earned from associates of the non-resident from the payment of Digital Services Tax of 5%, and instead revert back to the 15% withholding tax that applies on payments of royalties, or management fees or from Ugandan sources. Unlike the 5% WHT payable directly by the non-resident, the 15% WHT as reduced under the Double Tax Agreements is payable by the recipient of the service in Uganda. An associate is defined under section 3 of the income tax act to mean any person, not being an employee, who acts in accordance with the directions, requests, suggestions, or wishes of another person whether or not they are in a business relationship and whether those directions, requests, suggestions, or wishes are communicated to the first-mentioned person. Since Uganda enacted transfer pricing regulations in 2011, digital service fees between associates will be expected to mirror transactions between unrelated parties or be subject to transfer pricing adjustments. This move is simply about increasing revenue collections and unfortunately the Ugandan associate will typically need to absorb the 15% WHT as the non-resident will typically be guaranteed a net amount.
Value Added Tax	Zero-rating of supply of aircrafts.	The measure aims at reducing the initial capital expenditure on acquisition of aircrafts and stimulating the growth of the aviation sector by zero-rating the supply of aircrafts. This is aimed at encouraging investment in the aviation sector such as airlines or charter companies importing aircrafts without the VAT burden. More specifically, this is also aimed to boost the profitability of the Uganda Airlines.
	VAT Exemption of the supply of biomass pellets, the supply of solar lanterns and the raw materials for the manufacture of solar lanterns and the supply of yarn other than cotton yarn.	The intention is to support local industries in Uganda and promote environmental sustainability. Whereas VAT exemptions are aimed at reducing the production costs and encouraging domestic manufacture, it may not achieve the desired effect since a supplier of an exempt good or service has to absorb the cost of the VAT charged on other purchases subject to 18% VAT from their suppliers. As such, the VAT they pay becomes a cost that impacts the final sale price, considering that it cannot be claimed as input VAT.
	Amendments to provide for the anti-fragmentation rule for imported goods. An importer who imports under separate consignments, which if aggregated would qualify the importer to be registered for VAT as per the threshold in the VAT Act.	This amendment ensures that importers who regularly bring in goods under separate shipments are not excluded from VAT registration and reporting obligations, helping close tax avoidance gaps and ensure they contribute fairly to the VAT system at the point of importation and throughout the supply and reporting chain. However, the principle of VAT registration is premised on a person having sales/revenue that meets the registration threshold of UGX 150m a year. This proposed change seems like an overreach as it requires registration by an importer who, in aggregate, imports goods that meet the VAT registration threshold to register in spite of the fact that their annual revenue (goods sold) may not meet the requirement to register.

Law proposed to be amended	Key Tax measure to boost economy	Our view
Value Added Tax	Amendments to the first schedule – Public International Organisations by inserting 'United Nations related Agencies and specialized Agencies' immediately after the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and substitution of the International Atomic Agency (IAA) with International Atomic Energy Agency (IAEA).	This list is updated annually catering for organizations that support the Government of Uganda with priority projects for development and enhancing the efficiency of the development projects through providing VAT reliefs.
Stamp Duty	Removal of stamp duty on an agreement or memorandum of an agreement , mortgage deed, and mortgage of a crop.	This proposed amendment is being considered given the controversy around what instruments attract Stamp Duty and the cost to persons seeking a mortgage at n already high cost of borrowing. A number of umbrella bodies like the Uganda Bankers Association, the Uganda Manufacturers Association, among others have been engaging the URA and the Ministry of Finance seeking deferral of stamp duty audits on their members given the ambiguity on instruments that are subject to stamp duty. This amendment, if approved will be a welcome relief from future stamp duty liabilities on the impacted instruments.
Tax Procedures Code	Waiver of Interest and Penalty outstanding as of 30th June 2024 where the taxpayer pays the principal tax by 30th June 2026. Where the taxpayer pays part of the principal tax outstanding as of 30th June 2024, the payment of interest and penalty shall be waived on a pro-rata basis.	This is an extension of an amnesty that has been running for the last two years, although the window to comply was a 6-month window following the effective date of the amendment. This is a welcome measure as it provides an opportunity for taxpayers who haven't already done so, or those who have but who have unpaid liabilities for the extended period, to clear their principal tax liabilities without the burden of accumulated interest and penalties. It encourages increased voluntary tax compliance and revenue collection as taxpayers are incentivised to settle their outstanding tax obligations. The pro-rata waiver is also equitable, as it rewards taxpayers who make partial payments. However, it is necessary for the tax administration to clearly communicate the details of this waiver to avoid any ambiguity in its application.
	Use of the National Identification Number (NIN), and the URSB registration number for companies as alternative to Tax Identification Numbers (TINs).	The rationale for this change is simple. Visibility and transparency for the URA especially as different Government systems are linked for the URA. Although the URA embarked on an exercise to get those individual taxpayers already registered to update their NINs, the reality is that with the number of people who have no NINs this has not achieved the success it possibly could. But where the NIN does become the identifier for tax purposes, this will push people to obtain a NIN. We do anticipate potential transitional challenges that might arise with the change due to system integration issues.

Law proposed to be amended	Key Tax measure to boost economy	Our view
Tax Procedures Code	The measure introduces provisions for a gaming and betting centralized payment gateway system for operators of casinos, gaming, and betting activities.	The introduction of a centralised payment gateway system is intended to improve the collection of withholding taxes from gaming and betting activities. This system aims to provide transparency and accountability in financial transactions within the gaming sector. It may also enable real-time monitoring of transactions by the URA, reducing the risk of tax evasion.
	Proposal of a penal tax for any operator of a casino, gaming, or betting activity who does not use or integrate with the gaming and betting centralized payment gateway system. The penal tax is equivalent to double the gaming or withholding tax due or five thousand five hundred currency points (UGX 110 million), whichever is higher.	In light of the introduction of a centralized gateway system for operators, it follows that to create a shift in mindset as to its use, similar to what has been done to enforce compliance with previous systems introduced such as Digital Tax Stamps and Electronic Receipting and Invoicing System (EFRIS) , a significant penalty has been attached to non-compliance. What is hoped is that, given the enormous task for businesses to make this change in their dealings and in some cases their operating systems, URA will give operators a grace period to comply rather than require immediate compliance. It is also hoped that more resources can be put towards the current ongoing country wide NIN renewal or application exercise. While the application itself can be done online, there are still some challenges for people finding centers where the biometrics and eye scanning can be done. The introduction of a penal tax is a strong enforcement mechanism to ensure compliance with the requirement to use the centralised payment system, as it will likely deter the operators from avoiding the use of the system and enhance tax collection. The quantum of the penal tax is significant and should be sufficient to ensure compliance.
	Failure to comply with requirements for tax exemption If a taxpayer fails to comply, they will be liable to pay the tax due for the period they did not meet the exemption requirements. In addition, the tax due shall be paid personally by the taxpayer who failed to maintain the exemption requirements.	This amendment seeks to ensure that taxpayers continue to meet the conditions upon which their tax exemptions were granted. It adds a level of accountability and ensures that tax exemptions are not abused. Whilst the provision that the tax due shall be paid personally by the taxpayer is noteworthy, it may create administrative challenges.

We have also noted the following measures that seem specifically aimed at increasing domestic revenue mobilization through imposition of additional taxes.

Law proposed to be amended	Key Tax measure to boost economy	Our view
Tax Procedures Code Amendment Bill, 2025	Change in the basis of the penalty for non-compliance with EFRIS by imposing a penalty of double the tax.	Non-compliance with electronic receipting and invoicing is often a means of underreporting sales and evading tax. By linking the penalty directly to the tax due, the URA aims to specifically target and penalize this form of tax evasion stemming from non-compliance with EFRIS rules. This measure aligns with the Government's Domestic Revenue Mobilisation Strategy (DRMS) aimed at prioritizing compliance improvement in tax administration through fighting tax evasion using the Electronic Fiscal Receipting and Invoicing Solution (EFRIS).
External Trade (Amendment) Bill 2025	Introduction of Import Declaration Fee 1% of the customs value of the goods imported into the country for home use.	The introduction of the import declaration fee appears to be aimed at increasing government revenue while also discouraging importation due to the extra cost. However, these new costs could increase the cost of doing business for importers and potentially raise prices for consumers. The exemptions provided seek to avoid burdening key sectors, like those dealing with plant and machinery, and to align with regional trade agreements.
	Introduction of Export Levy on wheat bran, cotton cake and maize bran at a rate of USD 10 per metric tonne.	The imposition of an export levy on wheat bran, cotton cake, and maize bran could be intended to generate revenue and potentially to encourage local processing of these products rather than exporting them in raw form.
The Hides and Skins (Export Duty) Amendment Bill, 2025	Imposition of export duty on exportation of hides and skins.	This amendment is aimed at reducing the exportation of unprocessed hides and skins, to promote domestic value addition so as to promote local industries making products such as bags, shoes, belts leading to import substitution of such products and creating employment.
Excise Duty Amendment Bill, 2025	Increase in excise duty rate on Cigarettes (with duty on imported types doubling), beers with high local raw material content, fuel and reinstatement of excise duty on Sacks and bags of polymers of ethylene and other plastics under HS codes 3923.21.00 and 3923.29.00 except vacuum packaging bags for food, juices, tea and coffee sacks, and bags for direct use in the manufacture of sanitary pads.	Excise duty is typically the tax where increments happen, as this is often viewed as a tax that is passed on to the end consumer. However, where effective demand has gone down in respect to these products, the manufacturers, importers of such goods then have to absorb the increased tax cost. This then ultimately impacts revenue collection from these sectors through taxes such as corporation tax. It would be useful for an evaluation to be done on the impact of the overall tax contribution by taxpayers in these sectors where increments of this nature happen. We do note, however, that there is a proposed reduction in the rate for beer made from locally produced and malted barley.

Policy adjustments

The tax policy seems to be aimed at boosting the economy by incentivizing local producers by putting forward incentives for SMEs, encouraging import substitution and on the other hand making imports more expensive (Import declaration fee) and making exports of raw materials expensive (Export Levy on wheat bran, cotton cake and maize bran and export duty on hides and skins).

Economic policies

According to the budget speech for FY2025/26, the economy is projected to grow by 6.3% in 2025 and at least 7% in 2026. This growth is expected to increase further, driven by investments in the oil sector.

Key drivers of this growth are investments in the ten-fold economic growth areas and the underlisted areas that have been prioritised by government:

1) Peace and security (of life and property) for all the people of Uganda;
2) Maintenance of roads and bridges, rehabilitation of the Meter Gauge Railway and construction of the Standard Gauge Railway as well as water transport;
3) Electricity, with focus on enhancing transmission and distribution, particularly in growth-supporting areas;
4) Oil and gas activities which are expected to boost growth in other sectors and exports;
5) Full monetisation of the economy through investments in wealth creation initiatives such as PDM, Emyooga, Agriculture Credit Facility (ACF), the Microfinance Support Centre, etc.;
6) Science, Technology and Innovation including ICT and digital transformation (the knowledge economy);
7) Investing in the people of Uganda through human capital development, including; health, education, provision of clean water for human consumption and for production; the creative industry, and social protection;
8) Management of natural disasters, and regional and international commitments; and,
9) Irrigation, particularly solar-powered irrigation.

The NBFP FY 2025/2026 reports that as a result of implementing the above interventions, Uganda's GDP will expand to **UGX 254.2 trillion (equivalent to USD 66.1 billion) in FY 2025/26** from **UGX 222.7 trillion (equivalent to USD 59.3 billion)** in FY 2024/25. This strong growth will result in an increase in income per capita to **USD 1,324** in FY 2025/26 from **USD 1,263** by end of FY 2024/25.

7%

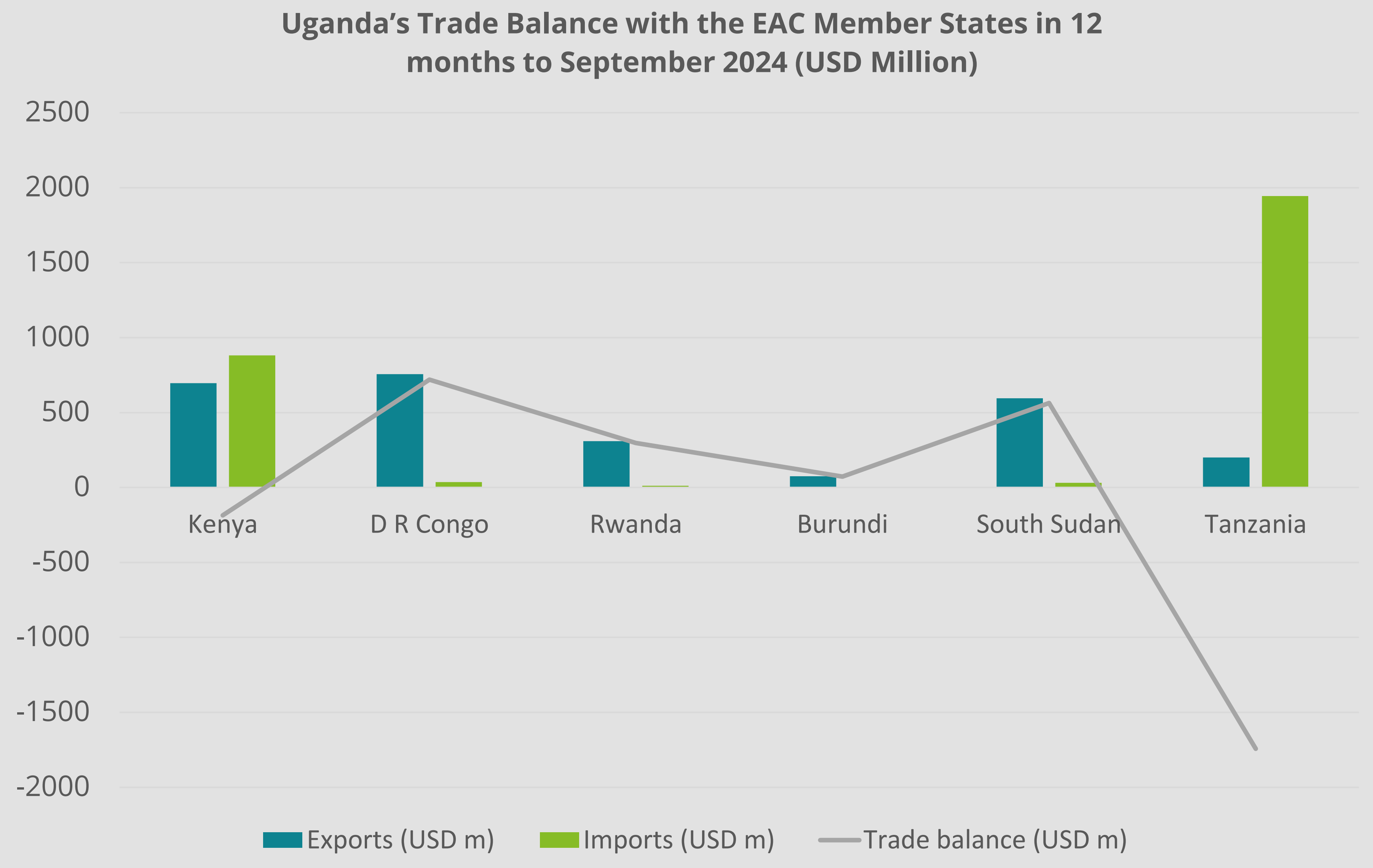
Projected economic growth in FY 2025/26

Source: National Budget

Balance of Trade

The NBFP FY 2025/2026 reports that Uganda's export performance has continued to improve with merchandise exports increasing significantly, growing by 36.2% to USD 8.35 billion in the 12-months to September 2024 from USD 6.13 billion in the 12 months period to September 2023. This was largely attributed to more receipts from coffee, mineral products, electricity, oil re-exports, and beans, among others.

It also reported growth in imports, however the growth was much slower than the growth in exports which resulted in narrowing of the trade deficit by 5.5%. In particular, merchandise imports grew by 21.5%, to USD 11,473.4 million in the 12-month period to September 2024. This increase was largely due to higher importation of mineral products (excluding petroleum products); vegetable products, beverages, fats and oil; as well as animal and animal products.



Source: National Budget Framework Paper

Country	Exports	Imports	Trade Balance
Kenya	696.1	882.1	-186.0
DR Congo	756.6	36.7	719.9
Rwanda	309.6	12.0	297.6
Burundi	74.6	1.8	72.8
South Sudan	595.4	31.2	564.2
Tanzania	200.5	1944.3	-1743.8
Total	**2632.8**	**2908.1**	**-275.3**

Country	Exports	Imports	Trade Balance
Asia	1472.4	4216.5	-2744.2
European Union	1296.7	771.1	525.6
Middle East	2488.5	1521.6	966.9
EAC	2632.8	2908.1	-275.3
Rest of Africa	282.8	1712.0	-1429.2
Rest of Europe	58.2	77.4	-19.2
Others	114.8	266.6	-151.9
Total	**8346.2**	**11473.4**	**-3127.2**

Source: Bank of Uganda

Regional outlook

Uganda

Relief measures

- Income Tax Exemption for startup businesses established by a citizen for a period of three years.
- Zero-rating of supply of aircrafts
- VAT Exemption of the supply of biomass pellets, the supply of solar lanterns and the raw materials for the manufacture of solar lanterns and the supply of yarn other than cotton yarn.
- Removal of stamp duty on an agreement or memorandum of an agreement , mortgage deed, and mortgage of a crop.
- Waiver of Interest and Penalty outstanding as of 30th June 2024 where the taxpayer pays the principal tax by 30th June 2026.

Taxes introduced

- Introduction of Import Declaration Fee 1% of the customs value of the goods imported into the country for home use.
- Introduction of Export Levy on wheat bran, cotton cake and maize bran at a rate of USD 10 per metric tonne.

Relief measures

- Imposition of export duty on exportation of hides and skins.
- Increase in excise duty rate on Cigarettes (with duty on imported types doubling), beers with high local raw material content, and fuel.

Compliance measures

- Increasing the penalty for non-compliance with EFRIS by imposing a penalty of double the tax.
- Proposal for the use of the National Identification Number (NIN), and the registration number issued by the Uganda Registration Services Bureau (URSB) as Tax Identification Numbers (TINs).

Regional outlook

Kenya

Kenya has not imposed any new taxes but has mainly provided amendments to clarify unclear positions of the law and provided the following key tax provisions;

Relief measures

- Increased threshold of tax free per diem: The tax-free daily allowance provided by employers would rise from KES 2,000 (USD 15) to KES 10,000 (USD 77).
- Corporate tax incentives for start-ups: Start-ups certified by the Nairobi International Financial Centre Authority would benefit from a reduced corporate income tax rate of 15% for the first three or ten years, and 20% for the following four or ten years. This is similar to Uganda's proposed income tax exemption to start-up businesses for a period of three years.
- Lower tax on digital asset transfers: The rate would be reduced from 3% to 1.5%.
- Changes to VAT treatment: Updates would be made to the lists of VAT-exempt goods and zero-rated supplies.
- Extended VAT refund review period: The Kenya Revenue Authority would have up to 120 days, instead of the current 90 days, to assess VAT refund claims.
- Stamp duty exemption on corporate restructuring: Property transfers from companies to shareholders during reorganisations would be exempt from stamp duty.

Taxes introduced

- Expansion of significant economic presence tax: The scope would extend to non-resident entities earning income through digital services provided via the internet or electronic platforms as opposed to only services delivered by a non-resident as was the previous position.
- Amendments to the domestic minimum top-up tax: The provisions would align with OECD Pillar Two, targeting multinational groups with effective tax rates below 15%.

Regional outlook

Rwanda

Taxes introduced:

- Introduction of an excise duty of 15% on Cost-Insurance-Freight (CIF) on make-up, body lotion and hair products. Critical pharmaceutical beauty products will be exempted in consultation with the Ministry of Health.
- Registration fees for vehicles: An increase in the registration fees for all vehicles, including electric vehicles.
- Fuel levy: An adjustment from a fixed fee of Frw 115 per liter to 15% of CIF to enhance road maintenance
- Re-introduction of VAT on mobile phones, which have been exempted since 2010. This exemption successfully boosted affordability and increased digital penetration, and the government will continue working with stakeholders to boost smartphone ownership and usage.
- Re-introduction of VAT on ICT equipment which were exempted in 2012 to promote adoption of ICT. Selected ICT equipment will continue to be exempted in consultation with the Ministry of ICT and Innovation.
- Taxes on Gambling to encourage responsible gambling, the tax on Gross Gambling Revenue (GGR) will increase from 13% to 40% and withholding tax on winnings will increase from 15% to 25%.
- Introduction of a Tourism Levy, a new levy of 3% of the cost of room will be levied on accommodation to support investments in the tourism and hospitality sector
- Tax on Hybrid vehicles to promote green mobility and reduce carbon emissions, hybrid vehicles will continue to benefit from import duty exemption of 25%. To encourage importation of newer hybrid cars, with longer battery life, the new measures introduce excise duty proportionate to the age of the vehicle (5% for below 3 years; 10% for 4-7 years and 15% for 8 years and above). VAT and withholding tax of 5% will be reintroduced for all hybrid vehicles. Electric vehicles will remain fully exempted to promote green transportation. This measure will take effect in fiscal year 2025/2026
- Capital gains tax rate increased from 5% to 10%.
- Introduction of digital services tax of 1.5% of the gross revenue sourced by a company supplying digital services with a substantial national presence in Rwanda.
- In addition, the following adjustments were made to increase excise tax:
    - ✓ Cigarettes: from Frw 130 to Frw 230 per pack, + 36% of retail price
    - ✓ Beer: from 60% to 65% of factory price
    - ✓ Airtime: from 10% to 12% in 2024/2025 and gradual increase in the medium term to 15%.

Regional outlook

Tanzania

Relief Measures

VAT Exemption to apply to the following;

- Specific pesticides.
- Re-insurance transactions between insurance companies and re-insurance companies.
- Edible oil produced locally using locally grown seeds for a period of one year.
- Tractor tires used in agricultural activities, forks, rakes, axes subject to obtaining approval of the minister responsible for agriculture.
- Newspapers published locally only.
- Natural gas sold to compressed natural gas stations for motor vehicles use only.
- Cooking gas tanks and cylinders as well as carbonization furnace with used in the production of briquettes.
- Reduced Value Added Tax rate of 16 percent instead of 18 percent on the purchase of goods where payment is made online (B2C) and the consumer confirms that the payment invoice issued contains the correct amount of the transaction.

Tax Relief

Income Tax reliefs on the following;

- Two-wheeled motorcycles, three-wheeled motorcycles (Bajaji), and
- Goods carrying vehicles with a load capacity not exceeding 500 kilograms.
- To reduce the limit ratio of the carrying forward losses from the previous years that can be deducted during the income tax calculation for businesses in mining, petroleum, oil and gas activities operating at a loss from 70 percent to 60 percent.
- Removal of license fees of TZS 300,000 for manufacturers and importers of excisable goods.
- Reduction in excise duty rate on imported and locally produced un-denatured Ethyl alcohol.
- Reduction in excise duty rate on Locally manufactured energy drinks.
- Administrative relief - Waiver of the requirement to pay the amount of tax when assessed.

Taxes Introduced

Income Tax

Withholding tax at a rate on the following;

- 10% on retained earnings after six months.
- of 2% on payments arising from the purchase of raw salt from holders of a Primary Mining License (PML) or Artisanal Miners.
- 10% on commission payments derived from sport betting advertisements.
- insurance and re-insurance premium payments made to non-resident companies from 5% to 10%.
- 3.5% tax on income derived from the sale of forest products.
- Increase the Alternative Minimum Tax (AMT) rate paid by companies incurring losses for three consecutive years to 1%.
- Limit ratio of the carrying forward losses for businesses in mining, petroleum, oil and gas activities operating
- To abolish the income tax exemption granted for the initial 10-year period to investors registered in Special Economic Zones (EPZ and SEZ) when goods produced and services rendered within these zones are sold in the local market.

Taxes Introduced

VAT

To include non-resident online payment services platforms that use the infrastructure of other service providers in the scope of financial intermediaries (online intermediation payment platforms) that provide services in the country from abroad.

To include online marketplace platforms and network marketing platforms in the scope of the definition of online intermediation services.

Zero rated supplies to include the following;

- Textile products (fabric and garments) made from locally grown cotton for a period of one year.
- Locally produced fertilizers for a period of three years

To establish a Value Added Tax collection agency system on payments made to a registered seller.

Regional outlook

Tanzania

Taxes Introduced

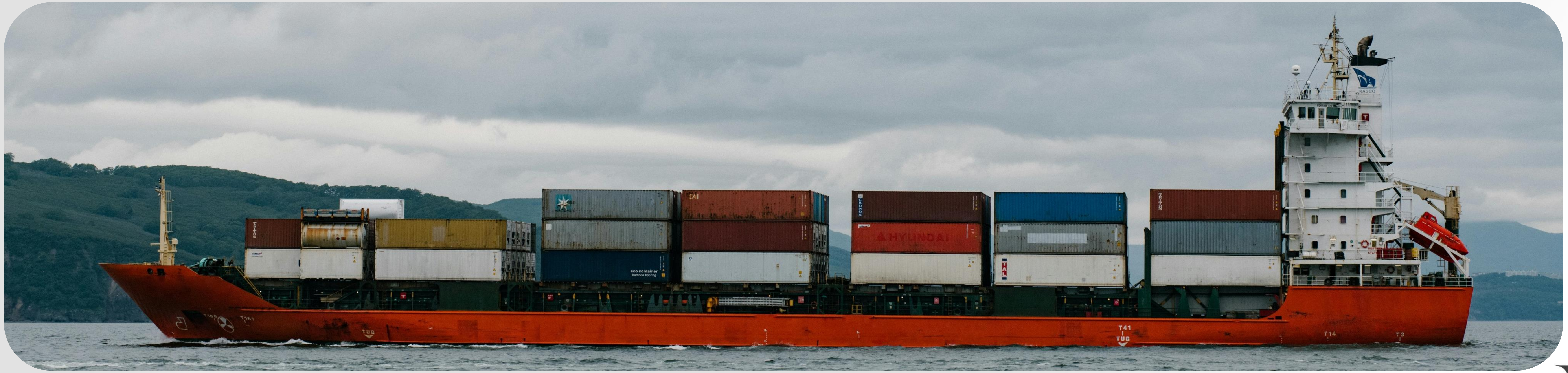
Excise Duty

Crisps (local and imported), ice cream and edible ice (local and imported), sausages (imported and local), imported soap, imported matches, imitation jewellery (imported and local), imported margarine, imported used utensils, wood, iron, aluminium.

Fireworks (imported and local), Electronic cigarettes (imported and local), carbon-based excise, other service providers of money transfer and payment system who employs independent systems other than financial or telecommunication systems.

Tax Administration

- To require a person to interface their system used in the issuance of electronic receipts with the system operated by the Tanzania Revenue Authority for the purpose of enhancing voluntary tax compliance and facilitating tax administration.



Resource envelope for FY 2025/26

The total resource envelope for FY 2025/26 IS 72.137 trillion, this will be financed using both our domestic and external resources.

Domestic revenue
UGX 37.55 trillion (52%)

Domestic borrowing
UGX 11.38 trillion (16%)

Domestic refinancing (mature debt)
UGX 10.03 trillion (14%)

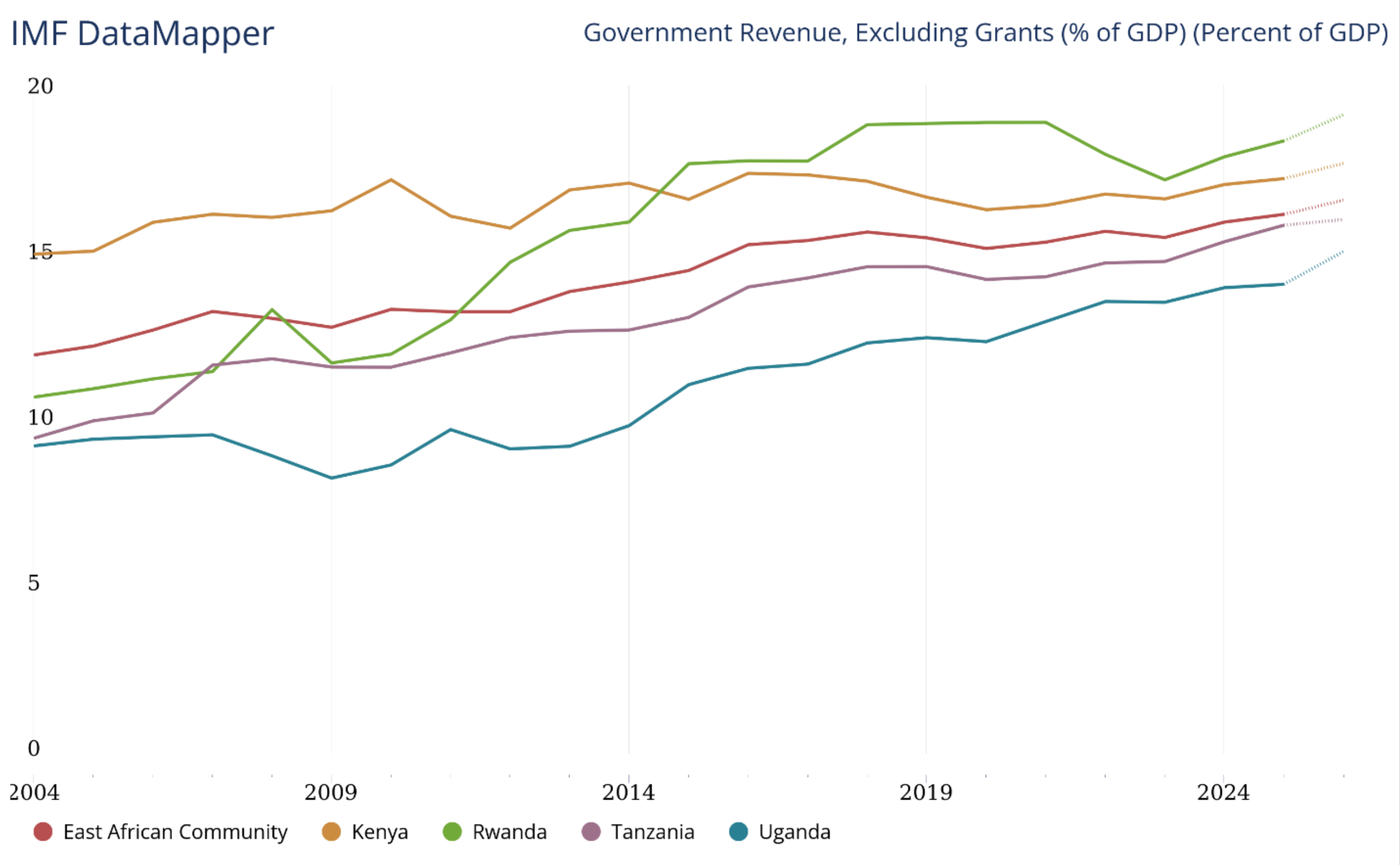
Total resource envelope
UGX 72.376 trillion

External financing for projects
UGX 11.33 trillion (16%)

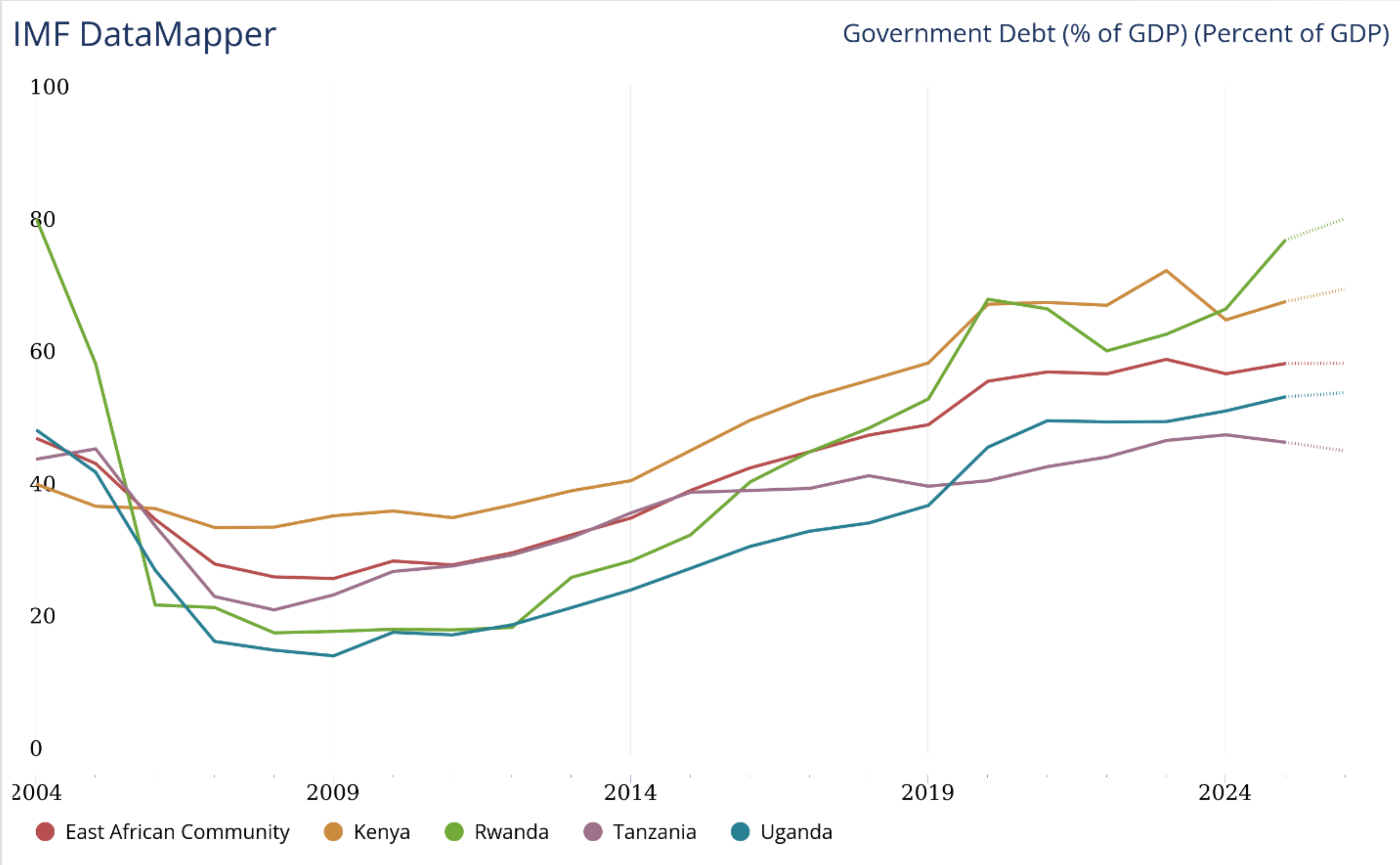
Grants and external borrowing for general budget financing
UGX 2.08 trillion (3%)

Source: Budget Speech FY25/26

Performance of domestic revenue from last years budget, and what portion of the budget financing is expected from domestic revenue



East African Community	16.29
Kenya	17.37
Rwanda	18.51
Tanzania	15.96
Uganda	14.18



East African Community	58.99
Kenya	68.34
Rwanda	77.65
Tanzania	47.09
Uganda	53.96

Source: Debt to GDP ratio – as per IMF

By the end of March 2025, Government had collected domestic revenues amounting to UGX 22.379 trillion against a target of UGX 22.516 trillion, implying a cumulative shortfall of UGX 136.64 billion. During the final quarter of the financial year, Uganda Revenue Authority (URA) and other revenue collecting institutions are expected to collect a total of UGX 9.37 trillion.

Ministry of Finance Press release of 8 April 2025 on 4th Quarter expenditure releases for FY 2024/2025

Sectoral Analysis

Private sector development

Uganda's private sector is the undisputed engine of its economy, vital for creating jobs, adding value, and propelling the nation towards its ambitious socio-economic transformation goals.

The Private Sector Development (PSD) Program, detailed in the Budget Framework Paper for FY2025/26, is the government's strategic roadmap to nurture this critical sector, particularly as Uganda steps into the first year of the 4th National Development Plan (NDP IV). This program is not just about fostering businesses; it is about optimising the private sector's impact on the entire economy.

Micro, Small, and Medium Enterprises (MSMEs) dominate Uganda's economic landscape. MSMEs are the nation's economic backbone, representing about 90% of the private sector, contributing over 80% of manufactured output, and generating roughly 75% of the Gross Domestic Product (GDP). They employ over 2.5 million people across approximately 1.1 million enterprises. While most are micro-enterprises and largely informal, their collective contribution is immense. The PSD Program is specifically designed to redistribute income and foster equitable, inclusive growth across all regions of Uganda, thereby supporting MSME growth.

For FY2025/26, the PSD Program has been allocated UGX 1,890.710 billion. This figure, while substantial, represents a slight reduction from the previous fiscal year, prompting a focus on resource efficiency. A significant portion of this budget is channelled through the Ministry of Finance, Planning and Economic Development, underscoring its central role in economic policy and support to private sector initiatives. A key insight from the budget is the reliance on external financing, which significantly supports development projects. This trend warrants attention as external funding is projected to decrease sharply in the later years of the NDP IV.

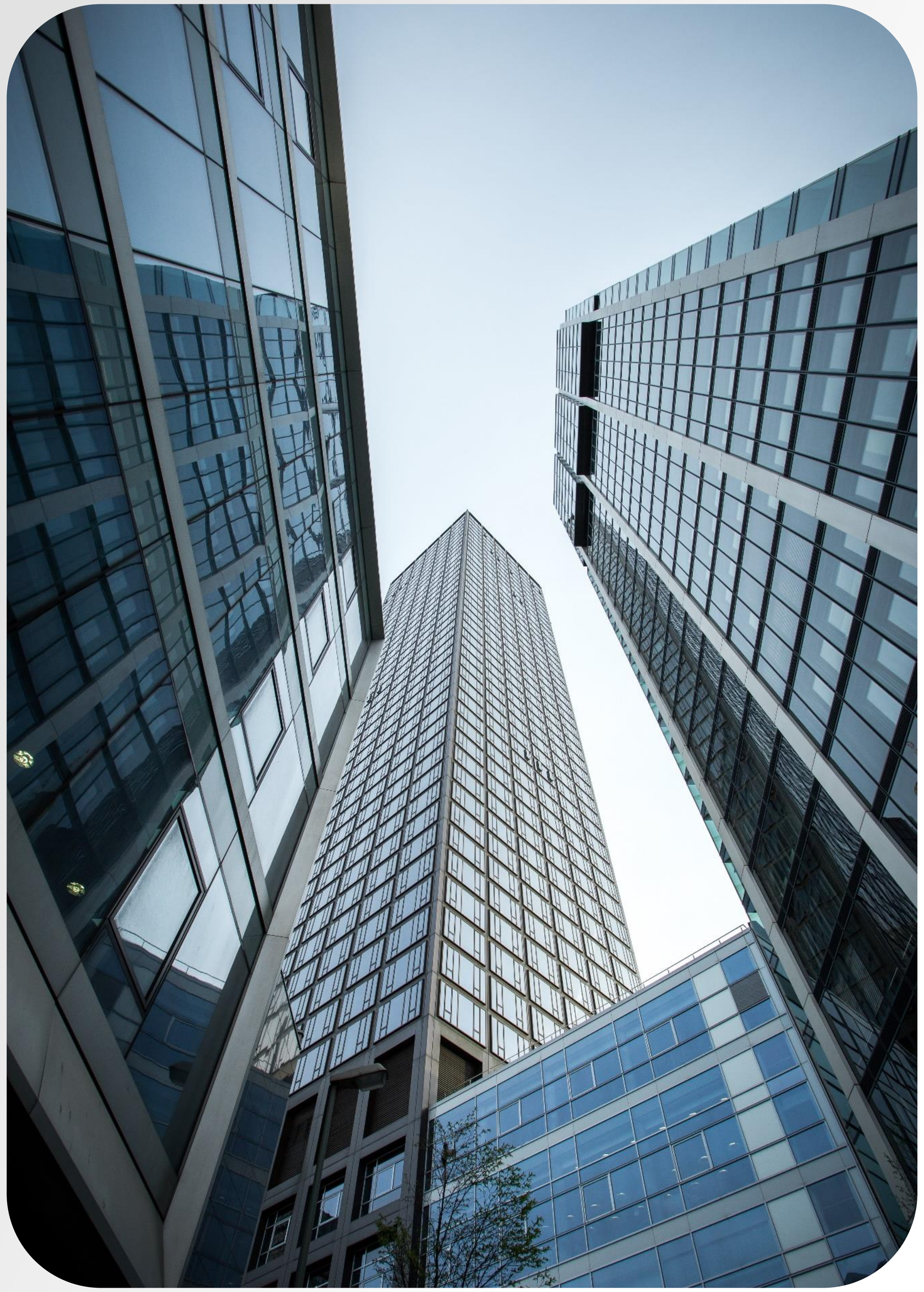
The PSD Program for FY2025/26 prioritizes several crucial interventions:

- **Deepening financial inclusion:** Continued implementation of the Parish Development Model (PDM)'s financial pillar, alongside initiatives like "Wendi" by Post Bank, aims to streamline fund disbursement and ensure capital reaches grassroots enterprises, particularly in rural areas.
- **Strengthening public financial institutions:** Capitalising entities like the Uganda Development Bank (UDB) and Uganda Development Corporation (UDC) is crucial to providing more accessible, lower-interest loans, thereby directly reducing the cost of finance for businesses
- **Promoting special economic zones:** Completing projects like the Entebbe Free Zone is expected to attract investment, boost exports, and create jobs by offering favourable business environments.
- **Formalising businesses:** A significant push will involve rolling out Business Development Services (BDS) to help informal businesses transition to formal operations. This is vital for expanding the tax base, fostering sustainable growth, and de-risking the financial market.
- **Boosting local content:** Developing policies to ensure more Ugandan businesses participate in public procurements will stimulate domestic value addition and job creation.

Challenges and opportunities

Uganda's private sector, despite its dynamism, faces considerable hurdles:

- **High cost of finance:** Lending rates stood at 18.6% in FY2022/23 (BOU Bank Lending Survey Report), remaining higher than regional peers, such as Kenya (15%), Tanzania (17%), and Rwanda (17%), hindering business expansion. Additionally, traditional lending practices often exclude businesses without immovable property, disproportionately affecting vulnerable groups.
- **Infrastructure deficiencies:** High costs and unreliability of electricity, coupled with inadequate transport and ICT infrastructure, significantly drive-up operational costs for businesses, undermining their competitiveness.
- **Informality:** The large informal sector challenges tax collection, financial market stability, and overall economic growth, making formalisation a critical, though complex task.
- **Data gaps:** Limited disaggregated data on gender, age, or region hinders the ability to tailor interventions to specific needs and track progress effectively.



Private sector development contd.

However, these challenges also illuminate significant opportunities:

- **Investment appeal:** The clear commitment to private sector development, alongside targeted infrastructure projects, creates substantial investment opportunities for both local and international partners.
- **Financial inclusion impact:** Initiatives like the PDM and Emyooga offer vast potential to expand access to capital, particularly for women and marginalized entrepreneurs, fostering grassroots economic empowerment.
- **Enhanced competitiveness:** Investments in standards and special economic zones can significantly improve the competitiveness of Ugandan goods and services in regional and global markets.
- **Green job creation:** Formalisation efforts and a focus on local content can lead to the creation of numerous green jobs, contributing to poverty reduction and broad socio-economic transformation.
- **Data-driven policy:** Recognising the need for better data and empirical evidence presents an opportunity to refine policies, making them more effective and responsive to the private sector's evolving needs.

A strategic path forward

Uganda's PSD Program stands at a critical juncture, transitioning into a new national development plan. Its success hinges on effectively addressing the persistent challenges of high finance costs, infrastructure deficits, and widespread informality. By strategically leveraging its budget, prioritising key interventions, and fostering a truly inclusive and enabling environment, Uganda can unlock the full potential of its private sector, driving the nation towards its ambitious goals of higher household incomes, increased employment, and sustainable socio-economic transformation.

Manufacturing

The manufacturing sector has been allocated UGX 312 billion in FY 2025/26, slightly down from UGX 318 billion in FY 2024/25. The modest 2% reduction reflects the need to balance competing fiscal priorities while preserving the sector's role in driving industrialisation, import substitution, and job creation. While relatively small in budget terms, the allocation underscores government's continued support for an enabling industrial ecosystem under the broader real economy strategy.

The previous financial year recorded notable developments, including the operationalisation of new industrial parks and Special Economic Zones (SEZs) in strategic regions such as Jinja and Soroti. These zones have been pivotal in attracting investment in agro-processing, textiles, and light manufacturing. The formalisation of over 1,500 micro and small enterprises through targeted support programs and access to duty remission schemes has also contributed to broadening the country's manufacturing base.

Furthermore, pilot reforms in procurement processes - particularly through the adoption of e-procurement platforms - led to efficiency gains and reduced administrative bottlenecks in the acquisition of industrial supplies and services.

For FY 2025/26, the focus will shift to fast-tracking infrastructure within priority industrial parks such as Namanve, Kapeeka, and Mbale, as well as deepening local content integration. The budget will also support development of standards, quality assurance, and industrial skills enhancement through partnerships with institutions such as Uganda Industrial Research Institute and the Directorate of Industrial Training. Additional emphasis will be placed on supporting micro and small-scale manufacturers, especially women- and youth-led enterprises.

Agro - industrialisation

Agro-industrialisation continues to be a key pillar in Uganda's inclusive and sustainable economic transformation strategy. In FY2025/26, the programme was allocated UGX 1.86 trillion, representing a 10% decrease from the UGX 2.064 trillion provided in FY2024/25.

This downward revision reflects broader fiscal consolidation measures, even as the sector remains essential for enhancing food security, increasing household incomes, and expanding agricultural exports.

The previous year saw the successful commissioning of the Afla Safe mycotoxin facility at Namulonge and Uganda's first anti-tick vaccine plant, investments that enhance food safety and animal health. Mechanisation progressed as well, with coverage rising from 32% to 40%, supported by the establishment of five zonal mechanisation centres and further enhancement of required equipment distributed to farmers.

The focus in FY2025/26 will be on intensifying support for pest, vector, and disease control, investing in genetic improvement of key crops, livestock, and fish, and expanding research and development capacities. Efforts to de-risk agriculture will continue through targeted financing to large-scale commercial farmers, with a renewed drive to improve food security and increase Uganda's export capacity. The budget will also sustain incentives for private sector players involved in agro-processing, mechanisation, and input distribution, creating new opportunities for industrial investment and job creation within rural economies.

Public sector transformation

The Public Sector Transformation Programme (PSTP), spearheaded by the Ministry of Public Service, is a key component of Uganda's Fourth National Development Plan (NDP IV) for FY 2025/26–2029/30. The programme aims to enhance the efficiency and responsiveness of the public sector.

Objectives

- Strengthen accountability across government
- Streamline structures for effective service delivery
- Improve human resource management
- Deepen decentralisation and citizen participation
- Re-engineer public service delivery processes
- Strengthen policy and institutional frameworks

Funding Obligations:

- **Salary enhancement:** UGX 1,078 billion for phased salary improvements
- **Compensation:** UGX 241.168 billion for RAPEX staff layoffs
- **Service centers:** UGX 3.5 billion to establish Service Uganda Centres in Mbale, Kampala, and Gulu
- **Budget impact:** Despite a 0.65% budget decrease for the public sector transformation, strategic funding within the PSTP ensures alignment with national priorities, supporting efficient and effective public service transformation

Regional balanced development

Since its inception, the Regional Development Programme (RDP) led by the Ministry of Local Government under one of its eighteen (18) priority programmes of the National Development Programme, has registered several successes. These include but are not limited to; growth in total number of Parish Development Model (PDM) beneficiary households to 1,048,575 of which; 52% are female and overall equitable participation in economic activities and development initiatives where 25% are between 18 – 30 years, 64% are between 31 – 60 years and 11% above 60 years.

Strategic Objectives:

- Enhance and sustain local economic development;
- Enhance local revenue generation;
- Strengthen affirmative action in lagging regions and refugee-hosting communities; and,
- Strengthen policy, legal and institutional framework.

Regional balanced development contd.

Key results to be attained by the end of FY 2029/30:

- Expanded local revenue base;
- Increased financing of local government priorities;
- Reduced sub regional income disparities and vulnerability;
- Improved livelihoods, environmental protection and community infrastructure/services in refugee host districts; and,
- Increased community satisfaction in local governance.

Key Initiatives

- Roads in Sembabule, Kitgum and Bunyoro
- Agricultural allocation: UGX 611.5B (dev.), 188.1B (operations)
- Tourism road infrastructure (Kitgum–Kidepo)
- Energy Sector: UGX 1.586T (refinery, renewables, minerals)

Challenges

- Uneven resource allocation (Kampala vs Karamoja)
- Poor local government absorption capacity
- Limited community participation in project planning
- Youth unemployment persists in rural areas

Interventions to be prioritized:

- Implementation of the national local economic development (LED) strategy;
- Integration of physical planning with LED;
- Strengthening of implementation of PDM pillars;
- Increment ICT and digital entrepreneurship skills uptake;
- Linkage of enterprises to local, regional and international market;
- Implementation of local government revenue mobilisation strategy;
- Strengthening of the implementation of the legal frameworks for local government funding;
- Strengthening of affirmative action in lagging regions and refugee-hosting communities;
- Strengthening the functionality of local government structures;
- Strengthening human resource function in local governments; and,
- Coordination of policy, planning, implementation and reporting.

Human capital development

Uganda's economic transformation, envisioned through the *"Full Monetisation of Uganda's Economy,"* profoundly relies on its most valuable asset, its people. The FY 2025/26 – FY 2029/30 National Budget Framework Paper (NBFP) places human capital development (HCD) at the very heart of this ambition, directly aligning with the Fourth National Development Plan's (NDP IV) objective to nurture human potential across all life stages. The HCD Programme (HCDP) budget reveals figures and a strategic commitment to a healthier, more skilled, and productive Uganda.

Resource allocation

For FY2025/26, the Human Capital Development Programme is slated to receive UGX 9,971.00 billion. This substantial allocation, broken down into wage, non-wage recurrent, domestic development, and external financing, represents a marginal 0.99% decrease from the previous fiscal year. The slight adjustment suggests a strategic balancing act within Uganda's broader fiscal landscape, potentially prioritizing immediate growth drivers while reinforcing human capital as a core driver of NDP IV.

The priority sub-programs

The government's HCDP resource allocation reflects a deep commitment to enhancing human potential through targeted interventions that directly fuel NDP IV's objectives.

Human Capital Development Programme is slated to receive

UGX. 9,971 bn

Human capital development contd.

Education, Sports, and Skills Development

The budget prioritises foundational and higher education, with plans to operationalise new universities (Busoga, Bunyoro) and five Uganda National Teachers' Council campuses. This invests directly in nurturing educators, who in turn shape future generations. Expanding access is key, with 60 new secondary schools planned for underserved areas and 25 existing ones slated for renovation.

Beyond infrastructure, strengthening the Directorate of Education Standards' inspection function to ensure quality and accountability.

Continued capitation grants for Universal Primary, Secondary, and Post-O'Level Education (UPE, USE, UPOLET) to provide foundational support. By championing Science, Technology, Engineering, and Mathematics (STEM), and Science, Technology, Innovation, and Engineering (STIE) disciplines, Uganda is strategically cultivating a skilled workforce for a modern economy. These highlight how human capital is developed by increasing access, refining quality, and fostering specialised skills.

Population health and safety

A healthy population underpins productivity. This sub-programme secures public health systems and expands access to vital healthcare. Proactive disease prevention through community surveillance aims to reduce burdens and mitigate epidemic risks.

A strategic leap forward will involve enhancing emergency medical services and critical care. Functionalising High Dependency Units (HDUs) and Intensive Care Units (ICUs) in Regional Referral Hospitals (RRHs) significantly boosts critical health infrastructure. Emphasis on reproductive, maternal, neonatal, child, and adolescent health, alongside upgraded health facilities under the Uganda Intergovernmental Fiscal Transfers (UGIFT) program, to improve health outcomes.

The push for a National Health Insurance Scheme (NHIS), an initiative already championed in neighbouring East African partner states, is a strategic shift to preventive healthcare funding, emphasising a sustainable, long-term approach.

Human capital development contd.

Water and environment

Access to clean water and sanitation is fundamental to human health and productivity. The budget allocates resources for completing major water supply systems (e.g., Nyamugasani Gravity Flow Scheme) and plans to construct 98 solar-powered piped water systems nationwide, targeting underserved villages. Coupled with 20 new public sanitation facilities, these initiatives underscore the government's commitment to public hygiene, critical for disease prevention and overall human capital well-being.

These efforts illuminate how basic service provision serves as a foundational pillar for broader human capital development.

Gender, labour, and social development

This sub-programme safeguards workers' rights, promotes social inclusion, and generates non-tax revenue. The planned registration of 1,500 workplaces under the Occupational Safety and Health Act, 2006, is targeted at safer environments while contributing to domestic revenue. Rigorous workplace inspections further solidify this commitment.

Looking Ahead

The sustained, targeted investments in education and health infrastructure are vital for long-term productivity and well-being. The above prioritisation ensures government commitment to improving the quality of life and future productive capacity.

These allocations present opportunities in construction, healthcare supply, educational materials, and water infrastructure. New school and health facility construction will invigorate local economies. Investments in health services will boost medical procurement. The focus on skills development promises a future pipeline of capable employees, potentially reducing training costs and boosting productivity. Occupational safety and health emphasis also creates a market for related services. Essentially, the Human Capital Development Programme, reflects a resolute commitment to cultivating a healthier, more educated, and skilled populace, aligning with NDP IV.

Essentially, the Human Capital Development Programme reflects a resolute commitment to cultivating a healthier, more educated, and skilled populace, aligning with NDP IV. The ultimate success hinges on effective execution and consistent oversight, ensuring these vital investments translate into tangible improvements in human capital, thereby contributing profoundly to the nation's long-term socio-economic transformation and its ambitious ten-fold growth strategy.

Digital transformation

The National Budget Framework Paper for FY 2025/26 places digital transformation at the heart of Uganda's development strategy. By harnessing digital technologies, the government aims to boost the effectiveness, efficiency, and competitiveness of both public and private sectors. This focus is in line with Vision 2040 and the National Development Plan IV, reflecting a commitment to using digital tools to streamline business processes and add value across various industries.

For FY2025/26, the digital transformation Programme budget is UGX 293.652 billion. This allocation, broken down into wage, non-wage recurrent, domestic development, and external financing, represents a substantial 22.16% increase from the previous fiscal year.

A major priority for the upcoming fiscal year is extending broadband ICT infrastructure across the country. The budget outlines plans to implement last-mile connectivity, expand TV and radio broadcasting networks, and remodel post offices to provide e-government services in areas that are currently underserved. These efforts are designed to improve internet access and public service delivery, thereby encouraging the use of digital products and services.

The programme advocates for the adoption of advanced digital tools such as Artificial Intelligence (AI), blockchain, the Internet of Things (IoTs), and cloud computing. These technologies offer innovative and cost-effective solutions to transform sectors like manufacturing, agro-industry, and tourism. By improving resource allocation and monitoring, digital platforms will enhance initiatives like the Parish Development Model (PDM) and Emyooga, aimed at wealth creation.

Digital transformation...contd.

Another key aspect is supporting local innovations and enhancing digital skills among Ugandans. The budget framework emphasises the need to develop and commercialise local innovations, particularly focusing on special interest groups. This approach aims to equip citizens with the skills needed to thrive in a digitally-driven economy, fostering a workforce capable of driving economic growth.

Investment in ICT processes is crucial for modernising tax administration and boosting efficiency. The fiscal framework includes initiatives like the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and the Digital Tax System (DTS) to combat tax evasion and improve tax administration. These measures are part of a broader strategy to strengthen the Domestic Revenue Mobilisation Strategy (DRMS) and meet budgetary requirements. Some of the aspects that have been incorporated in this year's tax amendments include the proposal for the use of the National Identification Number (NIN) and the business registration number issued by the Uganda Registration Services Bureau (URSB) as Tax Identification Numbers (TINs). This is likely to have the effect of syncing government systems and thus widening the tax base.

The integration of Public-Private Partnerships (PPPs) in both social and commercial sectors is encouraged to diversify public finance options and enhance infrastructure development. This approach aims to attract more Foreign Direct Investment (FDI) and promote corporate debt financing, easing the government's debt burden and supporting institutions like the Uganda Development Bank (UDB) and National Water and Sewerage Corporation.

In summary, the National Budget Framework Paper for FY 2025/26 highlights digital transformation as a key element of Uganda's development agenda. By focusing on infrastructure, connectivity, and digital tools, the programme seeks to boost economic competitiveness and improve the quality of life for citizens. The alignment with national plans and the emphasis on innovative financing further underscore the commitment to a digitally empowered future.

Innovation and technology

The FY2025/26 – FY2029/30 National Budget Framework Paper highlights innovation and technology as a focal point of Uganda's national growth strategy. This commitment is about investing in ideas, skills, and infrastructure to transform lives and businesses across the country.

The heart of our growth: innovation, technology development, and transfer

At the core of Uganda's ambitious vision lies the Innovation, Technology Development and Transfer (ITDT) Programme. This initiative isn't just a plan; it's a commitment to fostering a dynamic Science, Technology, and Innovation (STI) ecosystem that propels us towards socio-economic transformation. The ITDT Programme promises a Uganda where groundbreaking local solutions are born, nurtured, and scaled, contributing significantly to our national wealth.

The goal is to sell more of our science, technology, and innovation (STI) products and services. This will be done by improving our STI systems, developing skilled people, fostering tech growth from idea to market, and strengthening supportive policies.

Tangible progress: innovation in action

- **Kiira Motors Corporation (KMC)**: Kiira Motors Corporation (KMC) has established Africa's largest and most capable bus manufacturing plant in Uganda. KMC has produced 39 buses, including electric models for sustainable public transport, and created over 700 jobs. KMC plans to increase production to 2,500 vehicles yearly and employ 900 people, aiming to build a local industry and provide significant employment.

  The successful establishment of KMC will create employment opportunities for Ugandans, both directly and indirectly through the supply chain and ecosystem.

  KMC is manufacturing electric vehicles locally, and is helping reduce Uganda's dependence on imported vehicles, which can save foreign exchange and stimulate local economic activity through import.

Innovation and technology contd.

More so, affordable and accessible transportation will be available to Ugandans with the introduction of electric buses and so enhance public transportation in Uganda.

KMC has also invested in STEM programmes to inspire and equip the next generation of innovators, potentially developing a skilled workforce in Uganda's growing automotive industry.

By promoting the electric vehicles ,Kiira motors is contributing to a cleaner environment, reducing air pollution and help Uganda transition to a more sustainable transport system, as well as driving technological innovation in Uganda, to position the country as a leader in the electric vehicle industry in Africa.

- **Uganda National Council for Science and Technology (UNCST)**: The backbone of ethical and quality research, UNCST has approved over 1,400 research protocols, ensuring that groundbreaking studies are conducted with integrity and safety. UNCST's efforts in capacity building and national surveys are vital for pushing Uganda up the Global Innovation Index, highlighting our potential on the world stage.

In addition to the above, focusing on quality research by the UNCST will bring key benefits to Uganda and Ugandans, including but not limited to promoting innovation, capacity building, and enhancing Uganda's voice.

- **Engineering Development and Innovation Centre (EDiC)**: With advanced facilities in Namanve and Rwebitete, EDiC is becoming a hub for precision manufacturing and innovation. Training over 25 engineers in China and Uganda, EDiC is equipping Uganda's workforce with the skills needed to tackle large-scale national engineering projects, turning innovative ideas into tangible solutions.

Investing in Our Future: The Financial Picture

The FY2025/26 proposed budget for Innovation, Technology Development and Transfer programme is UGX 168.012 Bn, representing a 51.57% reduction from last year's (FY2024/25) approved budget of UGX 346.909 Bn.

The proposed allocation to recurrent wage is UGX 15.465 Bn, while the non-wage allocation will be UGX 146.656 Bn and development expenditure is planned to be UGX 5.891Bn.

The significant reduction in the proposed budget for FY2025/26, especially in non-wage spending in comparison to FY2024/25, will however be followed by a significant increase in the subsequent years. This is a strategic move to focus investments in the first year of NDP IV, making sure resources go to the most impactful, long-term projects. A strong base for future growth is being built.

51.57%

Projected decrease in revenue collection for Innovation, Technology Development Transfer Programme.

Tourism

Uganda's tourism sector has continued to recover, with tourist arrivals increasing by 7.7 percent, reaching 1.37 million in 2024, from 1.27 million in 2023. Similarly, tourism earnings grew by 26 percent to USD 1.28 billion in 2024, up from USD 1.02 billion in 2023.

Tourism development has seen a significant increase in budget allocation, rising from UGX 297 billion in FY 2024/25 to UGX 430 billion in FY 2025/26—an approximate 45% increase. This upward revision demonstrates the government's renewed commitment to revitalising the sector as a key foreign exchange earner and driver of inclusive growth. The increase reflects a strategic shift toward post-COVID-19 recovery, destination repositioning, and value addition within the tourism value chain.

During the past financial year, Uganda Tourism Board intensified destination marketing under the "Explore Uganda" brand, targeting regional and international markets. Wildlife conservation efforts yielded improved anti-poaching outcomes, and rehabilitation of select tourism infrastructure in national parks was undertaken. Community tourism enterprises also received capacity-building support, further anchoring tourism in local economies.

In FY 2025/26, the government will focus on scaling up tourism product diversification and promotion. Key priorities include upgrading tourism infrastructure, expanding digital tourism platforms, and strengthening partnerships with the private sector to improve service quality. Investment will also be channelled into human capital development for the hospitality sector. At the same time, efforts to enhance conservation and community-based tourism will continue through collaboration with UWA and district local governments.

Natural resource management

The sector's allocation for FY2025/26 stands at UGX 366 billion, down from UGX 473.7 billion in FY2024/25—a 22.6% decline. While this reduction reflects overall fiscal tightening, the government remains committed to enhancing climate resilience, sustainable natural resource management, and inclusive access to land and water services.

During FY2024/25, key achievements included the digitisation of over 400,000 land records to improve transparency and reduce disputes, as well as support credit access through the use of land titles as collateral. In the area of climate resilience, government invested in the afforestation of 15,000 hectares across critical watersheds, contributing to reduced sedimentation in key hydro-electric reservoirs. Meanwhile, progress in rural water and sanitation was marked by the construction of over 1,200 boreholes and 30 piped water systems in small towns, serving more than 650,000 people.

Looking forward, the FY2025/26 interventions will emphasise climate adaptation through investments in early warning systems, solar-powered irrigation, and community-based climate-smart agriculture. Efforts will also focus on enhancing the National Land Information System to facilitate secure land tenure, completing cadastral surveys, and expanding land registration in rural and peri-urban areas. The water sector will see further expansion of rainwater harvesting infrastructure, improvements to urban sewerage systems, and scale-up of rural piped water coverage.

These initiatives are expected to strengthen the country's resilience to climate risks, improve natural resource governance, and safeguard the livelihoods of millions who depend on land and water resources for their survival.`

Integrated transport infrastructure and services

The FY 2025/26 budget underscores the government's commitment to enhancing Uganda's transport infrastructure, aiming to bolster economic growth, regional integration, and trade facilitation.

By FY2023/24, 29.4% of the national road network was paved from 21.1% in FY2017/18. The proportion of freight cargo transported by railway increased to 8% in FY2023/24 from 3.5% in FY2017/18. Rail travel time from Kampala to Mombasa improved to 15 days, down from 19 days in FY2017/18.

Key initiatives

Railway transport

- **Standard Gauge Railway (SGR):** Construction of the 272-kilometre SGR is set to commence was launched in 2024. The SGR is anticipated to revolutionise transportation and logistics over a 4–5 year period, estimated to cut cargo costs and transport time, significantly impacting trade and economic activities.

- **Kampala–Jinja Expressway:** This major infrastructure project, estimated at US$1.55 billion, is financed through a Public-Private Partnership (PPP) involving the African Development Bank, European Union, and French Development Agency. The expressway aims to improve connectivity between Kampala and eastern Uganda.

Water transport

- **Bukasa Inland Port:** In addition to the maintenance of ferries providing essential services, construction of the port began in May 2024, with completion expected in 2025. Located on Lake Victoria's northern shores, the port will enhance Uganda's access to maritime trade routes, reducing reliance on distant ports.

Air transport

- Uganda Airlines flies to 17 destinations, creating a regional competitor and recording an increase in revenue to UGX 319 billion in FY 2023/24 from UGX 28 billion in FY 2019/20. Further, the upgrade, rehabilitation and expansion of Entebbe International Airport is nearly complete. Continued strategic investments will stimulate the trade and tourism sectors of the economy.

Road transport

- UGX 4.28 trillion has been allocated for the road infrastructure development

- Despite challenges faced in the sector, there is continued progress; several roads have been rehabilitated with the government disbursing UGX 579 billion for maintenance of National, District, Urban and Community Access Roads (DUCAR). The government is revamping the road and drainage infrastructure within the Greater Kampala Metropolitan Area (GKMA), dedicating UGX 1.4 trillion to this project.

- **Kitgum–Kidepo Road:** A 116 km road connecting Kitgum to Kidepo Valley National Park is being upgraded to bitumen standard. Parliament approved a loan of UGX450 billion for this project, which is expected to boost tourism and mineral development in the Karamoja sub-region.

- **Kampala–Mpigi Expressway:** Construction is ongoing, with completion now projected for 2027. This expressway will alleviate traffic congestion and improve travel times between Kampala and the southwestern regions.

Infrastructural challenges

- Land acquisition delays;
- Delayed project execution (Kampala – Mpigi project delayed to 2027);
- Corruption in procurement and contract enforcement;
- Over-reliance on external debt for infrastructure;
- Inadequate local technical expertise for mega projects;
- Urban congestion with minimal investment in smart transportation systems and;
- Weak integration with regional EAC transport corridors.

Sustainable housing and urbanisation

Paving the way: uganda's sustainable urbanisation and housing agenda for FY2025/26

Rapid urbanisation is a defining force in Uganda's development, bringing opportunities and complex challenges. The Sustainable Urbanisation and Housing Programme (SUHP) is at the forefront of managing this evolution, a critical component of the nation's development agenda. As detailed in the Fiscal Year 2025/26 Budget Framework Paper, the SUHP is strategically designed to ensure housing and land management contribute meaningfully to Uganda's transformation under the NDP IV.

Overview: guiding urban growth and liveability

The SUHP recognises urban areas as vital economic engines, contributing over 70% of Uganda's GDP and hosting 24% of its population. The program's overarching goal is "Inclusive orderly urbanization, Housing development and Land management," directly aligning with NDP IV's aim of "Building and maintaining strategic sustainable infrastructure in transport, housing, energy, water, industry and ICT." This signals a deliberate push for structured, livable, and economically vibrant urban centres.

For FY2025/26, the SUHP has been allocated UGX 1,176.341 billion under the Medium-Term Expenditure Framework (MTEF). However, this allocation falls short of the NDP IV's indicative figure of UGX 1,948 billion, leaving a funding gap of UGX 771.66 billion, which highlights a significant funding gap that needs to be addressed for the program to meet its ambitious targets. The budget snapshot shows a strong reliance on external financing, which drives the FY2025/26 allocation but then sharply declines in subsequent years, signalling a critical need for sustainable domestic funding strategies.

Driving progress: key interventions for FY2025/26

The SUHP aims to achieve its objectives through strategic actions for NDP IV:

- **Policy & land management:** Developing and reviewing legal frameworks for effective program delivery, alongside strengthening sustainable land use systems and promoting secure land tenure to encourage investment and reduce conflicts.
- **Strategic urban investment:** Focusing resources on critical urban centers like the Greater Kampala Metropolitan Area (GKMA) and emerging cities to enhance their roles as economic gateways, encompassing infrastructure development, waste management, and improved mobility.
- **Housing & slum redevelopment:** Expanding financing options and engaging the private sector to develop affordable housing, alongside comprehensive slum upgrading projects to significantly enhance living conditions.
- **Waste management:** Investing in infrastructure and systems for efficient urban waste management, including feasibility studies and best practice dissemination.
- **Innovation & governance:** Integrating innovation and technology into urban planning and housing solutions, while strengthening institutional and coordination frameworks for robust oversight.

Navigating the hurdles: key challenges

Despite its clear vision, the SUHP faces considerable challenges:

- **Significant funding gap:** The substantial shortfall of UGX 771.66 billion leaves critical priorities unfunded, including vital maintenance for the Land Information System (LIS) and operations of Ministry Zonal Offices (MZOs).
- **External financing dependency:** The SUHP's heavy reliance on external funding, with a projected sharp decrease in subsequent years, poses a sustainability risk for large-scale projects. Furthermore, a notable portion of externally financed projects remains undisbursed, creating implementation bottlenecks.
- **Budgetary misalignments:** There are calls for re-aligning budgets, particularly for land programs and the Greater Metropolitan Project, where current allocations do not match operational needs or financing agreements, potentially jeopardising key interventions.

24%

of Ugandans live in urban areas

Sustainable housing and urbanisation cont.

- **Gender and equity mainstreaming:** Challenges persist in effectively integrating gender and equity concerns, hampered by limited data disaggregation and knowledge gaps among staff.

Unlocking potential: opportunities for the SUHP

Despite the challenges, SUHP presents compelling opportunities for growth:

- **Economic impact:** Leveraging urban areas' significant GDP contribution through strategic investments can attract further private sector engagement and foster local economic development.
- **Improved land tenure:** Strengthening land management systems can unlock economic opportunities by reducing disputes, encouraging investment, and formalising land ownership.
- **Affordable housing:** Addressing the housing deficit and redeveloping slums offers immense social impact, improving living conditions and creating new housing market opportunities.
- **Technological Integration:** The program's commitment to innovation and technology, from digital land systems to smart waste management, promises more efficient and sustainable urban solutions.
- **Addressing inclusivity:** Recognising and actively working to bridge gender and equity gaps provides a clear path for more inclusive and impactful urban development.

Building a brighter urban future

Uganda's Sustainable Urbanisation and Housing Programme for FY2025/26 embodies an ambitious vision for orderly growth and improved living standards. While funding shortfalls and external financing dependencies present hurdles, the program's strategic interventions and the inherent potential of Uganda's urban centers offer a powerful opportunity for transformative change. By bridging these gaps, streamlining financial mechanisms, and fostering collaborative efforts, Uganda can ensure its urban areas continue to be dynamic engines of growth, inclusion, and resilience, shaping a brighter future for all.

Sustainable energy development

Uganda has embarked on a transformative journey with its Sustainable Energy Development Program for Fiscal Year 2025/26. This is not just about electricity; it is a strategic move to boost the economy, enhance social equity, and protect the environment, all while aligning with national and international development goals like Vision 2040 and the UN's Sustainable Development Goal 7.

The Sustainable Energy Development program, spanning from FY2025/26 to FY2029/30, aims to significantly expand Uganda's energy infrastructure. Key targets include an ambitious increase in electricity generation capacity from 2,047MW to 15,420MW, boosting access from 58% to 70%, and nearly tripling per capita consumption from 218 kWh to 578 kWh.

Beyond grid expansion, the program also seeks to dramatically reduce reliance on traditional biomass for cooking, from 75% to 50%, promoting cleaner alternatives, and cutting energy losses from 25.7% to 15%. There's even a strategic push to integrate nuclear energy safely into the mix.

For FY2025/26, the program has a proposed budget of UGX 1,301.622 billion. The lion's share, 99.5% (UGX 1,294.987 billion), goes directly to the Ministry of Energy and Mineral Development, highlighting its pivotal role.

While smaller allocations to other ministries like Finance and Foreign Affairs, and institutions like Soroti University and the Uganda National Bureau of Standards reflect a multi-sectoral approach, a crucial insight is the heavy reliance on external financing.

For FY2025/26, external funds account for UGX 1,210.077 billion of the total development budget (UGX 1,301.622 billion), significantly outweighing direct government contributions. This dependency on external partners is a key factor in the program's financial landscape, illustrating the critical role of international support in achieving these ambitious goals.

99.5%

of the Sustainable energy development program fund allocated to the Ministry of Energy and Mineral Development.

Sustainable energy development cont.

The strategy for 2025/26 is built on several impactful interventions:

- **Expanding electricity distribution:** A major focus is bringing power to rural and underserved areas, vital for a gender-equitable energy transition and inclusive social transformation.
- **Local government integration:** Integrating more local governments into energy planning ensures that development efforts are inclusive and reach communities effectively.
- **Gender-responsive financing:** Innovative financial solutions, in partnership with the Uganda Electricity Credit Capitalization Company, will address gender equality, recognizing the disproportionate impact of energy poverty on women and girls.
- **Inclusive stakeholder engagement:** The program emphasizes actively involving all stakeholders, especially women, girls, and marginalized communities, in project planning to ensure green growth benefits everyone.
- **Investing in innovation and education:** Targeted investments in research, capacity building, and training aim to bridge the gender gap in STEM fields and boost women's employability in the renewable energy sector.
- **Promoting clean cooking:** A concerted effort will encourage the adoption of modern, cleaner cooking technologies like electric pressure cookers, LPG, and ethanol.

Challenges and opportunities

While the program offers immense potential, it faces real-world challenges. Financial sustainability is a key concern, given the heavy reliance on external funding. Managing this dependency and building Uganda's financing capacity will be crucial. Land acquisition and securing wayleaves for new infrastructure projects often lead to delays and disputes. Grid stability and reducing energy losses also pose significant technical and logistical hurdles, especially in Uganda's diverse terrain. Furthermore, ensuring sufficient local technical expertise and managing the "last mile" connectivity to very remote areas remain persistent challenges.

Despite these hurdles, the program presents significant opportunities:

- **Investment potential:** The ambitious scale of energy infrastructure development creates vast opportunities for both local and international investors.
- **Technological innovation:** The focus on smart grids, renewable energy hubs, and even nuclear energy can spur local innovation and potentially lead to indigenous energy solutions.
- **Regional leadership:** Projects like the transmission line to South Sudan can position Uganda as a vital energy hub in East Africa, enhancing regional energy security and trade.
- **Green job creation:** The extensive projects will generate numerous green jobs, contributing directly to poverty reduction and socio-economic transformation.
- **Diversification and sustainability:** The shift away from biomass and towards clean energy sources promises a more diversified, sustainable, and environmentally friendly energy future for Uganda.

In essence, Uganda's Sustainable Energy Development Program presents a comprehensive and strategic endeavour. If successfully implemented, the program will not only illuminate homes and power industries but also uplift communities, foster innovation, and secure a more sustainable future for the nation.

Governance and security

Overview: A pillar for national transformation

The Governance and Security Program (GSP) stands as a critical enabler for Uganda's Tenfold Growth Strategy, which seeks to expand the nation's GDP from USD 50 billion to USD 500 billion over the next 15 years, as part of the Fourth National Development Plan (NDP IV). The program's core mission is "Ensuring a peaceful and secure Uganda adhering to the rule of law," a vision that directly underpins the country's attractiveness for both local and Foreign Direct Investments (FDI), the growth of its tourism sector, and the overall well-being of its citizens.

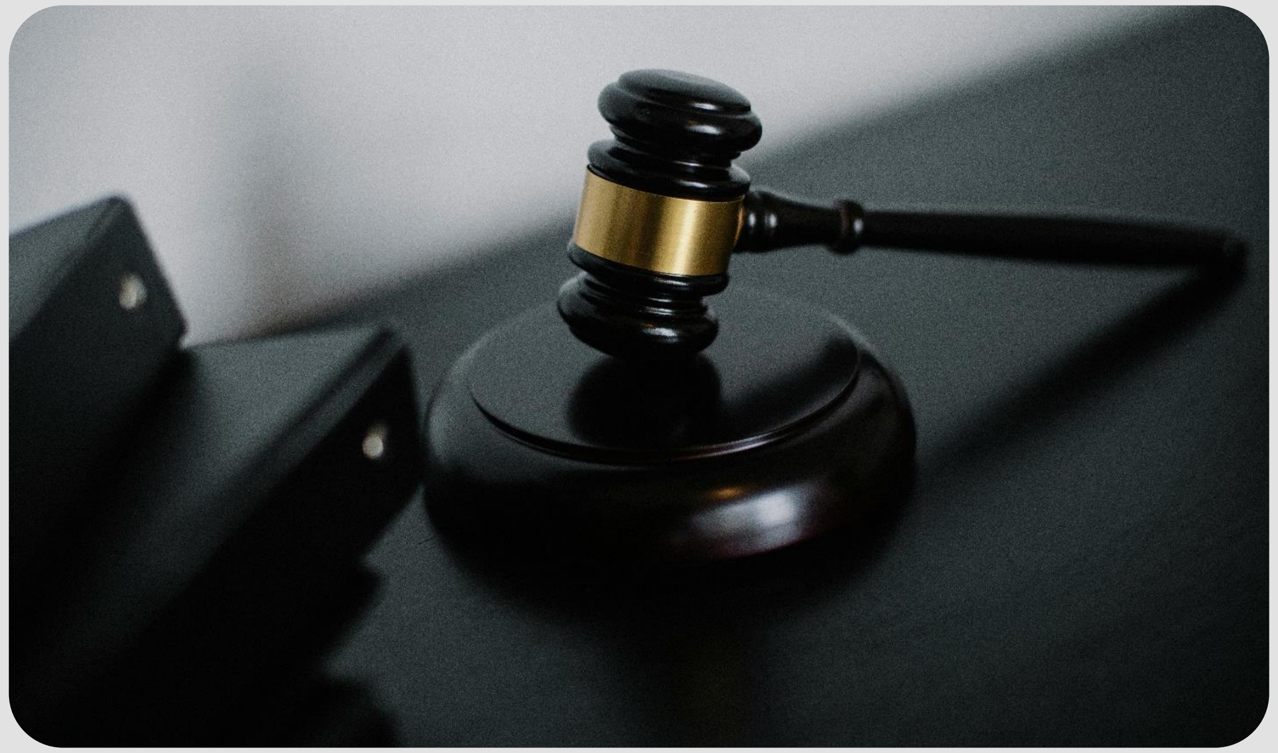
For FY2025/26, the GSP has been allocated a proposed budget of UGX 7,537.854 billion. This figure, while substantial, represents a 15% decrease from the previous fiscal year. This reduction raises important questions about resource optimisation as Uganda embarks on this ambitious new development phase, necessitating careful strategic planning across the various ministries and agencies contributing to the GSP's mandate.

Governance and security contd.

Strategic interventions: building resilience and trust

The GSP's strategy for the upcoming fiscal year and beyond focuses on several interconnected areas as outlined below:

- **Rule of law and justice:** Enhancing the efficiency of justice services, improving infrastructure for legal and order agencies, and boosting civic awareness of human rights are key priorities. This includes strengthening anti-corruption efforts and ensuring fair legal processes.
- **Peace and security consolidation:** The program is committed to bolstering the capacity of security agencies, enhancing border control and surveillance, and modernising security infrastructure. Crucially, it also emphasises improving the welfare of security personnel, recognising their foundational role in maintaining national stability.
- **Accountability and transparency:** A significant focus is placed on reinforcing anti-corruption measures, enhancing public demand for accountability, and strengthening financial intelligence mechanisms to combat illicit financial flows. This also involves strict adherence to public procurement regulations.
- **Democratic governance and civic participation:** Preparations for the 2026 General Elections are a priority, coupled with initiatives to strengthen democratic institutions and promote broader citizen engagement in decision-making.
- **International relations and refugee management:** Efforts are directed at enhancing Uganda's diplomatic footprint, providing vital consular services, and refining the national response for refugee protection and assistance, underscoring Uganda's regional and global commitments.
- **Cross-cutting issues**: The integration of gender and equity, climate change considerations, regional stability, and HIV/AIDS interventions across all GSP activities ensures a holistic and inclusive approach to national development.



Navigating the hurdles: key challenges

The GSP, despite its vital role, faces notable challenges:

- **Budgetary constraints:** The 15% budget reduction for FY2025/26 is a significant concern, potentially impacting essential operations, project completion rates, and the pace of institutional reforms, especially as the nation launches NDP IV.
- **Electoral dynamics:** The approach of the 2026 general elections presents a complex political landscape. Historical precedents of electoral violence and funding concerns for the Electoral Commission, coupled with increased oversight from the Uganda Human Rights Commission, necessitate careful management.
- **Sustainability of external missions:** The projected disappearance of external funding for Uganda's foreign missions in the mid-term (FY2028/29 onwards) raises questions about the long-term viability of maintaining Uganda's international diplomatic presence.

Unlocking potential: opportunities for growth

Despite these challenges, the GSP presents compelling opportunities for Uganda's broader development, including its energy sector:

- **Investment catalyst:** A stable, secure, and predictable governance environment is the primary magnet for both domestic and foreign investment. This directly translates to lower risk perception and increased attractiveness for large-scale energy projects.
- **Economic diversification:** By fostering an environment of security and rule of law, the GSP directly supports the "full monetization of the Ugandan economy," including strategic sectors like oil and gas, minerals, and tourism, all of which are intrinsically linked to energy development and demand.
- **Enhanced Trust:** Improved accountability, transparency, and anti-corruption measures significantly boost investor confidence and ensure the efficient use of resources, fostering healthier public-private partnerships in the energy sector.
- **Regional integration:** Strengthening international relations and effective refugee management solidifies Uganda's role as a stable regional partner, crucial for cross-border energy projects and trade expansion.

The essential foundation

The Governance and Security Programme is not merely an operational cost; it is a strategic investment in Uganda's national future. While the FY2025/26 budget reduction poses a challenge, particularly in the lead-up to the 2026 elections, the program's enduring commitment to the rule of law, robust security, and transparent governance remains indispensable.

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