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MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

DIRECTORATE OF ECONOMIC AFFAIRS

ANNUAL REPORT FOR FY2023/24

DECEMBER 2024

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FOREWORD

Financial year 2023/24 marked the 4th year of implementation of the Third National Development Plan (NDP III) and the third implementation year of the manifesto of the ruling NRM Government. It further provided for continuity in Government's response strategy to the economic and social challenges induced by COVID-19 and the prevailing global uncertainties in the review period.

Government continued its response strategy to the economic and social challenges induced by the spill-over effects of COVID-19, and the global economic disruption occasioned by the Russia-Ukraine conflict and the ongoing conflict in the Middle East. Despite this difficult global environment, the country was able to record notable development gains that contributed to progress in its socio-economic transformation, and to advance its interests at the regional and global levels. Government focused expenditure on projects and programmes that have a high multiplier effect on the economy, including export growth, ensuring food security, import replacement, and job creation. Government also increased domestic revenue mobilization and prudent debt management strategies.

National output in FY2023/24 was estimated to have expanded by 6.1% compared with 5.3% in FY2022/23 and 4.6% in FY2021/22. There was a corresponding rise in per capita GDP in FY2023/24 to an estimated USD 1,146 compared to USD 1,081 in FY2022/23 and USD 1,043 in FY2021/22. In terms of trade, the European Union (EU) joins COMESA as the major trading blocs that Uganda enjoys a trade surplus with. The combined trade between Uganda and the EU reached a historic high of USD 1.59 billion in 2023, with a trade surplus of USD 144 million in favour of Uganda.

Government's revenue collections for FY2023/24 amounted to Shs 27,782.30 billion out of the planned revenue envelope of Shs 29,671.98 billion, reflecting a shortfall of Shs 1,889.68 billion. Despite the shortfall, revenue collections grew by 8.66% (Shs 2,214.84 billion) compared to FY2022/23. This growth rate is lower than the average growth rate of 10.78% for the last four financial years. This revenue effort remained below the NDP III's target with a positive trajectory, averaging 11.5%, in the past decade.

Going forward, the Budget Strategy for FY2024/25 is set to accelerate economic growth to at least 6.4%, continue to shift the economy from a raw-materials-based economy to a manufacturing- and knowledge-based economy, improve the environment of doing business in Uganda and making it competitive.

Ramathan Ggoobi
PERMANENT SECRETARY /
SECRETARY TO THE TREASURY

PREFACE

This Annual Economic Performance Report provides an account of this Ministry's annual macroeconomic and socio-economic performance in FY2023/24 and details the key interventions undertaken to achieve the planned macroeconomic and microeconomic targets.

The report is comprised of five chapters discussed along the core functions of the Directorate of Economic Affairs within the Ministry of Finance, Planning and Economic Development. The key functions through which the Directorate contributes to the overall mandate of the Ministry include macroeconomic management, economic development policy advisory, domestic resource mobilization, and financial sector development.

The report makes use of the outturn data for FY2023/24 to provide an overview of the country's economic performance, the achievements and major challenges that affected economic growth, revenue mobilization, private sector development, and measures that were undertaken to address the challenges over the reference period. The report further provides insights and opportunities to address binding macroeconomic and microeconomic constraints in order to de-risk the economy for an improved investment climate, business environment and socially inclusive economic growth.

I take this opportunity to thank all staff for providing technical support and ensuring that the Ministry provides an account of the management of the economy.

Mwayanga

Moses Kaggwa
Ag. DIRECTOR/ECONOMIC AFFAIRS

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LIST OF ABBREVIATIONS AND ACRONYMS

AEO	Authorized Economic Operators
AfCFTA	African Continental Free Trade Area
AMISOM	African Union Mission in Somalia
APSA	African Peace and Security Architecture
ARIA	Africa Resilience Investment Accelerator
ASEAN	Association of Southeast Asian Nations
ATMIS	African Transition Mission in Somalia
AU	African Union
B2B	Business-to-Business
BDS	Business Development Services
CESA	Continental Education Strategy for Africa
CIS	Commonwealth of Independent States
COMESA	Common Markets for East and Southern Africa
COVID-19	Coronavirus Disease of 2019
DFIs	Development Finance Institutions
DRR	Disaster Risk Reduction
EABC	East African Business Council
EAC	East African Community
EAHRC	East African Health Research Commission
EASTECO	East African Science and Technology Commission
ECOSOC	Economic and Social Council
EMDEs	Emerging Markets and Developing Economies
ENSAP	Eastern Nile Subsidiary Action Program
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FID	Final Investment Decision
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HDI	Human Development Index
IIAs	International Investment Agreements
IOM	International Organization for Migration
ISDS	Investor State Dispute Settlement
IUCEA	Inter-University Council for East Africa
LICs	Low-Income Countries
LVBC	Lake Victoria Basin Commission
MRA	Mutual Recognition Agreement

MSMES	Micro, Small and Medium Enterprises
NBI	Nile Basin Initiative
NCIP	Northern Corridor Integration Projects
NDC-PP	Nationally Determined Contribution Partnership Plan
NDP	National Development Plan
NELSAP	Nile Equatorial Lakes Subsidiary Action Program
NGOs	Non-Governmental Organizations
NWSC	National Water and Sewerage Corporation
ODA	Official Development Assistance
OSBPs	One-Stop Border Posts
PAYE	Pay As You Earn
PDM	Parish Development Model
PERD	Public Enterprises Reform and Divestiture
PIAPs	Programme Implementation Action Plans
PIDA	Programme for Infrastructure Development in Africa
RCEP	Regional Comprehensive Economic Partnership
RECs	Regional Economic Communities
RFTIs	Regional Flagship Institutes
RISE	Reshaping Industry for a Sustainable Economy
RUFORUM	Regional Universities Forum for Capacity Building in Agriculture
SDGs	Sustainable Development Goals
SDRs	Special Drawing Rights
SMES	Small and Medium Enterprises
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering and Mathematics
STI	Science, Technology and Innovation
STISA	Science, Technology and Innovation Strategy for Africa
SWAQ-U	Sanitation and Water Quality-Uganda
TFA	Trade Facilitation Agreement (TFA)
TIPs	Treaties with Investment Provisions
TVET	Technical Vocational Education and Training
UDC	Uganda Development Corporation
UEGCL	Uganda Electricity Generation Company
UETCL	Uganda Electricity Transmission Company Limited
UNCTAD	United Nations Conference on Trade and Development
UNHS	Uganda National Household Survey
UPDF	Uganda People's Defence Forces

CHAPTER ONE: INTRODUCTION

Overview

1.0 The NDP III aims to increase household incomes and improve quality of life of Ugandans. Priority Government investments focused on boosting household incomes and micro enterprises; commercializing agriculture to enhance production and productivity and improve the competitiveness of agricultural products; supporting private sector growth; investing in the people of Uganda; improving the stock and quality of infrastructure; and expediting the implementation of strategic interventions in innovation, research and development, and in the minerals, oil and gas industry.

1.1 The Budget Strategy for FY2023/24 and the medium term accordingly sought to address the socio-economic challenges impacting on the livelihoods of our people through monetization of the economy, largely driven by the implementation of the Parish Development Model (PDM). In line with the programme approach, the strategy sought to facilitate:

i. Urgent completion of key public investments with higher multiplier effects on the attainment of NDP III targets and the NRM 2021–2026 Manifesto;
ii. Enhanced revenue mobilization and collections;
iii. Full-scale operationalization of the PDM; and
iv. Enhanced Government efficiency and effectiveness through the Rationalization of Public Expenditure (RAPEX), payroll audit etc.

1.1. Government accordingly dedicated the FY2023/24 Budget to those Ugandans who are not in the money economy. Individuals and households whose income per year is below Shs 20million, had the opportunity to utilize the support that the NRM Government has provided under the PDM, Presidential Initiative on Employment and Wealth Creation (Emyooga) and other Government initiatives.

Objectives

1.2. This report provides an account of economic management and performance in line with the mandate of the Ministry of Finance, Planning and Economic Development (MFPED), particularly the key policy outcomes that are under the function of the Directorate of Economic Affairs (DEA).

Data Sources

1.3. Data for this report was obtained from Departments within the Directorate, MDAs including Uganda Bureau of Statistics (UBOS), Bank of Uganda (BoU) and Uganda Revenue Authority (URA).

Structure of the Report

1.4. This report consists of five chapters: Chapter One is the general introduction of the report; Chapter Two covers macroeconomic management; Chapter Three analyzes performance with regard to domestic revenue mobilization; Chapter Four assesses developments in regard to economic development policy advisory and investment; while Chapter Five provides an account of performance in financial inclusion and deepening.

CHAPTER TWO: MACROECONOMIC MANAGEMENT

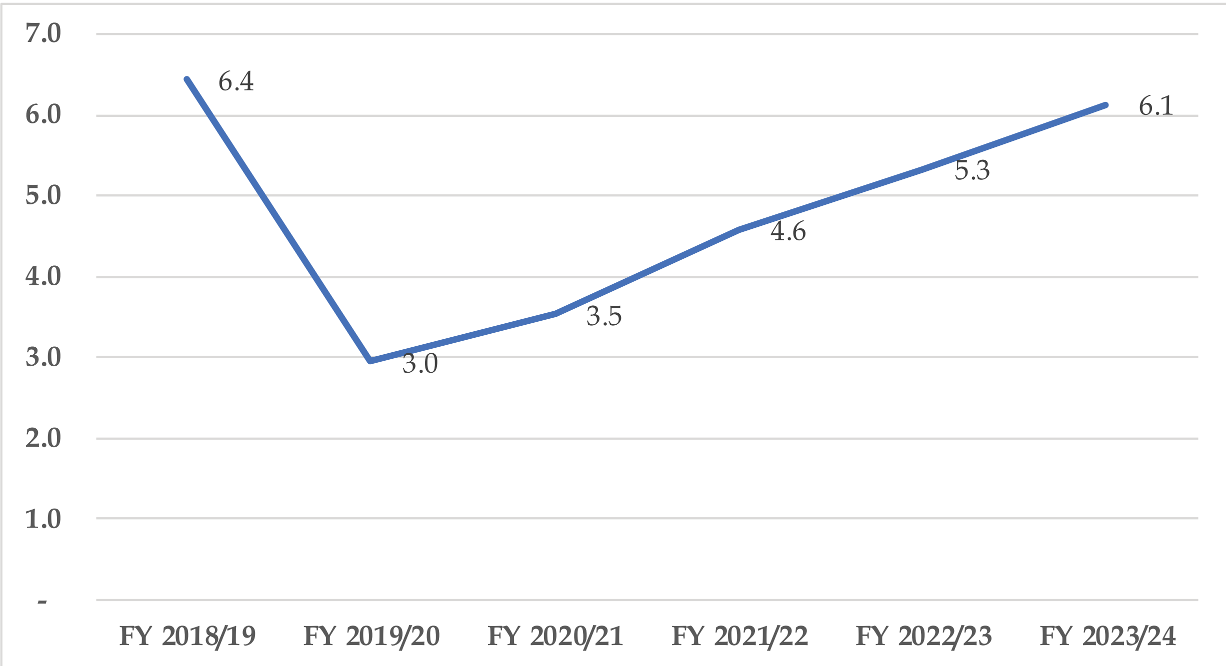
Overview

2.0 The Directorate of Economic Affairs is responsible for ensuring sound macroeconomic parameters that place the country on a positive economic growth trajectory.

Major Macroeconomic Developments

2.1 The size of the economy increased to Shs 202.7 trillion (USD 53.7 billion) in FY2023/24, from Shs 183.0 trillion (USD 48.8 billion) in FY2022/23. In real terms, GDP grew by 6.1 % from 5.3 % the previous financial year. This was mainly on account of continued implementation of strategic government interventions geared towards expanding the private sector, an increase in oil and gas activities, better weather conditions throughout the year and good economic management.

Figure 2.1: Real GDP growth rates (annual % change)



Source: UBOS, 2023

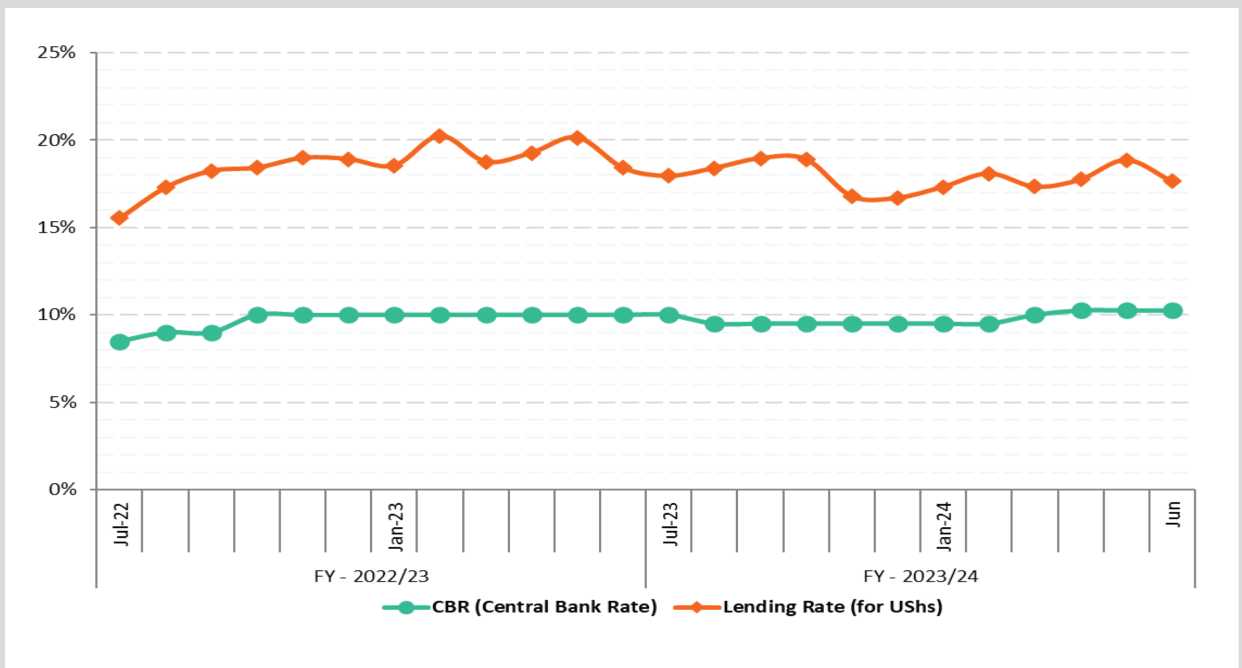
2.2 In FY2023/24, annual headline inflation declined significantly to 3.2% from 8.8% in FY2022/23, well below the Central Bank's core target rate of 5.0%. All inflation components registered a decline, with the most significant drop observed in food crops and related items (to 3.5% from 22.9%), followed by core inflation (to 3.0%, down from 7.4%) and energy, fuel and utilities inflation (to 4.8% from 9.2%).

2.3 The decline in inflation was largely attributed to lower food prices due to better weather conditions and Government interventions that boosted food supplies, a reduction in imported inflation, especially for energy products as global commodity prices eased, and the prudent monetary policy stance which moderated aggregate demand.

2.4 In terms of monetary policy, the Bank of Uganda (BOU) deployed measures in FY 2023/24 to maintain low and stable inflation, ease pressures on foreign exchange reserves and support economic growth. These included the moderate reduction in the Central Bank Rate (CBR) in the first half of the year, a decrease in vault cash ratios applied on eligible reserves for certain financial institutions and adjustments in the Cash Reserve Requirement (CRR). In August 2023, the BOU lowered the CBR to 9.5% from 10.0% in July 2023 to stimulate economic activity as the inflation outlook at the time was benign.

2.5 Consequently, the commercial bank lending rates declined to an average of 17.89% in FY2023/24 compared to 18.56% registered in FY2022/23. This supported a steady growth of 7.3% in private sector credit, reflecting resilience within the sector.

Figure 2.2: Movements in the Central Bank Rate and Commercial Banks' Lending Rate



Source: Bank of Uganda

2.6 During FY2023/24, the Uganda shilling depreciated by 0.7%, to an average midrate of Shs 3,778.5/USD from Shs 3,752.5/USD in FY2022/23. This was largely due to offshore fund outflows following Kenya's issuance of a USD 1.5 billion bond on the international market at a high yield of 10.375%. However, the shilling regained strength in the fourth quarter of FY2023/24, boosted by increased inflows from coffee exports, remittances, tourism, and foreign direct investments (FDIs) in the oil and gas sector.

2.7 The merchandise trade deficit narrowed during the period under review, as the increase in export receipts more than offset the increase in the import bill. Export receipts increased by USD 2,489.53 million to USD 7,941.1 million while the import bill increased by USD 1,918.26 million to USD 11,078.1 million. The merchandise trade deficit was recorded at USD 2,841.87 million in FY2023/24, lower than the deficit of USD 3,413.14 million recorded the previous financial year. The decline in the merchandise trade deficit was largely due to Government's efforts to diversify the export base and boost competitiveness through strategies such as: the establishment of export promotion zones and industrial parks; the promotion of agro-processing and value addition; the provision of export credit facilities and insurance through institutions like the Uganda Development Bank (UDB); and the expansion of trade markets beyond East Africa.

2.8 Developments in the external sector resulted in an overall balance of payments deficit of USD 995.27 million in FY2023/24, compared to a deficit of USD 50.45 million in the FY2022/23. This was partly attributed to a deterioration in the current account deficit to USD 4,150.54 million in FY2023/24 from USD 3,859.70 million in FY2022/23. In addition, the deterioration in the balance of payments position was attributed to the net capital outflow of USD 341.93 for portfolio investments on account of higher interest rates in advanced economies, which prompted investors to shift their investments.

2.9 The stock of total public debt amounted to USD 25.6 billion as at end of FY2023/24, of which USD 14.6 billion was external and USD 10.96 billion was domestic. This translated into a nominal debt-to-GDP ratio of 46.8%, which is below the limit of 52.4% for FY2023/24 in the Charter for Fiscal Responsibility. Debt is projected to remain sustainable over the medium and long term, majorly supported by robust GDP growth and a general reduction in borrowing following the realization of oil revenues in the medium to long term, coupled with enhanced domestic revenue mobilization efforts.

2.10 In FY2023/24, total Government expenditure was lower than planned by 4.1%, mainly due to externally financed development projects which performed at only 50.4% of their budget during the financial year. Concurrently, the fiscal year's revenues and grants fell short of the target by 12.0%. Specifically, revenue and grants were short of their respective targets for the year by 6.3% and 67.0%, respectively. Ultimately, fiscal operations in FY2023/24 resulted in an overall fiscal deficit of Shs 9,486.99 billion, equivalent to 4.7% of GDP. While this deficit was greater than anticipated, it was an improvement from the 5.5% of GDP observed in FY2022/23. This progression underscores the Government's ongoing efforts towards fiscal consolidation. The slightly higher than planned deficit for the financial year was due to two factors:

i. Higher than budgeted expenditure (supplementary budgets) on recurrent items such as wage, non-wage recurrent, domestic arrears payments and interest payments; and
ii. Lower than anticipated revenues and grants which were less by Shs 3,930.32 billion.

Achievements in FY2023/24

2.11 The Directorate of Economic Affairs, through the Macroeconomic Policy Department (MEPD, is responsible for ensuring sound macroeconomic management through the use of coherent and well-coordinated fiscal and monetary policies to accelerate inclusive and green economic growth, minimize the impact of economic shocks, and uphold macroeconomic stability and debt sustainability. In FY2023/24, MEPD was able to coordinate/deliver the following critical outputs:

a) Concluded the three-year International Monetary Fund (IMF) Extended Credit Facility-backed Economic Program. This programme was adopted in June 2021 with the aim of aiding the country's efforts to recover from the economic effects of the COVID-19 pandemic. The support under the Extended Credit Facility offered by the IMF for the programme was supposed to be SDR 722 million (200% of quota or about USD 1 billion). However, only USD 870 million was disbursed after five successful reviews. The sixth and final review was not successfully concluded owing to failure to meet some targets on fiscal deficit, tax ceiling etc. The key reforms under this programme included: focusing on creating fiscal space for priority social spending; preserving debt sustainability; strengthening governance and reducing corruption; and enhancing the monetary and financial sector frameworks. Ultimately, the following were achieved under the program: fiscal consolidation; governance reforms; financial sector strengthening; financial inclusion; education sector support; and increased social protection.

b) The Ministry, in partnership with the International Growth Centre (IGC), held the Seventh Annual Economic Growth Forum (EGF) to inform the Budget Strategy for FY2024/25. The theme for the seventh edition of the forum is 'Strengthening Uganda's Competitiveness to Foster Accelerated Economic Growth'. EGF discussions focused on DRM, boosting exports and firm productivity, climate change and growth, as well as technology as a driver of productivity and growth.
c) MEPD led the Directorate with regard to the implementation of the East African Monetary Union (EAMU) Protocol. Specifically, strides have been made in fiscal and monetary policy harmonization for the EAMU as highlighted below:

i. A Framework for Monitoring the EAMU Roadmap was developed to ensure bi-annual updates on progress, risk identification, and mitigation strategies. In addition, all Partner States were required to produce a Medium-Term Convergence Program (MTCP) to facilitate the attainment of the roadmap. In this regard, Uganda's MTCP was developed and presented to the EAC Secretariat in January 2024.

ii. Partner States are steadily progressing towards the EAC Monetary Union's (EAMU) Macroeconomic Convergence Criteria, aimed at fostering sound national economic policies by 2028. These include maintaining headline inflation below 8%, foreign exchange reserves covering 4.5 months of imports, a fiscal deficit ceiling of 3% of GDP (including grants), and gross public debt capped at 50% of GDP in net present value (NPV) terms. In 2023, the United Republic of Tanzania and the Republic of Kenya met the inflation and foreign reserve targets, while the United Republic of Tanzania, the Republic of South Sudan, the Republic of Rwanda, and the Republic of Uganda achieved the debt-to-GDP target. However, no Partner State met the fiscal deficit criterion, mainly on account of the need to bridge the infrastructure gap.

iii. Operationalization of the East African Payment System (EAPS): Partner States are making steady progress towards the operationalization of the EAPS. The value processed through the EAPS grew significantly to approximately USD 2 billion in 2023, doubling from less than USD 1 billion in 2022. However, the uptake of the EAPS remains limited due to its restricted coverage, focusing solely on large-value transactions.

iv. Harmonization of regional statistics: Statistical capacity building, including postgraduate support for statisticians, was prioritized. The East African Community (EAC) also updated its data portal to provide accessible, harmonized regional statistics.

d) To facilitate the production of Government Finance Statistics, the Directorate led the following:

i. Produced high-frequency Government finance statistics in line with the GFSM2014 Framework that facilitated the preparation of monthly economic performance reports and the annual fiscal performance report for the period under review.

ii. Used the quarterly-in-year project profile tool to determine the quarterly fiscal profile for FY2023/24 and FY2024/25. The results from the tool were used to inform the quantitative performance targets in the IMF programme with Government. The results are also used to inform the quarterly cash flow plan.

iii. Coordinated production of a Public Sector Institutional Unit Table for FY2023/24. It is on this basis that the Government Finance Statistics and Public Sector Debt Statistics for FY2023/24 are being collected, compiled and consolidated for the public sector.

Outlook for FY 2024/25

2.12 The economy is expected to grow at 6.4% in FY2024/25 and 7.0% in FY2025/26.

The key drivers of this growth include:

i. Higher production in agriculture and agro-processing supported by continued implementation of the PDM, provision of irrigation equipment and machinery, extension services, good quality seedlings and establishment of markets.

ii. Continued investment in industrial parks and free zones infrastructure like roads, railway, highways, bridges and affordable electricity, as well as the provision of affordable credit to manufacturers through the Uganda Development Bank (UDB).

iii. Increased oil and gas activities in anticipation of first oil production in FY2025/26. The oil and gas sector is expected to have backward-and-forward linkages with other sectors like manufacturing, construction, transport, real estate, tourism, the financial sector and the agricultural sector.

iv. Increased investment in tourism infrastructure and sites as well as attracting global meetings, conferences and games, which will support the expansion of the services sector.

v. Deepening of regional integration, joining of other trade blocs in Africa and the implementation of the export promotion strategy, which focuses on value addition and diversifying Uganda's exports to capture more markets.

vi. Continued inflows from FDI and remittances, which are expected to boost private investments and growth.

2.13 Over the medium term, GDP growth is projected to increase to more than 7% per annum as Government implements the tenfold growth strategy, which is focused on increasing production and productivity in agro-industrialization; tourism; minerals development, including oil and gas; and science and technology, including research and development (R&D), ICT and the creatives. While the economic outlook is positive, Government is aware of the downside risks. These risks include unpredictable weather patterns affecting agricultural production and infrastructure; supply chain distortions due to regional and global geopolitical tensions; tighter global financial conditions, leading to higher borrowing costs and debt repayment; as well as fluctuation in global commodity prices.

2.14 To mitigate these risks and support economic growth, the following measures are being taken:

a. Government aims to boost household incomes and small and medium enterprises (SMEs) through initiatives such as the PDM, which focuses on improving agricultural productivity, promoting rural industrialization, and enhancing access to financial services for small-scale businesses.

b. To ensure debt sustainability and prioritize development priorities, Government is focused on fiscal consolidation and increasing revenue mobilization through effective implementation of the Domestic Revenue Mobilization Strategy (DRMS) and expenditure rationalization.

c. To reduce the cost of doing business for the private sector, Government has provided affordable capital through UDB, Emyooga, the Agricultural Credit Facility (ACF) and the Small Business Recovery Fund (SBRF) to large, medium, small, and micro enterprises, respectively.

d. Continued investment in infrastructure like roads, railway, industrial parks and cheaper electricity to support economic activity.

e. Government is also focused on improving early warning systems about the weather to support farmers and policymakers.

CHAPTER THREE: DOMESTIC REVENUE MOBILIZATION

Overview

3.0 The Directorate of Economic Affairs is responsible for initiating and guiding tax policy formulation in order to raise domestic revenues to finance development spending. In addition, the Directorate provides technical oversight over URA in their mandate to ensure efficient tax administration and the achievement of revenue targets set in annual budgets.

3.1 In line with the Domestic Revenue Mobilization Strategy (DRMS), Government continued to focus its efforts on the strategic objectives of increasing domestic revenue to 18% of GDP over the medium term and improving effectiveness of fiscal incentives to support industrialization and the development of domestic value chains. The Directorate guided tax policy management as follows:

Tax Policy Measures

3.2 Government introduced new taxes in FY2023/34 in order to facilitate speedy recovery of the economy and ensure stability and certainty of the tax regime which is critical for decision making:

i. Introduced a zero rental income tax rate for individuals who earn annual rental income not exceeding Shs 2,820,000 and a rate of 12% of rental income exceeding that amount;

ii. Repealed the exemption on VAT on imported services used in the provision of an exempt supply to encourage businesses to use local suppliers of services such as ICT services; and

iii. Introduced penalties for failure to adhere to Electronic Fiscal Receipting and Invoicing Solution (EFRIS) and digital tax stamps (under the Tax Procedures Code).

Domestic Revenue Performance

3.3 The net revenue projection for FY2023/24 was Shs 29,671.98 billion, of which tax was Shs 27,423.87 billion, and non-tax revenue (NTR) was Shs 2,248.11 billion. This projection translated into nominal growth in revenues of Shs 4,104.52 billion (13.83%) compared to actual revenue collections of Shs 25,567.46 billion realized in FY2022/23. The assumptions underlying this projection were:

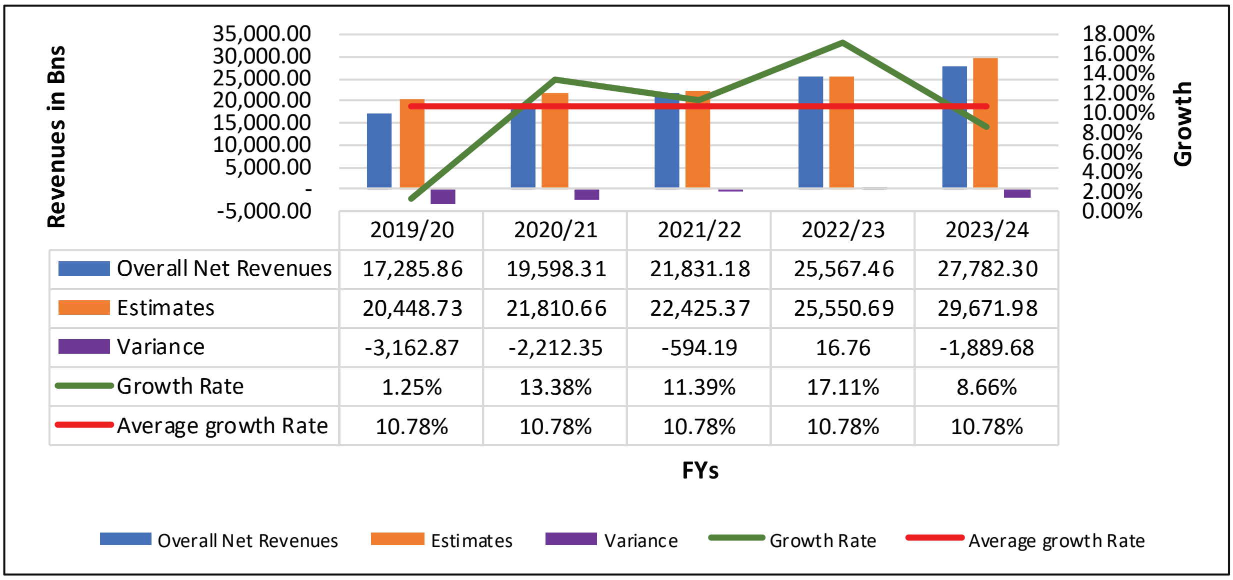
1) The base-projected revenue collections for FY2022/23 of Shs 25,567.46 billion;

2) Revenue gains from improvements in levels of economic activity (buoyancy) of Shs 2,465.62 billion; and

3) Revenue gains from tax policy and tax administration revenue enhancement measures of Shs 1,638.90 billion.

3.4 Net actual revenue collections for FY2023/24 amounted to Shs 27,782.30 billion, reflecting a shortfall of Shs 1,889.68 billion. Despite the shortfall, revenue collections grew by 8.66% (Shs 2,214.84 billion) compared to FY2022/23. This growth rate is lower than the average growth rate of 10.78% for the last four financial years, as shown in Figure 3.1 below.

Figure 3.1: Revenue performance for FY2019/20 – FY2023/24 (Shs bn)



	2019/20	2020/21	2021/22	2022/23	2023/24
Overall Net Revenues	17,285.86	19,598.31	21,831.18	25,567.46	27,782.30
Estimates	20,448.73	21,810.66	22,425.37	25,550.69	29,671.98
Variance	-3,162.87	-2,212.35	-594.19	16.76	-1,889.68
Growth Rate	1.25%	13.38%	11.39%	17.11%	8.66%
Average growth Rate	10.78%	10.78%	10.78%	10.78%	10.78%

Source: Tax Policy Department, MFPED

3.5 The above performance indicates that only taxes on income registered a surplus during the period under review. Despite the shortfalls in all the other revenue categories, growth was registered in all the revenue categories compared to the same period in FY2022/23.

Table 3.1: Revenue performance summary for FY2023/24

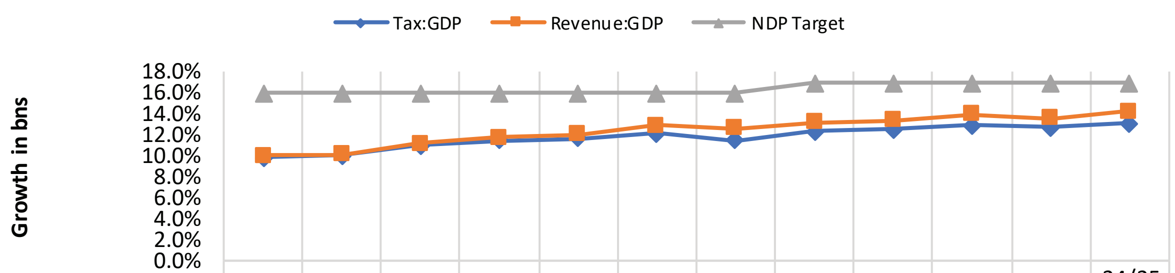
	Budget 2023/24	Actual 23/24	Variance	Year-to-Year Increase	% Change 23/24 vs 22/23
Overall net revenue	29,671.98	27,782.30	(1,889.68)	2,214.84	8.66%
Net URA revenue	29,218.98	27,147.89	(2,071.09)	2,021.61	8.05%
Net URA tax revenue	27,423.87	25,719.59	(1,704.28)	1,986.60	8.37%
Gross revenues	30,309.16	28,419.57	(1,889.59)	2,309.11	8.84%
Income taxes	9,653.02	10,077.55	424.53	1,120.12	12.50%
Net consumption taxes	6,871.09	6,078.80	(792.30)	641.98	11.81%
Trade taxes	10,853.37	9,553.63	(1,299.75)	226.98	2.43%
Stamp duty & embossing fees	126.01	121.01	(4.99)	9.38	8.40%
NTR	2,248.11	2,062.71	(185.40)	228.25	12.44%
Tax refunds	(637.18)	(637.27)	(0.09)	(94.27)	17.36%

Source: Tax Policy Department, MFPED

Uganda's Revenue Effort

3.6 The Government of Uganda aimed to increase the domestic revenue effort to 14.3% of GDP in FY2023/24 from 13.8% of GDP registered in FY2022/23, in line with the revenue objectives as envisaged in the medium-term DRMS and the NDP III. However, Uganda's revenue effort remained below the NDP III's target with a positive trajectory, averaging 11.5%, in the past decade, as shown in Figure 3.2.

Figure 3.2: Uganda's revenue effort FY2013/14 – FY2023/24



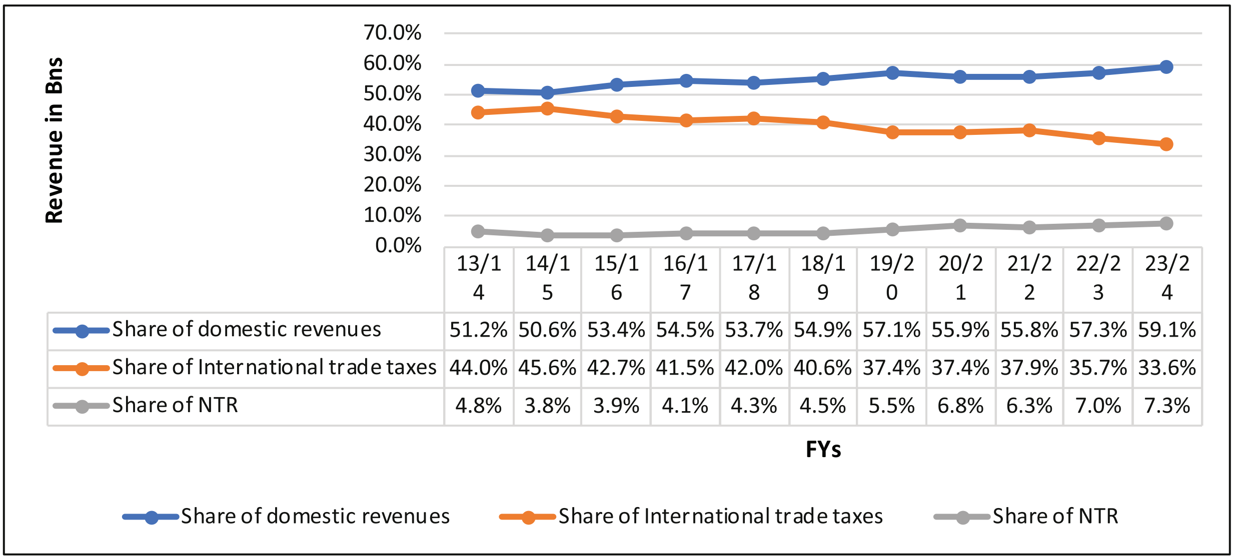
	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25 proj
Tax:GDP	9.8%	10.0%	11.0%	11.5%	11.7%	12.1%	11.5%	12.4%	12.6%	13.0%	12.7%	13.1%
Revenue:GDP	10.0%	10.2%	11.2%	11.8%	12.0%	12.9%	12.6%	13.2%	13.4%	14.0%	13.6%	14.3%
NDP Target	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	17.0%	17.0%	17.0%	17.0%	17.0%

FYs

Source: Tax Policy Department

3.7 Uganda's reliance on domestic taxes continued to manifest in FY2023/24. The share of domestic taxes (both direct and indirect) to total revenues has increased from 55.9% in FY2020/21 to 59.1% in FY2023/24. The share of NTR to total revenues has also increased from 6.9% to 7.3% over the same period. Details are shown in Figure 3.3 below.

Figure 3.3: Percentage share of revenue source (FY2013/14 – FY2023/24)



	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Share of domestic revenues	51.2%	50.6%	53.4%	54.5%	53.7%	54.9%	57.1%	55.9%	55.8%	57.3%	59.1%
Share of International trade taxes	44.0%	45.6%	42.7%	41.5%	42.0%	40.6%	37.4%	37.4%	37.9%	35.7%	33.6%
Share of NTR	4.8%	3.8%	3.9%	4.1%	4.3%	4.5%	5.5%	6.8%	6.3%	7.0%	7.3%

Source: Tax Policy Department

3.8 The share of international trade taxes to total revenue has reduced from 44.0% in FY2013/14 to 33.6% in FY2023/24, emphasizing the decreasing importance of customs as a source of revenue but as a regional trade facilitation instrument due to globalization. Uganda subscribes to several trade facilitation initiatives, such as the EAC Customs Union, the Common Market for Eastern and Southern Africa (COMESA), the Tripartite, and the African Continental Free Trade Area (AfCFTA). This means that all goods originating from the Member/Partner States are imported to Uganda at either 0% import duty or at reduced import duty rates, hence reduced tax revenue outcomes.

Performance of Revenue Enhancement Measures

3.9 Revenue yields from revenue enhancement measures for FY2023/24 amounted to Shs,158.09 billion against a projection of Shs 1,638.90 billion, of which tax administration measures accounted for Shs 1,741.56 billion, and tax policy measures accounted for a loss of Shs 583.47 billion. The revenue loss registered under tax policy measures results from the implementation of Government's policy of import substitution and export promotion through the stay of application of the common external tariff and the duty remission scheme.

Efficiency in Tax Administration

3.10 During the period under review, the following are some of the key performance indicators of tax administration efficiency that were assessed:

i. Taxpayer register: During the FY2023/24, 1,022,940 new taxpayers were mobilized and added to the taxpayer register, as compared to the same period in FY2022/23, translating into a growth rate of 29.22% against a targeted of 17%.

Table 3.2: Growth in the taxpayer register during FY2023/24

Tax registration type	As at 1st July 2023	As at 30th June 2024	Increase/ Decrease
Non - individual	194,143	216,947	22,804
Individual	3,306,151	4,306,287	1,000,136
Total	3,500,294	4,523,234	1,022,940

Source: URA Databases

ii. Electronic Fiscal Receipting Invoicing Solution (EFRIS)

a. As of 28th June 2024, the total EFRIS register stood at 77,967 taxpayers, of whom 35,375 are VAT-registered and 42,592 are not VAT-registered.

b. EFRIS usage was 91% (25,871 taxpayers issuing against 28,369 active/ filing taxpayers).

c. EFRIS usage of non-VAT-registered persons is 41% (17,548 persons issuing e-receipts against 41,834 non-VAT-registered persons).

d. 6,829 VAT taxpayers are not registered on EFRIS (representing 19% of the VAT register). These include diplomats, diplomatic missions, and public international organizations not required to register for EFRIS.

iii. Digital Tax Solution (DTS)

a. 1,249 sites have been registered for DTS, representing 920 manufacturers and 329 importers.

b. Revenue from DTS analysis assessments/amendments, new penal tax, and penal tax arrears were to the tune of Shs 16.17 billion during FY2023/24. In addition, enforcement operations during the period led to a recovery of Shs 20.98 billion as a consequence of 1,038 seizures.

iv. Enforcement Interventions

Customs country-wide enforcement operations during FY2023/24 resulted in a recovery of Shs 149.63 billion, which was the consequence of 20,920 seizures.

Figure 3.4: Revenue recovered from customs offences during FY2023/24

Source: URA

Other Factors That Influenced Revenue Performance

3.11 The following are the other factors that undermined revenue performance in FY2023/24:

a. Non-compliance by Government to tax obligations: Tax arrears owed to URA by the Government as of 31st May amounted to Shs 571 billion.

b. Unreliable ICT infrastructure: URA faces significant challenges due to intermittent ICT infrastructure. This instability in the technological systems is critically undermining the efficiency and effectiveness of revenue collection. Frequent downtimes and disruptions in digital services hinder the timely processing of tax filings, payments, and other essential operations.

c. High staff turnover: URA lost 122 officers in FY2023/24, and these have not been replaced. This high staff turnover indicates employee dissatisfaction, better opportunities elsewhere, or dismissal of indiscipline cases.

d. Technical capacity in specialized areas: URA still suffers from capacity constraints in specialized areas such as international tax, audit, IT etc. Despite URA's deliberate effort to build this capacity, it still undermines revenue generation.

e. Low taxpaying morale: This is mainly due to poor service delivery.

f. Informal nature of Uganda's economy: Government regulatory failure implies that many economic activities and transactions are undertaken out of Government's sight, which undermines the ability of URA to enforce compliance.

g. Riots in Kenya: The demonstrations in Kenya, which is a route to the majority of Uganda's imports and exports, disrupted trade and led to potential loss, especially in customs revenues.

Revenue Strategy for FY2024/25

3.12 The revenue target for FY2024/25 is Shs 31,981.92 billion. This projection indicates an increase in revenues of 15.12% (Shs 4,199.62 billion) compared to the actual revenue of Shs 27,782.30 billion registered in FY2023/24. This projection translates into a revenue effort of 14.3% of GPD.

3.13 To achieve the revenue projection for FY 2024/25, Government will implement tax policy and tax administration measures aimed at improving revenue outcomes. Government made modest adjustments to tax laws to raise additional revenue of Shs 1,479.68 billion for financing the budget for FY2024/25. These include:

i. Imposition of excise duty on powdered beer at Shs 1,000 per kilogram.

ii. Imposition of excise duty at a rate of 0.5% of the value of withdrawals of money from platforms other than mobile money except withdrawals from agent banking or banking halls.

iii. Increase in excise duty on petrol and diesel by Shs 100 per litre.

iv. Imposition of excise duty on adhesives, grout, white cement and lime.

v. Imposition of VAT on the provision of taxable goods/services by an employer to an employee.

vi. Extension of the waiver of penalties and interest on arrears outstanding by June 2023 to encourage voluntary compliance.

vii. Imposition of a 10% withholding tax on commission paid to the banking agents and fintech agents (payment service providers).

3.14 In addition to the above tax policy reforms, URA will implement the following tax administration measures:

i. Expanding URA presence and coverage by opening up five liaison offices;

ii. Strengthening use of EFRIS and digital tax stamps and the rental tax solution;

iii. Strengthening the exchange of information with other tax authorities to combat illicit financial flows and under-declarations; and

iv. Strengthening enforcement interventions.

CHAPTER FOUR: DEVELOPMENT POLICY ANALYTICS AND ADVISORY

Overview

4.0 The Development Policy Analysis and Advisory function, under the Directorate of Economic Affairs, generates and manages knowledge products for effective formulation, implementation and communication of Uganda's Economic Development Policy. In so doing, it has a threefold objective:

i. To foster a relevant and responsive national economic development policy agenda for superior economic outcomes;

ii. To strengthen alignment between national development priorities and public investment objectives for sustainable development outcomes; and

iii. To promote a conducive investment climate and business environment for a competitive national economy and private investment

4.1 In FY2023/24, the Directorate implemented a number of reforms and spearheaded a range of knowledge management processes and stakeholder engagements on Economic Policy and Strategic Management. These were aimed at fostering competitiveness and sustainable growth. Economic Policy and Strategy Management covers aspects of Microeconomic Management; Private Sector Competitiveness; and Development Policy and Research. In accordance with these aspects, the following key milestones were achieved:

Microeconomic Management

4.1.1 Public Investment Management: As Chair of the Sub-Development Committee (DC), the Directorate provided strategic guidance on the identification and appraisal of projects for the Public Investment Plan (PIP). During the review, the PIP had 358 projects with a total value of Shs 87,111 billion, of which 99 were externally funded and 131 were retooling projects. The review process resulted in the following:

a) 62% of the projects in the PIP (221 projects), valued at Shs 7,243.10 billion, were established to be on track and retained in the PIP.

b) 42% of the projects, valued at Shs 2,473.21 billion, were extended on account of existing contractual obligations and the defects liability period.

c) 46% of the projects in the PIP were exited on account of project completion and expiration of the project life. These were valued at Shs 1,385.06 billion.

d) 10% of the projects were downgraded due to low funding and unprepared project implementation. These are valued at Shs 51.96 billion. The review of these projects contributes to addressing the challenges to improve project identification, preparation and execution for improved service delivery and economic growth outcomes.

1.1.1 Programme Spending and Service Delivery: The Directorate prepared a Programme Spending and Service Delivery (PSSD) matrix for FY2022/23. The PSSD matrix tracks the performance of major socio-economic indicators in the realization of the interventions in the NDP III. Below is the summary of performance:

a) Budget expenditure showed strong performance in FY2022/23, with overall absorption reaching up to 90% of the Budget releases. Nonetheless, the fiscal space has been contracting, leading to lower budget releases on average. This in line with Government's fiscal consolidation stance.

b) Programme allocations under NDP III were notably inadequate, with most programmes operating at below 20% of their projected costs. This shortfall was due to global crises such as the COVID-19 pandemic and geopolitical tensions, including the Russia-Ukraine war, which disrupted global supply chains and caused significant revenue shortfalls.

1.1.2 Industrial Transformation and Employment (INVITE): The Directorate continued to play its national coordination role through the provision of technical support to the project. In FY2023/24, the Directorate ensured that the project became effective, supported the establishment of the INVITE Trust, serviced a World Bank Mission in March 2024, supported Private Sector Foundation Uganda (PSFU) in the recruitment process of staff for MFPED, the INVITE Trust and the Investment Committee members, and reviewed Project Operations Manuals in a bid to fulfil the project's disbursement conditions, among others.

1.1.3 Zonal Analytics and Policy Advisory (ZAPA): The Directorate prepared the formulation of 15 sub-regional economic planning and public investment frameworks that detail the competitive advantage, growth potential areas, demographics and public investment profiles of the respective sub-regions.

1.1.4 Factor Employment and Structural Transformation Factsheet (FEST 2022). The Directorate prepared the FEST 2022 with a focus on entrepreneurship. The main objective of the FEST 2022 was to provide an assessment of the state of entrepreneurship (business enterprises) in Uganda.

1.1.5 Updated the National Standards Indicator Framework: The Directorate reviewed and validated 65 out of 176 data profiles of Service Delivery Indicators for Local Governments. These data profiles have been uploaded on the Development Policy and Performace portal for public consumption and for informed planning. The Directorate also collected data on the Service Delivery Indicators for the Central Government for all the 18 sectors.

Private Sector Competitiveness

1.1.6 In liaison with other Ministries, Departments and Agencies (MDAs) and industry players, the Directorate promoted trade and investment performance and prospects as follows:

a) Industrial Infrastructure: The Directorate participated in the launch of the Guidelines for developing Uganda's industrial parks and free zones in May 2024. The Guidelines will contribute to the implementation of the National Industrial Policy 2020, NDPIII and Vision 2040 through supporting the development and management of industrial parks and free zones. These Guidelines also seek to incorporate social and environmental sustainability principles and give modalities of designing new green parks (greenfields) and transitioning non-green parks to green parks (brownfields). In addition, the Directorate continued providing leadership under the Project Steering Committee of the Infrastructure Development Project for Kampala Industrial and Business Park, Namanve. The construction works stood at about 50% completion rate.

1.1.7 Investment Missions and Investor Relations: The Directorate facilitated several inbound and outbound missions and summits that have significantly resulted in the growth of FDI and remittances. These include the Non-Aligned Movement (NAM), the Group of 77 plus China (G77+ China), the Uganda-EU Business Forum, the Uganda-UAE Business Forum, the Uganda-Algeria Joint Permanent Commission (JPC) and business forum, as well as the Uganda-DRC and South Africa JPCs. As part of the outcome of missions, H.E. the President inaugurated the 'Uganda Connect' Trade Hub in Belgrade, Serbia. This platform strengthens bilateral ties with Serbia and facilitates access for Ugandan products to the Balkans region.

1.1.8 Implementation of the Free Zones Act, 2014. The Directorate coordinated the following:

a) Declaration of Free Zones: Evaluated proposals from the Uganda Free Zones Authority (UFZA), resulting in the declaration of five new private free zones, three of which are already licensed. This expansion brought the total number of free zones to 41, covering various sectors. Out of the 41 free zones, 37% are involved in agro-processing, 20% in manufacturing, and 27% in primary agriculture, with horticulture being the predominant activity. The newly declared zones are projected to attract investments valued at USD 33.7 million and create 626 jobs.

b) Development of Public Free Zones: In line with the Free Zone Strategic Plan 2020-2025, the Directorate monitored the construction at the Entebbe International Airport Free Zone, which progressed significantly to phase 1, involving civil works for three production units, was completed, while Phase 2 reached 62% completion, with a time progress of 52%. Additionally, the four-storey trade house achieved 60% completion, with most civil works finalized and roofing in progress. Final stages involve various fixtures and fittings. Once operational, the zone is expected to generate annual NTR of Shs 7.22 billion through rental income, licence fees, and other administrative charges, attract private investments worth USD13.4 million in its first year, create over 200 direct and 600 indirect jobs, and boost export earnings by more than USD 4.02 million annually.

1.1.9 Streamlining the Legal and Regulatory Framework. The Directorate coordinated the following:

a) Approval of the Competition Bill: The Competition Bill was approved by Parliament and signed by H.E. the President in February 2024. To operationalize the Competition Act, 2023, Government has advanced the development of regulations addressing both horizontal and vertical concerns, such as the monopolization of distribution channels by manufacturers. The Competition Act, 2023, aims to:

i. Establish the Competition Commission, tasked with monitoring and investigating anti-competitive and unfair business practices and agreements.
ii. Prevent abuse of dominant market positions to protect consumers and ensure fair competition.
iii. Regulate the behaviour of firms with significant market power, including processes for mergers, acquisitions, and joint ventures.

Development Policy and Research

1.1.7 Strategies for Growing the Economy Tenfold: The Directorate led the preparation of a paper on growing the economy tenfold in a transformative, inclusive and sustainable manner. The strategy highlights four anchor sectors: Agro-Industrialization, Tourism Development, Mineral Development, including oil and gas, and Science Technology and Innovation (STI), including ICT and the Creative Industry (ATMS). The strategy aims to grow the economy tenfold from about USD50 billion in FY2022/23 to USD500 billion in the next 15 years. The paper formed the basis for the preparation of NDP IV.

1.1.8 NDP IV Preparation: The Directorate participated in the development of the strategic direction of the Fourth National Development Plan (NDP IV). This is the first of the three five-year NDPs required to implement the strategies for growing the economy tenfold by 2040 aspirations. The NDP IV will focus on addressing the persistent implementation challenges to support value addition and on doubling the size of the economy.

1.1.9 Programme-based Planning and Budgeting: The Directorate participated in the preparation of Programme Implementation Performance Reports for FY2022/23 for the Development Plan Implementation (DPI) and the Private Sector Development (PSD) programmes.

1.1.10 National Policy Research Agenda and Cabinet Forward Agenda for FY2024/25: The Directorate coordinated the preparation and implementation of the Ministry's priority policy research areas as input to the National Policy Research Agenda for FY2024/25 aimed at advancing the National Economic Policy to inform the strategic decisions of the Ministry.

1.1.11 Development Cooperation: The Directorate coordinated the Ministry's participation in regional and international engagements aimed at presenting Uganda's development interests. This is in line with the NDP III, which identifies development cooperation as a key requirement to prioritize efforts aimed at identifying Uganda's market opportunities in global and regional protocols such as EAC, the AfCFTA, and the UN Frameworks, among others. These engagements include;

i. United Nations High-Level Political Forum (HLPF) on sustainable development held between 10th-20th July 2023. New York, USA

ii. Annual Meeting for National Focal Points of the Least Developed Countries between 11th - 12th July, 2023 in New York, USA; and

iii. Non-Aligned Movement (NAM) And G77 Summits, held 19 – 20 January, 2024 Kampala, Uganda

1.1.12 Development Communication: The Directorate managed the Ministry knowledge and communication content on development policy and performance using weekly and quarterly updates on the Development Policy and Performance (DPP) portal. A total of 85 knowledge products and updates were shared with stakeholders and other users of the portal. This can be accessed through the link: https://development.finance.go.ug/

1.1.13 The Background to the Budget (BTTB) FY2024/25: The Directorate produced and published the BTTB, which provides an analysis of the economic performance of Government's macroeconomic and fiscal policy objectives. It further details an account of the factors that have influenced key budgetary decisions during FY2023/24 and the outlook for FY2024/25.

This can be accessed through the link: https://www.finance.go.ug/publications/background-budget-fiscal-year-202324

1.1.14 Annual Economic Performance Report FY 2022/23: The Directorate prepared the report, which provides an account of the country's macroeconomic and socio-economic performance over the NDP series. It further details key interventions undertaken to achieve the set macroeconomic and microeconomic annual targets. This can be accessed through the link: https://www.finance.go.ug/reports/annual-economic-performance-report-fy-202223

1.1.15 Management Notes: The Directorate prepared three Management Notes[1] to strengthen development policy implementation, reform as well as enhance competitiveness.

1.1.16 Research: The Directorate produced two research reports themed: 1) Food System Profile-Uganda: Catalysing the sustainable and inclusive transformation of food systems; and 2) Actionable Tax Compliance in Uganda: Lessons from other countries, 03 user friendly products published to guide policymakers.

Outlook for FY2024/25

1.1 The Directorate will continue generating and managing knowledge for effective formulation, implementation and communication of Uganda's Economic Development Policy. Economic Policy Management will aim at facilitating competitiveness and sustainable growth. Specific strategic priorities include the following:

a) NDP IV Preparation: The NDP III will expire in FY2024/25 and this Ministry, through the Economic Affairs Directorate, will coordinate the finalization and the launch of NDP IV. It will specially prepare the NDP IV Economic Development Policy Statement aimed at highlighting the strategic direction and objectives of the Plan in the medium term.

b) Human Capital Development (HCD) and Growth Review: The Directorate will facilitate conclusion of the review of the NDP III Human Capital Development and Growth research work aimed at sharpening national effort to accelerate sustainable investments in human resource for equitable economic growth and development.

1 Development Policy Management (DPM); Employment Results and Reforms (ERR); and Private Sector Competitive

c) Policy Agenda and Legal Reforms: The Directorate will coordinate implementation of the Policy Research Agenda aimed at informing strategic national economic policy management. Key on the agenda is fast-tracking the Rationalization of Public Expenditure (RAPEX) policy reform adopted in NDP III.

d) Development Committee Business: The Directorate will chair the Development Committee to provide strategic guidance on the identification, appraisal and selection of projects for entry into the Public Investment Plan (PIP) for the FY2024/25 PIP.

e) Zonal Analytics and Policy Advisory (ZAPA): The Directorate will coordinate the update of 15 sub-regional economic planning and public investment frameworks that detail the competitive advantage, growth potential areas, demographics and public investment profiles of the respective sub-regions. This will stimulate the growth potential of the sub-regions in the growth opportunities (Agri-business, tourism, mineral development and manufacturing).

f) Development Cooperation: The Directorate will coordinate the Ministry's participation in regional and international cooperation engagements aimed at presenting Uganda's development interests. This is in line with the NDP III priority area of increasing access to regional and international markets and taking advantage of existing opportunities, through global and regional protocols to which Uganda is a signatory. These include AfCFTA, EAC, COMESA and the UN.

g) Project Oversight: In a collaborative programme between the Government of Uganda, the private sector and its development partners, the Directorate will continue to provide technical support and leadership in the implementation of the Investment for Industrial Transformation and Employment (INVITE) and Generating Growth Opportunities and Productivity for Women (GROW) Projects. These projects are aimed at creating private sector manufacturing jobs, as well as export promotion and increasing incomes across Uganda.

h) Development Communication: The Directorate will manage the Ministry knowledge and communication content development policy and performance using weekly and quarterly updates on Development Policy and Performance (DPP) through the link: https://development.finance.go.ug/8

CHAPTER FIVE: FINANCIAL INCLUSION AND DEEPENING

Overview

5.0 This chapter accounts for the measures undertaken by the Directorate of Economic Affairs to enhance access to and use of a broad range of quality and affordable financial services during FY2023/24. During FY2023/24, Government implemented numerous reforms aimed at strengthening the financial sector and increasing access to affordable financial services by underserved segments of the population. The reforms speak to Government's commitment to ensuring the economy has an inclusive and vibrant financial sector.

5.1 The performance is structured along four thematic areas: Promoting financial inclusion; Fostering financial sector stability; Ensuring access to long-term financing; and De-risking the financial sector. Summarized below are the measures coordinated by the Directorate in line with the key thematic areas set out above.

Promoting Financial Inclusion

5.2 Promoting financial inclusion in Uganda is crucial for fostering economic growth. Many Ugandans still require access to basic financial services and opportunities for saving, investing and growing businesses. Promoting financial inclusion creates a more inclusive economy. The Directorate continued to promote financial inclusion through implementing the following initiatives:

a) National Financial Inclusion Strategy (NFIS)

The NFIS II (2023-2028) was launched in November 2023 to enhance financial inclusion and to build on the progress made and lesson learnt from the NFIS I, which ended in 2022. The NFIS II reaffirms our commitment to financial inclusion in Uganda and is aligned to Uganda's broader goals of socio-economic development, including poverty reduction and economic growth.

The vision of the strategy is to create a financially inclusive economy with access to a broad range of quality affordable financial services, and the objectives are:

i. To reduce financial exclusion and access barriers to formal financial services;

ii. To deepen and broaden the usage of quality and affordable formal financial products;

iii. To strengthen financial consumer protection and financial literacy;

iv. To develop an inclusive green finance market; and

v. To promote inclusive gender finance.

b) Parish Development Model (PDM)

In line with the PDM Financial Inclusion Pillar, the Directorate coordinated and implemented the following activities in FY2023/24:

i. Parish Revolving Fund – Capitalization: In FY2023/24, 10,583 PDM SACCOs were capitalized with Shs 100 million each. Six more PDM SACCOs were to be capitalized in FY2024/25 having satisfied the capitalisation criteria.

ii. Parish Revolving Fund – Administrative Costs: Starting FY2023/24, Shs 5.297 billion was provided towards the costs of processing loans by PDM SACCOs across 10,594 parishes, with each parish receiving Shs 500,000 for this purpose. These funds were meant to be used by the PDM SACCO Loans and Executive Committees during lending activities to meet costs like photocopying, internet data, field visits and any other related activities.

iii. Sensitized Stakeholders on GoU Policy on Disbursement of PDM Funds: The key aspects in the policy include:

- A grace period for the PRF loan – 24 months.
- Loan repayment within 12 months after the grace period
- The loan amount per household – Shs 1.0 million. Interest – 6% per annum.
- Parish Revolving Fund (PRF) beneficiaries should be identified and selected through community meetings.
- PDM SACCOs to disburse funds to last-mile beneficiaries through the Wendi mobile wallet developed by GoU.
- No charges to beneficiaries relating to their loan application as Government shall pay administrative costs of Shs 500,000 per annum per PDM SACCO.
- All loan transactions must be through the PDMIS-FIS.
- Disbursement to beneficiaries must follow the criteria in Pillar 3 operational guidelines.

Table 5.1: Regional distribution of households in subsistence economy, PDM beneficiaries and SACCOs

Sub-region	HH in Subsistence Economy	PRF Beneficiaries	PDM SACCOs Tier 4 Financial Institutions	Active SACCOs Tier 4 Financial Institutions
Acholi	416,293	41,875	627	384
Karamoja	353,849	47,991	472	449
Lango	317,023	68,096	613	574
Bukedi	311,153	55,069	678	507
Busoga	294,608	65,681	760	609
Teso	259,383	90,452	854	753
Kigezi	258,849	27,566	428	240
Bunyoro	250,844	50,054	550	489
Elgon	224,692	83,222	1,266	1,045
Tooro	212,950	84,075	880	790
Ankole	196,939	24,703	872	308
Buganda North	146,770	88,566	969	861
West Nile	140,899	24,805	827	309
Buganda South	97,135	53,304	692	536
Kampala	17,612	9,502	97	96
Total	**3,499,000**	**814,961**	**10,585**	**7,950**

Source: MoFPED 2024 & UNHS 2021

iv. Disbursed funds to PDM beneficiaries through WENDI.

Figure 5.1: Disbursed funds to PDM beneficiaries through WENDI

Phase 1

In the first phase, **80%** of funds disbursed through bank accounts

In this first phase, use of bank accounts was extremely inconveniencing, expensive & laborious for PDM beneficiaries, especially in districts which have zero/low bank penetration

Phase 2

In the second phase, **62%** of funds transferred to PDM SACCOs via WENDI

Cabinet adopted use of WENDI mobile wallet in July 2023. Post Bank subsequently piloted wallet with UGX 200.5 Bn successfully disbursed to 200,542 beneficiaries by 2,420 in 83 LGs

Examples of WENDI pilot districts include Kakumiro, Bukedea, Kisoro, Wakiso, Mukono, Nakasongola, Mubende etc.

Source: Financial Services Department, MFPED

v. Community Organization: Beneficiaries in the 10,589 parishes were supported to form PDM groups and select a priority enterprise.

Figure 5.2: Community organization of PDM beneficiaries

The Pillar supported communities at 10,589 Parishes to select their preferred enterprises from the PDM priority enterprises (piggery, poultry, fruits, coffee, fish, diary, and food crops).	Enterprise Groups were formed and registered at zero cost along the lines of the selected enterprises and ultimately the groups came together to form one PDM SACCO at each of the parishes. The SACCOs are registered under the Cooperative Societies Act.
It should be noted that no PDM SACCOs were formed in the 5 parishes of Bushenyi, Kapelebyong, Otuke, Yumbe and Moroto because the administrative units have since been upgraded to sub counties.	In the FY 2023/24, the Registrar of Cooperatives guided the PDM SACCOs on the conduct of Audits and Annual General Meetings which are ongoing. This will promote good governance, community participation, transparency and accountability at the SACCO level.

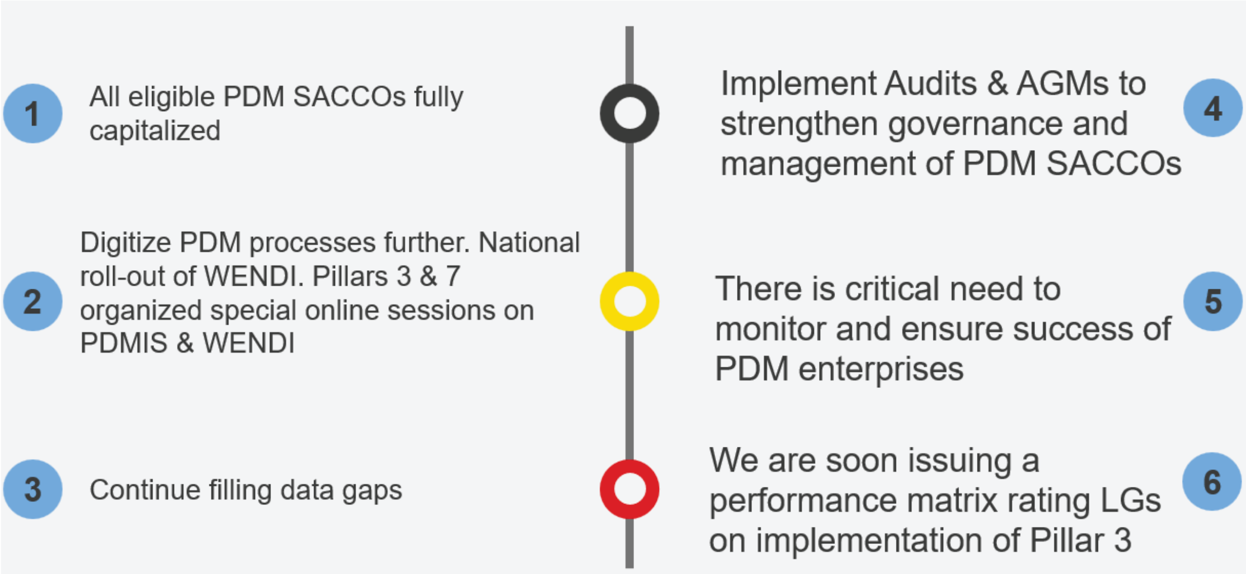
Source: Financial Services Department, MFPED

vi. Business Development Services (BDS) and Financial Literacy: The Directorate coordinated the provision of BDS and financial literacy content to the PDM Harmonized Trainers Guide developed under Pillar 5 (Community Mobilization and Mindset Change). In addition, it conducted Training of Trainers (ToTs) for PDM focal persons on advanced BDS in 7/15 regions, namely Bunyoro, Bukedi, Busoga, Elgon, Buganda, Kigezi and Ankole. In order to mitigate rampant misinformation and distortion of key messages to the SACCOs, simplified charts were developed to guide on who was eligible to be a PDM borrower and for the loan process at PDM SACCOs. These materials have been finalized and will be distributed to all the parishes.

vii. Agricultural Insurance: Section 2.5.5 of the approved Financial Inclusion Pillar Guidelines provides for agriculture insurance to protect against production risks, e.g. theft, diseases and pests, as well as natural disasters like floods and drought. The Agricultural Insurance Consortium developed a voluntary agricultural insurance product for the PDM with a premium of Shs 50,000 per policy, covering a period of 24 months. By end of the FY2023/24, 580 beneficiaries from 17 PDM SACCOs in Kiryandongo, Hoima and Bukomansimbi had already taken up the product.

viii. Going forward, the Directorate will undertake the following to ensure sustainability of the PDM programme.

Figure 5.3: Way forward for PDM in FY2024/25



Source: Financial Services Department, MFPED

c) Emyooga

In FY2023/24, the Directorate supervised and monitored the Microfinance Support Centre (MSC), which is the lead implementing agency of the programme. As of 30th June 2024, MFPED undertook the following:

i. Cumulatively, made available Shs 553.23 billion to the MSC to capitalize Emyooga SACCOs as shown below:

Table 5.2: Capitalization of Emyooga SACCOs from FY 2019/20 to FY2023/24

Financial Year	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Total
Amount Ug. Billions	30	213.2	100	100	110	553.2

Source: Financial Services Department, MFPED

ii. Internally mobilized savings from Emyooga SACCOs to the tune of Shs 85.5 billion. This increased the capacity of the Emyooga SACCOs to extend credit to its members. The MSC had disbursed Shs 281.26 billion directly to the bank accounts of 6,810 constituency Emyooga SACCOs. In addition, Shs 102 billion has been received by SACCOs as repayment and interest by members. The reflows form part of the revolving fund for members to borrow. Government approved Shs 100 billion for FY2024/25, of which Shs 20 billion has been earmarked for block disbursement to designated teachers' SACCOs.

Table 5.3: Performance of Emyooga SACCOs per region as at June 2024

Region	No. of SACCOs Capitalized	No. of Active Associations	Seed capital (UShs – Bn)	Amount of Savings (UShs – Bn)	Reflows made (UShs – Bn)
Central	1,906	44,867	75.76	25.47	33.7
Western	1,679	46,414	72.58	25.96	34.6
Eastern	1,785	27,486	73.45	18.87	17.4
Northern	1,440	16,672	59.48	15.2	16.6
Total	**6,810**	**135,439**	**281.26**	**85.5**	**102.3**

Source: Financial Services Department, MFPED

iii. To ensure proper utilisation of funds, the MSC has conducted the following training, capacity building and business advisory services:

- Deployed 54 client relationship advisors countrywide, to continuously provide technical assistance to Emyooga SACCOs.
- Developed a capacity building and business advisory services programme. As of 30th June 2024, 313 Community-Based Trainers (CBTs) across the country had undergone a ToT training in SACCO governance, credit management, resource mobilization, and basic bookkeeping. They were deployed to continuously provide support to Emyooga SACCOs and parish-based groups.
- A total of 2,809 Local Government Officers (DCOs and DCDOs) underwent ToT. ToTs have supported the district Emyooga taskforces to plan, organize, conduct and monitor the quality of training for the beneficiaries and Emyooga SACCOs.
- 1,879,340 leaders of associations and 46,944 SACCO leaders from the registered Emyooga SACCOs trained in enterprise selection, basic record-keeping, SACCO/VSLA governance, group dynamics and credit management, among others.
- Peer-to-peer learning (Emyooga exchange visits) conducted for 219 SACCOs to enhance the capacity of the Emyooga SACCOs and their members.
- Monitored and sensitized communities. This was led by the Hon. Minister of State for Finance, Planning and Economic Development (Microfinance) to assess the progress of the programme across the country. Twelve out of the 15 sub-regions have so far been monitored, including Teso, Busoga, Kigezi, Ankole, Greater Masaka, Kampala, and Wakiso. The Ministry has scheduled to support the six remaining sub-regions in the FY2024/25.

iv. Established SACCOs and associations. As of 30th June 2024, 205,710 Parish Emyooga Associations were established, comprised of 4,114,200 members. In addition, 6956 Constituency Emyooga SACCOs were established and registered by the Registrar of Cooperatives; and 141 Emyooga SACCOs were undergoing the process of registration.

d) Microfinance Support Centre Ltd (MSCL)

The Directorate continued to monitor and supervise the Microfinance Support Centre Ltd (MSCL). In FY2023/24, Government disbursed funds to the MSC as follows:

i. Shs 48.55 billion for on-lending; Shs 100 billion for Emyooga and Shs 2.676 billion for wages.

ii. The MSC provided credit financing amounting to Shs 37.133 billion to 438 client projects which were predominantly SACCOs and groups. Of these, a total of 282 client projects were supported with Shs 26.486 billion under conventional financing at an interest rate of 8%; 156 client projects were supported with Shs 10.647 billion under Islamic financing via the Local Economic Growth Support (LEGS) Project.

e) Small Business Recovery Fund (SBRF)

The SBRF was established in 2021 as a stimulus package to support small businesses that suffered financial distress arising from the effects of the COVID-19 pandemic. The scheme operates as a public-private partnership (PPP) between GoU and participating financial institutions (PFIs) that include commercial banks, micro deposit-taking institutions (MDIs) and credit institutions (CIs).

The scheme's operations are governed by a Memorandum of Agreement (MoA) where Bank of Uganda (BoU) is the fund administrator. BoU received Shs 100 billion from GoU as a fund denoted as SBRF to facilitate the provision of loans to small businesses that suffered financial distress arising from the effects of the COVID-19 pandemic. The PFIs are required to match the GoU contribution with an additional Shs 100 billion to bring the total pool of loanable funds to Shs 200 billion.

Table 5.4: Cumulative performance as of 30th June 2024

	Received	Approved	Disbursed
Applications	3,086	2,070	1,894
Funds (Shs bn)	62.4	32.4	27.5

Source: Financial Services Department, MFPED

Regarding the distribution of funds, GoU's contribution to the disbursed loans stands at Shs 13.74 billion. Of this amount, BoU has successfully recovered some loans that were due, totalling Shs 4.3 billion, by 30 June 2024. However, an outstanding amount of Shs 9.45 billion remains with the PFIs.

Since the commencement of the programme, 3,086 small enterprises have been supported across the country, categorized into five main sub-sectors. The trade and commerce sub-sector has so far been supported with Shs 18.18 billion, accounting for 66.12% of the initiative. The construction/real estate sub-sector has been supported with Shs 4.71 billion, equivalent to 17.13%. The education sub-sector has so far been facilitated under the programme with Shs 2.8 billion, representing 10.2%. The service/hospitality sector had utilized Shs 1.71 billion, accounting for 6.23%; and the health sector received Shs 90 million.

Bank of Uganda will actively undertake national wide sensitization campaigns to promote the usage and uptake of the fund so that full recovery of businesses from the COVID-19 effects is realized.

f) DREAMS Project

The Directorate participated in the development of Concept note for the Deliver Women's Economic Resilience through Enterprise and Market Systems (DREAMS) Project. The project was approved in November, 2022 and funding worth USD 4,500,000 was provided by the Bill and Melinda Gates Foundation for the implementation of the project. The project aims to strengthen the economic resilience of 340,000 women through Women Economic Empowerment (WEE) policies, enterprise growth, and accessible market systems. The project is delivered in partnership with this Ministry, the Ministry of Gender, Labour and Social Development (MGLSD), Uganda Microfinance Regulatory Authority (UMRA) and Uganda Women Entrepreneurs Association Limited (UWEAL), are collaborating with CARE International in Uganda.

In FY2023/24, the Directorate, in partnership with the Project:

i. Drafted the 1st National Savings Groups Policy (NSGP) and had consultations to review the first draft NSGs policy report.

ii. Conducted technical monitoring of the PDM financial inclusion activities (gender composition). The exercise covered a total of 140 PDM SACCOs across 11 districts and three cities.

Fostering Financial Sector Stability

5.3 Government continued to develop and implement policies, laws, strategies and interventions towards fostering financial sector stability, as discussed below:

a) Deposit protection

The Deposit Protection Fund of Uganda (DPF) is a Government Agency that provides deposit insurance to customers of deposit-taking institutions licensed by the Bank of Uganda. The DPF was established as a separate legal entity following the enactment of the Financial Institutions (Amended) Act, 2016. The maximum cover of insurance for any bank account is Shs 10 million.

Total assets of the Fund increased by Shs 255 billion to Shs 1,405 billion in FY2022/23, up from Shs 1,150 billion in FY2021/22. This growth was driven by investments in Government of Uganda treasury instruments. The Fund continued with the strategic action of laying emphasis on capital preservation and sound liquidity management. Consequently, more than 90% of the total assets were held in the form of Government of Uganda treasury bills and bonds. Total liabilities remained largely stable with a marginal increase of 3% or Shs 2 billion posted. On the other hand, total reserves increased by 23% to Shs 1,350 billion, compared to Shs 1,096 billion the previous financial year. This growth was attributed to comprehensive income worth Shs 254 billion which was earned over the year.

During the year, the banking industry continued to exhibit plausible signs of resilience despite the low overall economic growth prospects, high inflation and global dynamics. Commercial banks' aggregate assets grew by 8.3% to Shs 48.3 trillion as at end of June 2023 and the core capital adequacy ratio increased to 24.8% in June 2023. Total deposits for commercial banks grew by 4.8% to Shs 35 trillion as at June 2023.

The Fund is poised to continue building on the milestones achieved in improving internal operations and enhancing collaborations with stakeholders, both within and outside the country.

b) Uganda Microfinance Regulatory Authority (UMRA)

In a bid to promote savings, access to credit and the stability of microfinance institutions as well as enhancing consumer protection for all Ugandans, UMRA continues to license, regulate and supervise the Tier 4 segment of the financial services providers. UMRA has witnessed an increasing trend in the number of institutions that are licensed under its regulatory ambit, as shown below.

Table 5.5: UMRA-licensed institutions

FY.	2018	2019	2020	2021	2022	2023	2024
Money Lenders	190	611	755	760	1144	1180	1402
NDMFIs	49	183	197	208		208	232
SACCOs	0	25	57	125		125	161
Total	**239**	**728**	**901**	**968**	**1396**	**1513**	**1809**

*Source: UMRA, *as at July 2024*

UMRA introduced the credit information sharing system for the Tier 4 sector to support the sound and fair extension of credit as a foundation for a stable and competitive economy. The Authority also introduced the loan shop which will enable credit users to have access to credit rates and other services.

c) Financial compliance and anti-money laundering (FC/AML)

The Financial Action Taskforce (FATF) removed Uganda from the grey list at its plenary meetings held from 19th to 23rd February 2024 in Paris, France. The removal from the grey list unlocks a host of benefits for Uganda's economy. It will build investor confidence, reduce the cost of doing business and reinforce our global reputation. In line with FC/AML:

i. Uganda hosted FATF reviewers in December 2023. Subsequently, Uganda was removed from the grey list and has continued to fulfil the FATF requirements.
ii. Uganda's compliance with the proportion (%) of Mutual Evaluation Report (MER) recommendations (standards) increased from 47.5% in FY2022/23 to 63% by February 2024 (FY2023/24).
iii. Uganda's compliance with FATF policies (11 immediate outcomes) has increased significantly, with immediate outcomes improving from 68.1% in FY2022/23 to 100% in FY2023/24.
iv. A review of the proposed amendments to the AMLA, 2013 was undertaken.

In FY2024/25, we will continue coordinating the implementation of FATF standards through the UAML/CFT taskforce.

Ensuring Access to Long-term Finance

5.4 In a bid to guarantee the availability of long-term finance for long-term investments, the Directorate undertook the following:

a) Capitalization of Uganda Development Bank (UDB)

Uganda Development Bank Ltd (UDB), the country's national development finance institution, has continued enhancing its pivotal role in fostering economic resilience and sustainable growth across key sectors of the economy. The bank's net loans expanded to Shs 1.47 billion in 2023, reflecting robust support to the private sector, and has increased its loan portfolio, hence strengthening its commitment to providing affordable and patient capital to Ugandans.

In 2023, UDB disbursed Shs 610 billion to support private business growth across various sectors. The bank therefore remains committed to fostering inclusive economic growth through strategic investments in sectors that drive sustainable development and job creation across the country. The investment focus on key priority sectors underpins the Government mission to deliver high socio-economic value and inclusive sustainable development.

During the year 2023, the projects supported, upon full implementation, are expected to create 18,558 new jobs and generate an output value of Shs 11.4

trillion, from which Shs 616 billion will be generated as tax revenue and Shs 3.34 trillion in foreign exchange earnings. Additionally, the Bank implemented various institutional initiatives to expand its support to various vital sectors and address systemic growth constraints in the economy, including the following:

i. ***Access to clean water:*** Through a multi-stakeholder partnership, the Bank extended Shs 27 billion in funding to enhance water supply and improve water infrastructure, especially in scarcity-prone areas; under the programme, up to 774 km in new water mains extension were realized, 27,307 new water connections established, and 1,619 new public standpipes constructed to cater for 858 villages across the country.

ii. ***Access to electricity:*** Through a multi-stakeholder partnership, Shs 8.1 billion was deployed through the Hybrid Electricity Customer Connection Credit Framework, facilitating 38,833 new connections to the electricity grid nationwide.

iii. ***Supporting local content:*** The Bank launched a Shs150 billion funding allocation to support Ugandan contractors participating in infrastructure projects, a testament to our belief in the potential of local businesses.

iv. ***Serving the underserved segments:*** Under its Special Programmes proposition, the Bank continued to focus on expanding its support to the youth, women and SME segments – with an additional allocation (approval) of Shs 21.2 billion in 2023 and disbursement of an additional Shs 13 billion to support various enterprises across the country, demonstrating commitment to inclusivity and equality.

v. ***Capitalization of Uganda's development:*** To guarantee the availability of long-term financing for sustainable investments, Government has continued its capitalization of Uganda Development Bank to the tune of Shs 1.65 trillion as of end December 2023. In FY2024/15, Shs 82.5 billion was allocated as capitalization to the Bank and Shs 82.5 billion has been planned to enhance the capital base of the Bank in FY2025/26.

b) Capital markets

In the FY2023/24, the Directorate continued to provide supervision and support towards the development of the capital markets as a source of long-term finance for the public and the private sectors. As a result, there is continued growth of Collective Investment Schemes (CIS), with managers holding a total of Shs 1,628.6 billion in Assets under Management (AUM), among others.

i. The Directorate reviewed the CMA Act, identifying gaps requiring amendment, leading to the development and submission of a Cabinet Memorandum to Cabinet.

ii. Domestic market capitalization increased in nominal value from Shs 7,316.46 billion in FY2022/23 to Shs 10,688.68 billion (5.3% of GDP) in FY2023/24. Domestic market capitalization is measured as a percentage of GDP (signifies the wealth in the capital markets relative to the size of the economy).

iii. Total market capitalization increased in nominal value from Ushs 10,360.4 billion in FY2022/23 to Ushs 22,434.28 billion (11.1% of GDP) in FY2023/24.

iv. Collective investment schemes (Assets under Management) performed at Shs 3,078.9 billion (1.52% of GDP) and private equity stood at Shs 822.43 billion (0.41% of GDP).

v. The Directorate established the Fixed Income Committee to develop the fixed income market (secondary market).

De-risking the Financial Sector

5.5 In order to mitigate risks in the financial sector, the Directorate continued to implement various measures to minimize uncertainties in the financial sector and enhance access to finance. The measures undertaken in FY2022/23 include:

a) Insurance

The Insurance Regulatory Authority (IRA) of Uganda continued to provide regulatory oversight in a bid to maintain a financially sound, vibrant and trusted insurance sector.

i. In FY2023/24, regulations including Insurance (Minimum and Maximum) (Amendment) Regulations, 2023 were amended to operationalize the Insurance Act, 2017 further. Several other regulations are in progress at different levels, including the Microinsurance, Takaful, and the Motor Vehicle Insurance (Third Party Risks) Bill and Regulations.

ii. In the year 2023, non-life business generated Shs 932 billion in Gross written premium (GWP) up from Shs 898 billion in 2022, representing a 3.79 percentage growth in premiums. Life insurance business, on the other hand, generated Shs 611.4billion in GWP in 2023 (up from Shs 501.6 billion in 2022), representing a 21.9 percentage growth in premiums. Health membership organizations (the mono-line, facility-based medical insurance providers) generated Shs 56.3 billion, up from Shs 38.2 billion in 2022.

iii. Microinsurance companies grew at 15.57%, generating Shs 0.707 billion in 2023, up from Shs 0.611 billion in 2022. Microinsurance remains an underdeveloped but very critical segment because of its role in the provision of financial protection to vulnerable populations against unexpected events, the promotion of resilience, inclusivity, stability, and ability of the affected to recover from economic setbacks. We shall continue to explore avenues to support this strategic segment.

iv. Overall, the insurance industry saw robust growth, with total premiums raising from Shs 1,440 billion in 2022 to Shs 1,603 billion in 2023, marking an impressive 11.29% increase year-on-year. This surge reflects heightened business activities, underscoring the sector's resilience and its pivotal role in the country's economic landscape.

b) Motor Third Party (Third Party Risks)

The Insurance Regulatory Authority (IRA), working with MFPED, developed a Cabinet Memorandum on the revised principles for the review of the Motor Vehicle Insurance (Third Party Risks) Act of 1989, in line with the recommendation of the MTP Regulatory Impact Assessment, 2023. This is a step towards the process of overhauling the Vehicle Insurance (Third Party Risks) Act, Cap 214, and replacing it with the new law (the Mandatory Vehicle Insurance Act 2021). The objective of the Cabinet Memo was to seek Cabinet's approval for a comprehensive review of the Motor Vehicle Insurance (Third Party Risks) Act, 1989, so as to strengthen its provisions and ensure effective implementation, thereby enhancing road safety and protecting the public.

c) Agricultural Insurance

In FY2023/24, Government continued with the implementation of the Uganda Agricultural Insurance Scheme (UAIS). The UAIS introduced new products/ crops and animals, as highlighted in the PDM that were not being insured under the scheme. In addition, goats, forestry and sugarcane were added as being eligible enterprises for a premium subsidy, as requested by farmers during the UAIS regional sensitization campaigns. As of April 2024, a total of 798,605 farmers across the country had benefitted from agriculture insurance, as indicated in the table of KPIs below:

Table 5.6: Performance of Uganda Agriculture Insurance Scheme FY2023/24

SN	KPI	BASE Q4 of FY2020/21	TARGET FY2024/25	ACTUAL Q3 FY2023/24	FY2023/24 (%)PROGRESS
1.	Grow insured agriculture loans	Shs 900 billion	1.85 trillion	1.96 trillion	106%
2.	Increase in agriculture insurance premiums	Shs 42.9 billion	91 billion	101.9 billion	112%
3.	Increase in the number of insured farmers	65,049 farmers	500,000 farmers	798,605 farmers	160%

4.	Increase in the number of farmer interface	8.1 million farmers	18.1 million farmers	26.7 million farmers	147%

Source: Agro Consortium (U) Ltd

d) Agriculture Credit Facility (ACF)

In 2023, the Agricultural Credit Facility (ACF) saw a 61% rise in loan applications, boosting disbursements by Shs 108.1 billion to Shs 859.45 billion. Beneficiaries increased by 30%, largely due to expanded access for smallholder farmers through block allocation, significantly enhancing financial inclusion.

Funding focused on key areas: grain trade, on-farm activities, and agro-processing, which saw increases of 17.4%, 15.7% and 15.0%, respectively. Shs 89.03 billion was invested in post-harvest infrastructure, and Shs 273.45 billion supported farm machinery and expansion, aiming to reduce losses and improve productivity.

Regional distribution highlighted the Central and Western Regions as major recipients, while the Northern Region received less funding despite a higher beneficiary count. Additionally, Shs 335.63 billion was allocated to grain traders, and Shs 161.27 billion was directed towards export value addition projects, driving growth and market stability in the agricultural sector.

Outlook for FY2024/25

Government recognizes the critical role of the financial sector regarding overcoming these economic challenges and achieving Uganda's national aspiration of achieving middle-income status by 2040. This is supported by a growing body of evidence confirming the significance of financial sector development in fostering inclusive economic development.

The Directorate will continue prioritizing policy and programme initiatives aimed at:1) Increasing access to and use of financial services; 2) Increasing access to long-term finance; 3) Strengthening innovation and supporting infrastructure; and 4) Strengthening financial stability and integrity, designed to support achieving the three strategic objectives (financial services for all; financial services for markets; and financial services for growth).

CONCLUSION

Government's strategy in FY2023/24 was to restore the economy back to the medium-term growth path of 6-7% per annum, improve the competitiveness of the economy and to sustain Uganda's socio-economic transformation agenda. Uganda recorded a range of notable development gains during FY2023/24 that contributed towards the country's return to pre-COVID-19 trends in economic and social progress.

Government continued its response strategy to the economic and social challenges induced by the spill-over effects of COVID-19, and the global economic disruption occasioned by the Russia-Ukraine conflict, as well as the ongoing conflict in the Middle East. Despite this difficult global environment, the country was able to record notable development gains that contributed to progress in its socio-economic transformation and to advance its interests at the regional and global level.

National development indicators aligned to priority NDP III outcomes registered varying levels of progress. National output in FY2023/24 expanded by 6.1% compared to sub-Saharan Africa's average of 3.8%, and the global average of 2.9% projected for the year 2024. As a result of this robust growth, the size of the economy in FY2023/24 was estimated at Shs 202 trillion (USD 53.3 billion) up from Shs 184.3 trillion (USD 48.8 billion) in nominal terms in FY2022/23. There was a corresponding rise in per capita GDP in FY2023/24 to an estimated USD1,146 compared to USD 1,081 in FY2022/23 and USD1,043 in FY2021/22.

In terms of trade, the EU joins COMESA as the major trading blocs that Uganda enjoys a trade surplus with. The combined trade between Uganda and the EU reached a historic high of USD 1.59 billion in 2023, with a trade surplus of USD 144 million in favour of Uganda. The improved performance of the economy in FY2023/24 was on account of higher growth in all sectors. Services, agriculture and industry are estimated to have grown at 6.6%, 5.1% and 5.8%, respectively. In particular, growth in the services sector has been impressive, mainly driven by strong recovery in retail and wholesale trade, tourism as well as communication and real estate activities.

Uganda's economic outlook was positive and optimistic. The economy remained resilient and fully recovered from a myriad of internal and external shocks. In FY2024/25, the economy was projected to get back to Uganda's steady-state growth potential of between 6.4 and 7.0%, and in double digits over the next five years. Uganda's GDP is expected to expand to Shs 225.5 trillion (equivalent to USD 60 billion). These numbers exclude the anticipated oil and gas revenues as well as the planned interventions to grow the economy tenfold.

APPENDICES

N.o	NDP III Programmes	NDP III Cost Plan (UShs bn)				Budget Outturn (UShs bn)			
		FY2020/21	FY2021/22	FY2022/23	FY2023/24	FY2020/21[1]	FY2021/22	FY2022/23	FY2023/24
01	Integrated Transport Infrastructure & Services	8,404	8,467	11,918	11,538	5,914.52	4,435	1,313	1,072
02	Sustainable Energy Development	1,822	1,514	1,869	1,436	2,367.28	516	27	19
03	Sustainable Development of Petroleum Resources	1,337	1,146	1,441	1,168	119.57	49	831	479
04	Mineral Development	1,011	904	1,157	992	78.59	49	535	151
05	Human Capital Development	10,164	10,358	10,167	11,145	6,489.09	8,236	172	245
06	Community Mobilisation and Mindset Change	3,032	3,266	3,710	4,169	187.41	57	453	389
07	Regional Development	6,218	5,706	6,201	6,599	1,937.32	1,800	1,639	1,667
08	Private Sector Development	1,346	1,306	1,566	1,564	165.27	661	1,299	1,012
09	Manufacturing	2,392	2,440	1,793	1,863		57	5,051	3,672

10	Digital Transformation	2,392	2,440	2,717	3,208	162.90	220	194	616
11	Innovation, Technology Development & Transfer	927	978	983	1,034	276.72	486	214	181
12	Agro-industrialisation	3,942	3,438	3,431	3,361	1,333.93	1,466	8,959	8,743
13	Tourism Development	1,776	1,910	2,271	2,507	197.82	50	226	965
14	Public Sector Transformation	3,334	3,476	3,847	4,158	662	424	1,461	227
15	Governance and Security	8,020	7,464	7,978	8,654	8,676	7,996	82	47
16	Sustainable Urbanisation & Housing	1,366	1,341	1,536	1,431	118.79[2]	150	7,549	8,551
17	Natural Resources, Environment, Climate Change, Land and Water Management	2,264	2,313	2,537	2,283	1835.8	462	103	998
18	Development Plan Implementation	1,960	1,883	1,916	1,926	2,149	1,921	15,028	18,350

[1] These figures are extracted from the Approved Budget Estimates for FY2020/21

[2] The figure includes components of urban development, KCCA, Policy Planning and Support Services, Housing

Ministry of Finance, Planning
and Economic Development
Plot 2-8 Apollo Kaggwa Road
P. O. Box 8147, Kampala Uganda.
www.finance.go.ug