Weekly Edition

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UGANDA'S ECONOMIC PATH FORWARD: FY2024/25 BUDGET HIGHLIGHTS

INTRODUCTION

On June 13th, 2024, Minister of Finance, Planning, and Economic Development Matia Kasaija presented the Budget for the Financial Year 2024/25 at Kololo Independence Grounds. The budget aims to cement Uganda's trajectory towards socio-economic transformation, laying the groundwork for a significant expansion of the nation's GDP by 2040 ***Under the Theme: Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Services, Digital Transformation, and Market Access***.

Economic Performance:

Uganda's economy has rebounded robustly from recent internal and external shocks, with a projected GDP growth of 6% for the financial year 2023/24, surpassing both Sub-Saharan Africa's and the global averages. The economy's size has increased to UGX 202 trillion (USD 53.3 billion), reflecting a growth in per capita GDP to USD 1,146.

Key sectors contributing to this growth include:

Services: Driven by retail, wholesale trade, tourism, and real estate.

Agriculture: Enhanced by the Parish Development Model (PDM) and favorable weather.

Industry: Led by manufacturing, construction, and mining activities.

Strategic Initiatives:

To sustain this momentum, the government has outlined several initiatives:

Investment in Oil and Gas: Preparing for oil production by FY2025/26.

Export Growth: Strengthening regional trade within EAC and COMESA, and expanding to new markets in the Middle East and Asia.

Tourism Development: Investing in infrastructure and marketing under the MICE Programme.

Agro-Industrialization: Facilitating access to affordable credit through Uganda Development Bank and other financial initiatives.

Private Investment Growth: Attracting Foreign Direct Investment (FDI) and remittances.

Infrastructure Development: Continuing investment in industrial parks, roads, railways, and ICT infrastructure.

Fiscal Discipline and Revenue Generation:

The budget emphasizes fiscal consolidation, aiming to enhance revenue collection while controlling government expenditure. The domestic revenue projection for FY2024/25 stands at UGX 31.982 trillion, with a targeted revenue-to-GDP ratio of 14.2%.

ANNEX 2: RESOURCE ENVELOPE FY 2024/25

S/N	Source	FY2023/24	FY2024/25	Variance with 23/24
(1)	(2)	(3)	(4)	(5) = (4)-(3)
1	Domestic Revenues	29,672.35	31,981.93	2,309.58
2	Budget Support	2,781.56	1,393.66	(1,387.90)
3	Petroleum Fund	-	115.37	115.37
4	BOU (Recapitalisation 23/24 and Bonds 24/25)	217.33	7,778.53	7,561.20
5	Domestic Financing (Domestic Borrowing)	3,171.89	8,967.96	5,796.07
	Sub- Total GOU Resource Envelope	**35,843.13**	**50,237.45**	**14,394.31**
6	Project Support (External Financing)	8,248.55	9,583.46	1,334.91
7	Domestic Refinancing (Roll-over)	8,358.00	12,021.70	3,663.70
8	Local Revenue for Local Governments	287.10	293.90	6.79
	Total Resource Inflows (1+2+3+4+5+6+7+8)	**52,736.79**	**72,136.50**	**19,399.72**
9	Less Project Support (External Financing)	8,248.55	9,583.46	1,334.91
10	Less Domestic Refinancing	8,358.00	12,021.70	3,663.70
	GOU Resource Envelope (Less Project Support, Domestic Refinancing)	**36,130.23**	**50,531.34**	**14,401.11**
11	Less External Debt Repayments (Amortization)	2,638.63	3,149.24	510.62
12	Less Interest payments	6,061.52	9,064.37	3,002.85
13	Less Appropriation in Aid (AIA) - Local Revenue	287.10	293.90	6.79
14	Less Domestic Arrears	215.81	200.00	(15.81)
15	Less Domestic Debt Payment (BoU)	1,504.67	9,100.00	7,595.33
22	**GOU Discretionary Resources**	**25,422.50**	**28,723.83**	**3,301.33**

Addressing Inflation and Interest Rates

Uganda has managed to keep inflation low at an average of 3.2%, with commercial bank lending rates also showing a slight decrease. Government initiatives continue to focus on providing affordable long-term capital to stimulate economic activities.

Employment and Social Development:

Significant job creation efforts include:

Emyooga Initiative: Creating new jobs and supporting micro-enterprises., **Parish Development Model:** Targeting household economic growth, **Youth and Women Empowerment Projects:** Promoting entrepreneurship and supporting vulnerable groups.

Challenges and Mitigation Strategies:

Despite a positive economic outlook, Uganda faces challenges such as climate change, geopolitical tensions, high interest rates, and global commodity price fluctuations. The government is implementing adaptation measures and seeking more affordable financing options to mitigate these risks.

Conclusion:

The FY2024/25 budget reaffirms Uganda's commitment to transforming its economy through strategic investments and inclusive growth. By focusing on key sectors and addressing potential risks, the government aims to set the foundation for a prosperous future, targeting a tenfold increase in GDP by 2040.

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