



THE REPUBLIC OF UGANDA

KEYNOTE ADDRESS ON THE BUDGET FOR FY2019/20

By

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Development**

Ministry of Finance, Planning and Economic Development

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Introduction

1. On Thursday 13th June 2019, I presented the Budget Speech for FY2019/20. The FY2019/20 Budget focuses on interventions aimed at increasing wealth and improving the livelihoods of all Ugandans.
2. So, the theme for the Financial Year 2019/20 Budget, accordingly, remains '**Industrialization for Job Creation and Shared Prosperity**'. However, before I highlight the Budget Strategy and interventions for FY2019/20, let me provide some insights into the achievements made during FY2018/19.
3. Uganda's economy has recovered and picked momentum, growing at over 6% per annum over the last two years. With the progress in economic growth, average incomes of Ugandans have increased to US\$ 825 per person in Financial Year 2018/19, compared to US\$ 800 in 2017/18.
4. The structure of the economy has changed. The share of industry in the economy is now 21% compared to 11.3% in 1986. Services have increased to 48.7% from 32% over the same period. Export performance has been excellent, with diversification leading to non-traditional cash crops earning Uganda US\$ 2.84 billion last financial year, compared to the traditional cash crops, which earned US\$ 0.79 billion.
5. National grid electricity connections have increased to 1.3 million customers, and the rural electrification access rate rising from 1% in 2001 to over 13% in 2019. Many new factories have been opened in the course of FY2018/19. As a result, the proportion of Ugandan products in supermarkets has increased from 15% in FY2017/18 to 45% in FY2018/19. Our target is to reach 50% by the year 2020.

6. However, despite the positive milestones, we are still faced with some major development challenges including unemployment, widening income inequality between rural and urban areas, and malnutrition.

The Economic Growth Strategy

7. Therefore, the objective of the Budget for FY2019/20 is to continue to commercialize subsistence agriculture, foster and stimulate industrialization, and to increase GDP growth and ensure that it is inclusive, thereby increasing the incomes of the population.

8. Accordingly, the Economic growth strategy for FY2019/20 focuses on 3 pillars:-

- i) Expanding the Industrial Base of the Economy, building on the success already made in production of basic products e.g. cement and tiles, to products for export markets;
- ii) Exploiting Natural Resource Endowments with Environmental Protection in mind, commercializing agriculture, and development of tourism and minerals (including oil and gas);
- iii) Providing affordable financing for Production and Business to support viable private sector enterprises.

9. The priority interventions for the budget for FY2019/20 are therefore centered along the following clusters:-

- i) Enhancing Key Primary Growth Sectors
- ii) Increasing Infrastructure Access and Reliability
- iii) Human Capital Development; and
- iv) Maintaining Peace, Security, and Good Governance.

Enhancing the Primary Growth Sectors

Industrialization

10. In order to speed up industrial growth, the budget for FY 2019/20 will undertake the following key priority actions:-

- i) Development of industrial parks and export processing zones;
- ii) Reforming Technical and Vocational Education and Training to provide the skills required in the job market;
- iii) Provide support to industrial research and innovation;
- iv) Establishment of regional science and innovation hubs; and,
- v) Extending investment incentives.

Commercialization of Agriculture

11. In order to further support commercialization of Agriculture, the following are the key priority actions:-

- i) Provision of storage facilities and linking farmers to agro-processing facilities to support agro-industrialization;
- ii) Delivery of quality inputs and services;
- iii) Development of irrigation infrastructure;
- iv) Providing small-scale solar powered irrigation systems for last mile irrigation; and,
- v) Strengthen inputs and product standards certification to improve production and enhance the quality of products;

Tourism Development and Promotion

12. Next financial year the following actions will be prioritized in the sector:-

- i) Aggressive marketing of Uganda's tourism in key markets;
- ii) Tourist product development;

- iii) Reduction in the minimum investment threshold that allows investors in hotels and tourist facilities to be eligible for tax incentives from US\$ 15 million to US\$ 10 million; and,
- iv) Upgrade and renovation of key tourism infrastructure.

Commercialization of Minerals, Oil and Gas

13. The key strategic actions required to commercialize this sector include:

- i) The airborne geophysical survey of Karamoja region.
- ii) The exploration of the 18 priority mineral target areas for rare earth, and metallic minerals; and,
- iii) The establishment of a certified mineral assay laboratory.

Increasing infrastructure access and reliability

14. Key interventions will include the following:

- i) Investment in transmission lines to industrial parks and growth centers;
- ii) Development and maintenance of National and District and Urban Community Access Roads;
- iii) Extending the National Backbone Infrastructure to all districts;
- iv) Development of Hydro Power Dams including Ayago (840MW), Oriang (392MW), Kiba (330MW) and Uhuru (600MW);
- v) Continue subsidizing the cost of electricity connections. Over 300,000 connections are targeted annually; and,
- vi) Promoting and facilitating the use of renewable energy such as solar system for lighting rural homes and for the national grid.

Human capital development:-

15. During the next year the following interventions in formal education will be undertaken:-

- i) Skilling the youth;
- ii) Functionalizing health and education units countrywide;
- iii) Improving supplies of medicines;
- iv) Enhancement of salaries to DHOs, Principals etc;
- v) Revitalizing nutrition education; and
- vi) Improve access to safe water in both rural and urban communities.

Maintaining peace, security and good governance

16. Government will also maintain the emphasis on peace and security through fast-tracking the implementation of Safe City infrastructure by rolling out installation of CCTV to municipalities and urban centers, among others.

Financing of the Budget for FY2019/20

17. The Budget for FY2019/20 will be financed using a mix of domestic resources and external financing (grants and borrowing). Domestic revenue for FY2019/20 is projected at **Shs. 20,449 Billion**. Of this, tax revenues amount to **Shs. 18,877 Billion**, while Non-Tax revenues (NTR) to **Shs. 1,571 Billion**.

18. Debt remains sustainable in the medium to long term. As of December 2018, debt was at 41.8% of GDP in nominal terms and 31.7% of GDP in present value terms.

19. Much of the borrowing next FY2019/20 will be used to finance our infrastructure needs under roads, energy, and petroleum sector development, and education and health infrastructures.

20. To ensure debt sustainability, the following will be prioritized:

- i) Timely execution of loan financed projects to increase ability to pay back and hasten realization of the expected growth dividends.
- ii) Contracting loan on concessional terms.
- iii) Diversifying our financing options and aligning the nature of borrowing to characteristics of projects e.g. commercial loans will be directed to self-financing projects and infrastructures.

21. In conclusion therefore, I would like to note the following:

- i) The development strategy for FY2019/20 aims at accelerating industrialization and growth that is inclusive;
- ii) Uganda's Public debt remains sustainable; and,
- iii) Complementary measures will continue to be taken to diversify our financing options and increase domestic revenue mobilization to reduce reliance on debt.

I thank you.

For God and my Country.