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Cultivating Prosperity through Agro-Industrialization

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Cultivating Prosperity through Agro-Industrialization

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TABLE OF CONTENTS

List of Abbreviations vi
Foreword viii
Acknowledgments ix
Executive Summary x

Part 1. State of the Ugandan Economy 1

1. Recent Economic Developments 1
   - 1.1. Regional economic developments. 1
   - 1.2. Uganda experienced broad-based growth in FY25. 2
   - 1.3. Uganda's external position improved, supported by commodity exports and financial inflows 4
   - 1.4. Higher debt service and a surge in recurrent spending deepened the fiscal deficit in FY25 6
   - 1.5. Tight monetary policy anchored inflation but keeps the cost of credit high. 10
   - 1.6. Poverty is estimated to have declined in FY25, reflecting stronger economic activity and low inflation 11
2. Economic Outlook, Risks and Development Priorities 13
   - 2.1. Growth is expected to remain robust in FY26 and FY27, and elevated twin deficits to narrow as oil production commences. 13
   - 2.2. Uganda's outlook is subject to downside risks, from both domestic and global sources 14
   - 2.3. Reaching Ten-Fold goals will require accelerated economic transformation while maintaining macroeconomic stability. 15

Part 2. Cultivating Prosperity Through Agro-Industrialization 19

1. Where Uganda's Agriculture Stands: The Current Context for Cultivating Future Prosperity. 19
   - 1.1. Context 19
   - 1.2. Uganda's natural endowments support agriculture 20

1.3. Uganda's performance gap compared to regional peers. . . . 20
2. Why Uganda's Agriculture Sector Lags: Four Root Causes . . . 23
2.1. Weak foundations in primary agricultural production . . . 23
2.2. Government and institutional weaknesses . . . 26
2.3. Financing and connectivity gaps . . . 26
2.4. Climate vulnerability amplifies all other constraints . . . 28
3. Foundational Enablers and Strategic Pathways for Agro-Industrial Transformation . . . 30
3.1. Strengthening foundations and infrastructure . . . 30
3.2. Improving the policy and enabling environment . . . 32
3.3. Mobilizing private capital and market linkages . . . 34
4. The Way Forward: Recommendations for Agro-Industrial Transformation . . . 36
4.1. Drive productivity, resilience, and intensification . . . 36
4.2. Build the physical and institutional foundations . . . 36
4.3. Create an enabling policy environment . . . 36
4.4. Develop skills and institutional capacity . . . 37
4.5. Expand finance, mobilize private capital and facilitate market linkages . . . 37
4.6. Improve coordination and leverage global partnerships . . . 37

References . . . 39

Annex 1: The Aggregation of Regions in Box 1 . . . 41

List of Figures

Figure 1 Uganda's growth Is above regional and global averages . . . 2
Figure 2 Uganda's public debt remains moderate, but its fiscal deficit Is higher. . . . 2
Figure 3 Domestic demand was dynamic, supported by accelerating government consumption . . . 3
Figure 4 GDP growth was broad-based, with strong contribution from construction activity. . . . 3
Figure 5 Business confidence remains expansionary across most sectors . . . 4
Figure 6 Credit growth was broad-based and suggests continued expansion . . . 4
Figure B1.1 Water satisfaction Is positively correlated with agricultural GDP components . . . 5
Figure B1.2 Vegetation indices were on par with historical averages in FY25 but vary across regions. . . . 5
Figure 7 The external position strengthened in FY25 . . . 6
Figure 8 Rising product exports improved the current account. . . . 6
Figure 9 Exports surged in FY25, driven by commodity prices and higher export volumes . . . 7
Figure 10 Despite stable import prices, the import bill surged . . . 7
Figure 11 After three years of fiscal consolidation, the deficit surged in FY25 . . . 8
Figure 12 Domestic financing dominated in FY24 and FY25 . . . 8
Figure 13 Current expenditure surged in FY25 . . . 9
Figure 14 Tax revenues performed well in FY25, most notably CIT . . . 9
Figure B2.1 Uganda – International Poverty Rate (USD 2.15 2017 PPP vs USD 3 2021 PPP) . . . 12
Figure 15 Actual and projected poverty rates and real private consumption per capita. . . . 12
Figure 16 Uganda lags its peers in economic transformation . . . 17
Figure 17 Social sector spending has been crowded out, notably by interest payments . . . 17
Figure 18 Agricultural value added between 2000–2024 in Uganda, Kenya, Tanzania and Rwanda . . . 23
Figure 19 Use of fertilizers in Uganda between 2000 and 2022 . . . 25
Figure 20 Share of irrigated farmland in Uganda between 2010 and 2020 . . . 25

Figure 21 Interest rates in Uganda, Kenya Tanzania, and Rwanda 27
Figure 22 Uganda's major food crop exports (2009–2023). 33
Figure 23 Uganda's food crops imports (2009–2023) 33
Figure 24 Ugandan exports to the European Union (EU), by sector 34
Figure 25 Investment contributions to economic, social, and environmental outcomes 35

List of Tables

Table 1 Balance of Payments (BoP) Position 7
Table 2 Central Government Fiscal Operations 9
Table 3 Baseline Economic Outlook 13
Table 4 Key Productivity Metrics for Comparing Uganda with Kenya, Tanzania, and Rwanda 21
Table 5 Key Metrics for Access to Agricultural Services 22
Table 6 Sub-Regional Distribution of Agricultural Businesses by Activity 22
Table 7 Crop Production Shocks by Crop by the 2040s. 29

List of Boxes

Box 1 Climate and Agricultural Growth 4
Box 2 Revisions to the International Poverty Line (IPL) and Impact on Uganda. 12
Box 3 The Prospects for Oil Production, Export, and Revenues in Uganda 14
Box 4 The FY26 Budget Law 15

LIST OF ABBREVIATIONS

ACCEs	Area-Based Commodity Cooperative Enterprises
ACF	Agricultural Credit Facility
AfCFTA	African Continental Free Trade Area
ASP	Aspirational (climate scenario)
ATMS	Agro-Industrialization, Tourism, Mineral Development, Science, Technology & Innovation
BAU	Business-As-Usual (climate scenario)
BoP	Balance of Payments
BoU	Bank of Uganda
CCDR	Country Climate and Development Report
CGIAR	Consultative Group on International Agricultural Research
CIT	Corporate Income Tax
COMESA	Common Market for East and Southern Africa
CSA	Climate-Smart Agriculture
DCIC	Department of Crop Inspection and Certification
DRMS	Domestic Revenue Mobilization Strategy
EAC	East Africa Community
EFRIS	Electronic Fiscal Receipting and Invoicing Solution
EFU	Electricity, Fuel and Utilities
EG	Environmental Good
EU	European Union
EUCBAM	European Union Carbon Border Adjustment Mechanism
EUCSDDD	European Union Corporate Sustainability Due Diligence Directive
EUDR	European Union Deforestation Regulation
FDI	Foreign Direct Investment
FPAR	Fraction of Absorbed Photosynthetically Active Radiation
FY	Fiscal Year
GCM	General Circulation Model
GDP	Gross Domestic Product
GoU	Government of Uganda
IPL	International Poverty Line
MAAIF	Minister of Agriculture, Animal Industry and Fisheries
MDAs	Ministries Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MoWT	
MPC	Ministry of Works and Transport
Monetary Policy	Committee
NAADS	National Agricultural Advisory Services
NAGRC&DB	National Animal Genetic Resources Centre and Data Bank
NDC	Nationally Determined Contribution

NDP IV	National Development Plan IV
NGO	Non-Governmental Organizations
NTMs	Non-Tariff Measures
ODA	Overseas Development Assistance
OWC	Operation Wealth Creation
PAYE	Pay-As-You-Earn
PMI	Purchasing Managers' Index
RAMCs	Regional Agricultural Mechanization Centers
RAPEX	Rationalization of Government Agencies and Expenditure
SLM	Sustainable land management
SMEs	Small and Medium-sized Enterprises
SSA	Sub-Saharan Africa
TFP	Total Factor Productivity
TVET	Technical and Vocational Education and Training
UAIS	Uganda Agriculture Insurance Scheme
UBOS	Uganda Bureau of Statistics
UDB	Uganda Development Bank
UGX	Uganda Shilling
URA	Uganda Revenue Authority
VAT	Value Added Tax
WDI	World Development Indicators

FOREWORD

Despite ongoing global challenges, Uganda's economy maintained robust and broad-based growth in FY25 driven by strong domestic demand and resilient performance across agriculture, tourism, industry, and services. Inflation remained below the central bank's medium-term target of 5 percent, supported by prudent monetary policy and a stable shilling. The external position strengthened with rising export receipts, mainly from coffee and gold, and higher foreign exchange reserves providing buffers against global uncertainty.

However, fiscal pressures have increased, with a widening deficit and higher debt-servicing costs, underscoring the need to return to fiscal consolidation as signaled in the FY26 budget. There is a need to focus on enhancing domestic revenue mobilization, and rebalancing spending toward education, health, and infrastructure while safeguarding debt sustainability and ensuring macroeconomic stability.

The medium-term outlook is positive, with growth expected to further accelerate as oil production commences. Current projections reflect production starting in FY27 and significant oil revenues starting in FY28. Yet, significant risks to the overall outlook persist, including fiscal slippage, delays in oil sector development, unsure overseas development assistance, global trade uncertainty, and climate shocks. Uganda must urgently advance its economic transformation by accelerating the transition of workers from low-productivity subsistence agricultural activities to higher-productivity industry and services jobs. Investing in human capital and infrastructure will be key to this transformation, to harness its demographic dividend, and to create more and better jobs.

Agro-industrialization remains central to Uganda's development strategy, offering opportunities for job creation, higher incomes, value addition, export earnings, and import substitution. However, progress has been constrained by a range of challenges, including: (i) weak foundations in primary agricultural production and poor access to complementary services (irrigation, roads, energy, etc.); (ii) an enabling environment that remains challenging, marked by policy uncertainty; and (iii) inadequate private sector investments across agricultural value chains, including input supplies, primary production, processing and value addition, and exports.

Addressing these challenges will require strong and sustained investments and enabling policies. Key areas include improving access to agricultural extension services, use of modern inputs (including seeds and breeds), and access to irrigation and mechanization. Development of financial instruments for delivering agricultural finance and insurance across various segments of agribusiness value chains is also needed, especially in primary production. Integrating climate resilience into this agenda is also imperative, given the sector's vulnerability to climate change and its impact on productivity growth. Through initiatives like AgriConnect, the World Bank looks forward to supporting Uganda's transition to climate-resilient agro-industrialization, a critical step towards economic transformation, sustainable growth, more and better jobs, and poverty reduction.

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This 26th Uganda Economic Update reports on recent economic developments and policies, placing them in a regional and global context and assessing their implications for Uganda's economic prospects. The report is intended for a wide audience, including policymakers, business leaders, development partners, and analysts working in and on Uganda.

The report is divided into two main parts. Part 1 presents macroeconomic developments in Uganda during FY25, including growth, fiscal, monetary, and external sector trends, and the medium-term outlook. Part 2 examines the challenges and opportunities for agro-industrialization through the lens of climate resilience, drawing on the Uganda Country Climate and Development Report (CCDR).

The Uganda Economic Update is a product of the World Bank's Economic Policy Global Practice, prepared by a team comprising Cyril Desponts (Senior Economist, EAEM1); Liz Mukasa Samula (Economist, EAEM1); Armine Juergenliemk (Senior Agricultural Economist, SAEA2); John Ilukor (Economist, DECSU); Diji Chandrasekharan Behr (Lead Environmental Economist, SAEEO); Kunduz Masylkanova (Senior Agricultural Economist, SAEA2); Rachel K. Sebudde (Senior Economist, CAEAE); and Kristina Noelle Vaughan (Economist EAEPV). The team is grateful to William G. Battaile (Lead Economist, EAEDR); Richard Walker (Senior Economist, ESAC1); and Hardwick Tchale (Lead Agriculture Economist, SAWA1) for their guidance on content, structure and messaging, and to Benjamin Billard (Senior Agriculture Economist, SAEA2); Ghada Elabed (Senior Agriculture Economist, SAEA2); Dorcas Elizabeth Loga Okello (Agriculture Specialist); Jiyeon Janice Ryu (Resident Representative, CAERW); Beza Hailu Woldegiorgis (Operations Officer, CM3U1); Camilla Knudsen (Economist, SCCCE); Happiness Said Naumanga (Associate Economist, CAEAE); and Guillaume Daume (Consultant) for their support on finalizing Part 2 of the Uganda Economic Update. Pearl Namanya (Team Assistant, AEMUG) provided logistical support while Bernard Tabaire (External Affairs Officer, ECRAE) managed the communications and dissemination strategy. The team gratefully acknowledges the overall guidance provided by Qimiao Fan (Country Director, AECE2); Francisca Ayodeji Akala (Country Manager, AEMUG); Abha Prasad (Practice Manager, EAEM1); and Elliot Wamboka Mghenyi (Practice Manager, SAEA2).

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For more information on the World Bank's activities in Uganda, including electronic copies of this publication, please visit https://www.worldbank.org/en/country/uganda. For questions or comments about this publication, please contact Cyril Desponts (cdesponts@worldbank.org), Liz Mukasa Samula (lsamula@worldbank.org) and Armine Juergenliemk (ajuergenliemk@worldbank.org).

EXECUTIVE SUMMARY

Uganda's economic growth remained robust in FY25, but fiscal pressures are rising

Uganda's economic growth remained above 6 percent in FY25, outpacing regional and global averages. Real gross domestic product (GDP) growth accelerated to 6.3 percent, up from 6.1 percent in FY24. Drivers included a recovery in household consumption, a steep acceleration in government spending, and continued investment growth. Dynamic domestic demand and robust agricultural and tourism performance generated broad-based growth across agriculture, industry, and services. As a result, poverty is projected to have declined in FY25. Advanced indicators of economic activity point to continued broad-based economic dynamism, although lower rainfall could constrain agricultural output in early FY26.

Uganda's external position improved, and foreign exchange reserves rose in FY25. Export receipts surged, led by coffee, gold re-exports, cocoa, and tourism—while imports rose in tandem with gold exports and in line with higher investment and consumption demand. The external position strengthened, with the current account deficit narrowing from 7.9 percent of GDP in FY24 to 6.4 percent of GDP in FY25, and foreign exchange reserves rising to 3 months of import cover, also supported by foreign direct investment and foreign investments into government securities.

A surge in government spending deepened the fiscal deficit, increasing reliance on costly domestic borrowing. Following three years of fiscal consolidation, the overall fiscal deficit widened to 6.1 percent of GDP in FY25, driven by a 23 percent rise in spending—mainly interest payments and non-wage current expenditures—outpacing a 16 percent increase in revenues from robust domestic demand and imports. With limited external concessional financing available, 90 percent of the deficit was financed domestically, mainly through government securities. Public debt rose to 51.3 percent of GDP, with domestic debt now accounting for nearly half and high debt servicing costs crowding out social and investment spending, now accounting for 28.1 percent of tax revenues.

Tight monetary policy anchored inflation but borrowing costs remained high and private credit growth subdued. The Bank of Uganda maintained a tight policy stance, supporting a moderate appreciation of the shilling and keeping headline inflation at 3.5 percent, below the Bank of Uganda target. Private sector credit grew by 10 percent—concentrated in households, trade, manufacturing, and construction—but it remains constrained by elevated interest rates and is characterized by limited access for the agriculture sector.

The economic outlook is positive but economic transformation is key to delivering on the Ten-Fold Growth Strategy

Uganda's medium-term outlook is positive, with growth expected to remain broad-based and to accelerate as oil production commences. Fiscal and external deficits are projected to improve gradually, supported by moderating spending growth after the general elections, the accrual of oil revenues expected to start in 2027, continued export dynamism, and sustained foreign direct investment (FDI)

inflows. Inflation would remain low, anchored by prudent monetary policy and stable commodity prices. In line with these developments, poverty is expected to further decline in 2026 and 2027. Risks to the outlook stem from possible fiscal slippages, delays in oil sector development, reductions in overseas development assistance and heightened global uncertainty which could impact commodity prices and global financial conditions. In addition, climate shocks and lower than expected rainfall could increase poverty in the absence of mitigating measures, as most of the poor depend on rain-fed agriculture.

Accelerating economic transformation and maintaining macroeconomic stability are key to achieving Uganda's aspirational goals. Uganda's economic transformation remains limited, with economic activity concentrated in low-productivity and climate-vulnerable agriculture and informal jobs, which offer limited opportunities for income growth and upward mobility. Transformation is hindered by persistent human capital and infrastructure deficits, compounded by rapid population growth. The population's youthfulness offers potential for a demographic dividend but highlights the urgent need for human capital development and more and better job opportunities. In the context of dwindling overseas development assistance, Uganda must prioritize investments in education, health and basic infrastructure, while resuming fiscal consolidation efforts to safeguard debt sustainability, alongside policies to encourage private sector participation and foster economic diversification. Uganda should therefore prioritize agro-industrialization, as the cornerstone of its structural transformation agenda, leveraging agriculture as a platform for industrial growth and job creation.

Agro-industrialization is central to Uganda's development agenda

Agro-industrialization is a central pillar of Uganda's development strategy, with enormous potential for job creation, value addition, and inclusive growth. Anchored in the National Development Plan (NDP) IV, Ten-Fold Growth Strategy, and Vision 2040, Uganda aims to leverage agro-industrialization to drive economic transformation. NDP IV projects the creation of up to nearly one million jobs annually, with agriculture, fisheries, and forestry contributing to more than a third of these new opportunities, especially in agro-processing. The building blocks to pursue the agro-industrial agenda in Uganda are consistent with the World Bank's Mission AgriConnect initiative, which aims to integrate smallholders into agribusiness and transform the sector into an engine of sustainable growth, job creation, and food security. This initiative can help transform and create jobs in Uganda's agricultural sector through strategic investments to increase productivity, promote value addition, and develop infrastructure and skills. It can help open opportunities for productive partnerships between the public and private sector to facilitate technology adoption, de-risk value chains, expand service delivery, and ultimately create more jobs in agriculture and the rural economy.

Uganda has significant untapped agro-industrialization potential, owing to its abundant natural resources, favorable climate, and extensive arable land. Primary agriculture drives Uganda's economy, contributing 24 percent of GDP, 35 percent of export earnings, and employing 68 percent of the labor force; it has enormous potential to create better jobs by bridging the productivity gaps across agricultural value chains. Most poor households depend on subsistence farming, making sector transformation critical for poverty reduction and broad-based prosperity. With 80 percent arable land, favorable climate, and diverse agroecological zones, the country possesses natural advantages that surpass regional peers. Yet agricultural productivity remains low, fertilizer use averages just 3-8 kg/ha, irrigation covers less than 1 percent of potential, and only 4 percent of farmers use improved seeds. The contribution of the other segments of agribusiness (input supply, agro-processing and value addition, food trading) is relatively low at about 12 percent, primarily because of poor linkages with primary production. The share of farm support and post-harvest agribusinesses remains very low, accounting for only 4.6 percent, in contrast to crop production and animal production, which account for 49 percent and 29 percent, respectively. The existing literature shows that SME processors generate USD 2.86 in GDP per USD 1 invested and 1.2 jobs per USD 1,000 spent.

Despite strong potential, Uganda's agro-industrialization efforts continue to lag regional peers due to persistent structural challenges. Uganda's agricultural productivity remains low compared to regional peers due to four main constraints holding the sector back: (i) weak foundations in primary production persist, with low adoption of modern inputs such as fertilizer, improved seeds, and mechanization, alongside widespread soil degradation and limited irrigation; (ii) weak governance and institutional capacity manifested in poor coordination, regulatory gaps, and limited enforcement undermining the effectiveness of service delivery and sector policies; (iii) limited access to finance and infrastructure as agriculture receives limited bank lending, faces high interest rates, and suffers from inadequate insurance and poor physical and digital connectivity; and (iv) high vulnerability to climate shocks marked by increasing frequency of floods, droughts, and pests threatening productivity and food security. Climate projections indicate total crop productivity falling could decline by 1.4-2.6 percent by the 2040s without adaptation, with livestock productivity falling up to 3 percent. These constraints form a negative feedback loop that limits investment, productivity, and market access.

Uganda's path to agro industrialization hinges on a coordinated package of investments and reforms to strengthen the foundations of primary agricultural production, provide complementary infrastructure services, improve the policy and enabling environment, and mobilize private sector investments across various segments of agribusiness. Breaking the cycle and addressing the constraints requires: (i) strengthening foundations and infrastructure—including development and dissemination of climate-smart agriculture technologies and innovations to increase productivity sustainably—irrigation to build agro-climatic resilience, co-located infrastructure (rural roads, energy, water, etc.), skills development, digital solutions for delivery of agricultural services, etc.; (ii) improving the policy and enabling environment by reforming policies to support farmer cooperatives, enable competition among private sector players and strengthen public institutions to deliver high-quality public goods. In particular, policy reforms should aim to improve private sector participation in seed development (especially multiplication), strengthen the public sector's role in seed certification, de-risk the sector and increase access to finance, harmonize with regional policies to remove trade barriers, and enable digital tools for agricultural services delivery; and (iii) mobilizing private capital and market linkages by scaling up innovative financing, leveraging digital platforms, and enhancing trade competitiveness. Private capital mobilization should aim to develop instruments for whole-of-value-chain financing and expand access to finance through innovative instruments such as lease-to-own guarantees, insurance, and blended finance.

Achieving Uganda's ambitious agro-industrialization goals is feasible but requires immediate and coordinated implementation of the recommendations outlined above. The path forward demands sustained political commitment, effective inter-ministerial coordination, private sector engagement, and strategic partnership with development institutions. If successfully implemented, these actions can enable Uganda to translate its agricultural abundance into agro-industrial prosperity, creating more and better-quality jobs, expanding export earnings, reducing poverty and driving economic transformation.

PART 1

STATE OF THE UGANDAN ECONOMY

1. Recent economic developments

1.1. Regional economic developments

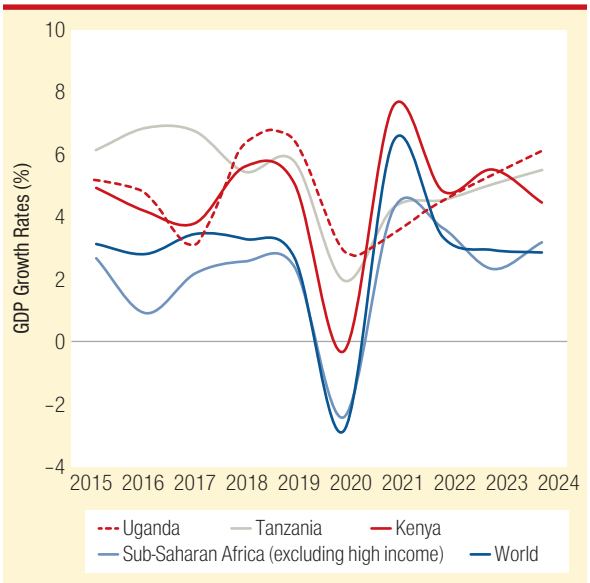
Economic growth in Sub-Saharan Africa (SSA) has maintained momentum amid heightened global policy uncertainty. Following a trough in 2023, regional activity is poised to expand at 3.8 percent in 2025, up from 3.5 percent in 2024, and accelerate further to an annual average rate of 4.4 percent in 2026–27. In contrast, global growth is projected to weaken to 2.3 percent in 2025 due to policy uncertainty and trade tensions.[1] Against this backdrop, Uganda's growth has remained robust, outperforming both SSA and global averages (Figure 1). The projected acceleration in SSA's growth in 2025 is underpinned by improved terms of trade across much of the region, contributing to currency stabilization and, in some cases, appreciation. These favorable conditions are fueling a recovery in private consumption and investment. However, ongoing fiscal consolidation efforts may continue to weigh on overall economic activity, moderating the pace of recovery in some economies. Nevertheless, lingering global economic uncertainty, coupled with subdued global investor appetite and a tightening supply of external finance, could constrain growth prospects.

Inflation is decreasing across African economies, yet risks to price stability remain a concern. Consumer price inflation has continued to recede across most SSA countries, albeit at varying speeds. In 2025, nearly 60 percent of SSA countries experienced a slowdown in consumer price inflation from last year, due to favorable commodity prices and less volatile exchange rates. By October 2025, the World Bank's food commodity price index and the Brent crude oil price had fallen by 9 and 14.5 percent year-on-year, respectively. At the same time, major regional currencies have appreciated or remained stable, supported by more accommodative financial conditions. These changes translate into lower domestic fuel and food prices for most countries in the region.

Amid high interest expenditures and debt levels, government primary fiscal positions are broadly balanced. Primary deficits in SSA have gradually narrowed since their 2020 peak and are

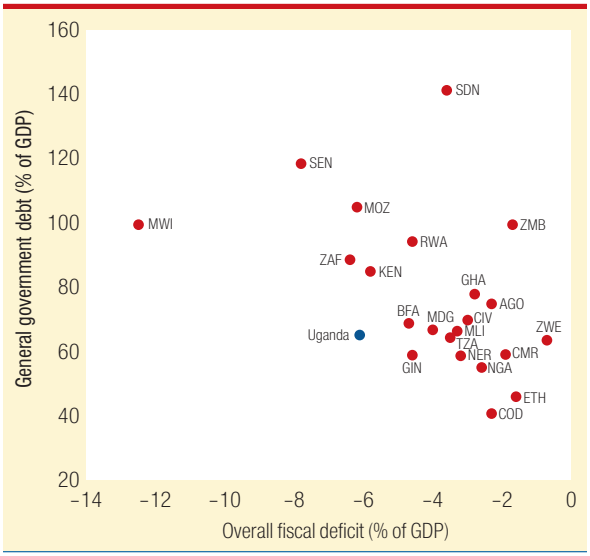
[1] Africa Pulse, October 2025.

FIGURE 1 • Uganda's Growth Is above Regional and Global Averages



Source: World Bank World Development Indicators (October 2025).
Note: SSA excluding high income countries.

FIGURE 2 • Uganda's Public Debt Remains Moderate, but its Fiscal Deficit Is Higher.



Source: World Bank Macro-Poverty Outlook (October 2025).
Note: Only countries with population above 10 million are included.

projected to shift into surplus during 2026–27, reflecting ongoing fiscal consolidation efforts. However, overall budget deficits remain elevated due to high net interest payments on public debt. In nearly four in five countries in the region, government interest payments exceed public spending on health or education. The risk of sovereign debt distress remains elevated, with significant implications for fiscal stability and development outcomes. The number of countries in debt distress or at high risk of debt distress has nearly tripled—from eight in 2014 to 23 in 2025, representing 49 percent of the region. This deterioration reflects a confluence of factors, including the legacy of crisis-era borrowing, persistent revenue underperformance, increased reliance on non-concessional financing outside traditional multilateral channels, and weaknesses in debt management frameworks. For Uganda, public debt remains moderate although the fiscal deficit is comparatively higher **(Figure 2)**.

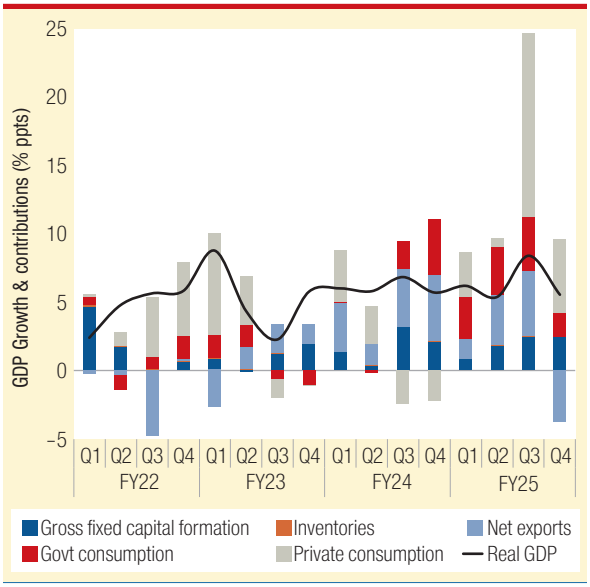
1.2. Uganda experienced broad-based growth in FY25

Uganda's economy remained resilient in FY25, supported by a recovery in household consumption, a steep acceleration in government spending and otherwise robust private sector activity. Real gross domestic product (GDP) growth accelerated to 6.3 percent, up from 6.1 percent in FY24. Total consumption contributed most, rising by 10.3 percent, boosted by a record-high 29.4 increase in government consumption amidst the pre-election period, and a recovery in private consumption growth, which grew by 8.2 percent, after declining during the second half of FY24. Gross fixed investment accelerated to 8.1 percent, explained by dynamic construction activity, while equipment acquisition stalled. GDP growth was also supported by a 29.9 percent increase in product exports, led by surging coffee exports, and robust service exports fueled by tourism. Meanwhile, strong domestic demand translated into higher industrial and food imports that led to a 15.7 increase in imports.[2] Given Uganda's high population growth of 2.8 percent,

[2] The surge in gold imports for re-export also contributed to both import and export growth, but with negligible effects on value addition and GDP growth.

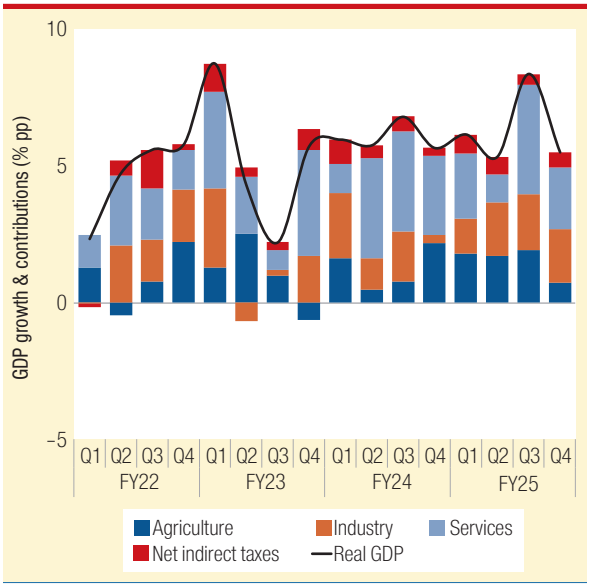
[3] World Bank Data (https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG?locations=UG&view=chart.

FIGURE 3 • Domestic Demand Was Dynamic, Supported by Accelerating Government Consumption



Source: Uganda Bureau of Statistics (UBOS) and World Bank staff estimates.

FIGURE 4 • GDP Growth Was Broad-Based, with Strong Contribution from Construction Activity.



Source: (UBOS) and World Bank staff estimates.

real GDP per capita growth was estimated at 3.3 percent,[3] underscoring the challenge of translating aggregate gains into improved living standards. **(Figure 3)**.

Dynamic domestic demand and robust agricultural and tourism performance generated broad-based growth in FY25. Agricultural value-added grew by 6.6 percent and contributed 24 percent of the FY25 increase in GDP. Higher rainfall in FY24 supported fast growth in cash crops in FY25 (+9.9 percent), while water satisfaction[4] in FY25 weighed on food crop production that same year (+4.8 percent),[5] livestock production remained dynamic, and fishery production rebounded. High investment growth spurred construction sector activity (+12.2 percent) and, to a lesser extent, manufacturing activity. Accelerating domestic demand generated broad-based growth in services, with higher trade volumes and tourism supporting continued high growth in accommodation and food services (+10.6 percent) and transportation and storage (+8.0 percent). Services remained the main contributor to growth (37 percent of the FY25 increase), with low-value added services and high-value added services contributing equally **(Figure 4)**.[6]

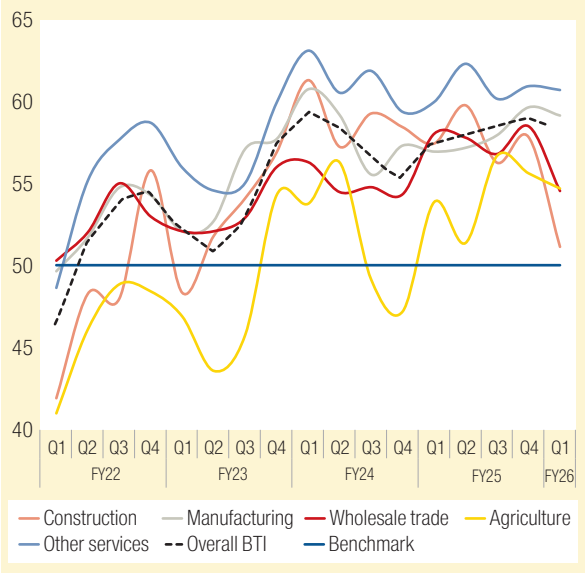
High-frequency indicators of economic activity suggest continued economic dynamism in early FY26. The Business Tendency Index (BTI) averaged well above the 50-mark threshold, rising to 59.1 in Q4 FY25 before easing slightly to 58.3 in Q1 FY26 and to 57.8 in October 2025, signaling persistent firm-level optimism, including in manufacturing and financial services. Similarly, the Purchasing Managers' Index (PMI) reached 55.7 in Q4 FY25, 53.6 in Q1 FY26 and 53.4 in October 2025, above the 50 percent threshold, reflecting solid growth in new orders and output**.** Positive business sentiment

[4] Water satisfaction is an indicator computed from satellite data by the European Union's Joint Research Center, which accounts for rainfall, evapotranspiration and soil water balance (see Box 1).

[5] The satellite-based water satisfaction index is correlated with food crop production in the same year food crop product and with cash crop production the following year (see Box 1).

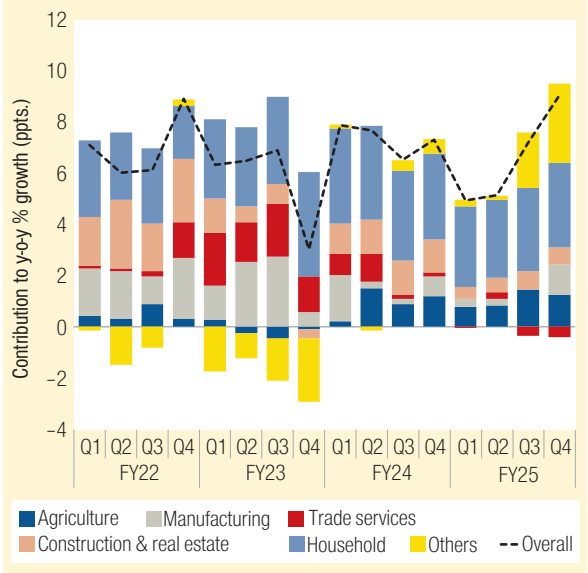
[6] Low-value added services include trade and repairs and accommodation and food services, while high-value-added activities include transportation and storage, information and communication, financial and insurance, real estate, as well as professional, scientific, technical administrative and support service activities.

FIGURE 5 • Business Confidence Remains Expansionary Across Most Sectors



Source: Bank of Uganda (BoU) and World Bank staff estimates.

FIGURE 6 • Credit Growth Was Broad-Based and Suggests Continued Expansion



Source: BoU and World Bank staff estimates.
Note: Others refer to sectors other than Agriculture, Manufacturing, Trade Services, Construction, and Household.

was mirrored by continued growth in commercial bank lending. Amidst robust consumption demand, households accounted for the largest share of new lending, while construction and real estate and manufacturing also registered notable increases in lending, consistent with stronger investment activity. Credit to agriculture remained dynamic, but modest given the sector's dominance. Meanwhile, higher than average rainfall during the Spring 2025 rainy season supported agricultural performance in the Summer (dry season), while lower-than-average rainfall since June is expected to weigh on agricultural output in the coming months **(Figures 5 and 6)**.

1.3. Uganda's external position improved, supported by commodity exports and financial inflows

Uganda's balance of payments and reserve position strengthened in FY25, supported by improvements in the trade balance, foreign investment and foreign inflows into Government

BOX 1: CLIMATE AND AGRICULTURAL GROWTH

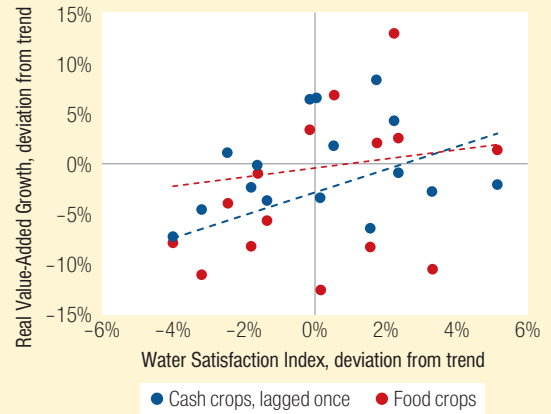
High-frequency satellite data on rainfall, temperature, and vegetation can be used to explain and anticipate agricultural production in the short term. The Anomaly Hotspots of Agricultural Production (ASAP) database from the European Union (EU) Joint Research Center presents data on rainfall, water adequacy for agriculture (an indicator combining rainfall, evapotranspiration and soil water balance), temperature, solar radiation, vegetation measures,[a] and weather warnings. They are available as of 2000, disaggregated by region, and available with a two-week delay. In the short term, there is a positive relationship between rainfall, crop development and agricultural GDP—albeit with a lag for cash crops. The satellite-based indicators of rainfall and water satisfaction are indeed positively correlated with food crop production in the same year (ex: bananas, maize or beans), and cash crop production in the following year (ex: coffee, tea, cotton or cocoa).

Satellite data on crop development suggest that, despite a recovery in the Spring of 2025, lower-than-average rainfall since June could weigh on the sector's performance in the coming months. Rainfall during the Spring 2025 rainy season has been higher than in 2024, which has contributed to higher vegetation indices, close to historical averages. Yet, rainfall between June and October has been lower than in the previous year, which has translated into lower vegetation indices compared to last year's, starting in September 2025. If prolonged, lower rainfall would suggest lower food crop production in FY26 relative to FY25, and delayed effects on cash crop production.

(continued on next page)

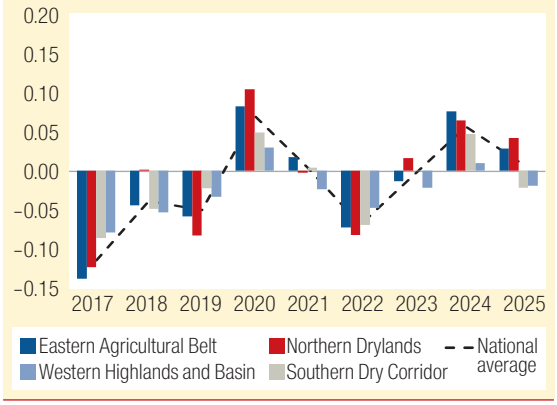
BOX 1: CLIMATE AND AGRICULTURAL GROWTH *(continued)*

FIGURE B1.1 • Water Satisfaction Is Positively Correlated with Agricultural GDP Components



Source: UBOS, EU, and World Bank staff estimates.
Note: Each point represents a year in the past 15 years. The water satisfaction index (WSI) is a weighted average of the WSI of Ugandan regions, with the share in national cereal production being used as a proxy for the share in agricultural production.

FIGURE B1.2 • Vegetation Indices Were on Par with Historical Averages in FY25 but Vary Across Regions.



Source: EU and World Bank staff estimates.
Note: The relative FPAR is an indicator used to assess vegetation health relative to a long-term average. It helps identify areas where vegetation is under stress compared to normal conditions. Official data on cereal production are used to assign production weights to regions when aggregating. The mapping of regions to the four areas is presented in annex.

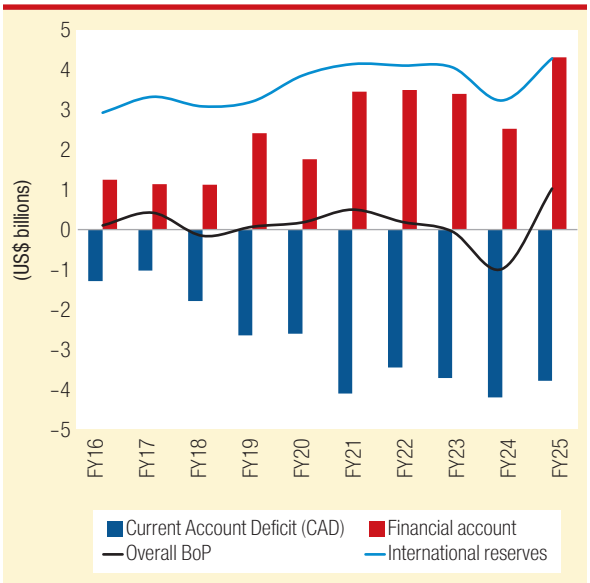
[a] The Fraction of Absorbed Photosynthetically Active Radiation (FPAR) indicator shows how much sunlight useful for plant growth is absorbed by vegetation, giving an idea of how healthy and dense the crop canopy is.

securities. The current account deficit improved to USD 3.8 billion in FY25 (+USD 0.4 billion), reaching 6.4 percent of GDP. The trade deficit in goods and services improved marginally as the 32 percent surge in exports (+3.2 billion) driven by coffee, gold, and tourism was counterbalanced by a 20 percent cross-cutting increase in imports (+USD 3 billion). Meanwhile, the primary and secondary income balances improved (+USD 0.3 billion), supported by lower external payments on direct investments and an increase in personal transfers. On the other hand, the financial account surplus increased markedly (+USD 1.8 billion, to USD 4.3 billion), primarily driven by large foreign inflows into long-term government securities (which increased by USD 767 million to reach USD 825 million),[7] as well as a USD 0.6 billion increase in foreign direct investment (FDI). As result, the balance of payment registered a surplus of USD 1.0 billion in FY25, against a 1.0 billion deficit in FY24 and foreign exchange reserves rose by 1.1 billion, reaching USD 4.3 billion at end-FY25, equivalent to 3 months of future import cover, improving Uganda's ability to manage future external shocks. **(Figures 7** and **8)**.

Robust export performance reflected the combined effects of strong commodity prices, higher coffee export volumes, and record tourism revenues. The 36 percent rise in product exports was almost entirely driven by the near doubling in coffee exports (+USD 1.1 billion), a 41 percent increase in gold exports (+USD 1.2 billion) and the more than doubling of cocoa exports (+0.4 billion), with these three commodities now accounting for two-thirds of Uganda's product exports—the highest share on record. Rising coffee and cocoa exports were driven by rising prices and higher export volumes (+27 percent and +40 percent, respectively), amidst favorable weather conditions and, for coffee, increased processing capacity, following through the Coffee Roadmap.[8] The increase in gold export was entirely due to surging prices, and gold's contribution to the trade balance remained marginal since they are almost exclusively

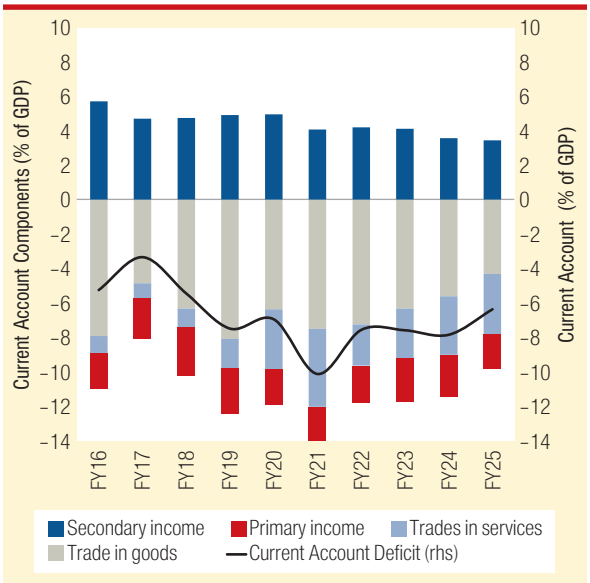
[7] "Long-term" refers to maturities of one year and longer.
[8] https://ugandacoffee.go.ug/coffee-roadmap.

FIGURE 7 • The External Position Strengthened in FY25



Source: BoU and World Bank staff estimates.

FIGURE 8 • Rising Product Exports Improved the Current Account



Source: BoU and World Bank staff estimates.

comprised of re-exports.[9] The United Arab Emirates (where most gold is sold), the Common Market for East and Southern Africa (COMESA), the EU and, increasingly, Asia, were the main destinations for exports. Meanwhile, travel service exports increased by 16 percent, reaching USD 1.6 billion and exceeding the FY19 pre-pandemic peak. Data for Q1 FY26 suggest sustained export momentum, with gold exports increasing by 7 percent q-o-q and coffee exports declining by 10 percent as global prices eased, in line with improved supply from major producers like Brazil **(Figure 9)**.

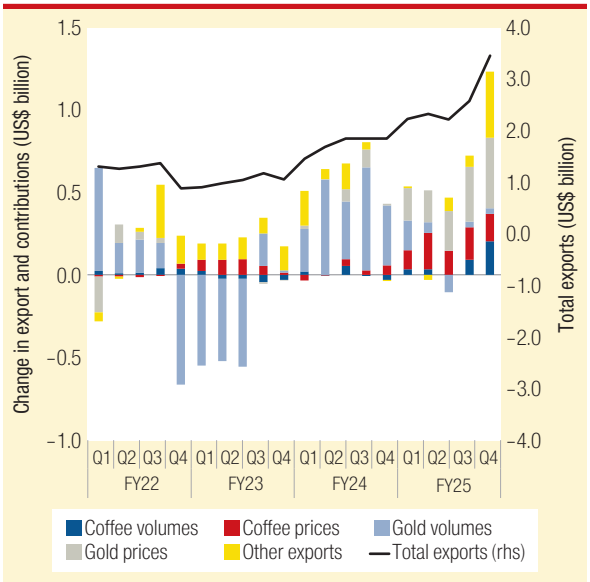
Imports increased by 22 percent, with the bulk comprised of gold for re-exports and industrial products. Product imports increased by USD 2.3 billion to reach USD 12.8 billion, but only rose by USD 1.0 billion when excluding gold imports, mostly intended for re-exports. Among non-gold imports, industrial products contributed most to the increase, with 60 percent of it coming from base metal products (21 percent), equipment (18 percent), plastic and rubber products (12 percent), and chemical products (8.5 percent), while vegetable products and oils and fats contributed most of the remainder (33 percent). With import prices remaining stable, the cross-cutting rise in imports was entirely driven by higher import volumes, addressing dynamic domestic investment and consumption. Driven by higher trade volumes, services imports also rose by USD 0.6 billion, with USD 0.5 billion coming from transport services imports alone. Data for Q1 FY26 suggest that imports remain elevated, having risen by 5 percent q-o-q **(Figure 10)**.

1.4. Higher debt service and a surge in recurrent spending deepened the fiscal deficit in FY25

Following three years of fiscal consolidation, a surge in current spending in FY25 widened the fiscal deficit and led to another costly increase in domestic debt. Following three consecutive years of declining deficits, the overall fiscal balance deteriorated from 4.7 percent of GDP deficit in FY24 to 6.1 percent deficit in FY25. The 23.1 percent rise in spending outpaced the robust performance in total revenues, which increased by 16 percent, and the

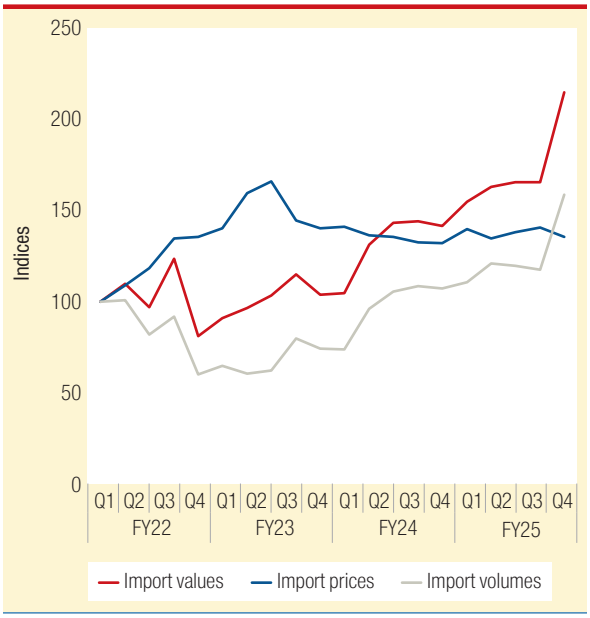
[9] In the past five years, gold exports increased by 277 percent, while non-oil mineral products (presumed to be mostly gold) increased by 256 percent. In FY25, gold exports surged to USD 4.2 billion, and non-oil mineral products surged to USD 3.9 billion. Nonetheless, local production is expected to increase with Uganda inaugurating its first large-scale gold mine in the Busia district in August 2025 (Wagagai Gold Mining Project).

FIGURE 9 • Exports Surged in FY25, Driven by Commodity Prices and Higher Export Volumes



Source: BoU and World Bank staff estimates.

FIGURE 10 • Despite Stable Import Prices, the Import Bill Surged



Source: BoU and World Bank staff estimates.

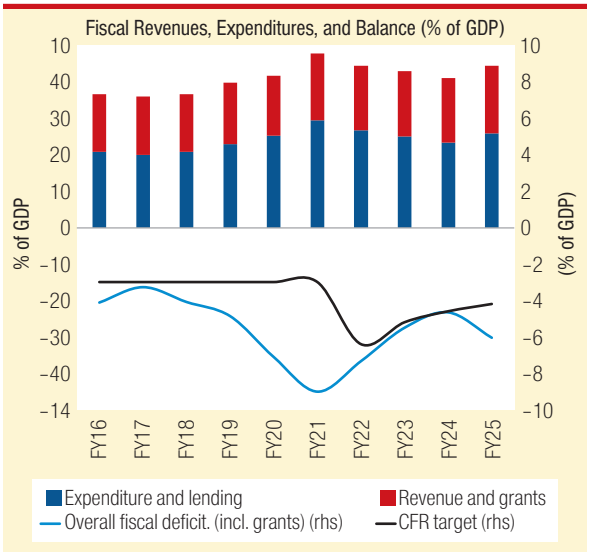
TABLE 1 • Balance of Payments (BoP) Position

	FY22		FY23		FY24		FY25	
	USD billions	% of GDP	USD billions	% of GDP	USD billions	% of GDP	USD billions	% of GDP
Current Account Bal (Incl. Grants)	**-3.5**	***-7.6***	**-3.7**	***-7.6***	**-4.2**	**-7.9**	**-3.8**	**-6.4**
Trade balance	-4.4	*-9.7*	-4.5	*-9.2*	-4.8	-9.0	-4.7	-7.9
Primary income	-1.0	*-2.1*	-1.2	*-2.5*	-1.3	-2.4	-1.2	-2.0
Secondary income	1.9	*4.2*	2.0	*4.1*	1.9	3.6	2.1	3.5
Capital Account	**0.2**	***0.3***	**0.1**	***0.2***	**0.1**	**0.2**	**0.2**	**0.3**
Financial Account*	**3.5**	***7.7***	**3.4**	***6.9***	**2.5**	**4.7**	**4.3**	**7.2**
FDI*	2.3	*5.0*	3.0	*6.1*	3.0	5.6	3.6	6.0
Portfolio Investment*	-0.2	*-0.4*	-0.5	*-1.0*	-0.3	-0.6	0.6	1.0
Other Investment*	1.4	*3.0*	0.9	*1.9*	-0.1	-0.3	0.1	0.2
Overall Balance*	**0.2**	***0.4***	**-0.1**	***-0.1***	**-1.0**	**-1.9**	**1.0**	**1.7**
Gross FX reserves	**4.1**	***9.0***	**4.1**	***8.3***	3.2	6.0	4.3	7.2

Source: Bank of Uganda.
* (+) Surplus/(–) Deficit

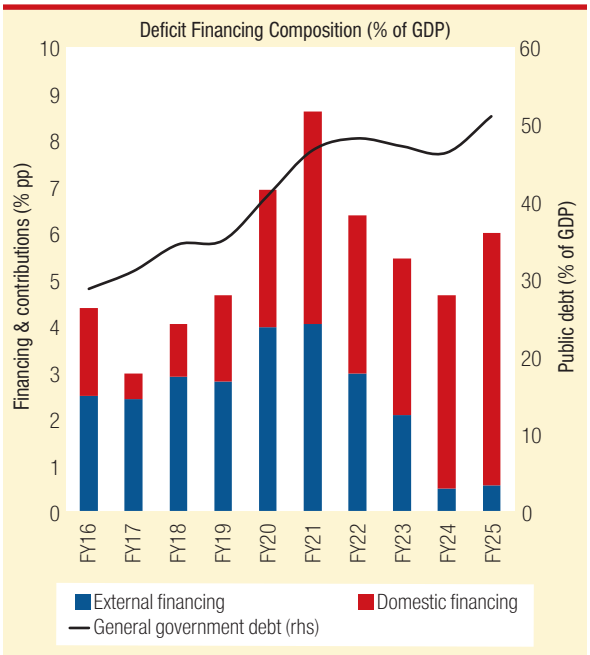
deficit rose from UGX 9.7 trillion to UGX 13.7 trillion. The limited availability of external financing meant that 90 percent of the deficit was financed through domestic borrowing, 70 percent of which was through security issuances to non-bank actors, most notably pension funds. With domestic interest rates on public debt being on average significantly higher than on external debt, which is mostly on concessional terms, debt servicing costs increased markedly for a second consecutive year. As a result, the public-debt-to-GDP ratio increased from 50.8 percent in FY24 to 51.2 percent in FY25, and the domestic debt ratio rose from 22.6 percent to 24.9 percent. In this context, yields on government securities remained elevated in

FIGURE 11 • After Three Years of Fiscal Consolidation, the Deficit Surged in FY25



Source: Government of Uganda (GoU) Government Financial Statistics (GFS) and World Bank staff estimates. Note: CFR is the Charter of Fiscal Responsibility, a 5-year policy document that lays out measurable medium-term fiscal objectives, data and reporting methodology for Uganda. The current CFR spans from FY22–FY26.

FIGURE 12 • Domestic Financing Dominated in FY24 and FY25



Source: GoU GFS and World Bank staff estimates.

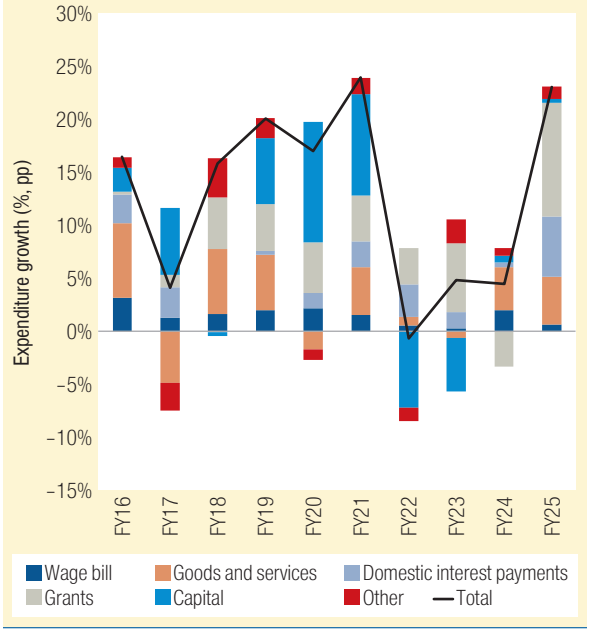
FY25, reaching 10.8 percent on 91 days, 12.1 percent on 182 days, and 14.8 percent on 364 days bills. The elevated government securities rates continued through to FY26 with the 364-day T-bill trending at about 15 percent, stimulating foreign portfolio inflows. Reflecting these improved external inflows and the resilient macroeconomy, S&P Global Ratings revised Uganda's sovereign outlook from stable to positive in November 2025 and affirmed its long-term ratings at B–/B **(Figures 11** and **12)**.

The steep rise in spending is mainly attributed to higher interest payments and recurrent spending, while investment spending declined in real terms. While total spending had grown by an average of 2.9 percent in FY22 to FY24, it surged by 23.1 percent in FY25, mirroring the spending hike that accompanied the last election period in FY21 (World Bank 2025b). Over 96 percent of additional spending in FY25 was current spending, which grew by 27.8 percent, while investment spending declined in real terms (+2.0 percent). About a quarter (24.7 percent) of the increase was caused by rising interest payments on domestic debt, amidst an ongoing and expensive pivot from external to domestic financing, while the. The remaining increase was driven by higher central government spending on goods and services (16.4 percent), increased recurrent transfers to government agencies for recurrent budget (22.8 percent), and higher transfers to local governments (13.0 percent) contributed most of the remainder). As a result, from a functional (sector) standpoint, 50 percent of the increase was driven by "general public services" (which include interest payments), 17 percent by economic affairs, and 15 percent by education spending. The share of interest payments to tax revenues rose from 24.5 percent on average over the past 3 years, to 28.1 percent in FY25, illustrating how the shift to domestic financing has reduced fiscal space, crowding out critical social and investment spending **(Figure 13)**.[10]

Dynamic economic activity and imports, together with higher public spending, supported a 16.1 percent increase in tax revenues. Total revenues increased by 16.0 percent, 90 percent of which can be attributed to rising tax revenues, and 7.4 percent to a 33.7 percent increase in grants,

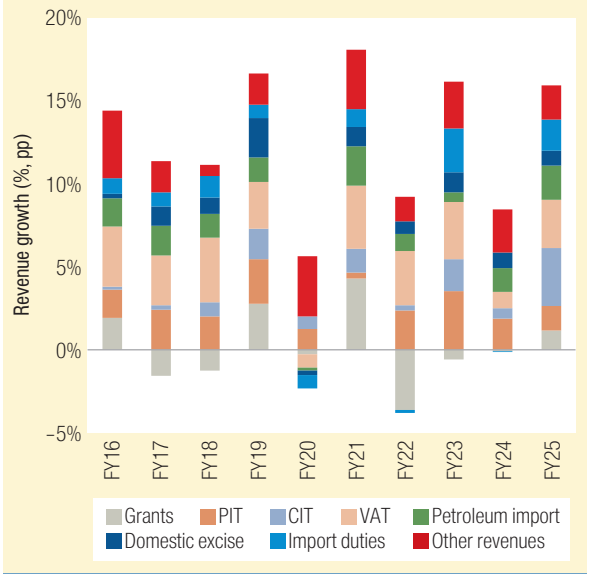
[10] Similarly, the share of interest payments in total spending increased by 4.4 percentage points (pp), while the share of economic affairs rose by 4.3 pp, driven largely by higher

FIGURE 13 • Current Expenditure Surged in FY25



Source: GOU Govt Financial Statistics (GFS) and World Bank staff estimates (Oct 2025)

FIGURE 14 • Tax Revenues Performed Well in FY25, Most Notably Corporate Income Tax (CIT)



Source: GOU Govt Financial Statistics (GFS) and World Bank staff estimates (Oct 2025).
Note: Personal Income Tax (PIT).

mostly from project support. The good performance of income taxation was mostly driven by corporate income taxes (+44.9 percent, representing 21.9 percent of the increase in tax revenues), supported by good business performance but also by high current public spending, and to a lesser extent by pay-as-you-earn revenues (+8.6 percent).[11] Fueled by rising imports, the combination of revenues from the value-added tax (VAT) on imports (+9.3 percent),[12] excise tax on imported petroleum (+18.6 percent), and import duties (+27.6 percent) contributed a third of the increase in tax revenues. As a result, the Uganda Revenue Authority (URA) exceeded its tax collection target and tax revenues reached 13.2 percent of GDP

spending in the petroleum sector. In contrast, the shares allocated to social spending and to defense, public order, and safety declined by 2.6 and 6.7 pp, respectively.

11 Historically, corporate income tax (CIT) receipts have been strongly correlated to current spending, as firms selling to the government would be more likely to comply with their tax obligations. Other factors behind the performance of CIT include transfer-pricing audits and government payment of tax arrears for key firms. PAYE performance was affected by staff reductions in some large entities, reduced donor-funded NGO activity.

12 In contrast, domestic VAT underperformed, given its low efficiency, driven by high informality and large exemptions. In FY25, other contributing factors include high input claims, increased zero-rated exports, and suspension of some enforcement under electronic fiscal receipting and invoicing solution (EFRIS).

TABLE 2 • Central Government Fiscal Operations

(% of GDP)	FY22	FY23	FY24	FY25
Revenues and Grants	**14.1**	**14.5**	**14.1**	**14.8**
Domestic Revenues	13.4	14.0	13.6	14.2
Tax	12.5	13.0	12.6	13.2
Non-Tax	0.9	1.0	0.9	1.0
Grants	0.7	0.6	0.5	0.6
Budget Support	0.1	0.0	0.0	0.1
Project Support	0.6	0.5	0.5	0.5

(continued on next page)

TABLE 2 • Central Government Fiscal Operations *(continued)*

(% of GDP)	FY22	FY23	FY24	FY25
Expenditure and Lending	**21.5**	**20.0**	**18.8**	**20.8**
Current Expenditures	13.1	13.7	13.2	15.3
Wages and Salaries	3.5	3.8	3.7	3.5
Interest Payments	3.1	3.2	3.1	3.7
Domestic	2.6	2.6	2.4	3.1
External	0.5	0.7	0.7	0.6
Non-Wage Expenditures	6.6	6.6	6.5	8.0
Development Expenditures	7.9	5.8	5.4	5.2
Domestic	5.0	4.0	3.5	3.5
External	2.9	1.9	1.9	1.8
Net lending and investment	0.2	0.1	0.2	0.2
Domestic Arrears Repayment	0.4	0.4	0.1	0.1
Primary Deficit	**-4.3**	**-2.3**	**-1.7**	**-2.4**
Overall Fiscal Bal. (excl. Grants)	**-8.1**	**-6.1**	**-5.3**	**-6.7**
Overall Fiscal Bal. (incl. Grants)	**-7.4**	**-5.5**	**-4.8**	**-6.1**
Financing:	6.1	4.7	4.7	6.1
External Financing (Net)	2.7	1.3	0.5	0.5
Domestic Financing (Net)	3.4	3.4	4.2	5.5
Errors and Omissions	1.0	0.0	0.0	0.1

Source: Ministry of Finance, Planning and Economic Development (MoFPED) and World Bank staff calculations.

in FY25, up from 12.6 percent of GDP in the previous FY. Despite this improvement, revenue levels remain below the 16 percent average for regional comparators **(Figure 14)**.

1.5. Tight monetary policy anchored inflation but keeps the cost of credit high

A tight monetary policy stance and an improving external balance contributed to a moderate appreciation of the Uganda shilling in FY25. The BoU has maintained the key policy rate at 9.75 percent since October 2024. At the November 2025 Monetary Policy Committee (MPC) meeting the key policy rate was maintained at 9.75 percent in line with the improving domestic economic environment. The 7-day interbank rate rose slightly to 11.15 percent in FY25 from 11.0 percent a year earlier, remaining within the policy corridor and signaling tight but orderly liquidity conditions. Deposit rates remained low at around 3 percent, underscoring persistent limitations in the monetary policy transmission mechanism. Growth in monetary aggregates remained moderate, and consistent with the policy stance. Broad money (M3) expanded by 13 percent in FY25, up from 9 percent in FY24, supported by a gradual recovery in credit and actively managed liquidity. Reserve money growth was similarly moderate, at 14 percent was observed in FY25. Together with rising exports, stronger FDI inflows, and the attractiveness of high Treasury yields, tight monetary policy supported a 3 percent appreciation of the Uganda shilling against the US dollar in FY25, to an average mid-rate of UGX 3,677. This was mirrored by an appreciation of the nominal and real effective exchange rates, by 2 percent and +3 percent respectively, which has helped to keep the cost of imports low. The shilling's appreciation continued in FY26, to

reach an average mid-rate of UGX 3463.9 in October (+5.6 percent).

Private sector credit growth continued in FY25, supported by improving business sentiment, although it remains constrained by elevated borrowing costs. Private sector credit grew by 10 percent in both FY24 and FY25, and was concentrated in households, trade, manufacturing, construction, and real estate sectors. In contrast, agriculture and small and medium-sized enterprises (SMEs) continued to absorb limited credit, reflecting higher risk perceptions and limited collateral capacity. Uganda's domestic credit to the private sector by banks remains limited, at 12.6 percent of GDP, compared to the SSA average of 27.2 percent and regional peer countries' average of 23.6 percent.[13] This reflects high costs of borrowing, the competition from government securities, and highlights the need to deepen financial markets. Lending rates indeed remained elevated, above the interest rate on government securities, which acts as a floor on credit interest rates. Indeed, 364-day Treasury T-bills averaged around 14.8 percent, while commercial lending rates hovered at approximately 18.5 percent. While net credit to government growth declined to 14 percent in FY25 from 27 percent in FY24, it was overcompensated by a surge in non-bank borrowing, most notably pension funds, sustaining the crowding-out of private sector credit.

Headline and core inflation remained below the BoU target amidst steady food prices, moderating import prices, modest exchange rate appreciation and steady monetary policy. The decline in inflation has been supported by moderating global commodity prices, improved domestic food supply, modest exchange rate appreciation and a tight monetary policy stance that has anchored inflation expectations. After peaking at 8.8 percent in FY23, headline inflation in Uganda eased significantly to 3.2 percent in FY24 before stabilizing at 3.5 percent in FY25. Core inflation has followed a similar trajectory, declining from 7.4 percent in FY23 to 3.0 percent in FY24, before edging up slightly to 3.9 percent in FY25. Food crop inflation—historically the most volatile component and the primary driver of inflation—has notably declined from 22.9 percent in FY23 to 0.5 percent in FY25, following the improvement in weather conditions and agricultural output. Electricity, fuel and utilities (EFU) inflation also eased from the peak of 9.2 percent to 1.8 percent in FY25, amidst falling global oil prices and stable supply. In October 2025, both the annual headline and core inflation declined further, to 3.4 percent year-on-year, driven by lower food crops and services inflation (+6.1 percent and 4.5 percent, respectively), while EFU inflation remained stable.

1.6. Poverty is estimated to have declined in FY25, reflecting stronger economic activity and low inflation

Poverty is estimated to have declined in FY25, reflecting stronger economic activity and a low-inflation environment. Given the high concentration of poor households in rain-fed agriculture, improved agricultural performance supported by favorable weather conditions likely accounted for a substantial share of this reduction. In addition, low inflation is expected to have mitigated pressures on real incomes, thereby strengthening the purchasing power of poor households. As a result, the poverty rate, measured at the USD 3.00-per-day (2021 PPP) line **(Box 2** and **Figure B2.1)** is projected to have fallen from 57.0 percent in FY24 to 55.6 percent in FY25. The economy is projected to continue growing by 6.3 percent in 2025 and will continue growing as oil revenues come onstream. **(Figure 15)**.

Despite this, several risks to poverty reduction remain. Given the high dependency on rain-fed agriculture for livelihoods, adverse weather conditions—alongside the increasing frequency, duration, and severity of climate-related events—constitute a primary threat. Uncertainty in global trade policy could impact investment decisions with potential knock-on effects on poverty. Using some of the anticipated revenue flows from oil production—expected to come onstream in 2027—to support investments in infrastructure, as well as increased social spending could spur even faster poverty reduction.

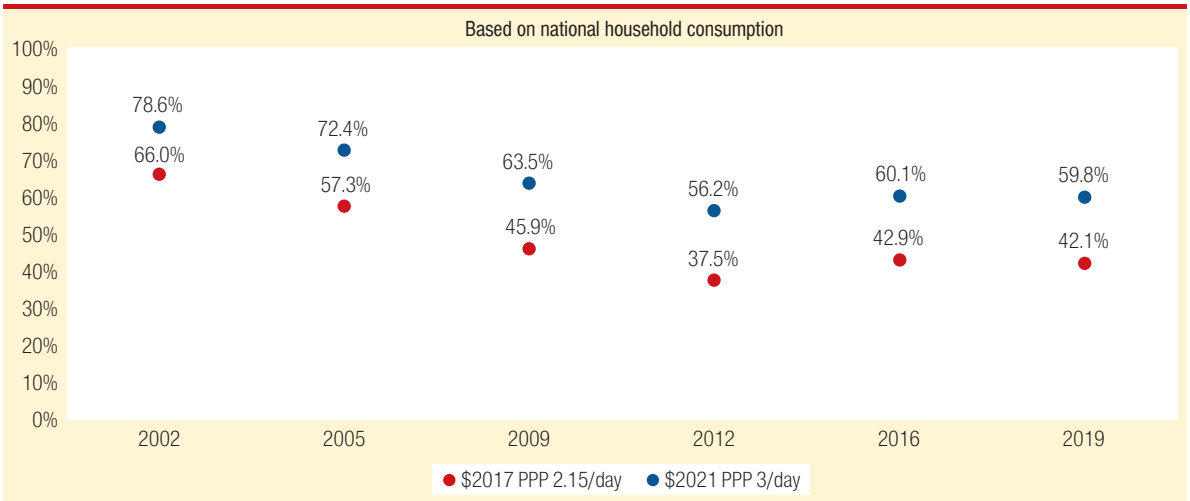
[13] World Bank Open Data. Regional peer countries are Kenya, Tanzania and Rwanda.

BOX 2: REVISIONS TO THE INTERNATIONAL POVERTY LINE (IPL) AND IMPACT ON UGANDA

The international poverty line (IPL) is periodically updated to reflect changes in purchasing power parity (PPP) exchange rates and in national poverty lines of low-income countries, which capture shifts in the consumption patterns of the poor. It was revised to USD 1.25 per day in 2005, USD 1.90 in 2011, and USD 2.15 in 2017. The most recent update, using 2021 PPPs, sets the IPL at USD 3.00/day, a 40 percent increase. Of this increase, 60 percent is attributed to higher national poverty lines and 40 percent to price changes between 2017 and 2021. Similarly, the updated lower-middle-income country (LMIC) and upper-middle-income country (UMIC) poverty lines are USD 4.20 and USD 8.30 per day, respectively. Going forward, the World Bank will use these updated lines to calculate poverty rates from new surveys and for poverty projections in all its publications.

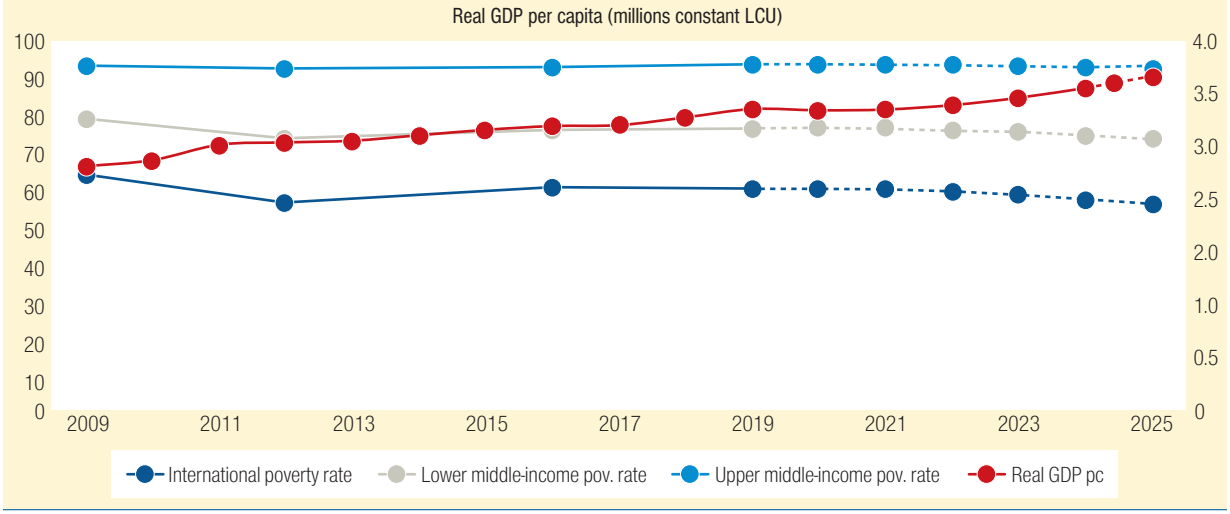
For Uganda, the poverty rate based on the new USD 3.00 IPL (2021 PPP) using the latest 2019/20 data is 59.8 percent, a 17.7 percentage point upward revision from 42.1 percent under the previous USD 2.15 line (2017 PPP). About 63 percent of this increase is due to the higher value of the new IPL, with the rest explained by price increases between 2017 and 2021 reflected in the updated PPPs. The new IPL only affects the level of poverty, while the trend in poverty remains unchanged **(Figure 15)**. The revision does not suggest that poverty in Uganda has worsened—it reflects a higher threshold for being "non-poor," based on improved consumption measurement across low-income countries; changes to LMIC and UMIC lines, where data is of relatively high quality, may reflect an increase in the value of poverty lines as countries become richer.

FIGURE B2.1 • Uganda: International poverty rate (USD 2.15 2017 PPP vs USD 3 2021 PPP)



Source: Uganda Macro-Poverty Outlook (October 2025).

FIGURE 15 • Actual and Projected Poverty Rates and Real Private Consumption Per Capita



Source: Uganda Macro-Poverty Outlook (October 2025).

2. Economic outlook, risks and development priorities

2.1. Growth is expected to remain robust in FY26 and FY27, and elevated twin deficits to narrow as oil production commences

Uganda's medium-term growth outlook remains positive, with economic activity expected to remain broad-based in FY26 and strengthen in FY27 as oil production is expected to commence. Growth would be supported by resilient private consumption amidst stable prices, despite an expected slowdown in public spending. Rising industrial FDI and infrastructure investment, notably in the oil sector, will support growth and expand the economy's productive capacity. Export receipts will continue to benefit from a strong coffee performance, and the commencement of oil exports in FY27, while allowing for decelerating import growth. Services, manufacturing, and agriculture activity will remain robust, and inflation is projected to remain low, under the BoU's medium-term target of 5 percent. This will be supported by anchored inflation expectations, relatively stable global commodity prices, and a stable exchange rate.

The current account and fiscal deficits are projected to start improving in FY26 and further in FY27, supported by moderating spending growth and the accrual of oil revenues. Imports are expected to slow down as the bulk of oil-related project investments are completed in FY26, while exports' performance would remain robust in FY26 and be boosted by the beginning of oil production in FY27. The current account balance is therefore expected to strengthen in FY26, supported by continued strong foreign direct investment inflows and rising foreign exchange reserves, and more markedly in FY27. Public spending growth is projected to moderate in FY26, in line with Budget Law projections and fiscal consolidation efforts counterbalancing surging interest payments, and the fiscal deficit is expected to remain stable in FY26, before an improvement in FY27 supported by slower growth in spending and the beginning of the accrual of oil revenue. Public debt as a share of GDP would therefore increase in FY26, before declining in FY27. Meanwhile, the implementation of the upcoming domestic revenue mobilization strategy is anticipated to support a continued increase in tax revenue, supporting the fiscal consolidation. Supported by lower fiscal financing needs and continued economic growth, private sector credit is likely to accelerate, supporting private sector growth.

TABLE 3 • Baseline Economic Outlook

(annual % change unless otherwise indicated)	FY22	FY23	FY24	FY25 (est)	FY26 (forecast)	FY27 (forecast)
FY Real GDP Growth (baseline)	4.6	5.3	6.1	6.3	6.4	9.8
Agriculture growth	4.2	4.5	5.6	6.6	6.5	6.3
Industry growth	5.1	4.0	5.5	7.0	6.2	18.5
Services growth	4.0	5.9	6.4	5.4	6.6	6.5
Inflation (Consumer Price Index)	3.7	8.8	3.2	3.7	3.5	3.5
Current account balance (% of GDP) (incl. grants)	-7.6	-7.6	-7.9	-6.4	-5.2	-3.2
Exports, goods and services	-19.7	0.3	47.1	23.7	10.2	35.6
Imports, goods and services	-7.9	-2.6	9.5	9.6	4.2	12.8
FDI (% of GDP)	5.0	6.1	5.6	6.0	4.3	4.9
Fiscal Balance (% of GDP) (incl. grants)	-7.4	-5.5	-4.7	-6.1	-6.2	-5.3
Primary balance (% of GDP) (excl. grants)	-4.3	-2.3	-1.6	-2.4	-1.4	-0.2
Public debt (% of GDP)	48.4	47.4	46.6	51.3	52.8	51.9

Source: MoFPED, BoU, and World Bank staff calculations.

2.2. Uganda's outlook is subject to downside risks, from both domestic and global sources

Uganda's medium-term economic outlook remains subject to downside risks from domestic sources, related to fiscal and oil sector developments. While the FY26 Budget Law anticipates a slowdown in spending, it will be complicated by the cost of servicing the expensive domestic debt. Failure to restore sustainability of spending growth and improving domestic revenue mobilization[14] could result in fiscal slippage, necessitating further expensive indebtedness and delayed but deeper consolidation, which may compromise the quality of fiscal adjustment. On the other hand, additional delays in the accrual of oil revenues could lead to downward revisions in projections. With first oil expected over the summer of 2026, first oil revenues are expected in early 2027, meaning that any delays in production, transport, export and sales would weigh on growth and the perspectives for improvements in Uganda's external and fiscal balances in FY27 **(Box 3)**. The rising share of costly domestic debt and rising interest obligations underscore the importance of fiscal consolidation to safeguard debt sustainability. Lastly, the election context could weigh on the risk perception of foreign investors and on portfolio and investment inflows, as well as generate delays in policy implementation.

Uganda remains exposed to heightened global economic and trade uncertainty, notably through commodity prices and external financing conditions, but could benefit from higher concessional financing. Slowing trade, growth and external demand from Uganda's major trading partners amidst

[14] Tax revenues reached 13.1 percent of GDP up from 12.6 percent of GDP in the previous FY, but remain below regional comparators, underscoring the need to sustain reforms under the Domestic Revenue Mobilization Strategy (DRMS) to create fiscal space and reduce reliance on costly domestic borrowing.

BOX 3: THE PROSPECTS FOR OIL PRODUCTION, EXPORT, AND REVENUES IN UGANDA

The Tilenga and Kingfisher upstream developments—carrying a planned combined crude oil capacity of around 230,000 barrels per day (bpd)—mark Uganda's strides into commercial oil production. Discovered in the Lake Albert region, exploration began in 2006, with major discoveries made in 2008–2009. The two projects are led by TotalEnergies (56.7 percent) in partnership with CNOOC (28.3 percent) and Uganda National Oil Company (UNOC) (15 percent). The Tilenga development aims to have a peak output of approximately 190,000 bpd, while the Kingfisher development would contribute an additional 40,000 bpd and include a central processing facility. These projects represent an investment exceeding USD 11 billion in upstream and transport infrastructure. They will link via a 46 km feeder line to an export hub in Kabaale, eventually connecting to the 1,443 km East African Crude Oil Pipeline (EACOP) destined for Tanga, Tanzania. Uganda is also planning a 60,000-bpd domestic refinery in Kabaale designed to reduce fuel import bills and add value to domestic crude.

These projects are poised to significantly boost GDP growth, expand exports, and increase fiscal revenues via the sale of the government's equity share, royalties, and corporate taxes. Oil revenues would take the form of the sale of the government's equity share of the oil (15 percent) and in the form of royalties and corporate taxes applied on the sale of partners' equity share (85 percent). The Public Finance Management Act (2015) established a fiscal governance framework under which petroleum revenues from the sale of the government's share are credited to the Petroleum Fund, with withdrawals limited to the approved annual budget, while excess revenues are channeled into the Petroleum Revenue Investment Reserve for future development needs. In 2021, the government announced that withdrawals from the Petroleum Fund would be capped to 0.8 percent of the previous year's non-oil GDP, although this fiscal rule was never institutionalized.

Given recent rapid progress in infrastructure development, the baseline scenario reflects a cautiously optimistic timeline for oil production, exports, and revenues, with moderate downside risks. The Tilenga and Kingfisher projects reached final investment decision in early 2022, causing a surge in oil-related foreign direct investment and imports in FY23–FY25. Completion rates now exceed 60 percent for the Tilenga (60 percent), Kingfisher (74 percent) and EACOP (62–75 percent) projects. As a result, "first oil" and pipeline completion are now expected in July 2026. After crude oil is extracted, it must be processed at central facilities, transported via feeder lines to Hoima, then pumped through the heated EACOP pipeline to Tanga, filled and tested, lifted onto tankers, and sold. In addition, reaching the production plateau could take two to three years. As result, the baseline scenario presented in Table 3 assumes limited oil production in Q3-2026, oil exports starting in Q1-2027, and assumes minimal oil revenues accruing to the state budget in FY27. Key risks to the baseline scenario include construction and contractual delays, which are assumed to be moderate given a conservative baseline and the recent progress in infrastructure development.

high global trade uncertainty[15] could dampen exports, reduce remittances and offshore investment flows, weakening the external balance. Trade disruptions including higher shipping costs and supply-chain bottlenecks linked to geopolitical tensions could compound those risks and raise import prices. Considering Uganda's increased dependance on coffee and gold exports, as well as on portfolio investments for deficit financing, key risks also stem from developments in commodity prices or tighter global financial conditions. A decline in global coffee prices or demand could weaken export revenues, depress domestic incomes and affect economic growth and external balances. These risks are compounded by increasing climate variability affecting production, yields and quality, given that most of agriculture is still rain-fed. Tighter global financial conditions could also raise Uganda's external borrowing costs, constrain its access to global capital markets, and reduce private investment inflows, raising debt servicing costs and the reliance on costly domestic financing. On the other hand, higher access to concessional financing from multilateral institutions could support a decline in borrowing costs, support project financing amid the fiscal consolidation, and strengthen investor confidence.

2.3. Reaching Ten-Fold goals will require accelerated economic transformation while maintaining macroeconomic stability

Uganda's economic transformation and job creation has been limited, with employment con-

[15] The increase of trade tariffs by the US may not have a large direct impact on Uganda as trade with the US remains quite low (2 percent of Uganda's exports in 2024), but the indirect impact could be large through reduced demand from Uganda's major trading partners.

BOX 4: THE FY26 BUDGET LAW

Uganda's FY26 budget marks the beginning of implementation of the Fourth National Development Plan (NDP IV). Framed under the theme "Full Monetization of the Ugandan Economy," the budget reaffirms the government's ambition to grow the economy Ten-Fold from USD 50 million in 2023 to USD 500 billion in 2040. This vision is anchored in strategic investments across the Agro-Industrialization, Tourism, Mineral Development, and Science, Technology, and Innovation (ATMS) sectors, alongside efforts to expand services, digital transformation, and market access. The budget also emphasizes infrastructure development, particularly roads, railways, and water transport–human capital investments in health, education, and social protection, and affordable credit access through instruments such as the Parish Development Model, the Uganda Development Bank, and the Agricultural Credit Facility.

The total resource envelope for FY26 is projected at UGX 71.96 trillion, representing 27.7 percent of GDP—a marginal decline from the previous year. While the discretionary budget will fall slightly as a share of GDP, it will increase by 10 percent in nominal terms, suggesting some expansion in fiscal space. However, the budget remains heavily reliant on external support, with grants expected to rise 18 percent from FY25 (to UGX 13.4 trillion or 5.2 percent of GDP). Domestic revenues are projected at UGX 37.1 trillion (14.3 percent of GDP), growing by 13 percent in nominal terms, dragged by lower corporate tax receipts. Non-tax revenues will increase modestly, but not enough to offset the shortfall in tax collections, underscoring the need for stronger domestic revenue mobilization.

The fiscal framework presumes a sizeable consolidation effort, with the deficit targeted at 3.9 percent of GDP–down from 6.1 percent in FY25. This adjustment is expected to come primarily from reductions in recurrent expenditure, especially interest payments. Interest expenses are projected to decline by UGX 7.1 trillion, largely due to reduced payments on domestic debt, particularly BoU advances. Development spending will increase slightly to 7.2 percent of GDP, driven by externally financed projects, which now constitute 63 percent of the development budget. However, this reliance raises concerns about execution and sustainability, given historically low absorption rates and vulnerability to donor funding cuts.

The budget's consolidation strategy hinges on a sharp reduction in recurrent spending, which is projected to fall to UGX 53.1 trillion (20.4 percent of GDP), down by 5 pp. Non-wage recurrent expenditure will bear the brunt of these cuts, declining to 17.2 percent of GDP. Yet, this assumption appears optimistic considering Uganda's historical spending patterns during election years, which tend to be marked by elevated public expenditures. Structural rigidities–such as high interest payments, external debt amortization, and defense spending–alongside frequent supplementary budgets, pose additional risks to achieving these targets. Meanwhile, development spending, though increased, continues to suffer from low execution rates, particularly for externally funded projects. The Rationalization of Government Agencies and Expenditure (RAPEX) reform would support the fiscal consolidation.

centrated in low productivity climate-vulnerable agriculture. Despite some movement of labor into services, the economic transformation from low-productivity agriculture towards: (i) higher productivity agro-industrial jobs and (ii) higher-productivity sectors like manufacturing has been slow and uneven. The low productivity and climate-vulnerable agriculture sector still represents nearly a quarter of GDP and 40 percent of employment, not accounting for the 36 percent of the working age population engaged exclusively in subsistence agriculture (World Bank 2022b). Uganda remains one of the most rural economies in the region, with over 70 percent of its population living in rural areas in 2024 (Figure 19). The limited transformation is compounded by rapid population growth which, amidst slow formal and productive job creation, leaves new entrants in informal, low-productivity jobs. Relatedly, Uganda's export base remains narrow and highly climate-vulnerable, concentrated in a small number of agricultural products. Coffee, gold, and cocoa together account for two-thirds of product exports, while travel services represent 62 percent of services exports, leaving the external sector vulnerable to external commodity price and demand shocks.

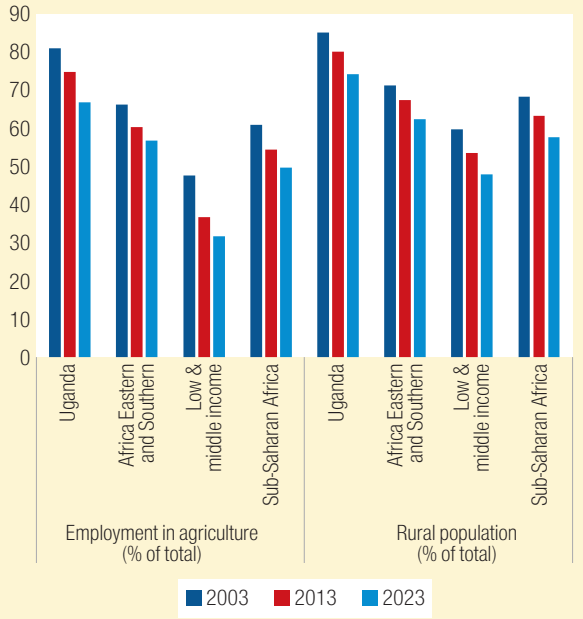
To deliver on the objectives of the Ten-Fold Growth Strategy, Uganda needs to accelerate its economic transformation. Uganda's Ten-Fold Growth Strategy is anchored on the ATMS pillars (Agro-industrialization, Tourism development, Mineral-based industrialization, and Science, Technology and Innovation). These are aimed at rapidly expanding productive capacity accelerating economic transformation by boosting value-addition, expanding exports, and catalyzing higher-productivity jobs across agriculture, industry, and services, supported by investments in human capital and infrastructure. To achieve those objectives, Uganda needs to support a faster transition of workers from low-productivity agricultural activity to higher productivity jobs. Since the agricultural sector will remain the backbone of the Ugandan economy, raising agricultural productivity, increasing its climate resilience and developing agricultural value chains are the first keys to this transformation. Following this, Uganda's economic transformation resides in faster job creation in construction, manufacturing and services, which would be supported by faster urbanization. Overall, Uganda needs to generate 700,000 jobs annually to absorb new labor market entrants, yet only 75,000 formal jobs are created each year.

Putting the economy on a higher trajectory requires a sharper focus on improving human capital and connectivity infrastructure in a climate-informed way, amidst limited fiscal space and uncertain overseas development assistance. Underinvestment in health and education has fueled a persistent human capital deficit—a child born today is expected to be only 38 percent as productive as they would be if they had enjoyed a complete education and full health. The education system is not equipping young Ugandans with labor market skills, while health outcomes continue to undermine productivity. These challenges are now compounded by the contraction in overseas development assistance, which is expected to have severe effects on the health sector.[16] At the same time, infrastructure deficits in transport, energy, water, and digital connectivity, are limiting economic transformation by hindering factor mobility, while weighing on private sector growth, regional integration and trade. Amidst limited fiscal space, strategic investments, adequately prioritized—including to account for climate risks—and reforms to crowd-in private spending are essential to unlock productivity gains, support job creation, and enable Uganda's deeper participation in global and regional value chains. However, given rising fiscal pressures, Uganda must however pursue fiscal consolidation while supporting economic transformation and job creation, by prioritizing strategic investments in basic human and physical capital **(Figure 17)**.

Agro-industrialization is central to Uganda's structural transformation agenda given agriculture's dominant role in employment and its strong backward and forward linkages to industry and services. However, progress remains slow constrained by weak fundamentals in the sector mainly linked to the

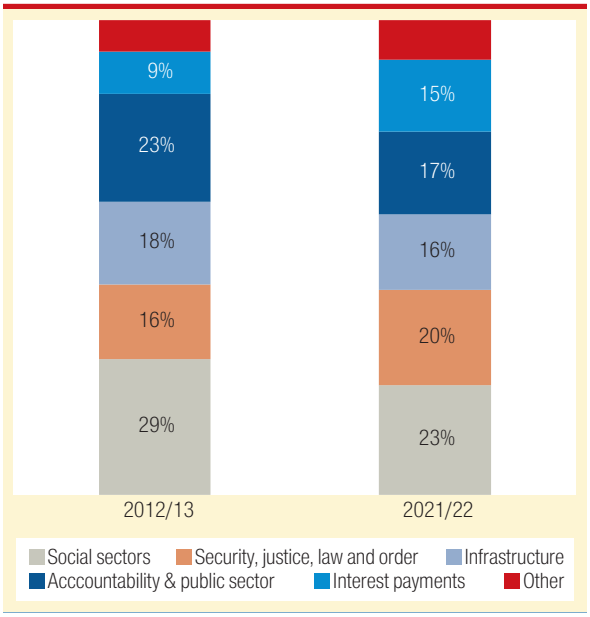
[16] Although ODA was mostly off-budget (ODA agencies would spend directly and not through the government budget) the reduction will impact service delivery and call for higher government spending to compensate.

FIGURE 16 • Uganda Lags its Peers in Economic Transformation



Source: World Bank World Development Indicators (WDI).

FIGURE 17 • Social Sector Spending Has Been Crowded out, Notably by Interest Payments



Source: MoFPED and World Bank staff estimates.

level of productivity, a challenging policy and regulatory environment, insufficient integration across agricultural value chains limited finance and rising climate vulnerability. These structural bottlenecks limit opportunities for value addition, job creation, and inclusive growth. Addressing them is critical to unlocking productivity gains and positioning agriculture as a driver of industrialization and broader economic transformation. Part 2 of this report highlights the key challenges constraining agro-industrialization and sets out practical pathways to overcome them.

2

CULTIVATING PROSPERITY THROUGH AGRO-INDUSTRIALIZATION

1. Where Uganda's agriculture stands: The current context for cultivating future prosperity

1.1. Context

Agriculture is the cornerstone of Uganda's economy, driving economic growth, job creation, food security, and providing essential raw materials for the agro-industrial sector. It remains the main source of livelihood for most Ugandans, particularly in rural communities. Beyond its economic significance, agriculture plays a critical role in poverty reduction by enabling smallholder farmers to transition from subsistence to commercial farming. The sector contributes approximately 24 percent to Uganda's GDP, accounts for 35 percent of export earnings, and employs 68 percent of the labor force (UBOS 2021; 2024). Food and seasonal crops, though vulnerable to climatic shocks, represent 47 percent of agricultural GDP, followed by livestock (17 percent), cash crops (12 percent), and fisheries (8 percent) (World Bank 2025b). An estimated 77 percent of poor households rely on agriculture, primarily subsistence and smallholder farming and households headed by individuals working in agriculture have the highest poverty rates. Strategic investments in agro-industrialization, adoption of modern farming techniques, and targeted support for smallholders can unlock the sector's full potential and reduce poverty. These measures would not only drive sustained economic growth but also strengthen food and nutrition security, enhance resilience to climate risks, and improve the overall quality of life for Ugandans.

Uganda's long-term development frameworks—Vision 2040, NDP IV, and the Ten-Fold Growth Strategy—aim to position the country as an upper-middle-income economy. The Ten-Fold Growth Strategy aims for agro-industrialization to con-

tribute USD 20bn annually to GDP by 2040. A key target of the NDP IV is to raise growth in agriculture, forestry, and fisheries from 6.6 percent to 10.13 percent by 2030. NDP IV projects the creation of 208,409 to 983,396 jobs annually, with agriculture, fisheries, and forestry contributing to 35.6 percent of these new opportunities, especially in agro-processing. The employment impact is expected to be substantial, particularly for young people. Achieving this requires transforming raw agricultural products into high-value processed goods and attracting private investment across diverse value chains, including meat, dairy, coffee, cassava, tea, fruit, and oilseeds. Key strategies include enhancing agricultural productivity and commercialization, promoting value addition and agro-processing, improving access to inputs, finance, and markets, and encouraging public-private partnerships in storage, processing, and export sectors. To stimulate investment, Uganda plans to offer incentives such as tax breaks (e.g., for plant and machinery in the dairy industry), land acquisition support, improved access to finance, and expanded value-addition facilities. Collectively, these interventions will drive inclusive growth, strengthen Uganda's agro-industrial base, and accelerate progress towards the national development goals.

1.2. Uganda's natural endowments support agriculture

Within the East African region, Uganda is recognized as having significant untapped agricultural growth potential, owing to its abundant natural resources, favorable climate, and extensive arable land. Approximately 80 percent (193,200 km2) of Uganda's land is arable (FAO 2024), which is far higher than in Kenya where less than 10 percent (53,954 km²) of the land is arable (Zenere 2014), and Tanzania, where 47 percent (440,000 km²) is arable, indicating significant expansion potential (FAO n.d.). The country benefits from a moderate equatorial climate and two rainy seasons across most areas, enabling multiple harvests annually. Similarly, Kenya also has two rainy seasons, although over 80 percent of its territory is arid or semi-arid, thus it receives minimal rainfall. Tanzania experiences bimodal rainfall in the north, while the south relies on a monomodal season. Uganda's diverse agroecological zones and favorable climate support the production of a wide range of crops, including coffee, tea, sugar, plantain, maize, beans, cassava, and sweet potato, alongside livestock and fish farming. This diversity has made Uganda largely self-sufficient in staple foods and a major supplier to Kenya, South Sudan, and the Democratic Republic of Congo (DRC).

1.3. Uganda's performance gap compared to regional peers

Despite its strategic potential, long-term development plans, and competitive advantage, Uganda continues to lag its neighbors in productivity. Its agriculture has largely relied on increased production through the expansion of areas under cultivation, rather than increasing productivity per unit. This underperformance is linked to dependence on rain-fed agriculture, traditional farming practices, suboptimal use of inputs, especially fertilizer, and limited irrigation development, unlike other countries in the region **(Table 4)**.

Uganda's access to agricultural support services—extension, veterinary care, finance, and markets remains far below regional peers. Only 24 percent of farmers receive extension services, compared to 75 percent in Kenya and 65 percent in Rwanda, with Uganda's public extension-to-farmer ratio at 1:1,500–2,500 versus Kenya's 1:1,000–5000. Livestock vaccine coverage is similarly weak at about 16 percent, often inconsistent, and heavily reliant on non-governmental organizations (NGOs), while Rwanda achieves 55 percent with strong government support, and Kenya maintains stable coverage through private sector engagement. Low access stems from limited public investment (just 3.6 percent of Uganda's budget, compared with Rwanda's 6 percent and Kenya's 5.8 percent), politically driven policy reversals, and weak digital infrastructure.

Key services such as vaccinations, extensions, laboratory testing and pest control are hampered by staffing shortages and underfunded facilities. Staffing gaps are significant: 55 percent of positions remain vacant, with entomology, fisheries, and livestock roles filled at only 26 percent, 29 percent, and 48 percent, respectively. Laboratories often lack equipment, facilities, or personnel due to limited fund-

TABLE 4 • Key Productivity Metrics for Comparing Uganda with Kenya, Tanzania, and Rwanda

Metric	Uganda	Kenya	Tanzania	Rwanda
Average Fertilizer use				
(kg/ha)	3–8	55	20	32
Improved seeds and breeds				
Seeds	4% for all crops (2021/22 UHIS)	<10% of total planted area	<10% overall 90%+ informally sourced)	44.6% of farmers
Improved breeds	23% of cattle population (2022)	On 78% of farms; imported breeds in highlands; and 15% in some dairy regions/ studies	3.5% of the cattle population (2022)	72% of farms have improved breeds
Land under cultivation, irrigation and mechanization services				
Cultivation	35% cultivated, mostly rain-fed, traditional farming	Nearly 50% cultivated with intensive farming practices	About 23–24% of arable land is cultivated	About 75% of land is intensively farmed
Irrigation (potential irrigable land)	3,030,000 ha potential with 1% irrigated (15,000 ha)	1,342,000 ha and 16% (222,240 ha) irrigated	2,300,000 ha and 10% (227,486 ha) irrigated	600,000 ha potential and 10% (63,742 ha) irrigated
Mechanization	Less than 2% of landholdings (or 10% of crop area)	30% of landholdings (or 45–56% crop area)	Less than 10% of landholdings (or 48% crop area)	Less than 1% of landholdings (or 10% crop area)
Agricultural value addition, agro-processing and job creation				
Value addition	Medium and growing	Highest	High and growing fast	Lower but growing
Agro-processing (% total mfg. output)	60%	above 65%	over 50%	44%
Job creation value (estimated)	USD 13.24 billion	USD 26.58 billion	USD 18.44 billion	USD 3.5 billion
Agricultural labor productivity	Lowest and declining due to low use of modern inputs, low soil fertility	Highest but with slow growth rate	Strong annual growth of 3.5%; faces soil fertility issues	High growth rates (6% annually); efficient land and water mngmt. tech; lower absolute productivity

Source: Information compiled by the authors from literature reviews, country reports, national statistics agencies (including UBOS, TNBS, Kenya National Bureau of Statistics (KNBS), the National Institute of Statistics of Rwanda (NISR), as well as global databases such as theglobaleconomy.com and the World Bank.

ing. Extension officers struggle with practical skills because universities lack hands-on training facilities and fieldwork resources. A recent Consultative Group on International Agricultural Research (CGIAR) report using UBOS data found that many extension officers cannot identify drought-tolerant maize varieties (World Bank 2025b). The shift from National Agricultural Advisory Services (NAADS) to Operation Wealth Creation (OWC) prioritized input distribution over advisory services, which reduced information flow. Current efforts to consolidate agricultural extension services under the "Single Spine" model remain underfunded and understaffed. Socio-economic disparities further restrict access, favoring wealthier farmers with land, credit, or association membership.

Uganda's economy remains heavily reliant on raw agricultural production but is making steady progress in agro-industrialization, particularly in the regional trade of staples and value chains such as dairy and coffee. Agro-processing now contributes about 65 percent of manufacturing output, generating an estimated USD 13.24 billion and employing roughly 400,000 people. Informality of the sector remains high. The agribusinesses are mainly concentrated in Buganda, Busoga, and Tooro, and together host 6048 of the 10,669 agribusinesses. Despite, there has been an increase in agricultural support and post-harvest activities from 172 in FY11 to 487 in FY20, the share of farm support and post-harvest activities remains very low, accounting for

TABLE 5 • Key Metrics for Access to Agricultural Services

Metric	Uganda	Kenya	Tanzania	Rwanda
Access to Extension Services				
Access to extension	Low; only 24% of farmers have access	High, over 75% of farmers have access	Moderate; 40% + of farmers have access	High; 65% of farm households receive services
Ratio of public extension officers	1:1,500 to 1:2,500	1:1,000 to 1:5,000	1:1,000 to 1:2,000	1:2,550 to 1:3,000
Access to livestock vaccination services				
Cattle vaccine coverage	16% and very inconsistent	10–18% but stable	About 5%	55.1%
Provider	High dependence on NGOs with weak private sector role	Private sector is active in vaccine distribution	Support of central/local government and private sector	Strong central government lead with emerging private sector roles
Access to agricultural financial services				
Share of credit to agriculture of total bank lending	Relatively high around 10–13%	Persistently low, around 3–5%	Around 8%	Consistently and persistently low, around 3–5%
Agricultural households (%) accessing agriculture credit	About 11.3%	About 15%	Less than 10%	About 17%
Insurance penetration	Less than 1% with 30–50% subsidy	About 3.4% with 3–50% subsidy	About 2.3% with subsidy of 50%	About 1%. Fixed 40% premium subsidy

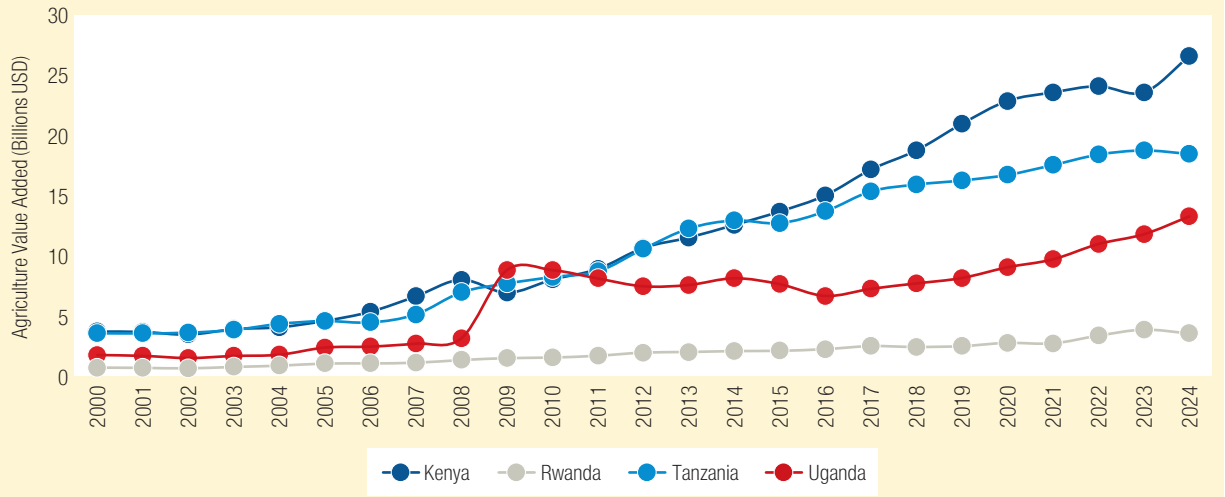
Source: Information compiled by the authors from literature reviews, country reports, national statistics agencies (including UBOS, TNBS, KNBS, NISR, as well as global databases such as theglobaleconomy.com and the World Bank.

TABLE 6 • Sub-Regional Distribution of Agricultural Businesses by Activity

		Activity						
Sub Region	Total	Growing of crops	Animal production & mixed farming	Agricultural support & post harvest activities	Hunting, trapping and related service activities	Forestry and logging	Fishing and aquaculture	Percent
Acholi	291	64.9	21.3	5.2	0.0	3.8	4.8	2.7
Ankole	681	73.6	17.8	3.5	0.1	4.3	0.7	6.4
Buganda	3,996	25.3	28.0	2.6	0.1	1.5	42.6	37.5
Bukedi	332	67.8	14.2	4.8	0.0	3.0	10.2	3.1
Bunyoro	781	35.9	17.4	1.8	0.0	3.5	41.5	7.3
Busoga	1,042	15.3	10.7	2.6	0.3	1.9	69.3	9.8
Elgon	391	73.7	10.0	4.3	0.3	9.0	2.8	3.7
Kampala	643	33.0	27.2	23.3	0.5	8.1	7.9	6.0
Karamoja	18	72.2	11.1	16.7	0.0	0.0	0.0	0.2
Kigezi	350	77.4	10.9	3.4	0.0	7.4	0.9	3.3
Lango	419	55.1	13.1	6.2	0.0	4.1	21.5	3.9
Teso	280	49.3	22.9	5.7	0.0	3.9	18.2	2.6
Tooro	1,010	43.6	13.7	4.0	0.5	1.5	36.8	9.5
West Nile	435	52.9	23.4	5.7	0.0	1.1	16.8	4.1
Total	**10,669**	**39.3**	**20.7**	**4.6**	**0.1**	**3.0**	**32.4**	**100.0**

Source: UBOS, 2019–2020.

FIGURE 18 • Agricultural Value Added between 2000–2024 in Uganda, Kenya, Tanzania, and Rwanda



Source: Constructed by authors using data from theglobaleconomy.com accessed December 2, 2025.

only 4.6 percent of total agricultural businesses, in contrast to crop production and animal production, which account for 49 percent and 29 percent, respectively **(Table 6)**. The geographic disparity and limited number of post-harvest facilities further constrain agro-industrialization.

Uganda's key exports include coffee, dairy, and maize flour, with growing potential in potatoes, cassava, vegetables, pineapples, and meat products. Building on this progress, Uganda recently became Africa's largest coffee exporter, surpassing Ethiopia in May 2025 with a record 47,606.7 tons, pushing annual coffee revenue above USD 2 billion. Value addition initiatives such as the World Bank-supported Agriculture Cluster Development Project have improved quality standards and expanded plantations, to drive this growth. Among East African countries, Uganda ranks third to Kenya in agricultural value added; Kenya's sector accounts for over 65 percent of manufacturing output, generates USD 26.58 billion, and employs about 10.7 million people **(Figure 18** and **Table 4)**.

2. Why Uganda's agriculture sector lags: Four root causes

Understanding Uganda's current context, with strong natural endowments but inferior performance outcomes, provides a baseline to analyze the root causes of this paradox. There are four interconnected constraints described below. The first describes weak foundations in primary agricultural production, such as low input use, degraded soils, and limited adoption of technologies. The second looks at governance and institutional issues that limit agricultural development, such as weak coordination, inadequate regulation, and policy changes. The third briefly looks at financing and connectivity gaps, such as limited access to credit, high interest rates, and poor internet and mobile connectivity. Lastly, it looks at climate vulnerability, both current and future impacts. These root causes are not separate from one another. Instead, they reinforce each other in a negative feedback loop that perpetuates low productivity.

2.1. Weak foundations in primary agricultural production

Uganda has historically lagged in the use of modern agricultural inputs, particularly in fertilizer application, relying instead on expanding cultivated land. The use of inorganic fertilizers in Uganda remains suboptimal, as shown in figure 22. Approximately 10 percent of households apply fertilizers, with an average application rate ranging from 3 to 8 kg per hectare (UBOS 2023)—far below the Sub-Saharan

Africa average of 60 kg per hectare. Compounding the productivity challenge is the proliferation of counterfeit agro-inputs—seeds, planting materials, herbicides, and fertilizers—estimated to account for up to 30 percent of the market as per NDP IV, which has further undermined production and productivity.

Most crop-farming households use low levels of fertilizer, mainly due to misperceptions about soil quality and high fertilizer prices. Farmers believe that fertilizers are unnecessary because they misperceive their soil to be of good quality—a perception that nearly doubled from 2010 to 2015. However, this perception is misleading. Nakiyemba *et al.*, (2024) found that only 30 percent of the farmers could correctly assess their soil quality while 70 percent lacked accurate knowledge, as revealed when subjective assessments were compared with objective measurements.[17] For a large share of households, high fertilizer prices is the primary barrier to their adoption—a constraint consistently cited across countries, including Uganda, and over time. Conversely, pesticide use has risen sharply over the past decade, surpassing both organic and inorganic fertilizer use. Patterns of input use also vary by socio-economic and structural factors. Organic fertilizer use is positively correlated with the number of crops grown on a plot, plot size, household size, and secure property rights. In contrast, inorganic fertilizer use is associated with larger plot sizes, tractor use, institutional land ownership, and rising women's wages.

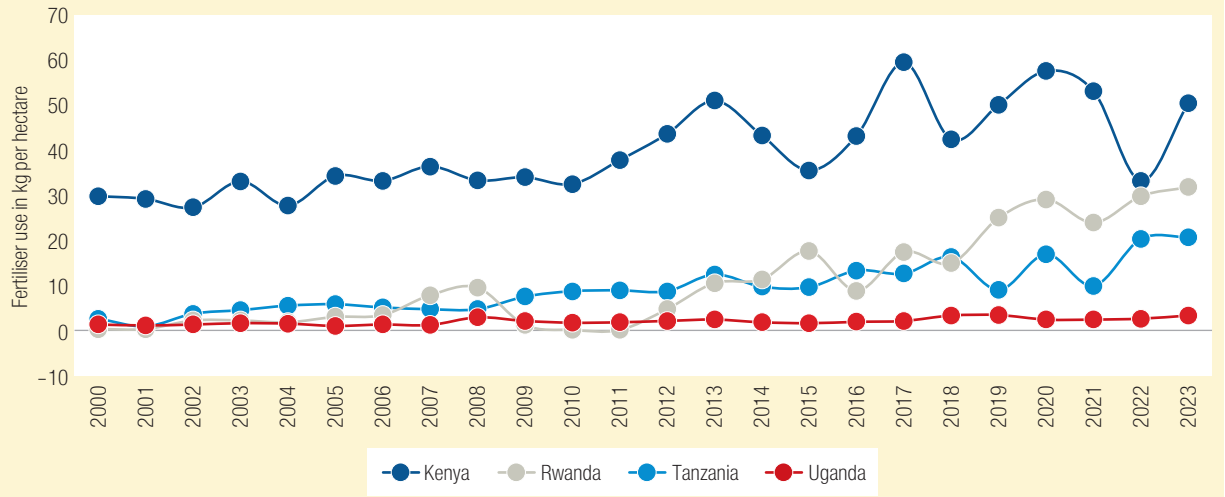
Soil erosion is a major environmental challenge in Uganda, driven by steep terrain, high rainfall, and poor soil structure, compounded by human activities such as deforestation, overgrazing, and intensive farming. Approximately 41 percent of Uganda's land is degraded, with 39 percent considered prone to soil erosion through unsustainable rates of mean soil loss (World Bank Group 2021b). Clearing forests for agriculture and urbanization removes protective vegetation, while overgrazing compacts the soil, reducing water infiltration and increasing runoff. Monocropping and poor crop rotation further deplete soil nutrients, making land more vulnerable to erosion. The consequences include loss of fertile land, reduced crop yields, food insecurity, sedimentation in water bodies, and ecosystem degradation. In severe cases, erosion forces farmers to abandon land, fueling poverty and migration. Annual maize productivity losses due to erosion have been estimated at 190 kg/ha in some regions, posing economic and food security risks to vulnerable, impoverished populations. The highest rates of soil loss in Uganda are generally found in highland areas with high rainfall intensity and steep slopes as well as in the cattle corridor (Karamage et al. 2017). By 2040, negative crop yield shocks from erosion are expected under all climate futures, averaging between −3.1 and −1.5 percent.

Uganda continues to lag in adopting modern crop varieties and livestock breeds, though recent demographic shifts, shrinking landholdings, and rising market demand are driving interest in improved breeds, especially for dairy. Only about 4 percent of crop farmers use improved seeds, with adoption rates below 10 percent for most crops except maize and cotton. Between 2010 and 2020, use of improved seeds declined, reflecting reliance on recycled, non-purchased seeds due to weak seed systems and limited extension services. In livestock, indigenous cattle still dominate despite gradual shifts. From 2008 to 2021, the cattle population grew by 27 percent from 11.4 million to 14.5 million yet 77 percent remain indigenous, and only 23 percent are improved breeds. Most improved animals are dairy cattle (3 million), while improved beef cattle numbered just 0.3 million. The adoption of improved breeds faces various constraints, including high costs (one exotic heifer equals five to eight indigenous cattle), poor adaptability, and calving difficulties. Artificial insemination is declining due to dystocia risks, while controlled mating with selected local bulls rose from 5 percent in 2011 to 8 percent in 2020.

Uganda has the lowest irrigation use among the five countries compared, despite its vast untapped irrigation potential. Of an estimated 3.03 million hectares of irrigable land, less than 2 percent is utilized, and irrigation coverage has remained below 1 percent for decades. In contrast, Kenya—with

[17] Farmers perceive 54.4 and 32.9 percent of soils to be fair and good quality respectively, while objectively it is 42 and 1.8 percent respectively.

FIGURE 19 • Use of Fertilizers in Uganda between 2000 and 2022

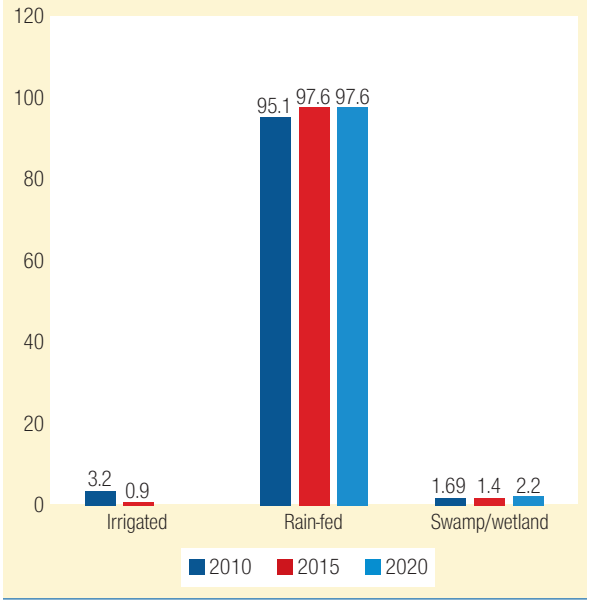


Source: Constructed by authors using data from theglobaleconomy.com accessed December 2, 2025.

only 1.34 million hectares of potential irrigable land—has achieved 16 percent coverage. Meanwhile, the share of agricultural parcels in wetlands rose from 1.69 percent to 2.2 percent, indicating farmers are reclaiming wetlands to cope with climate-induced water stress. Adoption of micro-scale irrigation remains constrained by high equipment costs, poor quality, operation, and maintenance challenges **(Figure 20)**.

Uganda also has the lowest level of mechanization among its regional peers, relying heavily on manual labor and animal traction. While Kenya mechanizes 30 percent of plots and up to 56 percent of crop area, and Tanzania mechanizes 10 percent of plots and 48 percent of crop area, Uganda lags far behind. This partly explains why Uganda cultivates only 35 percent of its 80 percent arable land, compared to Kenya's 50 percent and Tanzania's 23–24 percent. Weak land tenure security further limits investment in technology 87 percent of agricultural parcels remain undocumented, with only 24 percent having formal or semi-formal documentation. To address these gaps, Uganda is pursuing a renewed mechanization drive to transform subsistence farming into a competitive, profitable sector. Plans include establishing 19 Regional Agricultural Mechanization Centers (RAMCs) equipped with tractors, excavators, graders, and mobile workshops, alongside five regional hubs under the World

FIGURE 20 • Share of Irrigated Farmland in Uganda between 2010 and 2020



Source: Constructed by authors using Uganda National Panel Survey Data Sets.

Bank-funded Climate Smart Agriculture Transformation Project. However, mechanization faces significant constraints, including high equipment costs, limited access to finance, inadequate maintenance facilities, weak spare parts supply chains, lack of skilled labor, and low private sector participation. Addressing these challenges requires targeted training, technical

capacity building, stronger support systems for mechanization and private sector engagement.

2.2. Government and institutional weaknesses

Many national plans for agro-industrialization and job creation have fallen short due to "right target, wrong mechanism."[18] Weak governance indicators constrain Uganda's agro-industrialization efforts. Core issues include declining rule of law, poor regulatory quality, corruption, and weak enforcement. Policy distortions, weak implementation, and governance gaps lead to allocative inefficiency and total factor productivity (TFP) losses. Land tenure vulnerabilities can allow elites to dispossess communities without due process, while inadequate land records enable possible fraud. Enforcement gaps also permit the sale of counterfeit agro-inputs, undermining productivity and trust. While regional peers have improved, Uganda's government effectiveness has stagnated, limiting its ability to deliver quality agricultural services and implement credible policies.

Robust regulation implementation depends on adequate resources, skilled personnel, and strong enforcement. The Department of Crop Inspection and Certification (DCIC), established in 2014 under the DSIP framework, is responsible for implementing key laws, including the Agricultural Chemicals Act (2006), Seeds and Plant Act (2006), Plant Protection Act (2015), and Plant Variety Protection Act (2014). Despite this mandate, DCIC operates with only 31 percent of its required 288 staff, leaving severe gaps in phytosanitary (27 percent), agrochemical inspection (29 percent), and seed certification (33 percent). Mobility is also limited, with just 10 vehicles available, further undermining enforcement and regulatory consistency.

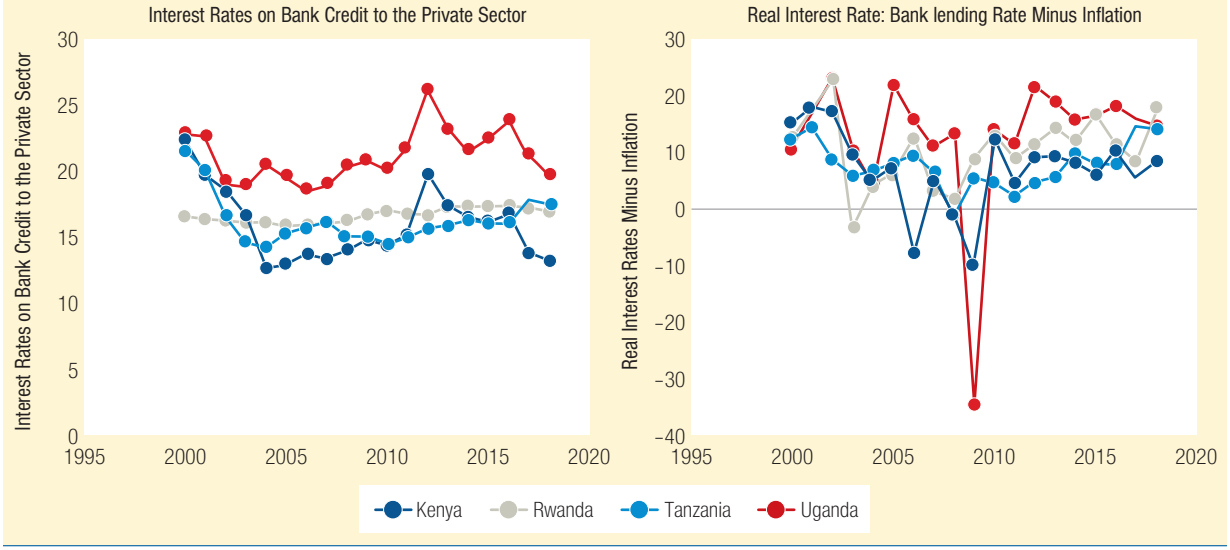
Weak coordination, aggregation and collaboration further impede Uganda's agro-industrialization efforts. Key ministries often fail to align their plans, resulting in inefficiencies and missed opportunities. Poor teamwork, unclear goals, and weak leadership hinder progress both between the government and the private sector and within the private sector itself. Engaging the private sector limited. However, given the government's weakness and the challenges facing the private sector, there is a need to focus on farmers to build the private sector by supporting collective action through cooperatives and community production groups. Uganda now has over 45,159 registered cooperatives, primarily Savings and Credit Societies (60 percent) and agricultural commodity cooperatives (30 percent), with coffee leading among crop-based organizations and dairy among livestock. Despite this growth (an 87 percent increase since 2011), over half lack valid operating licenses due to registration costs. Nevertheless, the expanding cooperative movement signals strong potential for agro-industrial transformation and a more vibrant private sector.

2.3. Financing and connectivity gaps

Uganda's agricultural sector receives 11.3 percent of bank lending. Despite agriculture being the backbone of the country's economy, it receives only 11.3 percent of private credit flows from the banking sector. However, this number underestimates the actual financing, as agro-based processing, food trade, and agricultural exports are classified under manufacturing and exports. General barriers for agricultural lending include high interest rates, reliance on collateral and formal documentation, long cash flow cycles, which are presumed to increase repayment uncertainty, current provisioning regulations, and limited products tailored to agriculture's seasonal risks. Credit is mainly targeted at large enterprises, while smallholders face significant hurdles. Poor infrastructure and remoteness increase service costs, though digital finance is easing some constraints. Agricultural insurance penetration is the lowest among benchmarked countries, despite gradual growth under the subsidized Uganda Agriculture Insurance Scheme (UAIS). These differences are also evident in regional lending trends and borrowing costs **(Figure 21)**.

[18] Plan for Modernization of Agriculture (PMA), National Development Plans I–IV, the Parish Development Model, and strategies such as the Agriculture Value Chain Development Strategy (AVCDS) and the Agriculture Sector Strategic Plans (ASSP) I–III

FIGURE 21 • Interest Rates in Uganda, Kenya Tanzania, and Rwanda



Source: Constructed by authors using data from TheGlobalEconomy.com accessed December 2, 2025.

Government programs like the Agricultural Credit Facility (ACF) and the National Agricultural Insurance Scheme aim to reduce sector risks but face significant constraints. Farmer-related barriers include low awareness, poor financial literacy, weak record-keeping, inadequate infrastructure, and exposure to drought, disease, and price volatility. Implementation challenges involve long delays in loan processing and claim payments (4–12 months), banks' reluctance to lend without strict terms, and staffing shortages. Participation among financial institutions is uneven; funding often falls short, and the resolution of delinquent loans is slow. Weak linkages between extension and financing services further compound risks, creating a high-risk environment for both farmers and lenders. Furthermore, without concessional financing, farmers are priced out of adopting improved climate-smart agriculture (CSA) technologies, such as drought-resistant seeds and precision irrigation systems, because these technologies have higher upfront costs than conventional inputs. Farmers also often do not understand CSA financing tools such as weather-based insurance or climate-adaptive credit products, limiting their use of blended finance models for CSA.

Uganda aims to address fragmentation by organizing farmers into cooperatives for bulk purchasing and quality improvement. Farmer groups organizations were strengthened through matching grants for the establishment of storage and processing facilities and enabling the delivery and purchase of inputs via the electronic voucher systems. The impact was significant: farmer group participation rose by 44 percent for men and 42 percent for women; involvement in bulking and storage increased by 17 percent; value addition activities grew by 23 percent; and cooperative assets expanded by 16 percent, with the most significant gains in maize, rice, coffee, and cassava. Matching grants also boosted financial inclusion, with more farmers opening bank accounts, accessing credit, and applying for loans ultimately increasing incomes through crop sales. These results demonstrate the central role of organized farmer institutions and collective investment mechanisms; an agenda further elaborated in sub-section 3.2.

Uganda's matching grants program faced several challenges, including limited access to finance for beneficiaries, administrative bottlenecks, and weak policy coordination. Many farmers' cooperatives, Area Commodity Cooperatives (ACCEs), lacked liquidity and collateral for their required cash contributions, making formal credit inaccessible until in-kind contributions were accepted. Additional concerns included equipment operation capacity,

long-term sustainability of equipment maintenance, ensuring continued investment viability, and effective asset management after project completion. Of the 358 supported cooperatives, 40 Area Commodity Cooperatives could not become fully operational due to adequate power and water infrastructure issues—either because the budget of USD 75,000 was insufficient, or farmers were unable to provide matching contributions. To address the connectivity gaps, the government is now working with the Ministry of Energy to improve electricity connections.

Connectivity, both digital and physical, remains a major constraint to service delivery and market access. Digital connectivity is emerging but constrained: only 63 percent of Ugandan farmers access advice via digital platforms, compared to 92 percent in Kenya and 78 percent in Rwanda. Challenges include low digital literacy, poor mobile coverage in rural areas, and limited investment in agro-tech solutions. Connectivity gaps compound these issues: only 0.28 percent of district roads are paved, transport costs are high, and storage and cold-chain facilities are inadequate. Moreover, Uganda's road density is 662 kilometers/1,000 km^2, less than half the average for sub-Saharan Africa (1,370 kilometers/1,000 km^2) and significantly lower than comparable low-income countries (2,110 kilometers/1,000 km2). In agriculture, 56 percent of costs are related to transport (UBOS 2024). Furthermore, approximately 60 percent of the national road network under Ministry of Works and Transport (MoWT), and 45 percent of the district road infrastructure, are highly vulnerable to flooding. Roads traversing low-lying, flood-prone areas are repeatedly cut off during rainy seasons, disrupting supply chains and market linkages, especially for agricultural activities, and hindering access to important services such as extension and administration.

2.4. Climate vulnerability amplifies all other constraints

The agriculture sector is the main sector through which climate change impacts are transmitted to the economy. These climate impacts, and others, amplify many of the other constraints facing Uganda. For example, it makes low fertilizer use more damaging, weak extension services more costly, poor infrastructure more likely to cause widespread problems, and governance failures more consequential. Climate change impacts on the agriculture sector occur through many channels, such as reduced agricultural labor productivity due to heat stress, uncertainty in crop and livestock yields due to temperature and precipitation variability, unmet water demand for irrigation, increased pests and diseases, limited access to markets and electricity, and increased post-harvest losses. For example, between 2015 and 2022, 84 percent of farming households reported an increase in the frequency of floods, which reduced maize yield by 18 percent (285kg/ha) and banana yield by 51 percent (1425kg/ha). The scale of the impact varies by climate futures.[19] The projections of climate impacts on agricultural labor under a hot future with decreased precipitation points to a decline in labor productivity of close to 5 percent, which is more than three times higher than the climate impact on labor in other sectors. The sector's vulnerability to climate change makes it imperative that Uganda's agro-industrialization efforts account for and mitigate the potential impacts of climate change.

Climate change will also have mixed effects on irrigated and rainfed crop revenues. With over 99 percent of Uganda's crop area being rainfed water availability is a key driver of agricultural outcomes. Under wet/warm climate conditions, rainfed crop yields could rise by 7 percent, but decline by 2.2 percent in dry/hot weather. Overall, heat-related effects pose the greatest risk to Uganda's rainfed agriculture.

[19] Climate futures are different future scenarios of temperature and precipitation based on general circulation models. We use six climate scenarios selected to capture the broadest range of climate change effects across general circulation models (GCM) when applied to Uganda. It includes three scenarios that project the 90th percentile increase in temperature (referred to as dry/hot) and three scenarios that project a 90th percentile increase in precipitation (referred to as wet/warm), and their mean. The following GCMs are used to model dry/hot future in Uganda: SSP2-4.5 HADGEM3-GC31-LL, SSP2-4.5 BCC-CSM2-MR, and SSP2-4.5 TAIESM1. Three additional GCMs model the wet/warm future in Uganda:. SSP3-7.0 INM-CM5-0, SSP2-4.5 EC-EARTH3, SSP2-4.5 CANESM5.

Heat stress is expected to have greater impacts than water stress, particularly on vegetables, potatoes, sweet potatoes, and cassava, while beans show the greatest negative response to water changes. Climate projections indicate erosion risk will rise across the country under wet/warm conditions by the 2040s, while dry/hot scenarios predict localized increases (World Bank, 2025b). Assuming crop mix remains unchanged, total crop production could decline by 2.6 percent under wet/warm and 1.4 percent under dry/hot conditions.

Climate change will negatively affect livestock productivity, with beef and milk output projected to decline by up to 3 percent by 2041–2050 if no adaptation measures are taken. Climate change shocks to the livestock subsector are transmitted through impacts on feed, forage, and water availability, as well as heat stress and disease incidence among animals. Heat and water stress will have the greatest impact on cattle, particularly in West Nile and Northern Uganda, while floods, droughts, and heavy rains will further disrupt productivity. In addition, animal diseases already cause significant losses of about 7 liters of milk per cow per week and 8 kg of live weight underscoring the urgent need for proactive interventions to safeguard livestock production.

Climate shocks also drive volatility in agricultural trade, creating cycles of boom and bust that undermine planning and investment. Promoting export growth and import substitution will require addressing volatility in Uganda's agricultural trade and food security. Maize and maize-based products dominate food crop exports. Yet, maize grain exports have been highly volatile due to weather shocks, price fluctuations, and trade restrictions, such as Kenya's recent ban on exports with aflatoxin contamination. In

TABLE 7 • Crop Production Shocks by Crop by the 2040s

	Shock from Heat Effects		Shock from Water Availability		Total Shock	
Crop	**Wet/Warm**	**Dry/Hot**	**Wet/Warm**	**Dry/Hot**	**Wet/Warm**	**Dry/Hot**
Beans	-0.01%	-0.05%	5.5%	-5.2%	5.5%	-5.3%
Cassava	-4.5%	-8.0%	6.5%	2.5%	1.7%	-5.7%
Coffee	-0.9%	-1.2%	8.6%	1.4%	7.6%	0.2%
Cooking banana	-0.1%	-0.2%	11.5%	4.0%	11.4%	3.8%
Groundnut	-0.2%	-0.6%	3.7%	-3.7%	3.5%	-4.3%
Maize	-0.01%	-0.02%	12.9%	-3.7%	12.9%	-3.7%
Millet	-0.1%	-0.2%	6.7%	-3.3%	6.6%	-3.5%
Potato	-3.7%	-5.6%	7.6%	-1.1%	3.6%	-6.6%
Rice	-0.3%	-0.9%	14.0%	-8.1%	13.6%	-8.9%
Sesame	-2.5%	-6.8%	2.5%	-2.5%	0.02%	-9.1%
Sorghum	-0.03%	-0.1%	9.0%	-5.5%	9.0%	-5.6%
Soybean	-0.1%	-0.3%	4.6%	-4.5%	4.5%	-4.8%
Sugarcane	-0.003%	-0.01%	16.1%	3.5%	16.1%	3.5%
Sweet banana	-0.1%	-0.2%	11.7%	3.5%	11.6%	3.3%
Sweet potato	-2.7%	-5.6%	9.5%	-3.7%	6.6%	-9.1%
Tea	-4.0%	-6.2%	13.2%	3.3%	8.7%	-3.0%
Vegetables	-14.7%	-26.1%	5.8%	-5.3%	-9.7%	-30.0%
Total	**-1.8%**	**-3.2%**	**9.5%**	**0.3%**	**7.5%**	**-2.9%**

Source: World Bank, 2025.

contrast, maize flour exports have remained relatively stable, underscoring the benefits of value addition. Imports of maize and beans peaked at 90 metric tons in 2021 and 2022, driven by domestic deficits caused by climate shocks and rising demand for human consumption and animal feed. Uganda's animal feed market has grown by 5 percent annually and is projected to grow further, but the country remains a net importer. In 2023, Uganda exported 219 million kilograms of animal feed, earning USD 72 million, while importing 134 million kilograms for USD 101 million mostly in raw form.

The four interconnected root causes of Uganda's agricultural underperformance are identified as follows: weak production foundations, governance failures, financing and connectivity gaps, and climate vulnerability. These amplify all other challenges and form a negative feedback loop through which low productivity reduces investment incentives, weak institutions undermine productivity gains, poor infrastructure limits market access, and climate shocks compound every weakness. Breaking this cycle requires coordinated interventions across multiple fronts. The following section discusses the foundational enablers necessary for agro-industrial transformation, addressing the building blocks that must be strengthened to support value addition and processing.

3. Foundational enablers and strategic pathways for agro-industrial transformation

Uganda's transition to a modern, competitive, and climateresilient agroindustrial economy relies on three interlinked foundational pillars. The first pillar—strengthening foundations and infrastructure—focuses on raising farmlevel productivity and climate resilience through inputs, land management, mechanization, and infrastructure. The second pillar—improving the policy and enabling environment—will empower farmers, cooperatives, and institutions with the skills, networks, and governance needed to drive value addition and innovation. The third and last pillar—mobilizing private capital and market linkages—supports finance and market systems in mobilizing private capital, improving access to credit and insurance, and connecting producers to domestic, regional, and global value chains. Together, these pillars establish the base for Uganda's agroindustrial transformation and inclusive job creation.

3.1. Strengthening foundations and infrastructure

The first pillar—strengthening foundations and technical and physical infrastructure—focuses on improving productivity and resilience through sustainable farming systems, mechanization, and infrastructure. Intensifying climateresilient agricultural production in Uganda is central to agroindustrialization. Sustainable and climate smart agricultural intensification can boost yields, improve food security, reduce poverty, and help deliver Uganda's agroindustrialization objectives. Achieving this requires developing and promoting climateresilient seed varieties, improving agroinput supply chains, enforcing quality standards, and expanding extension services and farmer training. Strengthening farmer organizations and networks enhances access to knowledge. Financial interventions such as timebound e-Voucher programs, subsidies for resourcepoor farmers, guarantees, and credit schemes for agribusinesses are essential to reduce cost barriers. Demonstrations of modern input benefits and private-sector engagement will ensure sustainability, while the government should focus on regulation, certification, and infrastructure. Achieving these productivity gains also depends on how farmers manage soil, water, and land resources. Longterm success depends on robust farmer networks and private supply chains rather than stateled distribution systems.

Promoting sustainable land management and mechanization is equally critical for productivity and resilience. Sustainable land management (SLM) practices such as cover cropping, perennials, reduced tillage, crop rotation, mulching, proper fertilization, soil testing, erosion control, and efficient irrigation will be critical to improve productivity. These measures can boost yields by 8–60 percent individually and over 100 percent when combined;

joint application of fertilizer and irrigation during climate shocks can raise productivity by more than 220 percent. SLM also reduces climaterelated yield losses and production risks. However, adoption remains low due to insecure land tenure and limited knowledge, underscoring the need for improved soil testing, education, and stronger property rights to expand access to credit and support adaptation.

Promoting agricultural mechanization should prioritize technologies that significantly boost productivity and resilience to climate shocks. Oxploughs increase maize yields by 17 percent and cassava by 18 percent, while tractors raise maize yields by 65 percent. Beyond yield gains, tractors enable timely land preparation, which is critical for adapting to erratic rainfall patterns, improving soil structure, suppressing weeds, and enhancing germination under changing climate conditions. Climatesmart mechanization such as precision planters, conservation tillage equipment, and energyefficient tractors can reduce greenhouse gas (GHG) emissions, conserve soil moisture, and minimize erosion risks. Scaling up this mechanization, however, faces challenges. There are high equipment costs, limited access to credit, weak spareparts supply chains, inadequate technical skills, and governance issues such as political interference. To overcome these barriers, Uganda should establish mechanization training centers focused on climatesmart practices, expand service networks, and promote communitybased tractor hire schemes.

Expanding mechanization through the private sector, using digital agricultural resource-sharing platforms, can further increase uptake. While mechanization targets crops, parallel investments in livestock systems are needed to sustain Uganda's mixed farming base. Digital platforms like Agri Share enable farmers to rent agricultural equipment, land, and labor on demand. It uses a shared economy model, allowing private landowners, agribusinesses, and institutions to lease underutilized assets to smallholder farmers. Since its inception, Agri Share has facilitated over 4,143 live listings, serving 79,382 active users. Farmers utilizing the platform have reported timely access to machinery, leading to improved crop yields and reduced postharvest losses. Equipment owners benefit from additional income streams by renting out underutilized assets. Agri Share generates revenue by charging a platform fee on each transaction between service providers and farmers. Asset owners can opt for premium listings to increase visibility and attract more clients.

Improving livestock health and productivity remains another key foundation for competitiveness and climate mitigation. Prioritizing breed improvement, animal health, and nutrition will be critical for productivity. Genetic improvement delivers substantial benefits: improved breeds raise milk yield by 54 percent (around 3.5 liters per cow per week) and live weight by 30 percent (around 4 kg per animal), while reducing GHG emissions through higher efficiency, fewer replacement animals, and better health. Diseases reduce milk yield by 7 liters per cow per week (14 percent) and live weight by 8 kg (37 percent), while diseased cattle emit up to three times more methane than healthy ones. Vaccination boosts milk yield by 29 percent (around 4 liters/week), weight gain by 18 percent (around 1.5 kg), and lowers methane emissions by 40 percent. Yet services remain inadequate and reactive, focusing on outbreaks rather than prevention. Uganda should reinstate mandatory routine vaccination programs, adopt farmergroup approaches to reduce costs, engage the private sector, and develop an inclusive vaccination policy. Annual vaccination would cost about USD 50 million—a modest investment compared to the USD 1.1 billion in annual losses from livestock diseases.

Building resilience in crop and livestock production must accompany these productivity measures. To build resilience to climate shocks such as floods, droughts, pests, and disease, Uganda should implement a comprehensive set of interventions: promote perennial cropping; improve soil health and boost productivity; enhance land tenure rights; support mechanization; expand irrigation; upgrade seed and agroinput systems; strengthen and regulate agricultural extension for timely delivery of inputs and advice; improve early warning systems; encourage mixed farming; and advance value addition, export diversification, and competitiveness. Promoting perennial crops such as cassava, bananas, and coffee is particularly critical, as they offer greater resilience to

climate shocks, enhance soil carbon sequestration, and support sustainable biomass production. Integrating perennials with livestock can accelerate Uganda's transition toward commercial agroindustrial farming. However, annual crops remain essential for food and feed security, requiring technical and policy measures to balance production and integrate perennials into existing systems. Supportive policies should also foster the development of emerging crops such as macadamia and cashew.

Building resilient, sustainable, and lowcarbon livestock production systems will require combining genetic improvement with investments in animal health, feed, water, and market systems. Scaling up parish-level artificial insemination centers integrated with the National Animal Genetic Resources Centre and Data Bank (NAGRC & DB) and private partners is critical for breed improvement, reducing disease risks, and enhancing genetic quality. Complementary investments in veterinary services, feed production, and water infrastructure, such as valley dams, will mitigate climate shocks and improve productivity. Promoting efficient livestock systems like paddocking and ranching, supporting value addition and exports, and strengthening land rights and farmer organizations will further boost resilience and competitiveness. Together, these interventions will help Uganda meet its climate commitments under the NDC, targeting a 24.7 percent emissions reduction by 2030, including 2.9 $MtCO_2e$ savings from adaptive livestock systems. Strengthening food processing and value addition is vital for translating productivity gains into industrial growth.

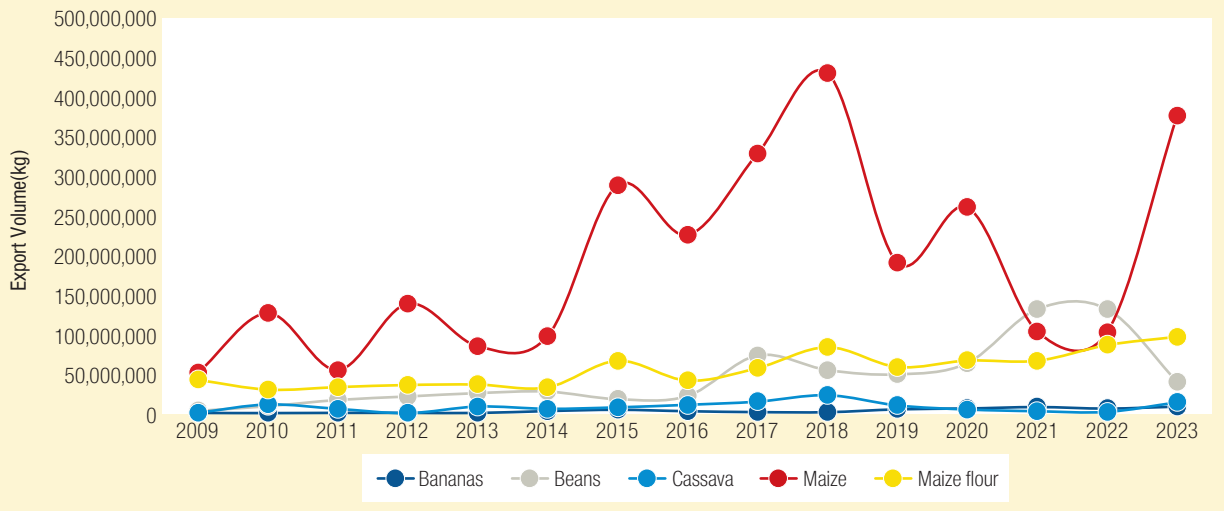
Developing agroprocessing, value-addition, and green technologies will determine Uganda's capacity to stabilize markets and reduce postharvest losses. Investing in agroprocessing and value addition for grain crops to produce animal feed offers a strategic opportunity to reduce imports, expand exports, create jobs, and improve trade terms. Enhancing processing capacity will also stabilize maize exports, which have been highly volatile due to weather shocks, price fluctuations, and trade restrictions, such as Kenya's recent ban on exports due to aflatoxin contamination. Maize flour exports, being less volatile than raw maize, underscore the importance of value addition in building resilience and competitiveness. Realizing these technical efficiencies depends on human capability and institutional alignment **(Figure 22 and 23)**.

3.2. Improving the policy and enabling environment

The second foundational pillar focuses on people and institutions—the collective capacities that translate technology and investment into sustained results. At the institutional level, improving policies, coordination and accountability across ministries, departments, and agencies is critical to translating strategies into results. Governance gaps such as unclear mandates, overlapping programs, and weak interagency collaboration—have hindered execution of otherwise sound policies. Strengthening institutional capacity, therefore, involves not only staff and resource adequacy but also reforming planning and monitoring mechanisms to ensure that agricultural, trade, and industry policies work in concert. Establishing crosssector coordination platforms and performancebased institutional targets can promote coherence across government and development partners.

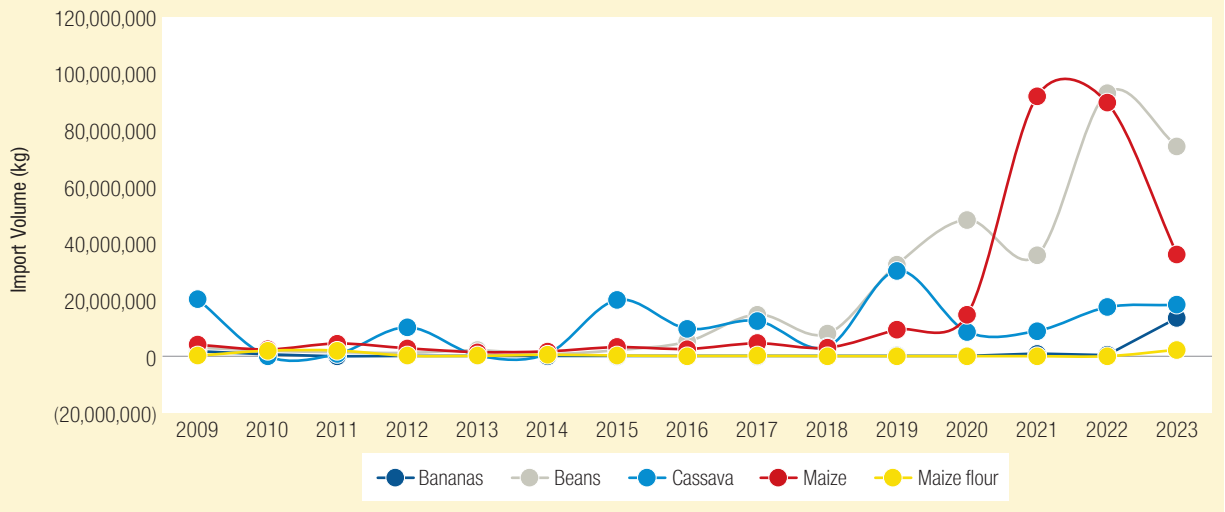
Building a policy and enabling environment should support strong farmer cooperatives and collective action; this is essential to transform smallholder agriculture into a driver of inclusive growth and job creation. Cooperatives strengthen social networks that enhance economies of scale, enable knowledge sharing, and reduce production and transaction costs. Uganda's cooperative movement now exceeding 45,000 registered organizations, mostly savings and credit societies (60 percent) and agricultural marketing cooperatives (30 percent) has grown by 87 percent since 2011. Coffee, dairy, and fisheries remain dominant commodities, demonstrating the potential of collective action to strengthen value chains and expand market participation. Yet half of these organizations lack valid operating licenses due to registration and compliance costs, underscoring the need for targeted institutional support, simplified regulatory processes, and affordable businessdevelopment services. Beyond producer

FIGURE 22 • Uganda's Major Food Crop Exports (2009-2023)



Source: UBOS.

FIGURE 23 • Uganda's Food Crops Imports (2009-2023)



Source: UBOS.

organizations, change relies on effective coordination within and across government institutions.

Human capital development is another cornerstone of the enabling environment for agroindustrial transformation. Uganda's agricultural sector faces persistent skills gaps in technology adoption, postharvest handling, value addition, quality control, agribusiness management, and compliance with export standards. The Technical and Vocational Education and Training (TVET) Act of 2025 provides a framework for employerled training and the establishment of an Agriculture Subsector Skills Council to map occupational competencies and pilot dual training models that combine classroom and onfarm learning. Expanding technical education and research partnerships with the private sector will ensure training aligns with valuechain needs. Entrepreneurship and businessskills development are equally vital for youth and women, who represent more than half of subsistence farmers, to enable their transition into higherproductivity, agroenterprise roles.

Even strong institutions require reliable financing and market incentives to thrive.

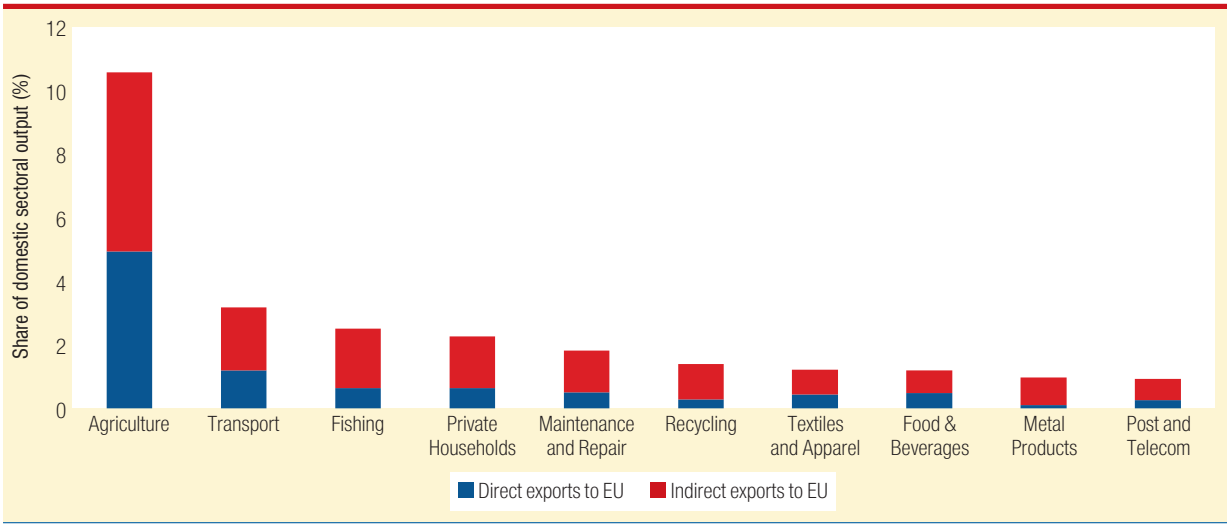
3.3. Mobilizing private capital and market linkages

The third foundational pillar—finance and markets—anchors Uganda's agroindustrial drive in capital access and trade competitiveness. Given Uganda's climate context, it will be important to mobilize the climatesmart financing needed to unlock private investment for agroindustrialization. Mobilizing private capital and private sector engagement can be facilitated by addressing financing, policy, and infrastructure barriers. Blendedfinance models incorporating resiliencelinked credit guarantees, weatherindex insurance, and climateadaptive credit products can mitigate risk and expand financing for smallholders and agribusinesses. Mobilebased digital platforms integrating realtime climate data can further streamline credit access, while improving rural internet infrastructure will make such systems scalable. Beyond financing innovations, Uganda must also strengthen its position in export markets and navigate evolving sustainability standards. Uganda's investment policies need to recognize sharedeconomy business models, such as equipment leasing and rental, as eligible for agricultural financing support.

Ensuring trade competitiveness and market access will determine how Uganda positions its agroindustrial exports in local, regional, and international markets. Growing interest in lowering supplychain footprints is introducing new environmental and sustainability standards set by destination countries. While Uganda's export subsectors have low greenhousegas intensity overall, these new requirements—such as the European Union Deforestation Regulation (EUDR) and European Union Corporate Sustainability Due Diligence Directive (EUCSDDD)—pose compliance challenges.

Uganda's exposure to the EUDR is relatively high, particularly in coffee. In 2022, exports of affected products to the EU was USD 550 million (13 percent of merchandise exports), and 66 percent of Uganda's coffee exports are destined for the EU. The government has committed to implementing a National Coffee Traceability System and a supporting action plan to maintain compliance and market access. Uganda's agricultural exports may also be affected by the EUCSDDD, depending on supplychain integration and environmental performance. Meeting such stringent standards will

FIGURE 24 • Ugandan Exports to the European Union (EU) by Sector



Source: World Bank 2025.
Note: Global value chain exposure to the EU is a sum of direct exports to EU and indirect exports to EU over domestic output. Direct exports to EU refer to Ugandan goods and services that are directly exported to the EU. Indirect exports to EU refer to exports from Uganda to third parties, which then export them to the EU. Data is based on 2021.

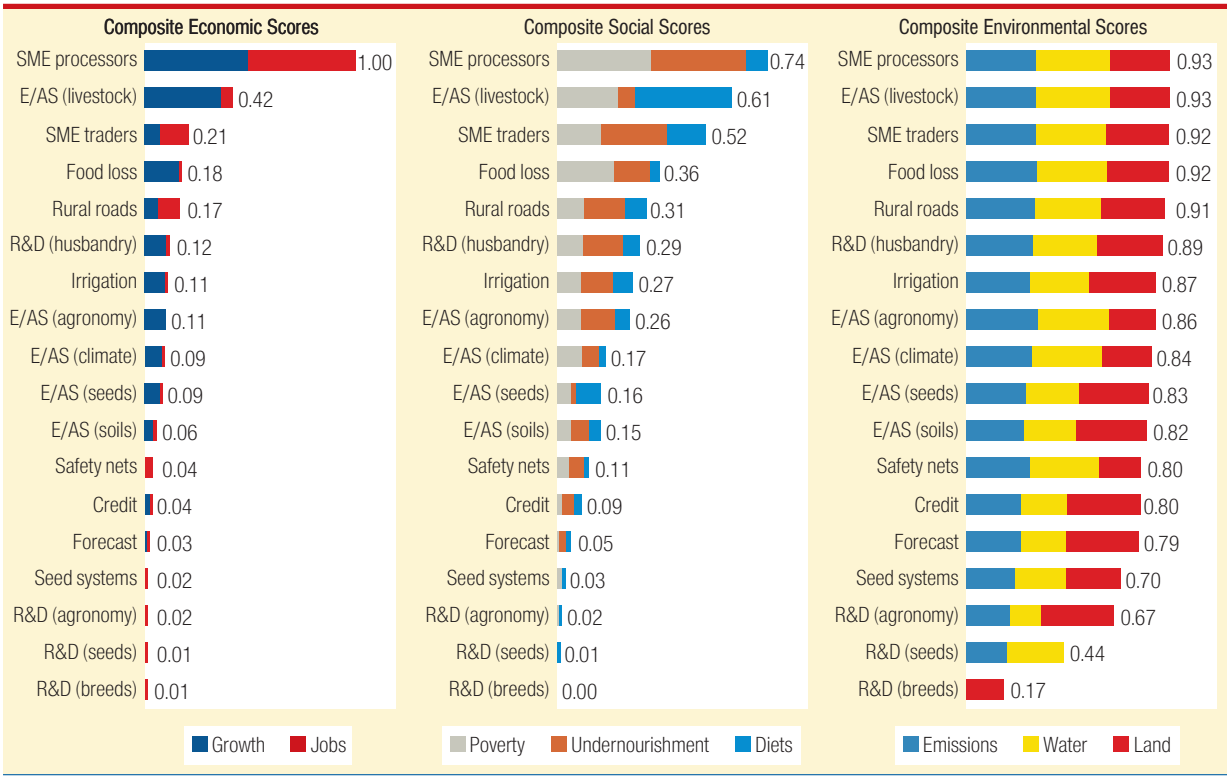
require both policy reform and targeted support for exporters.

Promoting competitive agroindustrial trade will also demand review of nontariff measures (NTMs) and stronger certification capacity. Simplifying price controls, preshipment inspections, and licensing requirements on environmental goods could reduce costs and strengthen the transition to lowemission export sectors. Supporting exporters to demonstrate deforestationfree production and carbon reporting is essential to avoid exclusion from emerging green markets. Government agencies should coordinate certification and verification systems and include SMEs and smallholders in design and financing.

Regional integration through the African Continental Free Trade Agreement (AfCFTA) offers another lever for expanded agroindustrial trade. The AfCFTA reduces tariffs, removes nontariff barriers, and promotes a unified African market, supporting renewable transitions and job creation, particularly in agroprocessing and services. Looking ahead, aligning financial and trade strategies around costeffective investments and employment potential is crucial.

Uganda's agrifood investments should prioritize costeffective, resilienceoriented measures that deliver the highest returns for growth, jobs, and poverty reduction. Investments in SME processors, livestock and agronomy extension, food loss reduction, and targeted irrigation yield the strongest results—SME processors generate USD 2.86 in GDP for every USD 1 invested and 1.2 jobs per USD 1,000 spent (Aragie et al. 2025). Complementary investments in SME traders and rural roads further boost employment. Environmental trade-offs require safeguards such as clean energy and water management, while seed systems, credit, and climate services remain enabling factors. Research and Development (R&D) for improved breeds and seeds is vital for longterm gains. Targeting pulses, small ruminants, poultry, fish, and dairy maximize poverty reduction, whereas cereals and roots mainly support GDP growth. Figure 28 summarizes comparative returns on different agricultural investment areas.

FIGURE 25 • Investment Contributions to Economic, Social, and Environmental Outcomes



Source: Adapted after Aragie et al. (2025).

Several technological advancements can support more resilient and competitive agroindustrialization. Solarpowered irrigation and cold storage technologies can improve productivity and reduce agricultural output loss while minimizing the system's carbon footprint. Implementing solarpowered irrigation systems can enable multiple cropping cycles and increase resilience to changing rainfall patterns. Farmers using solar irrigation in Uganda have experienced an average annual increase in production of 193 percent. Cold storage extends the shelf life of produce, allowing farmers to sell goods in distant markets while reducing post-harvest losses. There is a need for clear policies on solar equipment subsidies and import duties, as their absence increases costs and makes climatefriendly technologies less competitive. Reducing tariffs on environmental goods to zero through a "stay of application" under the East Africa Community (EAC) Common External Tariff and standardizing product certification would bolster adoption.

4. The way forward: Recommendations for agro-industrial transformation

Uganda's transition to a modern, competitive, climate-resilient agro-industrial economy relies on three interlinked foundational pillars aligned with the World Bank's Jobs Framework and AgriConnect initiative. It also requires coordinated action across the government, private sector, development partners, and farmer organizations. Parts 1–3 have established where Uganda stands, why it lags, and what foundational enablers must be strengthened. This final section provides actionable recommendations to accelerate Uganda's transformation toward sustainable, competitive, and climate-smart agro-industrialization.

Uganda's agro-industrialization must be climate-informed and job-focused, ensuring that growth strategies deliver productivity gains, resilience to climate shocks, and inclusive employment opportunities. Achieving this vision requires a coherent mix of investments and policies that strengthen agricultural value chains, expand market connectivity, build human and institutional capacity, and create an enabling environment for private sector participation. The six recommendations presented below are structured around the World Bank's Jobs Framework and AgriConnect pillars, emphasizing foundations, governance, skills, and farms, firms, and finance to accelerate Uganda's transition toward sustainable, competitive, and climate-smart agro-industrialization.

4.1. Drive productivity, resilience, and intensification

Prioritize investments that raise agricultural productivity, build resilience to climate shocks, and create more and better jobs. Focus on high-impact value chains, legumes, small ruminants, poultry/eggs, fish/aquaculture, and dairy for the greatest gains in GDP, jobs, poverty reduction, and food security, while expanding perennial crops like coffee and cocoa for export earnings and climate adaptation. Scale mechanization and irrigation to boost production and reduce losses and promote climate-smart technologies such as solar-powered irrigation, cold storage, drying/milling facilities. Intensify livestock systems through breed improvement, water infrastructure, vaccinations and veterinary services, and feed production.

4.2. Build the physical and institutional foundations

Expand foundational investments in infrastructure (roads, storage, warehouses), data and digital, research, seed systems, natural capital/soil health, and energy to strengthen market access and climate risk management. Secure land tenure, including recognition of informal rights (sales receipts on 36 percent of parcels; inheritance on 17 percent), to unlock investment in irrigation, mechanization, and agro-processing. Lower tariffs and streamline non-tariff measures on environmental goods (e.g., solar equipment) to accelerate Climate Smart Agriculture (CSA) adoption.

4.3. Create an enabling policy environment

Policy reforms should aim to improve private sector participation in seed development (especially

multiplication), strengthen the public sector's role in seed certification, derisk private sector investments and increase access to finance, harmonize with regional policies to remove trade barriers, enable digital tools for agricultural services delivery, enforce technology and product standards for reliability and safety, and implement digital traceability systems to ensure food safety and that export standards are met. In addition, there's a need to strengthen coordination among ministries and public-private actors to center farmers and reduce transaction costs; and expand climate risk management tools, including weather-indexed insurance, climate forecasts, and shock-responsive safety nets.

4.4. Develop skills and institutional capacity

Modernize extension and advisory services for crops and livestock using digital tools to improve productivity and resilience. Invest in R&D for improved breeds, seeds, and husbandry practices (including vaccines). Build capacity in public institutions for CSA oversight and investment planning. Support private sector and farmer organizations to adopt technology, access finance, and engage in value addition through a productive alliance model, village agent models, or village-based advisors and innovation platforms.

4.5. Expand finance, mobilize private capital and facilitate market linkages

Scale SME processors and traders for value addition and job creation. Promote innovative financing models for smallholders and agro-SMEs, such as lease-to-own, guarantees with a clear regulatory framework, insurance, and blended finance. Incentivize private-sector participation in logistics, agro-processing, and sustainability compliance to strengthen value chains and reduce post-harvest losses through an improved enabling environment and access to finance. There is a need for agriculture-specific credit lines with improved provisioning guidelines for production loans to allow for seasonality, value chain complexities, and other risk factors.

4.6. Improve coordination and leverage global partnerships

Strengthen cooperation among various stakeholders, including Ministries Departments and Agencies (MDAs), and private sector groups to support the agro-industrialization agenda. The operationalization of the agro-industrialization agenda could benefit from joining the World Bank Group's AgriConnect initiative. The World Bank Group's AgriConnect initiative aims to leverage agriculture value chains to create more and better jobs through investments to strengthen the foundations, policy reforms to improve the enabling environment, and private capital mobilization. This initiative can transform Uganda's agricultural sector and create jobs by strategically investing to increase productivity, promote value addition, and develop infrastructure and skills. It opens opportunities for productive partnerships between the public and private sectors to facilitate technology adoption, de-risk value chains, expand service delivery, and ultimately create more jobs in agriculture and the rural economy.

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ANNEX 1: THE AGGREGATION OF REGIONS IN BOX 1

The aggregation in regions used in Box 1 is presented in the table below. The regions do not match the Water Management Zones, which could not be recreated from the administrative regions.

10-Region Name ***Joint Research Center***	**Mapped to 4-Region Name**
South Highlands	Western Highlands and Basin
Lake Albert Crescent	Western Highlands and Basin
Western Highlands	Western Highlands and Basin
Eastern	Eastern Agricultural Belt
Southeastern	Eastern Agricultural Belt
Karamoja	Northern Drylands
Mid Northern	Northern Drylands
West Nile	Northern Drylands
Lake Victoria Crescent	Southern Dry Corridor
South Drylands	Southern Dry Corridor

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