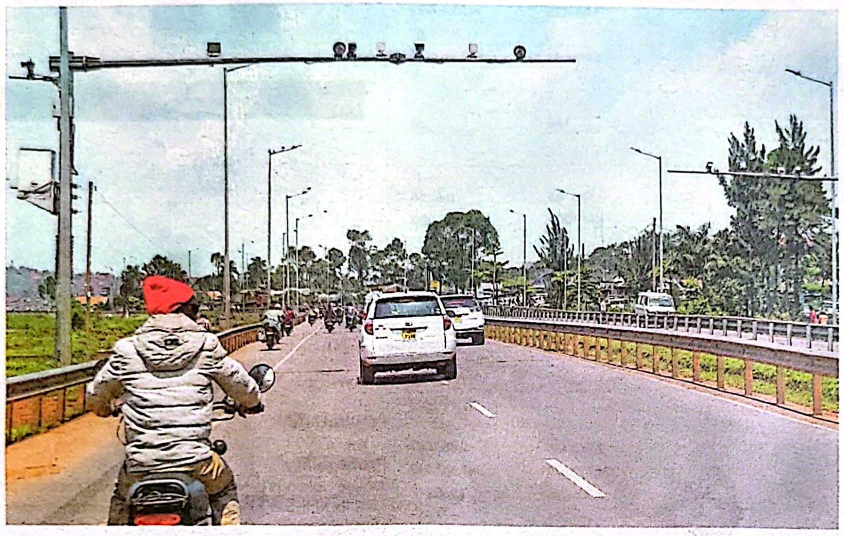
BD
Business Daily
A NATION MEDIA PUBLICATION

Jambojet to launch Entebbe, Dar flights: Regional low-cost carrier Jambojet plans to launch flights to Entebbe, Uganda, and Dar es Salaam, Tanzania as it ramps up fleet expansion in a push for regional growth. The budget airline has confirmed plans to relaunch its Entebbe route, which it closed during the Covid-19 disruptions.

Uganda's public debt climbs to Shs130 trillion

RONAH NAHABWE



Motorists drive along the Northern bypass. By early 2026, more than 20 African countries were either in or at high risk of debt distress, driven by rising borrowing costs . PHOTO/MICHAEL KAKUMIRIZI

Uganda's total public debt has risen to Shs130.8 trillion by the end of 2025 according to the latest Finance Ministry public debt statistics.

This growth is dominated by domestic borrowing, which stands at about Shs66 trillion (about 50–52 percent), while external debt is about Shs64 trillion (about 48–50 percent).

This debt stock is set against a national budget of Shs84 trillion for FY2026/27, highlighting the pressure on government finances.

The rising debt burden is also tightening fiscal space, with projections indicating that over 45 percent of government revenue could go toward debt servicing.

The pressure has already prompted the government to introduce new tax measures targeting commodities such as sugar, fuel, and cooking oil, to expand the country's domestic revenue collection.

Domestic revenues are projected to reach Shs44.4 trillion in FY2026/27, representing a 19.3 percent increase from the previous financial year.

However, according to the December 2025 Debt Statistical Analysis, the debt service-to-revenue ratio is expected to rise further to about 45 percent by the end of FY2025/26—meaning nearly half of government revenue will be absorbed by debt obligations.

"This means if we do not spend on anything else, a large share of what we collect is already committed to debt servicing, which is why it is important that whatever we raise is used prudently," said Jane Nalunga, the executive director of SEATINI Uganda.

Uganda's public debt is still classified as a "moderate risk" by the International Monetary Fund in its December 2025 assessment. However, a closer look at the country's fiscal indicators suggests growing weaknesses that could threaten fiscal stability in the medium to long term.

Stress test results show that several thresholds have already been breached, signaling growing exposure to debt-related shocks and raising questions about fiscal resilience.

Debt levels exceed key thresholds

Uganda's debt-to-Gross Domestic Product (GDP) ratio has risen from 48 percent in FY2021 to 52 percent in FY2025—surpassing the 50 percent threshold set by the International Monetary Fund (IMF). This signals that debt is growing faster than the economy's capacity to absorb it.

While Uganda has not yet tipped into high debt distress, analysts warn that the underlying trajectory is becoming increasingly fragile. A wider regional trend amplifies this concern.

By early 2026, more than 20 African countries were either in or at high risk of debt distress, driven by rising borrowing costs, currency depreciation, and persistent external shocks.

> **Debt to GDP ratio**
>
> 52%
>
> **Uganda's debt-to-Gross Domestic Product (GDP) ratio has risen from 48 percent in FY2021 to 52 percent in FY2025.**

Zambia, Ghana, and Ethiopia are already undergoing debt restructuring, while Sudan, Malawi, and Mozambique still face severe fiscal strain.

Against this backdrop, Uganda's current debt position—though still formally stable—is gradually moving closer to levels associated with heightened debt stress.

Uganda's debt-to-GDP ratio has risen from 48 percent in FY2021 to 52 percent in FY2025—surpassing the 50 percent threshold set by the International Monetary Fund (IMF). This signals that debt is growing faster than the economy's capacity to absorb it.

Such imbalances not only increase borrowing needs but also heighten exposure to refinancing and interest rate risks, with debt servicing already consuming an estimated 17 percent of the FY2025/26 budget.

Debt servicing

According to public finance expert Hildah Tumuhe, concessional budget support—traditionally provided through grants and low-interest loans to finance government operations—is no longer available in the upcoming financial year. As a result, the country is increasingly relying on commercial borrowing to finance the FY2026/27 Shs84 trillion budget.

According to her analysis, this shift means that commercial loans now make up a larger share of Uganda's debt portfolio than concessional financing from institutions like the World Bank. While these loans are often denominated in foreign currency and classified as external debt, many are still contracted through local financial institutions.

She notes that even when the government borrows locally, such as from banks, the loans may be recorded as external debt due to currency denomination.

However, they still have a significant domestic impact by reducing liquidity available to the private sector, limiting access to credit for businesses.

Debt servicing has become a dominant feature of Uganda's budget structure.

"A large share of expenditure is n[illegible] non-discretionary, meaning the government has limited flexibility in reallocating resources toward key sectors such as health, education, and infrastructure. Over 90 percent of certain budget obligations are absorbed by debt servicing, driven by the need to maintain sovereign credit credibility and avoid default. As a result, debt repayment is prioritised in budget execution, often ahead of development spending," she said.