

On Uganda's public debt management strategy

Over the last few weeks, some commentators on Uganda's economy particularly public debt have been sceptic about Uganda's ability to manage her debt obligations in the medium to long term.

First of all, Government of Uganda recognises public debt as a strategic fiscal policy instrument for financing national development and accelerating socio-economic transformation.

In line with the Uganda Vision 2040, the Ten-fold Growth Strategy and successive National Development Plans (NDPs), public borrowing is used to match domestic revenue to finance investments that drive sustainable growth, job creation, and social services.

Uganda is at a critical point in her development path where both growth drivers and enablers have been established and activated to build a 500-billion-dollar-economy by 2040 anchored on the ATMS (Agro-industrialisation, Tourism development, Mineral development including oil and gas and Science, technology and innovation, including ICT and the creatives). Accelerating the point of inflection upwards in the development course, requires substantial financial resources to address critical infrastructure and human capital development expenditure needs.

Unfortunately, some commentators have been reading too much into our latest Debt Sustainability Analysis (DSA) report for financial year 2024/25 contrary to the facts it communicates.

Uganda treats debt servicing as a first charge on the national budget in order to safeguard macroeconomic stability and the country's creditworthiness. At the same time, government continues to borrow prudently and responsibly to finance strategic public investments in the oil and gas, transport and energy infrastructure, irrigation, industrial parks, ICT, education and health sectors that are critical

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Debt Management

ical for long term growth and structural transformation.

Uganda has never defaulted on its debt obligations because we have a solid and transparent plan of managing public debt as clearly stated in the latest medium term debt management strategy for FY 2026/2027. The overall objective of this strategy is to meet government's financing needs at the lowest possible cost that is consistent with a prudent degree of risk.

Whereas Uganda's total public debt has increased to \$32.24 billion (Shs121 trillion) in FY 2024/25 and its share of GDP increased to 50.9 percent in June 2025, our latest DSA clearly gives us an assurance that the country's debt remains sustainable over the medium to long term. The DSA only requires the country to adhere to fiscal consolidation by accelerating implementation of the Domestic Revenue Mobilisation Strategy (DRMS) to increase domestic revenues to at least 18 percent of GDP.

We are already making good progress in revenue mobilisation. Next financial year, we plan to collect Shs40 trillion, rising from Shs34 trillion that is projected for this FY 2025/2026.

Government is also prioritising steady fiscal adjustment to reduce the primary deficit,

which has been identified as the main driver of rising debt without necessarily jeopardising Uganda's growth objectives.

In addition, government is fast-tracking the implementation of the ten-fold growth strategy, prioritising completion of ongoing high-impact projects and leveraging concessional financing over commercial borrowing to the extent possible.

From the money borrowed by government in the last 10 years, over 29 percent has been spent on building roads and bridges, 27.6 percent on electricity, 14 percent has gone towards internet and innovation, 11.5 percent has been spent on water for production and human consumption and 5.3 percent on agro-industry.

These investments have stimulated private sector growth and attracted foreign direct investment, expanding the productive capacity of various firms and driving export-oriented growth. This is the reason Uganda's economy has recovered from Covid-19 and become one of the fastest growing economies in the world.

Going forward, government will undertake policy actions to prioritise concessional financing from the World Bank and IMF, sequence government borrowing to lower debt service costs and risks and only utilize commercial loans for projects that generate high return on investment such as ATMS, to achieve value for money.

The ministry and Bank of Uganda will continue to coordinate the fiscal and monetary policy to ensure macroeconomic stability. Uganda's debt remains sustainable. We deliberately use debt as a tool for structural transformation not consumption.

The real test is not how the alarmists shout, but whether the investments we are making today expand our economy tomorrow and the evidence is already clear. Alarmism may create attention, but the facts determine economic outcomes.

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