

in December, marking a \$1.44 billion, or an 30.6 percent increase, signalling stronger export performance in the minerals sector.

Public debt.

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For years, Uganda relied mainly on external borrowing to finance infrastructure, energy, and development spending. Concessional loans from multilateral and bilateral partners formed the bulk of public debt.

However, in the 2024/25 financial year, there was a major shift. Domestic debt overtook external borrowing as the larger share of public debt for the first time in several years, accounting for 52.1 percent of total public debt at the end of June 2025, up from 42.8 percent the previous financial year.

In contrast, the share of external debt declined to 47.9 percent from 57.2 percent, with the total public debt stock rising from \$25.59b (Shs90.4 trillion) in the 2023/24 financial year to \$32.24b (Shs113.9 trillion).

During the period, the value of domestic debt rose to \$16.79b (Shs59.3 trillion) compared to \$15.46b (Shs54.6 trillion) for external debt.

The shift, the Ministry of Finance says, was influenced by tighter global financial conditions, rising interest rates, and reduced availability of concessional external financing.

Thus, government increasingly relied on Treasury bonds and bills, as well as securitisation of Bank of Uganda advances, to meet financing needs.

Composition of debt

Details contained in the Ministry of Finance December 2025 Debt Sustainability Analysis, show that between the 2018/19 financial year and 2022/23, external debt consistently dominated public debt, ranging between 60 and 68 percent.

However, in the 2023/24 financial year there was a pivot, with domestic debt rising to 42.8 percent, before surging further in the 2024/25 financial year to 52.1 percent and overtaking external debt at 47.9 percent.

The shift represents a structural transition from external dominance to domestic reliance.

Ministry of Finance data indicates that domestic debt is dominated by Treasury bonds, which account for 87.2 percent of the stock, while Treasury bills account for 12.8 percent. Pension

Govt's domestic borrowing now overtakes external debt



The public debt structure has shifted toward domestic borrowing, increasing interest costs and debt service pressures. PHOTO / FILE

and provident funds hold the largest share of domestic securities, followed by commercial banks. The issuance of longer-term bonds has increased in an effort to reduce refinancing risks, even as domestic debt remains relatively more expensive.

On the other hand, multilateral creditors account for 65.5 percent of external

debt, bilateral creditors (22.7 percent), while commercial creditors make up 11.3 percent.

Debt service burden

The Ministry of Finance also indicates that debt service to domestic revenue rose to about 35 percent and is projected to peak at 45.8 percent by June 2026.

This means that for every Shs100 that URA collected Shs 35 went to debt servicing.

The report further shows that interest payments as a share of GDP increased from 2.4 percent to 3.4 percent, with weighted average interests rising to 8.9 percent, increasing the cost of rolling over debt and placing additional strain on the budget.

Impact on economy

Heavy government borrowing from the domestic market reduces available credit to businesses, with commercial banks often preferring lending to government, which is presumed to carry a lower risk.

This limits access to credit for private firms, raises borrowing costs, and slows private sector growth. The Ministry of Finance also indicates that although the average time to maturity improved, there were notable redemption spikes in some years, thereby creating refinancing pressures.

However, even with the rising risks, government maintains that public debt accumulation is at a moderate risk of distress, meaning that while debt is sustainable, vulnerabilities persist.

In notes published together with the report, Secretary to the Treasury and Ministry of Finance Permanent Secretary Ramathan Ggoobi said government would gradually reduce domestic borrowing, cut back on the fiscal deficit and improve the primary balance, through expenditure rationalisation and improved efficiency.

Tax-to-GDP ratio

Government is also eyeing a high tax-to-GDP ratio from 13.9 percent to 18.9 percent through tax reforms, administrative improvements, and broadening of the tax base, which is expected to reduce reliance on borrowing.

Government also says it will prioritise least-cost concessional external financing and where non-concessional borrowing is necessary, it will be limited to high-impact projects with strong growth potential.

Government has also projected that with first oil revenues expected in the first half of the 2026/27 financial year, there will be a reduction in fiscal pressures and strengthening of foreign exchange reserves.

Key figures

52.1%

External debt accounted for 52.1 percent of total public debt at the end of June 2025.

47.9%

The share of external debt declined to 47.9 percent as of June 2025 from 57.2 percent.