

# Uganda now targets bank financing to lift economy

Uganda is banking on domestic borrowing to fund infrastructure and grow the economy tenfold, amid uncertain global financial terms exacerbated by trade wars triggered by US tariffs.

The ministry of Finance disclosed through its latest debt bulletin that the country's reliance on the issuance of government securities — which are largely controlled by commercial banks — to meet government financing needs in recent periods has resulted in a persistent rise in domestic debt stock surpassing its external debt counterpart.

Increased domestic borrowing through the issuance of treasury bills and bonds, however, has the ef-

fect of increasing interest rates and crowding out the private sector from investing in the productive sectors of the economy.

“Between September and June 2025, a total of domestic securities worth Ush6,057 billion (\$1.66 billion) were issued at cost. This was Ush1,001 billion (\$275.14 million) less than the issuance the previous quarter.

The rise in issuance was on account of higher financing requirement to fast track the implementation of key government infrastructure programmes as well as progress on the journey of expanding Uganda's economy tenfold,” says report dated September 2025.

“At the end of Septem-

ber 2025, 46.4 percent of total public debt was denominated in foreign currency, down from 48.1 percent in June 2025. This resulted from an increase in the issuance of domestic debt during the period of assessment.”

As a result foreign exchange risk in portfolio significantly reduced, with short-term external debt as a share of reserves reducing to 21.7 percent, from 26.3 percent registered the previous quarter.

Over the review period, the cost of debt increased by 0.3 percent of the gross domestic product (GDP) and the total interest payments to GDP rose from 4.4 percent at the end of June 2025 to 4.7 percent of GDP in September 2025.