

calibration is now underway.

The signal

Currently, that same 10-year bond is trading closer to 15.5 percent, while the

There is no single cause. What is emerging is the result of several pressures interacting at once.

Start with the external environment. A month into the Iran conflict, global

tier markets like Uganda do not need direct exposure to feel the effect.

When investors reassess risk globally, they adjust pricing broadly, and that adjustment often comes through higher required yields.

The April 15 auction far the current one has already gone.

When the Bank of Uganda returns with reopened three-year, 10-year and 20-year bonds, it will be meeting a mar-

giving way to something more contest- ed. Timing matters more. So do expect- ations.

Credit.

JAMES ANYANZWA

East African economies are edging towards a debt trap, driven by growing reliance on expensive commercial borrowing, including bank loans and Eurobonds, a new report warns.

The report by UK-based Gatsby Africa says rising debt service costs over the past 15 years are constraining the region's ability to finance development.

"Higher repayments are reducing investment in essential sectors such as health and education and crowding out private sector access to credit," says the report, East Africa: Trends Report – Projecting the Future, dated January 2026.

Private borrowing by governments expanded sharply between 2009 and 2023 with bond issuances rising to 16.8 percent of total debt, while commercial bank loans accounted for 14.1 percent, "reflecting a shift towards costlier, short-term instruments such as Eurobonds".

Simultaneously, concessional financing declined. Multilateral debt fell from over 50 percent of total external public and publicly guaranteed debt to 42.1 percent, while bilateral debt dropped from about 40 percent to 24.2 percent.

"This shift has replaced concessional finance with more expensive borrow-

ing, increasing interest costs and refinancing pressures," the report says.

"The consequences are now visible in fiscal spending. Debt servicing exceeds spending on social sectors such as health and education, diverting resources from human capital and long term growth investment."

The impact is visible in public spending. In Kenya, 68 percent of total revenue is used for debt service. Commercial banks are buying government securities instead of lending to businesses, holding 36.7 percent of domestic debt instruments as of the week ending March 26, according to the Central Bank

of Kenya data.

"This reduces credit available to the private sector. Low domestic revenue mobilisation deepens these pressures. Tax-to-GDP ratios across Kenya, Uganda, Tanzania and Rwanda range from 12-16 percent, compared with a global average of 34 percent," the report says.

Without stronger revenue generation and improved debt management, the region risks a cycle of rising debt costs, shrinking fiscal space and slower growth.

The report cautions against borrowing to finance recurrent expenditure such as public sector wages and govern-

ment operations, urging states to prioritise investments with clear economic returns, including job creation.

"Public debt can support faster growth when it funds infrastructure and productive sectors that expand competitiveness, rather than recurrent costs or projects with limited economic impact," the report says.

"Large infrastructure projects – such as railways or strategic road networks – should reduce logistics costs, support trade and ease maintenance burdens. When these returns do not materialise, high public borrowing raises financing costs for the private sector".

East Africa's rising debt squeezes businesses