

LETTER OF THE DAY

Budget: Ambition constrained by debt, revenue limits and implementation

Recently, the Parliament of Uganda passed the National Budget for the FY2026/2027. It is estimated at around Shs84.39 trillion anchored on boosting production, industrialisation and household income across key sectors. The size of Shs84.39 trillion from Shs72.37 trillion in FY2025/2026 signals ambition and intent to transform Ugandans to better living conditions.

According to the 2026/2027 budget, the government continues to prioritise agro-industrialisation, infrastructure mega projects, energy expansion, and industrialisation zones meant to drive value addition.

To all intents and purposes, this is a plausible ambition to push the economy from subsistence production (low value exports) to industrial capitalism (manufacturing and services).

Sadly, ambition alone is fiscal fantasy. Ambition is only meaningful when it survives contact with fiscal reality. Uganda's fiscal reality is characterised by a huge public debt, low revenue and poor implementation systems.

Uganda's public debt, estimated at Shs130 trillion, with total Debt Servicing in FY2026/2027 projected at more than Shs33.4 trillion, is a key feature of Uganda's national budgeting. Debt servicing is the single largest expenditure item in the budget.

Roads, energy projects, and industrial infrastructure are largely dependent on borrowing. This creates an economic enigma because the same debt that finances development today quietly consumes tomorrow's fiscal space. With a huge amount allocated to debt servicing, it means less money available for new priorities and hence more pressure to borrow again, ultimately increasing dependence on external financing conditions, which raises sovereignty concerns. Can



a State that spends more of its future revenue servicing past decisions have enough freedom to define its own development path? I think that the answer is no!

The IMF advises that although public debt allows governments to finance development, it creates significant sovereignty risks when unsustainable, often leading to policy compromises, reduced fiscal space and external influence. Therefore, over-reliance on debt is a recipe for disaster, and there seems to be less effort on the part of the government to manage debt strategically.

Secondly, Uganda's domestic revenue for FY2026/2027 is projected at Shs44.18 trillion. Against a total expenditure of Shs84.39 trillion. This confirms another sad truth that Uganda's economy still rests on a narrow tax base, a large informal sector, and limited high-productivity industries. And it means that the country is financing more than half of its budget through

borrowing and external inflows.

Uganda's tax capacity has improved, but not at a pace that matches the ambition of State spending and fiscal bad manners. This is evidenced by the high frequency of supplementary budgets; for example, multiple supplementaries raised the overall 2025/2026 budget to a record high of more than Shs80 trillion, up from an initial budget of Shs72.37 trillion. Such fiscal behaviour leads to persistent fiscal gaps, dependence on debt and constrained policy choices.

Lastly, Uganda's implementation capacity is very weak. Even well-funded projects suffer from delays, inefficiencies, and governance bottlenecks. At budget execution is where things fall apart. This is mainly due to corruption, weak accountability, nepotism and weak institutions, among others.

Take, for example, the Busega-Mpigi Expressway, whose cost skyrocketed from an initial Shs547.5 billion to over Shs1.2

trillion by 2025. A project intended to urgently relieve congestion on the Kampala-Masaka Road has lately been the subject of parliamentary investigation regarding suspicious cost variations. There are many other projects facing the same fate, like Kampala-Jinja Expressway, Sezibwa Bridge, the Standard Gauge Railway, etc. This is all evidence that poor implementation severely affects national budget effectiveness.

Like Aaron Wildavsky, a prominent political scientist, argued, "A budget is not a policy statement, it is a test of the state's ability to act."

The issue, therefore, is not whether Uganda has a budget; the question is whether this budget is capable of delivering transformation under current conditions of huge debt, low revenue and weak implementation systems, and the answer is no! Unless revenue capacity is expanded, debt is managed more strategically, and implementation systems are strengthened, the gap between planning and delivery will persist and possibly widen.

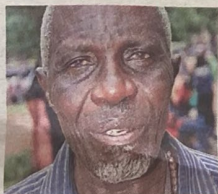
The government must radically reform and face its own demons of corruption, nepotism, weak institutions, etc. Constitutionalism, Rule of law and Public sector efficiency are some of the low-hanging fruits to jumpstart the implementation mechanisms.

In conclusion, Uganda's FY2026/2027 budget suggests goodwill and ambition on the part of the government towards delivering transformation, but is held back by fiscal constraints and persistent governance gaps.

O'kirya K. Agii, Lawyer and Economist-Founder & CEO Afrieconomics Platform.

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What are your thoughts on the current investigations against former Speaker Anita Among?



John Baptist Lubega,
NRM mobiliser, Masaka
I cannot comment on anything. These are government things. What if the media is reporting wrong things, what will I say?



Ssozi Ziyadi,
Boda boda rider
Even if she has done it, cast the net wider and you will realise that she isn't the only one doing it. We shall only be happy if we see the other people investigated.



Edith Namirembe,
Market vendor
I think she over exposed her property. There are many other people in government who are quiet with their riches.



Rita Kisakye,
Victoria University student
It is too early to comment. It is only until all the investigations are complete that we look at the final report to make conclusions.

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