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Export earnings decline:
Bank of Uganda data indicates a decline in export earnings, falling from $1.453b in January to $1.374b in February, reflecting softer global demand and external pressures that may weigh on foreign exchange inflows and overall economic performance if the trend persists.



Suruma: I would not put more taxes on fuel

BUDGET SERIES 2026/27

DOROTHY NAKAWEESI

Uganda's economic story is once again at a crossroads. After decades of stability that saw public debt fall to manageable levels, the country is now grappling with rising debt, tighter fiscal space, and growing pressure on public funds.

Interest payments are consuming arising share of revenue, while demands on government, from infrastructure to social services, continue to expand.

At the same time, long-standing structural challenges persist. Weak implementation of government programmes, underfunded agriculture, and a struggling industrial base raise serious concerns about how effectively public resources are being used.

Debates over sovereignty, foreign investment, and trade policy are adding further complexity. In this interview, former finance minister Ezra Suruma reflects on Uganda's past economic recovery and what lessons apply today.

He maintains that fiscal discipline, prioritization, and strong institutions remain essential for sustainable growth.



Former Finance Minister Ezra Suruma says fiscal discipline, prioritisation, and strong institutions are needed to restore Uganda's economic stability and sustainable growth. PHOTO / MICHAEL KAKUMIRIZI

You were the finance minister when Uganda's external debt dropped to under 20 percent of GDP. Today, it is above 50 percent. What has happened?

When I joined government in 1987, the economy had collapsed. The shilling had lost value largely due to excessive government spending. Ministries demanded funds even when they were unavailable, which led to money printing and currency depreciation.

This changed when government committed to spending only what it had. We had to limit expenditure to real resources and avoiding money printing. If you avoid printing money but rely heavily on borrowing, you risk being overwhelmed by debt. A debt level of 50 percent may be acceptable, but discipline is critical.

If revenues fall short, expenditure must reduce. Excessive borrowing, especially domestically, hurts the private sector because banks will prefer investing in government securities.

There has been a rise in non-concessional borrowing. Is this okay?

Government must avoid excessive commercial borrowing. Much of our debt is external, which makes it riskier. Concessional loans remain important.

For major infrastructure such as railways or hydropower, a reasonable mix may include concessional borrowing, but excessive reliance on commercial loans could create serious problems. We must avoid returning to the debt crises of the past.

How important is prioritization in government spending?

It is extremely important. Government cannot fund everything. A strong example is coffee production. A clear directive to increase output led to focused funding and implementation, raising production from three million to nearly 10 million bags. Without prioritization, resources are spread too thin and progress stalls.

Key figure

Shs1,750

Government has introduced an additional Shs200 charge on the existing Shs1,550 levy per litre of petrol, raising the new levy to Shs1,750, effective July 1.

What is your view on the performance of the Parish Development Model?

The main challenge appears to be implementation. Government programmes often struggle in this area. At the parish level, there is lack of proper institutions to manage funds effectively. When money is sent to parishes, it needs professional management. Local structures such as local councils are not equipped to handle financial records, accounting, or interest calculations.

We need a structured institution, such as a development bank, to manage funds on behalf of government, maintain proper records, and build trust.

Over time, it would also encourage savings, allowing development capital to come from citizens rather than relying entirely on government funding.

What are your thoughts on the Protection of Sovereignty Bill?

This is a complex issue, but there is concern that it could take Uganda back to restrictive policies of the past. Previously, strict foreign exchange controls discouraged investment and limited economic growth. Returning to such policies would likely discourage investors and reverse progress so far made.

The taxes on second-hand clothes. What is your take?

Second-hand clothes imports undermine local textile and cotton industries. Increasing tax on imports is the right step. However, the revenue generated should be used to support cotton production and revive local manufacturing. Without reinvestment, the policy may not achieve intended impact.

What about cheap imports and quality concerns?

We need stronger quality control. Many imported goods are of low quality and harm both consumers and local industries. Improving standards enforcement would protect consumers, create jobs, and strengthen production.

What is your take on allocations to agriculture?

The sector remains underfunded, receiving far below recommended levels. Key priorities should include improving storage infrastructure to reduce post-harvest losses and ensuring access to genuine fertilizer.

Uganda also has the resources to produce fertilizer locally. Developing this capacity would improve productivity, reduce imports, and strengthen food security.

If you were to shape the next budget (passed last week), what changes would you make?

I would not recommend more tax on fuel. I would also ring-fence funding for PDM, but only if it is transformed into permanent development capital. I would also introduce an institutional reform where PDM funds are managed through a development bank. This would ensure proper management of capital and improve accountability.

Our biggest challenge is lack of capital. The available resources must be properly organized, managed, and supported by public confidence.

Your final thoughts

Uganda's progress depends on three fundamentals: fiscal discipline, prioritization, and strong institutions for implementation. Without these, even well-designed policies will not succeed.

Economy. |

PDM funds inclusion: Who funds growth?

JOSHUA MAZUNE

At 7 am in Nakawa market, a vegetable trader opens her stall with stock bought using a recent PDM loan. The money has helped her clear rent arrears, restock quickly and keep the business moving. By midday, she is selling. By evening, she has cash in hand again.

In one sense, the loan has worked. Across Uganda, this story is becoming common. Through the PDM, Saccos and other lending channels, many people who were once shut out of formal finance can now borrow, trade and keep their businesses alive.

That matters. In a country where lack of capital has long kept millions out of opportunity, wider access to credit is a real gain. But access to credit does not equal growth. That is the question Uganda now has to face. Are we building businesses that can expand, hire and raise productivity? Or are we mainly helping households and enterprises survive one more cycle?

For many borrowers, the first use of a loan is rarely expansion. It is likely to be used for rent arrears, school fees, restocking, medical bills or clearing an older debt. These are rational choices. A household under pressure will always choose stability first. The problem is what happens next. Six months later, their business often looks the same. Same products. Same margins. Same scale. Multiply this across thousands of enterprises and the result is clear. We are maintaining activity, not increasing productivity.

This is not about discipline. It is about design. Short repayment cycles demand quick returns. Group lending discourages risk. Monitoring focuses on disbursement and repayment. Capital flows where it is easiest to absorb and fastest to return. Small trade. Fast turnover. Low margins.

PDM creates participation, not collateral. Most beneficiaries cannot transition to commercial banks. The amounts are too small to build securities banks require. They are too big for subsistence, but too small for growth. This matters because PDM is public money. If it is not recycled through growth and repayment, it does not multiply. It shrinks. That makes every taxpayer a stakeholder in what this system produces. The real gap is what comes next.

A healthy economy has a wide base of small, stable operators and a narrower band of scalable firms. Policy should back the latter without forcing the former into a mold they cannot fit. Businesses that have stabilised after PDM need a second tier of capital. Larger, longer-term and more affordable. Not another access programme.

One option is a revolving fund that supports businesses with a track record, ties capital to performance and recycles funds through repayment. Without a solution to the missing middle, many businesses will enter the economy. Few will grow within it. We have funded inclusion. Now we must connect businesses to the right growth partner.

The writer is the Maru Credit Managing Director

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