From spender to financier: Uganda's pathway to high middle-income status

Back in my high school days, I picked up two fundamental concepts: one about the balance sheet, and the other about the marginal principle. They still hold the keys to understanding so much about our world today.

Let's unpack how these timeless lessons can shape Uganda's journey from a spending to a financing state. The balance sheet reminds us that progress depends on the relationship between what you own and what you owe. The economics of margins teaches us about rationality and that decision should continue as long as additional (marginal) benefit exceeds the additional (marginal) cost. These two concepts hold deeper meaning and use than stated above.

Now picture this - Uganda's development truck: a heavy vehicle loaded with natural resources, young people, innovation, minerals, creativity, and ambition. Around it stands a diverse group, central and local government, private sector, development partners, civil society, young people, women and girls, people with disability, refugees, and elderlies, each with a rope in hand. These actors have for many years been pulling in different directions. When one group pulls left, another right, and a third accidentally ties its rope to the rear bumper, the truck doesn't move forward; it jerks, twirls, or simply stays stuck. The lesson is obvious: no matter how strong the individual pullers are, the truck moves only when there is a balance in how the ropes are tied to it and how pulling is coordinated. The payoff is not in the number, it is the balancing of efforts (on all sides); the power of coherent coordination, cooperation and collaboration.

To say that the development aid boat has sailed is both a cliché and a harsh reality, because the benevolent purses that were dishing out money as part of bilateral cooperation are zipping and evolving into trade and investment contracts and taking advantage of artificial intelligence. This was so obvious in our policy dialogues on financing for development last year to the point that it became clear to me that the future of bilateral cooperation is commerce and only countries that have the ability to mobilise, manage, and optimise their own resources will move their 'truck'.

> Transparent public expenditure that is tied to real development improves credit rating.

Leonard Zulu
Middle-income

If Uganda were to increase its economy size by tenfold and reach high middle-income status by 2040, it should have the determination to finance its own development. This is not asking Uganda to have a hemicorporectomy surgery on its financing mechanism.

It is simply a balancing act; an act to steady the 'truck', take the driving seat and be in full control. Balancing and mixing is as important to the concept of development financing as rationality is to the actions and decisions that will sustain it over time. It is a disciplined act between generating and maximising resources and spending efficiently in a way that keeps the imaginary truck moving. It is making sure the additional shilling spent or earned generate more value than it cost.

When public expenditure is transparent, predictable, and tied to real development priorities, credit rating improves, compliance rises and investments flow. Equally, where domestic resources generation is diversified, strategic, and aligned with national priorities, investor confidence grows, financial markets deepen, and sustainable capital flows are unlocked.

Government of Uganda has been actively mobilising domestic resources including leveraging its growing social security assets for long-term investments in infrastructure and climate initiatives. It has been fostering capital market and human capital development with ongoing reforms improving public expenditure transparency and tying spending to national priorities. These efforts collectively offer a good foundation to build on.

For it to work for all, Uganda needs a national financing compact: a mutual commitment guiding the participation and contribution of all actors. It requires that inclusion be central to it. This means creating financing pathways for young people, women, and persons with disabilities - recognising them as vital contributors to productivity and economic progress. With smarter game plans, fresh collaborations, growing homegrown resources, and a real dedication to including everyone, the wheels on Uganda's development truck will continue accelerating to its sustainable development and 2040 goals.

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