A NATION MEDIA PUBLICATION

Public debt.|

China's strong, but falling role in Uganda's public debt space

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The growing debt burden is drawing renewed attention to the role of China as one of Uganda's key debt sources.

The Ministry of Finance's Debt Sustainability Analysis for 2024/25 indicates that public debt rose from $25.59b (Shs94.8 trillion) in June 2024 to $32.24b (Shs115.8 trillion) in June 2025, with the share of debt to gross domestic product rising to 50.9 percent.

This places Uganda at the upper edge of the East African Monetary Union's 50 percent convergence benchmark.

While the report maintains that the overall risk of debt distress remains "moderate," it highlights mounting fiscal pressures and vulnerabilities.

China as Uganda's creditor

The Debt Sustainability Analysis shows that China's share of Uganda's external public debt fell to 15.1 percent in the 2024/25 financial year, down from a peak of 26.5 percent six years ago.

China remains Uganda's largest bilateral creditor, but its relative weight in the debt portfolio has declined since 2019, when Chinese loans accounted for more than a quarter of total external debt. The current figure represents an 11.4 percentage-point drop from the peak, which signals a gradual but deliberate rebalancing of Uganda's external financing structure.

Between 2015/16 and 2018/19, China's share of Uganda's external debt rose sharply from 17.8 to 26.5 percent.

That period coincided with major infrastructure investments in transport, energy and oil-related projects. Chinese funding played a central role in that infrastructure expansion phase.

Since 2019/20, however, China's share has declined consistently, falling to 22.6 percent, then to 20.9 percent, and continuing downward to 15.1 percent in 2024/25.

This shift reflects a broader change in Uganda's borrowing strategy.

In 2024/25, multilateral creditors accounted for 65.5 percent of Uganda's external public debt, up from 64.6 percent the previous year. Bilateral creditors accounted for 22.7 percent, meaning China represents roughly two-thirds of bilateral exposure but a significantly smaller share of total external debt than in previous years.



Uganda's debt has risen to 50.9 percent of GDP, with China accounting for 15.1 percent of external debt, reflecting a shift toward multilateral financing amid growing fiscal pressures and rising borrowing costs. PHOTO/FILE

Commercial external debt stands at 11.3 percent, down from 13.6 percent two years earlier.

This recalibration reshapes the narrative about Uganda's debt, which has often framed the country as becoming increasingly dependent on China. But data suggests that Uganda's Chinese exposure is being gradually diluted.

At 15.1 percent of total external debt, China remains a significant creditor, but it no longer dominates the debt landscape.

Expensive debt conditions

Uganda's debt challenges are not only about how much it owes, but also how much it costs to service that debt.

The weighted average interest rate on public debt increased during the past financial year, partly due to tighter global financial conditions and increased reliance on higher-cost borrowing.

As a result, total interest payments have risen. Debt service reached nearly 49 percent of domestic revenue in June 2025. This means almost half of government's locally generated revenue is now devoted to repaying existing obligations rather than financing public services or new investments.

During the period, total interest payments as a share of GDP rose from 2.4 percent to 3.4 percent. Domestic borrowing, which now accounts for about 52 percent of total public debt, has also contributed to rising interest costs due to relatively high domestic yields.

Regional debt threshold

With public debt at about 50.9 percent of GDP, Uganda is close to the East African Monetary Union convergence limit. In present value terms, debt stands at around 44 percent of GDP and is projected to peak at about 45 percent before gradually declining.

The Debt Sustainability Analysis indicates that under the baseline scenario key external debt indicators remain below policy thresholds. However, stress tests show that under adverse conditions, some indicators could breach sustainable levels.

Under pressure

In response to mounting pressures, government has committed to a fiscal consolidation strategy to stabilize debt by focusing on strengthening domestic revenue mobilization and gradually reducing fiscal deficits over the medium term.

Domestic revenue as a share of GDP is projected to increase in the coming years, supported by tax reforms and administrative improvements. Government also intends to prioritize concessional financing wherever possible, although access to such funding is becoming more constrained.

Public debt, government says, remains sustainable, but the margin for policy error is narrowing.

Key figures

15.1%

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50.9%

With public debt at about 50.9 percent of GDP, Uganda is close to the East African Monetary Union convergence limit.

Uganda secures EU