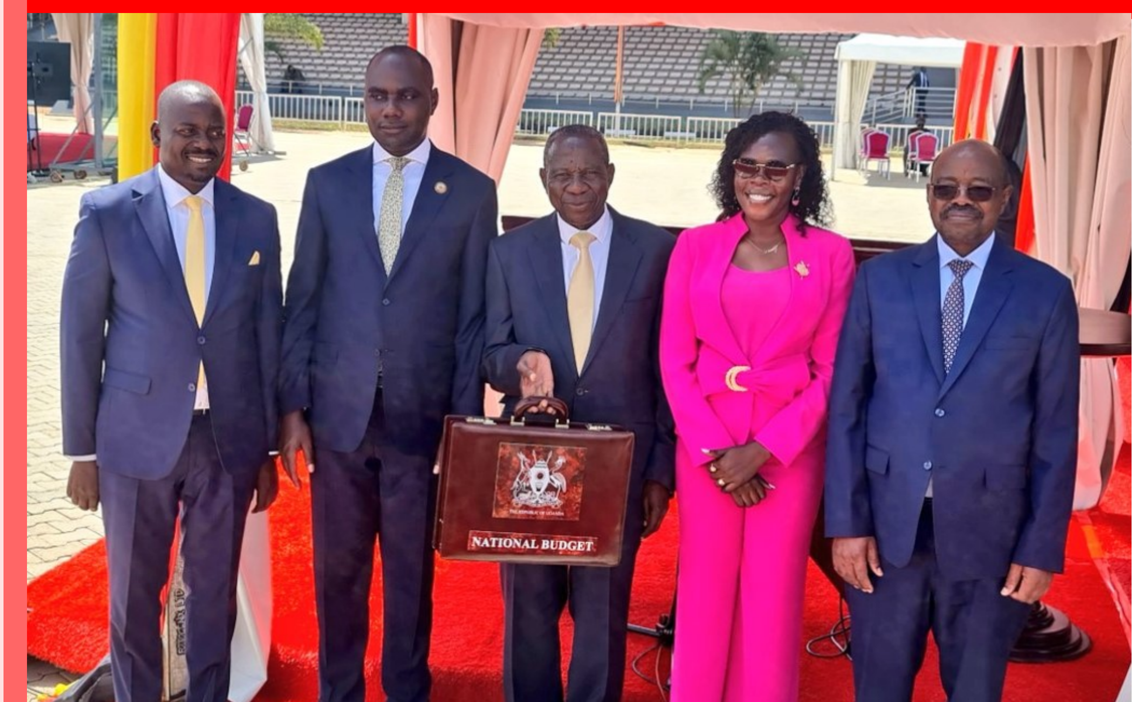
Uganda Debt Network — Debt is Slavery

Weekly Edition

Vol: 457 13th - 20th June

BUDGET FY2025/26 – A NEW DAWN OR THE SAME OLD GAPS?

INTRODUC-



On 15th May 2025, the Parliament of Uganda approved the national budget for the Financial Year 2025/26 marking the first fiscal blueprint under the new National Development **Plan IV (NDP IV)**. As Uganda Debt Network (UDN), we commend the government for this milestone and acknowledge progress made in some key areas. However, deep concerns remain about the sustainability of Uganda's public finance trajectory, especially in relation to debt, transparency, and the underfunding of critical social services.

Commendable Progress, But at What Cost?

We recognize positive reforms such as tax incentives for startups, increased budget support, and stabilization of inflation. Moreover, the government's approval of the Public Investment Management Policy is a welcome step in improving efficiency and ensuring value for money in infrastructure projects.

However, the FY2025/26 resource envelope stands at **UGX 72.37 trillion** an increase of only 0.3% from last year. Alarmingly, **UGX 34.82 trillion (48%)** of this budget is financed through borrowing. Uganda's public debt now stands at **UGX 107 trillion**, translating to a **53.34% debt-to-GDP** ratio, surpassing the 50% ceiling set in the Charter of Fiscal Responsibility. This raises fundamental questions: How sustainable is our borrowing? Are we getting value from the loans we contract?

Shrinking Fiscal Space and Debt Servicing Burden

Of the total budget, a staggering **UGX 26.83 trillion (37.2%)** is earmarked for debt servicing. This heavy burden compromises investments in key areas such as education, health, and infrastructure. Local governments the frontline agents of service deliverywill receive **UGX 5.57 trillion**, a **6.7%** reduction from last year. This comes at a time when communities are grappling with limited healthcare, poor roads, and under-resourced schools.

Climate and Agriculture: Policies Without Budgets?

Despite strong policy rhetoric around climate change, funding for the Climate Change and Natural Resources programme has been slashed by **51%** from **UGX 744.83 billion to UGX 364.86 billion.** This budget cut undermines efforts to build resilience among the most vulnerable communities amid worsening climate shocks.

The agriculture sector, central to Uganda's growth, faces a decline in funding to the Ministry of Agriculture from **UGX 1.18 trillion to UGX 815.57 billion**. This comes despite the recent merger of key agencies into the ministry—a move that requires increased financial and technical capacity, not cuts.

Health and Education: Stagnation Amid Rising Needs

The health sector allocation to the National Medical Stores has slightly dropped, while the education sector faces a **UGX 9.8 billion** reduction. Funding to key subsectors like technical education and special needs education remains inadequate, falling short of implementing national service delivery standards.

Budget Transparency and Execution Challenges

Uganda continues to grapple with fiscal indiscipline through unplanned supplementary budgets and weak absorption of project funds. In FY2023/24 alone, **UGX 463.7 billion** under USMID and **UGX 5.7 billion** meant for lower local governments went unspent. Meanwhile, commitment fees on undisbursed loans reached **UGX 73.9 billion** last year—resources that could have improved schools or stocked health centers.

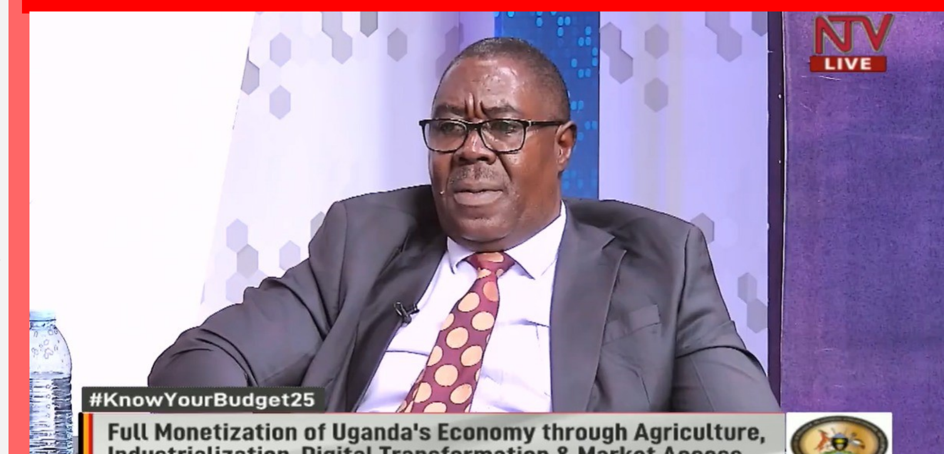
Recommendations for Fiscal Year 2025/26

1. **Reduce Borrowing and Improve Loan Utilization**: Prioritize efficient use of contracted loans to reduce commitment charges and service delivery delays.
2. **Protect Social Sectors**: Allocate sufficient funds to health, education, and agriculture, ensuring alignment with costed service delivery standards.
3. **Reinforce Local Governments**: Increase funding and strengthen capacity at the local level for effective service delivery.
4. **Strengthen Accountability**: Enforce the Public Investment Management Policy, enhance contract management, and monitor supplementary expenditures.
5. **Invest in Climate Resilience**: Reverse the drastic cuts to climate programmes and increase support for vulnerable communities.
6. **Support Revenue Collection**: Build public trust through transparent expenditure and broaden the tax base with fair and inclusive policies

Conclusion

The FY2025/26 budget offers a potential turning point in Uganda's development journey. But without urgent action to curb debt, improve efficiency, and adequately fund key sectors, the promises of NDP IV may remain unfulfilled. As Uganda Debt Network, we call on government, Parliament, and all stakeholders to recommit to a fiscally responsible, equitable, and people-centered budget because **every shilling counts**.

MEDIA CORNER



The Executive Director Uganda Debt Network, Mr. Patrick Tumwebaze was hosted on NTV Uganda Discussing the National Budget FY 2025/26

Kobusigye Grace the Programme Officer at Uganda Debt Network, was hosted on BBS TV Discussing the National Budget FY 2025/26

GIlbert Musinguzi The QAM Manger on NTV Uganda dicusing the Parish Development Model on NTV Uganda

LINKS

1. https://youtu.be/rhKVaCt0dNc?si=HjcnuUh3Wf49_lqp
2. https://www.bukedde.co.ug/amawulire/BUK_155867/bajeti-yeggwanga-202526-aba-uganda-debt-netwo
3. https://www.facebook.com/share/v/1HyhLRmiQF/

UDN appreciates support by: UDN Membership; DCA; Save the Children in Uganda; OSIEA, Inspectorate of Government; IBP, Trocaire; UNICEF; Bill and Gates Foundation and NDI.

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