

2025/26 Budget: The hits and the misses

BY ISMAIL MUSA LADU

KAMPALA. The Financial Year (FY)2025/2026 has been a mixed bag of achievements and setbacks, marked by ambitious government programmes, strong performances in key sectors, growing public debt, and persistent concerns over corruption and service delivery.

As the financial year draws to a close, government can point to progress in wealth creation initiatives, oil and gas development, agriculture and tourism. However, these gains have been overshadowed by rising debt obligations, revenue collection shortfalls, deteriorating infrastructure and allegations of widespread misuse of public funds.

One of the biggest stories of the year has been the struggle by the Uganda Revenue Authority (URA) to meet its collection targets.

Between July and December 2025, URA collected Shs16.8 trillion in net revenue against a target of Shs17.9 trillion, leaving a shortfall of slightly more than Shs1 trillion. Although the tax body achieved a 94 percent performance rate, better than the same period in the previous year, the deficit was significant.

The revenue gap was roughly equivalent to the amount allocated to the Parish Development Model (PDM), government's flagship poverty alleviation programme that dominated the election-year Budget.

The PDM remained one of the most visible government interventions during the year. Despite numerous reports of fraud, kickbacks and beneficiaries receiving less than the amounts approved for them, the programme succeeded in injecting substantial sums of money into rural economies.

Government allocated Shs1.1 trillion to the initiative during the financial year, including Shs1.059 trillion for the Parish Revolving Fund.

In November 2025, the Ministry of Finance released an initial Shs529b, with each of the country's 10,589 verified parish Saccos receiving Shs50m directly into their accounts.

To date, government says more than Shs3.26 trillion has been transferred to PDM Saccos since the programme was launched, with every parish receiving at least Shs300m.

According to the Ministry of Finance, about 3.2 million Ugandans have accessed the funds and begun transitioning from subsistence farming to participation in the money economy.

Beyond PDM, Uganda continued making progress towards commercial oil production.

The 2025/2026 Budget allocated approximately Shs876b towards mineral-based industrial development and the oil and gas sector, particularly the East African Crude Oil Pipeline (Eacop) and refinery projects.

Despite continued opposition from international environmental groups, implementation of the projects has advanced steadily, keeping hopes alive that Uganda could begin earning oil revenues in the near future.

Tourism also continued to demonstrate its importance to the economy.

The sector earned approximately \$1.7b in foreign exchange last year, a 15 percent increase from the previous year.

maintaining its position among Uganda's leading foreign exchange earners alongside coffee, gold and remittances.

However, the recent Ebola outbreak has created uncertainty for the industry. Although Uganda is not the epicentre of the outbreak, fears surrounding the disease have already triggered booking cancellations worth billions of shillings, threatening the recovery momentum the sector had built.

Agriculture, another pillar of the economy, remained relatively resilient throughout the year.

Government allocated Shs1.8 trillion to the Agro-industrialisation Programme and an additional Shs1.4 trillion directly to the Agriculture ministry and Fisheries and its affiliated agencies.

Favourable weather conditions and strong export earnings boosted the sector, with coffee alone generating \$2.4b in export revenues during 2025.

Nevertheless, experts warn that Uganda's heavy dependence on rain-fed agriculture remains a major vulnerability. Prolonged droughts or erratic weather patterns could quickly undermine production, employment and broader economic growth.

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Debt burden. Civil Society Budget Advocacy Group (CSBAG) notes that government is projected to spend Shs33.6 trillion on debt servicing in FY2026/2027 compared to Shs13.5 trillion for Human Capital Development, Shs2.26 trillion for Agro-industrialisation and about Shs2.5 trillion for wealth creation programmes. This growing debt burden raises concerns that repayments are increasingly crowding out investments needed to improve service delivery.

Infrastructure spending.

Out of the approved National Budget of Shs72.4 trillion, the transport and infrastructure sector received Shs6.92 trillion. Of this amount, Shs4.28 trillion was earmarked specifically for road construction and maintenance.

Yet many road users say the investment has not translated into noticeable improvements on the ground.

Several roads across the country have deteriorated over the past year, while many rural access roads remain in poor condition and become nearly impassable during heavy rains.

But perhaps the biggest concern emerging from the FY2025/2026 is Uganda's rapidly expanding public debt. According to projections, public debt is expected to reach approximately Shs130 trillion in FY2026/2027.

Debt servicing obligations are projected at more than Shs33.6 trillion, including Shs14.1 trillion in interest payments and Shs4.18 trillion in principal repayments.

This means nearly 40 percent of domestic revenue collections will be spent servicing debt, leaving less money available for healthcare, education, agriculture, infrastructure and job creation.

While Uganda is not currently classi-

fied as being in debt distress, analysts are increasingly concerned about the pace at which public debt is growing.

The Civil Society Budget Advocacy Group (CSBAG), working alongside AHF Uganda Cares, notes that public debt has risen from about Shs86.8 trillion in FY2022/2023 to Shs94.9 trillion in FY2023/2024 and is projected to climb further to around Shs130 trillion in the coming financial year.

Uganda's debt-to-GDP ratio has also risen above 50 percent, a level that requires careful fiscal management.

Experts warn that growing debt increases exposure to exchange rate fluctuations, interest rate shocks, refinancing risks and revenue uncertainties, while reducing government's ability to respond to future economic challenges.

The effects are already being felt across public services.

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Evidence from recent audit reports paints a worrying picture.

Auditor General's report

According to the Auditor General's report for FY2024/2025, Mulago National Referral Hospital received only Shs18.25 billion against a requirement of Shs72.4 billion for specialised medicines and medical supplies, leaving a funding gap of approximately 75 percent.

The same report found that 136 secondary schools lacked science laboratories, 182 schools had no libraries and 380 schools faced classroom shortages. The Universal Secondary Education and Universal Post O-Level Education and Training programmes also registered a capitation funding gap of about Shs26.65 billion.

These findings suggest that the consequences of rising debt are increasingly being felt by ordinary citizens through weakened public services and missed development opportunities.

Alongside debt, corruption continues to pose a major threat to public finances.

Billions of shillings intended for essential public services continue to be lost through inflated budgets, procurement irregularities, domestic arrears and abuse of public funds.

The Inspectorate of Government has repeatedly warned that political protection of high-profile individuals in Parliament and government programmes has fuelled large-scale corruption. Some estimates place the annual cost of corruption at as much as Shs10 trillion.

As the country prepares for another financial year, the story of the FY2025/2026 Budget is one of both progress and warning. While government has made gains in wealth creation, agriculture, oil development and economic expansion, rising debt, persistent corruption and service delivery gaps continue to threaten the sustainability of those achievements.

The challenge going forward will not simply be spending more money, but ensuring public resources deliver meaningful results for citizens while keeping the country's debt burden within manageable limits.

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