



Strengthening Africa in World Trade

UGANDA NATIONAL BUDGET **FY** **2026/27 AT A** **GLANCE**



**Analysis is based on the National Budget Framework
paper FY 2026/27- FY 2030/31**

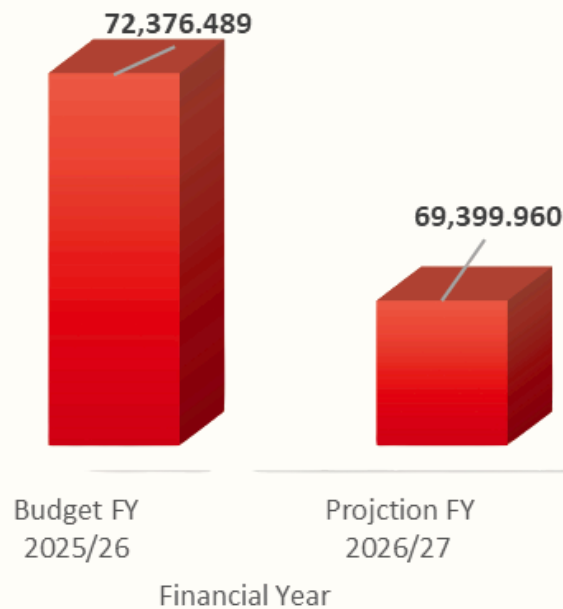
JANUARY, 2026

1. FINANCING FOR FY 2025/26 BUDGET



The FY 2026/27 budget amounts for Ush 69,399,960 billion. This represents a 4.11 percent decrease in the total approved budget for FY 2025/26

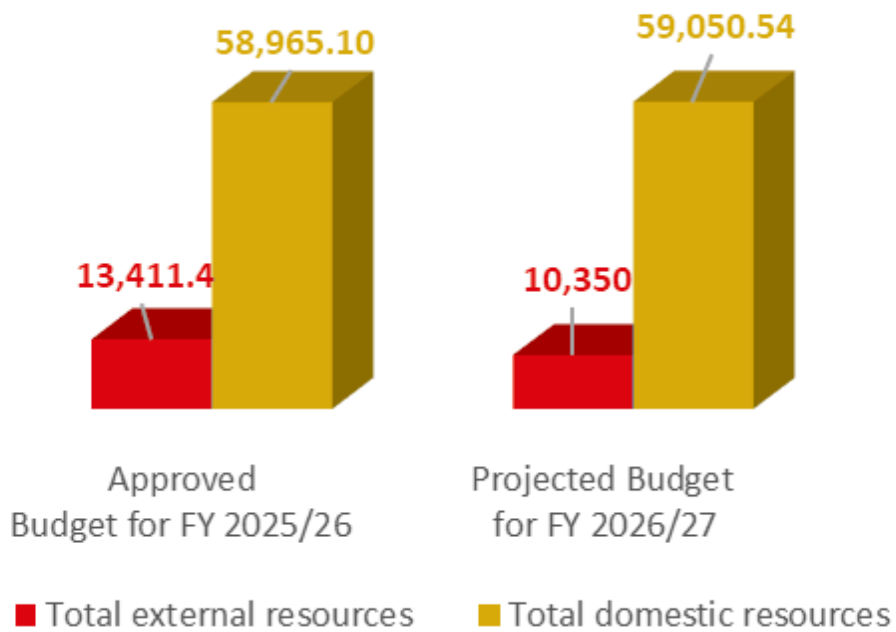
Figure 1. Total Budget in billion Ushs



Financing for the Budget

The projected 0.145 percent increment in the domestically mobilized resources in FY 2026/27 suggests a reduced policy direction toward self-reliance by reducing dependence on foreign aid and loans. However, the small increase in domestic resources compared to the sharp drop in external resources may require adjustments to maintain fiscal balance preferable through increased Domestic revenue mobilisation from tax and non tax sources rather than reliance on domestic borrowing.

Figure 2: financing for the Budget in billion Ushs



RESOURCES GENERATED DOMESTICALLY

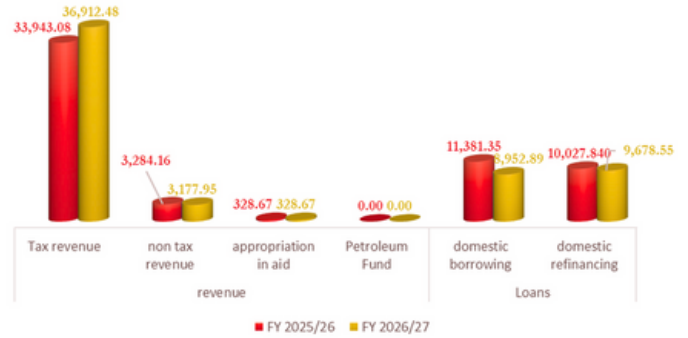
In FY 2026/27, Government projects to raise 62.51 percent of domestically raised resources from tax revenue, indicating an 8.75 percent increment from ushs. 33,943.08 billion in FY 2025/26. Non tax revenue and appropriation in aid will account for 5.38 percent and 0.56 percent respectively of the total domestically mobilised resources. On the other hand, 31.55 percent, of the domestic resources will be mobilised through domestic borrowing (15.16%) and domestic debt refinancing (16.39%) (see figure 3).



INCREASED RELIANCE ON DOMESTIC BORROWING THREATENS FISCAL SUSTAINABILITY

While domestic borrowing reduces external debt reliance thus reduced forex risk exposure, over reliance on domestic borrowing has not only exposed Uganda to a high refinancing risk but also led to persistent crowding out of private sector credit. Domestic debt as a percentage of private sector credit increased from 169 percent at end of June 2023 to 252 percent at end of June 2025 way above the 100 percent benchmark highlighted in PDMF (2023). Furthermore, Uganda continues to face an increasing debt servicing burden due to elevated domestic debt servicing costs. For instance, in FY 2026/27 domestic interest payments will account for 84.15% of the total interest payments of Ushs. 12.735 trillion.

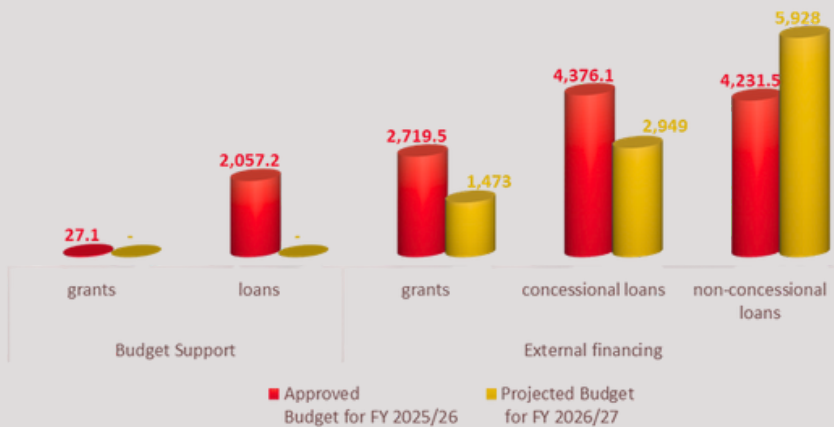
figure 3: Domestic resources in billion ushs.



RESOURCES MOBILISED EXTERNALLY

In FY 2026/27, Government will mobilise extra funds from the external sources through external financing, which comprised of grants (14.23%), concessional (28.49%) and non concessional loans (57.28%).

Figure 4: resources mobilised externally in billions

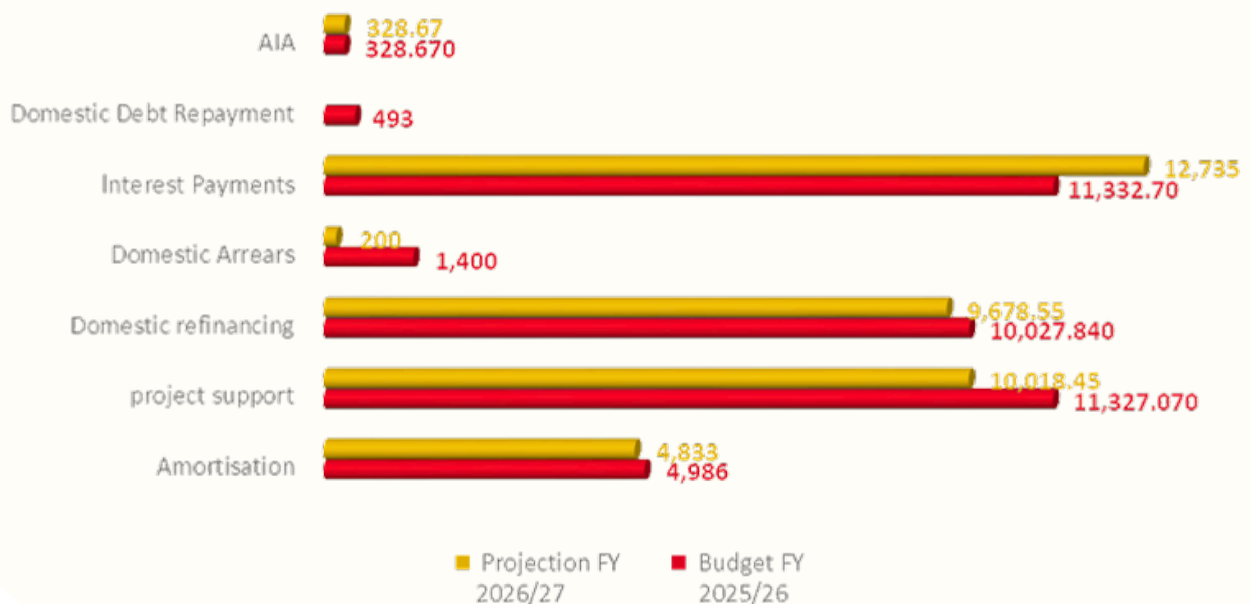


DWINDLING FLEXIBILITY IN ALLOCATION OF BUDGETARY FUNDS TO VARIOUS VOTES

In FY 2026/27, Non-Discretionary resources (see figure 5) amount to Ushs. 37,794 billion (54.46% of the total resource envelope). This implies that the Government is left with less than a half of the total resource envelope to flexibly allocate to various expenditure priorities. Cognizant of the fact that non-discretionary resources are largely comprised of Government statutory obligations of debt servicing costs including domestic arrears (which will account for more than 40 percent of the total budget) clearly reflects the extent to which these expenses continue to shrink the already constrained Fiscal space.

NOTE: total amount of non - discretionary resources and debt serving excludes domestic debt repayment due to missing data

Figure 5: non discretionary expenditure in billion Ushs



DEBT SERVICING

35.55 percent of the total budget for FY 2025/26 will be channeled towards debt servicing (that is shs. 27,447 bn) including domestic arrears (data on domestic debt repayment was missing). These statutory obligations continue to crowd out other budgetary financing. See figure 6 for details.

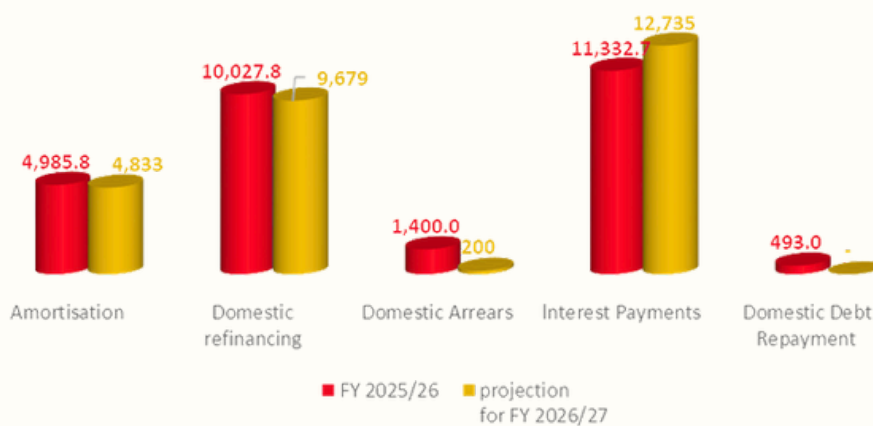
Delayed clearance of arrears Cripples the operations of the private sector as they face liquidity constraints to run day to day operations in their business including clearance of short-term bank loans. Furthermore, arrear accumulation undermines trust in Government and the effectiveness of fiscal policy since over reliance on domestic arrears to finance Government spending leads to a reduction in the fiscal multiplier.



LIMITED ALLOCATION TO CLEARANCE OF DOMESTIC ARREARS CONTINUES TO CRIPPLE PRIVATE SECTOR OPERATIONS

Despite existence of the commitment control system procedures and the Strategy to Clear and Prevent Domestic Arrears (2021), accounting officers have continued to commit Government to an extent of absence of funds. This led to accumulation of Domestic Arrears averaging at 16 percent per annum between FY 2018/18 - FY 2022/23. Furthermore, domestic arrears grew by 34.4 percent from shs 8.049 trillion in 2022 to shs 10.818 trillion in 2023 representing 20.6 percent of the revised FY 2022/23 budget.

figure 6: Debt servicing in billion ushs.



2. FY 2025/25 ALLOCATION BY PROGRAM



In FY 2025/26, the development Plan Implementation program accounts for the lion's share (43.41 percent), followed by Human capital Development accounting for 14.2% which is lower than 15.81% share of the program in FY 2025/26. The Governance and security program will account for 9.74 percent of the total budget inter alia.

TABLE 1: PROGRAM ALLOCATIONS

Program	FY 2025/26				FY 2026/27			
	GoU	External Financing	total	Percentage share	GoU	External Financing	total	Percentage share
Agro-Industrialization	1,079.85	753.863	1,833.71	2.53%	1,010.87	460.006	1,470.88	2.12%
Manufacturing	221.141	90.974	312.115	0.43%	221.141	32.133	253.274	0.36%
Tourism Development	428.487	0	428.487	0.59%	403.831	0	403.831	0.58%
Natural Resources, Environment, Climate, Land & Water Mgmt	237.239	122.757	359.996	0.50%	303.601	114.972	418.573	0.60%
Private Sector Development	2,338.67	368.059	2,706.73	3.74%	2,295.34	237.508	2,532.85	3.65%
Sustainable Energy Development	374.339	660.545	1,034.88	1.43%	374.339	797.762	1,172.10	1.69%
Integrated Transport Infrastructure and Services	2,048.39	4,335.21	6,383.60	8.82%	2,048.39	4,709.43	6,757.82	9.74%
Sustainable Urbanisation and Housing	237.482	1,249.23	1,486.71	2.05%	136.086	513.687	649.773	0.94%

Program	FY 2025/26				FY 2026/27			
	GoU	External Financing	total	Percent age share	GoU	External Financing	total	Percenta ge share
Digital Transformation	184.665	197.083	381.748	0.53%	144.675	128.606	273.281	0.39%
Human Capital Development	9,006.90	2,477.67	11,484.57	15.87%	8,806.75	1,049.93	9,856.67	14.20%
Innovation, Technology Development and Transfer	388.532	0	388.532	0.54%	387.892	0	387.892	0.56%
Public Sector Transformation	253.528	0	253.528	0.35%	218.683	0	218.683	0.32%
Governance and Security	9,640.57	264.466	9,905.04	13.69%	8,945.44	79.433	9,024.87	13.00%
Regional Balanced Development	1,518.03	117.855	1,635.89	2.26%	1,516.02	329.021	1,845.04	2.66%
Development Plan Implementation	29,506.72	33.958	29,540.68	40.82%	30,036.17	90.78	30,126.95	43.41%
Administration of Justice	603.412	0	603.412	0.83%	607.378	0	607.378	0.88%
Legislation, Oversight and Representation	1,030.26	0	1,030.26	1.42%	1,059.62	0	1,059.62	1.53%

	FY 2025/26				FY 2026/27			
Program	GoU	External Financing	total	Percentage share	GoU	External Financing	total	Percentage share
Sustainable Extractives Industry Development	223.771	653.393	877.164	1.21%	223.277	1,475.18	1,698.46	2.45%
Arrears, AIA and ECD*	1,729.45	0	1,729.45	2.39%	641.92	0	641.92	0.92%
Total	61,051.42	11,325.06	72,376.48	100.00%	59,381.41	10,018.45	69,399.86	100.00%

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