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Public Debt and Service Delivery in Developing Economies; A Case of Uganda

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ABSTRACT

This study was concerned with how public debt is related to service delivery in the developing world, with Uganda being the case in point. The general aim was to examine how public debt affects the delivery of services, while the particular aims were: to explain the nature of Uganda's public debt; to assess debt management practices; to identify debt management challenges; and to examine how debt affects the delivery of services. A descriptive research design was used, based on secondary data collected from government reports, international organization publications such as the IMF, World Bank, and AfDB, and peer-reviewed literature post-2018. Data were synthesized through thematic analysis guided by study objectives.

The debt was reported to have increased vastly in Uganda, doubling between 2019 and 2023 from UGX 46 trillion to UGX 96 trillion, with foreign debt accounting for more than 60 percent. Debt has been used to finance developing big infrastructure projects but has also increased the level of debt to GDP to 52.4 percent in 2024, which is almost at the unsustainability level. Debt management culture, although institutionalized through the Public Finance Management Act and the Medium-Term Debt Strategy, remains undermined by loopholes of transparency, weak enforcement, and supplementary borrowing. Challenges revolve around a rising debt service burden taking over 32 percent of revenues, weak domestic revenue mobilization, overreliance on foreign lenders such as China, weak loan absorption, and inadequate parliamentary oversight. With regards to service delivery, the study proved that debt repayment obligations have sparse budgetary provisions to priority areas. For example, in FY2025/26, the health and education sectors got 10 and 9 percent of the budget, respectively, compared to 32.5 percent absorbed by debt servicing. This has resulted in under-funding of social sectors, rural-urban inequality, and the threat of future austerity.

The report finds that Uganda's debt trajectory, barring action with a sense of urgency, threatens fiscal well-being as much as the government's ability to deliver its service commitments. It recommends that Uganda prioritize stronger domestic revenue mobilization, learn from Kenya's tax base growth and Rwanda's digital tax administration, and strengthen debt transparency by following Ghana's availability of loan registers. Moreover, strengthening parliamentary oversight and ensuring that debt is associated with productive and equitable investment will be important in avoiding debt distress and safeguarding service delivery.

INTRODUCTION

Public debt has become a defining issue for economies worldwide, with increasing borrowing levels influencing fiscal policy, economic growth, and the quality-of-service delivery (UNCTAD, 2023). In the aftermath of recent global shocks such as the COVID-19 pandemic, climate change, and geopolitical uncertainty-most governments have resorted to borrowing to fund public spending and catalyse growth (The Times, 2025). Consequently, global public debt has hit all-time highs, reaching $102 trillion by the close of 2024, compared to $97 trillion in 2023. This is roughly 95% of global GDP, and forecasts indicate that it may exceed 100% of GDP by 2030 (International Monetary Fund [IMF], 2023; UNCTAD, 2023; The Times, 2025). Although public debt can be a driver of development if productively invested, the increasing cost of debt servicing tends to divert vital resources from basic service delivery in health, education, and infrastructure.

For developing economies, the debt outlook is particularly risky. The debt-to-GDP ratio of developing countries, measured by median, increased to 54% in 2024, with sub-regions like Africa and Latin America recording higher average rates of 57.8% and 64.5%, respectively (UNCTAD, 2023). In these environments, governments are spending more on debt servicing than on social sectors. Indeed, UNCTAD (2023) calculates that, developing countries owe a combined total of about $31 trillion and spent a combined total of $921 billion on net interest alone in 2024. Such trends reflect the structural dilemma of harmonizing fiscal sustainability with the imperative to provide public services, particularly in societies where poverty and inequality persist (Reuters, 2024).

The Sub-Saharan African region illustrates this tension, debt ratios have increased from an average of 30% of GDP in the early 2000s to near 60.1% in 2023 before declining back to 56.8% projected in 2025 following debt restructurings (Reuters, 2024). Despite these revisions, the percentage of government revenues consumed by debt servicing has risen to 17% in 2023, up from a mere 7% a decade ago (World Bank, 2023). This crowding-out effect has meant that governments have had few resources to invest in health systems, education, and social protection, at the cost of progress towards the Sustainable Development Goals (SDGs).

Around the world, some countries exhibit the extremes of debt reliance. Japan's debt-to-GDP ratio was 235% in March 2025, and Sudan's was 252%, mirroring profound fiscal crises. Other economies have comparatively lower ratios, like Kyrgyzstan at 37.6% in 2024 (Visual Capitalist, 2025). In the European Union, the mean debt-to-GDP ratio was 81.6% in Q3 2024, with considerable differences-Greece at 158.2% versus Estonia at 24% (Eurostat, 2024). These international differences show that though debt is ubiquitous, its magnitude and implications are highly variable based on fiscal capability and governance. To situate Uganda within this global landscape, a comparative overview of public debt ratios is presented below:

Table 1: Comparative overview of public debt ratios

Country/Region	Debt-to-GDP Ratio (%)	Year/Period
Sudan	252%	2025
Japan	235%	2025
Greece (EU)	158.2%	2024 (Q3)
EU Average	81.6%	2024 (Q3)
Sub-Saharan Africa (avg.)	60.1% (2023), 56.8% (projected. 2025)	2023–2025
Uganda	52%	March 2025
Kyrgyzstan	37.6%	2024
Estonia (EU)	24%	2024 (Q3)

Sources: IMF (2023, 2024), UNCTAD (2023), World Bank (2023), Reuters (2024), Visual Capitalist (2025), Eurostat (2024), Bank of Uganda (2025).

Uganda presents an interesting case study in this international context. The nation's public debt has increased swiftly, fueled by hefty infrastructure ventures and pandemic-induced borrowing. As of March 2025, Uganda's total public debt was 52% of GDP (around USD 31.5 billion), divided between 26.6% domestic and 25.4% foreign debt (Bank of Uganda, 2025; PwC, 2025). Projections indicate the ratio may increase to 53.5% by the close of 2025 and remain around 55% throughout 2026–2027 (Trading Economics, 2025). Debt servicing pressures are stark: for each UGX 100 gathered in tax, UGX 32 goes toward debt repayment, with less remaining for critical services like education, health, and agriculture (ChimpReports, 2023). Worryingly, almost half of Uganda's 2023/24 national budget (UGX 34 trillion of UGX 72 trillion) went to debt repayment (Nile Post, 2025).

The service delivery implications are dire. Uganda's health sector is plagued by chronic medical supply shortages, understaffing, and underfunded facilities. In education, congested classrooms and deteriorating infrastructure speak to fiscal limitations in keeping up with the demands of a fast-growing population. Local governments, which are charged with frontline delivery, frequently get inadequate budget transfers, further stretching the quality of services delivered (Uganda Mirror, 2025). Economists warn that if left unchecked, the debt path will lead Uganda into a debt-service trap, where the majority of revenues fund previous borrowing instead of present and future development priorities.

In conclusion, the worldwide increase in public debt and its crowding-out impact on fiscal space pose a serious threat to service delivery, especially in developing economies. Uganda is a case in point: though borrowing has funded important infrastructure, the increasing cost of debt servicing is compromising the provision of basic social services. These dynamics highlight the necessity of investigating the impact of public debt on service delivery outcomes and uncovering strategies for reconciling debt sustainability with socio-economic development.

Problem Statement

When properly managed, public debt can be a good means of development finance, especially in developing economies with thin revenue bases (Nile Post, 2025). However, the rising level of indebtedness globally has made it more difficult for governments to finance essential services. The truth is, many developing countries currently spend more of their public spending on debt repayment than on healthcare, education, or social protection (UNCTAD, 2023). Sub-Saharan African governments dedicate 17% of their revenues to interest payments, compared to just 7% a decade earlier, tightening fiscal space for social spending (World Bank, 2023). The trend is one cause for concern regarding debt sustainability as well as its impact on the provision of public services.

Uganda mirrors this global challenge. The nation's public debt has expanded quickly, hitting 52% of GDP in March 2025, with forecasts showing more rises in the medium term (Bank of Uganda, 2025; Trading Economics, 2025). Though borrowing has funded large-scale infrastructure projects and cushioned against shocks like COVID-19, the expense of debt servicing has risen exceedingly. It is reported that for each UGX 100 gathered as tax, UGX 32 goes towards repaying debts (ChimpReports, 2023). In FY2023/24, about UGX 34 trillion of the UGX 72 trillion national budget went towards debt servicing, limiting allocations to essential social sectors (Nile Post, 2025).

The pressure is already showing in-service delivery results. Uganda's health sector continues to be underfunded, with just 6.4% of the national budget in FY2022/23 being allocated to health-well short of the 15% Abuja Declaration commitment (Ministry of Finance, Planning and Economic Development [MoFPED], 2023). Equally, education was allocated 10.9% of the national budget, down from past years, even as enrolment and infrastructure demand increase (UNESCO, 2023). Local governments, which are charged with frontline service delivery, were allocated a mere 12.5% of the national budget in FY2022/23, well short of the 20% provided for under Uganda's decentralization policy, constraining their capacity to provide quality services (Local Government Finance Commission, 2023).

Despite Uganda being extensively researched in terms of debt sustainability and macroeconomic performance (IMF, 2024; AfDB, 2022), empirical attention on the immediate effects of increasing debt on service delivery results in major social sectors is still limited. Much of the existing literature focuses on fiscal stability, external debt trajectories, or growth prospects, with relatively less consideration of how increased debt servicing commitments translate into lower budgetary expenditures and worsening services at the local level. This knowledge gap underscores the necessity for systematic inquiry into public debt and service delivery in Uganda within the context of developing economy experience.

General objective

To explore the relationship between public debt and service delivery in developing economies, with a focus on Uganda.

Specific objectives

i. To explore the nature of public debt in Uganda.
ii. To examine the debt management practices adopted in Uganda.
iii. To examine how public debt influences service delivery in Uganda.
iv. To investigate the challenges faced in managing public debt in Uganda.

Research questions

i. What is the nature of public debt in developing economies, with specific reference to Uganda?

ii. How are debt management practices adopted and implemented in Uganda?

iii. How does public debt influence service delivery in Uganda?

iv. What challenges are faced in managing public debt in Uganda?

Justification of the Study

While the nexus between public debt and economic growth has been extensively examined in both developed and developing economies (Reinhart & Rogoff, 2010; IMF, 2023), there is a significant knowledge gap regarding how debt accumulation impacts the provision of public services, especially in low-income nations. Most of the literature has focused on debt sustainability concerns, fiscal discipline, and macroeconomic stability matters (AfDB, 2022; IMF, 2024), with little attention to the micro-level effects on sectors like health, education, and local government service delivery.

In the case of Uganda, some research has evaluated debt sustainability trends and fiscal policy (Kuteesa & Ssewanyana, 2019; MoFPED, 2023), but they are more oriented toward whether or not current debt is sustainable, without evaluating how debt service obligations determine resource distribution and service delivery consequences. Empirical research that explicitly connects Uganda's increasing debt with the underfunding of social sectors is still limited. For example, although the education and health sectors have remained consistently underfinanced relative to national and international obligations (UNESCO, 2023; MoFPED, 2023), there is little analysis explicitly blaming the issue on the crowding-out effect of debt service.

Furthermore, cross-country research on Sub-Saharan Africa tends to aggregate data, obscuring country-level experiences (World Bank, 2023). In this regard, empirical research that elaborates on how Uganda's debt dynamics reflect in real service delivery bottlenecks at the national and local government levels is lacking. This constrains policymakers' capacity for evidence-based decision-making regarding debt sustainability and addressing citizens' welfare needs.

This research, thus, aimed at filling these gaps through an exploration of the relationship between public debt and service delivery in Uganda, generating evidence that informs both national fiscal policy processes as well as contributing to the general literature on debt and development in Sub-Saharan Africa.

Geographical Scope

The study was limited to Uganda, a developing economy which in recent years has seen a dramatic rise in public debt. Uganda's debt-to-GDP ratio increased sharply from 20.5% in 2010 to over 48% in 2022 and to 52% in 2025, raising sustainability fears and fiscal space for social spending (IMF, 2023; MoFPED, 2023). As such, Uganda is a key case for studying service delivery outcomes in response to rising debt burdens in key sectors for development like health, education, and infrastructure.

Content Scope

The study analysed the interaction between service provision in Uganda and public debt while focusing on four main areas based on its objectives. To begin with, it analysed the nature of Uganda's public debt by considering its size, structure, as well as its temporal patterns. Additionally, it analysed the debt management practices within the government, which included borrowing approaches, repayments mechanisms, as well as institutional frameworks. Moreover, it analysed the challenges faced in handling public debt, such as rising costs in debt service provision, financial constraints, as well as external economic shocks. Lastly, it reviewed public debt effects in service provision in key sectors including health, education, as well as infrastructures, where allocation of resources is continuously constrained by debt obligations.

Time Scope

This study included all periods between 2010 and 2025. These periods demarcate Uganda's transformation from relative debt low points in the aftermath of relief secured during the Heavily Indebted Poor Countries (HIPC) initiative up to today's period marked by mounting borrowing and greater sustainability doubts (Kuteesa & Ssewanyana, 2019). These periods further correlate with key national development frameworks, including Vision 2040, in combination with international pressures such as COVID-19, which intensified fiscal pressures (World Bank, 2023). With a focus on this 15-year period, research allows for both a short- and longer-term exploration of debt-building trends and their implications for service delivery.

LITERATURE REVIEW

Theoretical Review

The analytical work is founded upon influential economic and political frameworks that explain causes of government debt amassing and its role in affecting fiscal ability together with provision for key public services. A strong emphasis is made upon the Debt Overhang Theory, highlighting economic constraints posed by large borrowings, accompanied by Public Choice Theory that highlights the role of political interests and institutional weaknesses for borrowing patterns. These analytical frameworks present complementary insights into both economic and governance features of managing debt and service delivery.

Debt Overhang Theory

Debt Overhang Theory was pioneered by Krugman in 1988 and further developed by Sachs in 1989 with regard to developing nations' debt issues. The theory's premise is that a country's debt that is higher than optimal makes future investors afraid that their returns would largely go into serving old debts rather than fuelling new growth. With that in mind, high debt renders private investment more improbable and damaging to economic growth, argued Krugman in 1988.

The theory has been used to great effect for studies of developing countries, especially in Latin America and Sub-Saharan Africa, where 1980s debt constricted growth and spending by government (Clements et al., 2003). In Uganda, the theory can be used to describe how increased payments for debt leave required sectors such as healthcare and education with less funding to spend on services (World Bank, 2023).

However, the theory has come under attack on several fronts. Firstly, it would most likely assume a one-for-one correspondence between economic growth and debt levels, without giving much leeway to the possibility that judicious borrowing can lead to positive growth outcomes when channelled to productive sectors of the economy (Pattillo, Poirson, & Ricci, 2002). In addition, it fails to give proper weight to the importance of institutional quality, governance, and absorptive capacity of economies that often mediate between debt being a bane or boon to growth (Easterly, 2001).

In establishing a correlation between debt and service provision, the Debt Overhang Theory asserts that elevated debt service costs diminish prospective fiscal space for spending by the government on fundamental services. For instance, Uganda's FY 2022/23 appropriation of UGX 8.3 trillion for debt service vis-à-vis UGX 3.6 trillion for healthcare (MoFPED, 2023) shows that debt overhang cannot but undermine the ability of the state to finance basic social services.

Although its contribution is helpful, the theory remains macroeconomic and fails to account for political and institutional variables that identify why governments would want to accumulate unsustainable debt levels. These weaknesses allow for competing school of thoughts, like Public Choice Theory, to centre on political agents' and governance arrangements' impact on determinants of debt outcomes on service delivery.

Public Choice Theory

Then comes Public Choice Theory developed by James Buchanan and Gordon Tullock in their pioneering work, The Calculus of Consent, launched in 1962. Contrary to mainstream economic models that assume governments act like benevolent agents aiming for social welfare maximization, Public Choice Theory assumes that politicians, bureaucrats, and interest groups seek their self-interest most of all, often prioritizing political perpetuity, vote maximization, or rent-seeking activity for short-term gains over long-term financial prudence (Buchanan & Tullock, 1962).

The underlying assumption of the theory is that fiscal policies, including debt accumulations, are shaped not just by considerations of improvement or growth but also by political reasons. In real-life terms, it would mean that governments would borrow more than necessary to finance activities that yield visible short-run gains like infrastructure activities or subsidies, thus leaving the burden of repayment to future generations (Persson & Tabellini, 2000).

This conceptual model has also been applied to explain the problem of fiscal indiscipline in developing countries like Uganda, where election cycles often coincide with rising borrowing and spending commitments (Mukherjee & Baur, 2020). It highlights how political imperatives, weak parliamentarization, and vested interests create unsustainable debt levels that ultimately undermine the provision of public goods and services.

Researchers argue that Public Choice Theory can show an over-sceptical view, reducing complex fiscal decisions to simple self-interested behaviours and overlooking cases of governments' sound borrowing to legitimate developmental ends (Ostrom, 1998). In addition, the theory falls short of explaining why certain countries with similar political systems end up with higher debt levels than others despite their similarity, prompting the need for a further nuanced understanding of institutional variation.

With regard to service delivery, Public Choice Theory explains how debt-financed spending can be skewed in direction to politically visible activities such as urban infrastructure while underspent upon on less visible but essential service sectors such as rural health care or education. For example, large spending on Uganda's Kampala-Entebbe Expressway while still having gaps in rural health centres (World Bank, 2023) is indicative of politically motivated borrowing's distributive impacts.

Accordingly, while Debt Overhang Theory highlights economic constraints that arise from mounting debt levels, Public Choice Theory reveals political incentives that affect borrowings. Taken together, these theories present a unifying framework for understanding implications of Uganda's growing public debt for both fiscal sustainability and equitable service provision.

Nature of Public Debt

MoFPED (2025) considered debt data with national account and debt record information in Uganda. From the report, it was indicated that public debt in Uganda rose from UGX 46 trillion in 2019 to UGX 96 trillion in 2023, nearly double in four years. The study also indicated that external debt constitutes over 60 percent of total debt with rising domestic debt averaging 14 percent annually. While the study, however, provided a detailed description of the national level, it did not consider examining how spending in different sectors is impacted by rising debt. This study intended to bridge that by examining how rising debt impacts service provision in Uganda.

The IMF (2024) performed a Debt Sustainability Analysis applying economic forecasts for Uganda's medium-term budget framework. The findings indicated that Uganda faces a moderate likelihood of experiencing difficulties with its debt, with payments on debt projected to consume over 35 percent of government revenues by 2026 according to average forecasts. Stress tests indicated a higher risk from issues with exports and other obligations. The analysis, however, primarily focused on macroeconomic considerations and did not account for implications from service delivery on debt repayment such as on education and healthcare. This present study aimed to fill that lacuna by linking the financial strain from debt repayment to core service delivery in education and healthcare.

World Bank (2023) generated an Economic Update of Uganda that made use of studies of fiscal policy and national account data. The study highlighted that while investments in transportation and energy infrastructure financed with debt enabled growth, rising interest costs are draining recurrent spending in priority sectors. The study concluded that the direction of Uganda's debt might threaten social spending in case of deferment of fiscal reform. However, the study of the World Bank was largely descriptive and did not exhibit empirical techniques to estimate the trade-off between service provision and levels of debt. This study filled that void by critically exploring such interlinkages.

The African Development Bank (AfDB) (2025) generated a Country Focus Report that utilized regional comparisons throughout East Africa. The findings indicated that Uganda's debt is escalating at a rate exceeding that of many neighbouring countries, with interest-to-revenue ratios projected to exceed 20 percent by 2024. The report cautioned against fiscal fatigue and increased vulnerabilities to debt should reforms not be implemented timely. While the report offered regional benchmarks, it refrained from a thorough analysis of Uganda's institutional effectiveness in handling debt challenges. The present study enhances this understanding by evaluating Uganda's debt management practices and their effects on service delivery.

Uganda's Public Accounts Committee in Parliament (2024) carried out a review for oversight from Auditor General reports and ministry reports. It noted that debt arrears and increasing debt service costs were generating liquidity constraints that affected the timely funding of public programs. The review noted persistent service delivery delays related to realignment of funds for purposes of debt service payment. The study however did not estimate the extent of such impact among specific sectors.

Reuters (2025) reported on Uganda's offering of a €500 million loan facility that was aimed at funding infrastructure projects. The narrative indicated that heavy borrowing from external sources was aimed at fast-tracking oil-related infrastructure before production started. While the report provided useful details of borrowing trends, it mostly maintained a reportorial stance and did not critically reflect on developmental trade-offs that attach to borrowed funds. This discussion expands on the discourse by situating such borrowing in its broader fiscal constraints that surround service delivery.

World Bank (2025) released a Country Economic Memorandum on the basis of econometric projections of Uganda's debt structure. The report showed that while concessional loans had provided short-term relief, increasing reliance on commercial borrowing could increase repayment risks. It also pointed towards the structural problem of low mobilization of domestic revenue, which limits debt repayment capacity. However, the memorandum did not reflect directly how the structure of debt affects budgets for social services. The current study filled this gap by examining the effects of debt instruments on service delivery.

Debt Management Practices

IMF (2023) also conducted a fiscal governance analysis drawing on Uganda's Debt Sustainability Framework and policy documents. The study showed that, despite having a Medium-Term Debt Strategy (MTDS), recurrent supplementary borrowing discredited the effectiveness of the framework. Transparency gaps in the debt were also revealed, particularly for state-owned enterprise obligations. But the report took institutional structures into account without examining how debt management weaknesses cascade to service-delivery issues at the front line. This study closes the gap by making the connection between debt management practices and frontline social results.

The World Bank (2022) evaluated the debt management of Uganda with assistance from the Debt Management Performance Assessment (DeMPA) tool. It was noted that Uganda fared relatively better in legal frameworks and recording systems but fared poorly in cash flow forecasting, reporting of debt, and risk management. These related to inadequate capacity of the Ministry of Finance. It did not, however, compare how these weaknesses of technical practices impacted resource allocation to education, health, and local governments. This fills that gap by taking into account how these vulnerabilities impact service delivery.

AfDB (2021) developed a comparative study of debt management in East Africa, with a focus on Kenya, Tanzania, and Uganda. It identified that Uganda was heavily reliant on short-term borrowing in the country, rendering it exposed to refinancing risks. Although the study provided useful benchmarks, it did not examine

Uganda's initiatives to mitigate such risks. The present study informs the findings of AfDB by considering specific initiatives of Uganda, such as fiscal rules, controls, and record-keeping systems of debt.

The Uganda Parliament (2023) investigated approval of loans and reporting of debt. It was discovered that most of the loans approved between 2016 and 2020 were not utilized well, with fewer than 50 percent being disbursed and utilized by implementing agencies. This issue was linked to weak inter-ministerial teamwork. But such an inquiry did not relate such a challenge to service delivery problems. This study bridges that gap by demonstrating how low loan utilization affects delay in construction of infrastructure and supply of social services.

OECD (2022) conducted a global debt transparency report including Uganda as a case country. The report highlighted that Uganda's public debt reporting failed to report state-owned enterprise and public-private partnership contingent liabilities, thereby risking underreporting. Despite the report having serious concerns, it did not take into account Uganda's domestic accountability systems. This study extends the debate by taking into account parliamentary oversight and civil society engagement in debt monitoring and service delivery.

Bank of Uganda (2024) issued a fiscal and monetary data-based yearly financial stability review. It indicated that high-level domestic borrowing was crowding out private sector credit and pushing domestic interest rates up. The review concluded that high domestic borrowing weakened both fiscal flexibility and financial sector stability. But the report failed to investigate human development implications of such borrowing. This study takes an additional step by linking debt management approaches to social investment trade-offs.

UNCTAD (2023) also conducted a policy review of Africa's debt management, referencing Uganda's experiences. It reported that though Uganda had set borrowing limits with the Public Finance Management Act, weak enforcement was such that frequent supplementary budgets led to dilution of fiscal discipline. While the report offered a regional view, it did not contextualize why Uganda's practices impact local governance arrangements. This study fills that lacuna by connecting weak enforcement to underfunded local governments.

Influence of Public Debt on Service Delivery

World Bank (2023) prepared a service delivery assessment from fiscal data and sectoral indicators of performance. It discovered that increased debt servicing took 32 percent of Uganda's revenues and crowded out spending on health and education. It did not, however, consider inequalities at district levels but only national-level aggregates. The present study builds on such findings by highlighting rural-urban disparities.

MoFPED (2022) released a budget performance report that linked debt servicing with sector allocations. From its study, it was established that debt servicing was greater than education and health allocations, while expenditure on per capita health was only USD 13 when it was recommended by WHO that it should be USD 34. The report was descriptive and did not use an analytical framework.

UNICEF (2021) conducted a child budget study in Uganda. It recognized that debt-driven fiscal pressures reduced expenditure on children's health, education, and nutrition programs. However, the study was confined to child-specific outcomes and did not assess overall service delivery. The current study widens UNICEF's study to cover local government services.

AfDB (2022) studied social expenditure in Africa with a reference to Uganda. It showed that debt-financed infrastructure spending tended to divert resources away from social services, leading to delayed achievement of human development targets. However, the study was regional and not specific to Uganda. This study provides a country-level analysis.

IMF (2023) examined fiscal trade-offs in Uganda under its Article IV consultation. Findings showed that debt service payments compressed fiscal space, crowding out the expansion of universal health coverage and education quality. The analysis, however, did not control for local government funding deficiencies. This study fills that gap by examining district-level effects.

Uganda Local Government Finance Commission (2022) reviewed intergovernmental fiscal transfers. The study discovered that transfers to local governments had fallen to 13 percent of the national budget in 2021, down from 25 percent in 2002, partly due to debt servicing pressures. However, it did not look into the effect of reduced transfers on rural service delivery. This research supplements those findings by emphasizing service equity.

Oxfam (2020) conducted advocacy policy research on inequality and debt in Uganda. It established that debt-financed projects concentrated in urban areas created inequalities in service delivery. As rural communities continued to lack essential medicines and school infrastructure, urban projects such as expressways absorbed huge resources. However, the research was advocacy-driven rather than empirically deep. This research gives empirical basis to those claims.

Challenges in Managing Public Debt

MoFPED (2022) issued a fiscal risk statement derived from domestic revenue performance data. It reported that Uganda's 13 percent low tax-to-GDP ratio limits the government to finance debt repayments sustainably. The study pointed to the challenge of mobilizing sufficient domestic revenues to match borrowing. It did not, however, investigate political economy causes of weak revenue collection. This research draws on that by considering institutional and political barriers to stronger domestic revenue mobilization.

AfDB (2023) undertook an East Africa region survey on debt vulnerabilities, where Uganda was one of the focus countries. Inefficient absorption of loans was cited as one of the primary issues, where project delays incurred additional costs and reduced expected benefits. The research did not link the inefficiencies with the delivery of service outputs, but the current research extends from that by showing how such inefficiencies reduce health, education, and local government service delivery.

World Bank (2021) conducted an examination of Uganda's contingent liabilities, namely public-private partnerships and state-owned enterprises. The examination confirmed that the off-balance-sheet risks were not well evident in debt reports and posed risks to the fiscal sustainability. However, the research only addressed fiscal transparency and not the manner in which the latter later comes to be converted into the cutting down of social budgets. This study extends further by examining the manner in which these liabilities displace the financing of services.

Parliament of Uganda (2022) released a debt oversight report from Auditor General observations. It documented poor parliamentary oversight during loan approval, where the majority of loans were approved even when there were not enough feasibility studies. The report further noted that such limited oversight weakened debt accountability. The analysis did not extend to assessing the implications on social services. This research closes the gap by linking poor oversight with ineffective alignment of borrowing for citizen demands.

IMF (2023) undertook a fiscal surveillance review as part of its article IV consultation. It noted that Uganda's excessive reliance on concessional and semi-concessional borrowing leaves the country vulnerable to external shocks such as interest rate fluctuations and currency depreciation. The IMF cautioned that low fiscal buffers mean the country is vulnerable. Whereas this would be a useful macro-level diagnosis, it does not address implications for local governments and frontline services. This study does so.

Civil Society Budget Advocacy Group (CSBAG, 2022) conducted a civil society-led analysis of Uganda's public debt. Findings were that public debt reduced fiscal space for pro-poor spending, and education and health were significantly affected. The study was, nevertheless, advocacy-focused and lacked empirical modelling. This research adds rigour by providing systematic exploration of service delivery effects.

UNDP (2021) released a governance report that examined fiscal resilience in Uganda. The report recognized that external shocks such as COVID-19 increased Uganda's debt risks, as increased borrowing eroded fiscal stability. However, it did not examine how shocks interacted with institutional issues such as weak oversight. This study closes this gap by combining both structural and institutional perspectives.

Summary of literature review

The research literature reviewed affirms that Uganda's public debt has been rising very rapidly in recent years because of investment in infrastructure, COVID-19 fiscal needs, and low domestic revenue collection (AfDB, 2021; IMF, 2023; World Bank, 2023). There is consensus that such debt management reforms as the Public Finance Management Act and the Medium-Term Debt Strategy are improvements, but issues with enforcement and transparency persist (UNDP, 2021; Parliament of Uganda, 2022). Scholars also always refer to the reality that rising debt servicing fees replace essential social spending on health, education, and subnational governments (UNICEF, 2021; Uganda Local Government Finance Commission, 2022). Overall, literature converges on the premise that Uganda's trajectory of debt, if not carefully curbed, presents a significant risk to fiscal sustainability as well as equitable provision of services.

Although there is general agreement over debt risks, scholars disagree over the extent to which debt has benefited Uganda's development performance. Some studies argue that debt-serviced infrastructure has spurred growth and increased connectivity, showing overall positive contribution (World Bank, 2021; AfDB, 2022). Others highlight that extended project delays, cost overruns, and corruption cut the gains short, undermining value-for-money performance (CSBAG, 2022; Oxfam, 2020). There is also disagreement over the use of foreign versus domestic borrowing: while some are convinced that external concessional financing is safer, others warn that rising semi-concessional and domestic debt raises refinancing risks (OECD, 2022; IMF, 2023). Finally, while international bodies demand fiscal consolidation as a rectifying strategy, civil society alerts that austerity will only worsen service delivery.

There are a number of weaknesses evident in the reviewed studies. To begin with, there has been limited focus on political economy of debt, particularly how electoral cycles, governance dynamics, and vested interests condition borrowing decisions. Secondly, there are limited studies that rigorously assess the long-term payoffs of debt-financed infrastructure, whether or not projects lead to equitable service delivery in rural and urban settings. Third, no extensive work has been done on the intersectionality of debt and private sector growth, in particular how domestic debt rises affect credit markets and private investment. Fourth, the role of non-traditional sources such as China is not adequately analysed in the context of Uganda's debt sustainability. Lastly, whereas certain papers broach the issue of capacity constraints in loan absorption, further systematic research is required into the extent to which bureaucratic inefficiencies and poor monitoring constrain the efficacy of borrowed funds.

METHODOLOGY

Research Design

This study used a qualitative descriptive research design, which is commonly used in social sciences research in studying complex socio-economic and political issues within their contextual framework. It was chosen for use because it is effective in enabling a researcher to garner meanings, and lived realities, as opposed to statistical generalization (Creswell & Poth, 2018). Given that an understanding between public debt and service delivery in Uganda was what this study sought to grasp, such a design allowed for an exploration of multiple views, accounts, and contextual variables shaping this relation.

The study was also informed by the interpretivist paradigm whose position is that social phenomena are best comprehensively understood in reference to what individuals and organizations attach meaning to (Denzin & Lincoln, 2018). Interpretivism is an acknowledgement that debt and service provision are not solely economical or fiscal conceptualizations since such occurrences are sustained in wider socio-political settings, thus making qualitative research conspicuously appropriate.

The research in particular used a documentary analysis research design whose focus was secondary sources including government policy papers, parliament reports, reports by the Auditor General, World Bank publications, International Monetary Fund publications, as well as peer-reviewed scholarly literature. Document analysis is extremely useful for qualitative research since it facilitates a systematic survey, interpretation, and integration of textual evidence towards an identification of patterns, themes, and insights

(Bowen, 2009). Through an application of this methodological framework, a study was in a position to cover a survey of the correlation between Uganda's increased stock in public debt and its consequent problems as well as opportunities in major service provision sectors including health, education, as well as infrastructure.

Data Sources

The study relies exclusively on secondary data obtained through documentary review. The principal sources include publications and administrative reports from the Ministry of Finance, Planning and Economic Development (MoFPED), Bank of Uganda, Parliament of Uganda, Uganda Bureau of Statistics and Local Government Finance Commission**,** complemented by reports from the International Monetary Fund (IMF), World Bank and African Development Bank (AfDB)**.** These sources provide information on public debt levels, debt-servicing obligations, government revenue, fiscal space, sectoral expenditure and service-delivery indicators. The existing methodology already establishes that no primary data were collected and that the study relies on government documents, parliamentary reports and international institutional publications.

Inclusion and Exclusion Criteria

To ensure that the study relied on relevant and credible evidence, clear inclusion and exclusion criteria were applied. These criteria guided the selection of documents and reports for analysis, guaranteeing alignment with the study objectives while maintaining methodological rigor (Bowen, 2009).

Inclusion Criteria

The study included papers whose linkage was directly made with public debt and service provision in Uganda, as well as in comparable developing countries. Sources were chosen solely if they addressed topics related to debt accumulation, management approaches, fiscal policies, as well as debt impacts on essential services such as health, education, and infrastructure. Due consideration was made for credibility with strong preference for publications emanating from credible organizations such as the Government of Uganda, International Monetary Fund, World Bank, African Development Bank, as well as peer-reviewed scholarly journals.

The publication date range was restricted to publications released between 2010 and 2024. These years were chosen since there was a significant increase in Uganda's debt between these years accompanied by an increased focus on sustainability and service provision (MoFPED, 2023). Further, only those sources which were available in full form and downloadable through online repositories, libraries, or institutional databases were considered in the review.

Exclusion Criteria

Materials which had not met stipulated requirements for credibility or relevance were stricken from consideration. Such exclusion included non-academic sources such as blog posts, unsubstantiated reviews, and social media posts which had not had the necessary reliability or scholarly depth. Further, papers which had dwelt on universal aspects of public finance without making a link to debt as well as service provision were equally not considered.

Where multiple iterations for a specific report existed, only the most recent and complete version was used in order to avoid redundancy. Preliminary reports and incomplete documents that were lacking in meaningful information or analytical substance were excluded in order to maintain an overarching integrity in the evidence base.

Application of such criteria boosted research integrity and comprehensiveness so as to ensure materials chosen contained in-depth and credible information on the connection between service provision and public debt in Uganda.

Data Collection Methods

The study was founded entirely on secondary data obtained through documentary analysis. Documentary analysis has been found to be the systematic manner of reading and understanding documents with the purpose of extracting meaning, obtaining understanding, and producing empirical knowledge (Bowen, 2009). The approach was appropriate since it enabled the researcher to obtain diverse, credible, and in-depth sources that provided insight into the relationship between public debt and service delivery in Uganda.

Data was gathered from a wide range of documents, including government reports such as the Ministry of Finance, Planning and Economic Development (MoFPED) Annual Debt Reports and Budget Framework Papers. International financial institutions' reports such as those of the International Monetary Fund (IMF), World Bank, and African Development Bank were also examined because these institutions make periodic assessments of debt sustainability along with its macroeconomic implications in Uganda and other developing countries.

The review included policy papers and institutional reports alongside peer-reviewed articles in journals, research theses, and books on public debt as well as service delivery. Media articles alongside reports by renowned think tanks like the Economic Policy Research Centre (EPRC) and International Growth Centre (IGC) were also reviewed in a bid to identify modern-day debates as well as positions. Using multiple sources served in validating results as well as minimizing bias likelihood by enabling the researcher in comparing positions by either local or international actors (Flick, 2018).

For information collection in a systematic way, databases like Google Scholar, JSTOR, Scopus, and ResearchGate were searched for key terms such as public debt, service delivery, Uganda, and developing countries. These inclusion/exclusion criteria specified in advance helped directs the selection. Through this systematic method, detailed and trustworthy evidence gathering were able to achieve study goals.

Data Analysis

The study used qualitative content analysis in studying retrieved documents. Content analysis is a common qualitative research methodology that helps in describing qualitative information's meaning by categorizing it into groups and identifying patterns, themes, and associations (Schreier, 2012). It was used because it allows a researcher to interpret text information in a structured form while maintaining substantial context.

The analysis process started with reading all the chosen documents to understand what they were about. Key themes about public debt, debt management strategies, and service delivery results were found using an inductive coding method. These themes included debt sustainability, fiscal space, resource allocation to social sectors, infrastructure investment, and the difficulties of paying off debt. Each document was carefully coded and organized to capture both common stories and different viewpoints.

To make their study more robust, the authors employed a thematic framework in their quest for results comprehension. Such a framework aligned with the study's specific objectives, allowing them to examine public debt in detail, how it is managed, its associated problems, and its impacts on Uganda's service delivery. Such an orderly method of operations allowed them to identify patterns based on mixed sources while ensuring results were grounded in evidence rather than individuals' views (Vaismoradi et al., 2016).

Triangulation was done by looking at information from government reports, publications from international organizations, and academic studies. This checking of sources made the results more believable, as similar evidence from different places made us surer about the conclusions. In the end, the analysis gave a clear picture of how Uganda’s increasing public debt affects the delivery of important public services in health, education, and infrastructure.

Reliability and Validity

Reliability and validity in qualitative research are dealt with in a manner different from quantitative schools in which statistical accuracy is not a major focus (Lincoln & Guba, 1985). To increase the trustworthiness in this research, a number of strategies were used throughout the research undertaking.

Credibility was maintained by utilizing respected and trusted sources including government publications, international financial organizations such as the International Monetary Fund (IMF) and World Bank reports, and research verified by professionals. That multiple sources were used helped in data triangulation whereby results were compared with varying opinions in an effort to reduce bias and enhance accuracy (Flick, 2018). Through this approach, a more -complete and balanced image concerning public debt and service provision in Uganda emerged.

Reliability was improved by maintaining an open audit trail of the research process. This entailed recording step by step the inclusion and exclusion criteria, the data collection process, and the thematic analysis steps performed. This allows other researchers to follow the process of decision-making, and therefore the findings are rendered more reliable (Nowell, Norris, White, & Moules, 2017).

Transferability was attained by providing dense, lush descriptions of the study context, including Uganda's debt profile and service delivery environment. By offering richness in context, the findings can hopefully be transferred to other developing economies with similar debt dynamics. Confirmability was enhanced by ensuring that interpretations stayed close to the evidence present in the documents analysed, hence limiting researcher subjectivity.

Together, these strategies ensured the research was methodologically rigorous and produced findings that are reliable and credible within the qualitative research paradigm.

Ethical Considerations

Although this study relied primarily on secondary data sources, ethical issues were still central to the research process. Academic research ethics entails integrity, respect for intellectual property, and responsible information handling (Resnik, 2020). Since no human subjects were directly involved, issues of informed consent and participant confidentiality did not arise. However, the research observed key ethical principles to ensure academic integrity and accountability.

First, intellectual property dignity was ensured through the identification of all authors, organizations, and institutions whose work was included in the research. Reputable referencing and adherence to the American Psychological Association (APA, 7th edition) style lowered plagiarism threats and upheld academic integrity (American Psychological Association, 2020).

Additionally, accuracy and authenticity were guaranteed through the utilization of credible, authoritative, and up-to-date sources such as official government documents, peer-reviewed articles, and reports from global institutions such as the International Monetary Fund (IMF), World Bank, and African Development Bank. This reduced the risks of misinformation and increased the credibility of findings (Creswell & Poth, 2018).

Finally, the beneficence doctrine was exercised by ensuring that the study makes a positive contribution to knowledge and policy debate on debt management and service delivery in developing economies. The research results are meant to inform policymakers, researchers, and practitioners without harm through misinterpretation or misutilization of information.

FINDINGS AND DISCUSSION

Findings of the Study

Nature of Public Debt in Uganda

In the last two decades, the government debt of Uganda has undertaken a remarkable journey, shifting from sustainable levels after debt relief efforts like the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI) in the early 2000s to a more unsustainable scenario more recently. This evolution reflects a variety of structural and policy-related factors that include an ambitious infrastructure investment agenda, weak domestic revenues, and external shocks like the COVID-19 pandemic and shifts in the prices of commodities in the world economy. Dynamic comprehension of the nature of Uganda's government debt requires an appraisal of its scope, structure, composition, and the fiscal stresses it creates. Seven main themes stand out as especially relevant.

Composition of Debt (External vs. Domestic)

Public debt composition in Uganda is an increasing balance between external and domestic lending with differing implications for the management of the budget and the resilience of the macroeconomic. External debt accounted for 48.8% of the total stock as at March 2025, with the remainder (51.2%) for domestic debt (MoFPED, 2025). This near-parity portrays the twin strategy to finance Uganda relying on concessional and semi-concessional external loans on the one hand and on domestic securities on the other to finance perennial budget deficits.

External borrowing continues to be dominated by multilateral and bilateral lenders. Multilateral lending still is led by the World Bank with outstanding commitments topping over USD 18 billion, primarily through concessional windows of the International Development Association (IDA). Multilateral lending also is led by the International Monetary Fund (IMF), through just over USD 3.4 billion IMF Extended Credit Facility (ECF) disbursements for purposes of sustaining macroeconomic stabilization as well as COVID-19 pandemic recovery. Bilateral lending is led by China, with loans of over USD 2.4 billion (UGX 9.2 trillion) mostly for flagship infrastructure projects such as the Karuma Hydropower Dam Project, the Isimba Dam Project, and the Kampala-Entebbe Expressway Project. Bilateral lenders also include France, Japan, and the United Kingdom, with the former offering loans for largely focused sectors such as energy, transport, and health.

Modality on the external lending of Uganda remains disparate. Long-term concessional loans with long grace periods and lower money costs again dominate and make up nearly 70% of the external stock of Uganda (AfDB, 2023). But the gradual transition to semi-concessional and commercial loans-mostly for the oil and gas sector has put the country at greater risk due to variability in exchange rates and the rise in the world rate, posing new risks in reimbursement.

In the nation, the portfolio of debts expanded exceptionally quickly over the last decade with the major part due to government securities in the name of Treasury Bills (91-, 182-, and 364-day maturing), and Treasury Bonds (maturing between 2 years to 20 years). Total domestic debt had reached UGX 53.8 trillion by early 2025, for the very first time crossing external borrowing in the recent past of Uganda (MoFPED, 2025). Commercial banking institutions lead the holders with the highest stake of over 45% market share, with the National Social Security Fund (NSSF) controlling roughly 30%, with the rest controlled by insurance companies and pension schemes.

Though the use of domestic debt has provided a relative stable foundation for finance, it has also been faulted for the issue of crowding out private business investment. With the safety value and profitability of government securities tempted by the commercial banks, lending to industry is reduced by them, thereby inhibiting private-sector growth. Treasury Bill rates are currently between 10% and 12%, with Treasury Bonds paying rates ranging between 14% and 16%, all indicating the rising incidence of domestic borrowing (BoU, 2025).

Generally, the Ugandan debt profile is one of balance: concessional external debts grant access to lower-cost long-term finance but expose the economy to external shocks, whereas local government lending provides liquidity assurance but may sacrifice private-sector finance at the expense of rising service costs. This balancing act has positioned the country at the centre of the fiscal Choice with the consequence on Macro-economic growth performance for service delivery as well as the following years.

Rapid Escalation of Debt Levels

As of March 2025, Uganda’s total public debt stood at UGX 97.76 trillion (USD 25.5 billion), equivalent to about 52% of GDP (MoFPED, 2025; Monitor, 2025), a remarkable growth from UGX 46 trillion (USD 12.5 billion) in June 2019 (MoFPED, 2023). This represents a double growth in a space of only four years. The significant growth is almost entirely due to borrowing for major infrastructural projects, some of the notable ones including the Karuma Hydropower Dam (USD 1.7 billion), the Isimba Dam (USD 567 million), and the Kampala-Entebbe Expressway (USD 476 million). These are investments that align well with the Vision 2040 development vision for Uganda, for it emphasizes infrastructural support for economic growth. In any case, the heavy reliance on credit for promoting these initiatives has exposed the economy to repayment shocks and foreign exchange difficulties.

Rising Debt-to-GDP Ratio

The debt-to-GDP ratio is a vital signal for sustainability of the fiscal space. In March 2025, Uganda's stood at 52 %, having risen drastically from a level of 19.2% in 2010 (IMF, 2025). Though lower than the International Monetary Fund's sustainability threshold of 55% for low-income countries, the very fast rise is a matter of worry. Between 2019 and 2022, Uganda had an average GDP growth rate of 4.5%, while the country's public debt grew by more than 18% annually (World Bank, 2023). This widening gap is an indication that the growth of debt has outpaced the economy's production potential and therefore raises concerns about the capacity for growth-based repayment of debt obligations in the future.

Budget Dependence on Borrowing

The reliance on borrowing has increasingly emerged as a fundamental component of Uganda’s fiscal framework. In the fiscal year 2023/24, the national budget amounting to UGX 72 trillion was financed by loans and grants for over half (55%), while domestic revenue collections accounted for merely 45% (PwC, 2023). Uganda's tax-to-GDP ratio, recorded at 13%, is significantly lower than the average of 18% for Sub-Saharan Africa, thereby highlighting ongoing deficiencies in the mobilization of domestic revenue (World Bank, 2023). Consequently, debt has served as a substitute for insufficient revenue, fostering a dependency on borrowing to meet both recurrent and developmental expenditures. This situation engenders a cycle wherein increased borrowing is necessitated to service prior debts, ultimately resulting in a diminishment of resources available for service delivery.

Exposure to Chinese Creditors

China has also become a significant bilateral creditor, responsible for approximately UGX 9.2 trillion of Uganda's external debt by the year 2024 (New Vision, 2024). Infrastructure construction like Entebbe Expressway, Karuma, and Isimba dams has been heavily financed through Chinese credit. Even though the financial deals have seen the scaling up of infrastructure construction in Uganda, the deals come attached with conditions for project implementation, procurement procedures, and provision of collateral. In 2021, a row was sparked in the public domain by a report that indicated Uganda would forfeit control of Entebbe International Airport due to a loan of USD 200 million, although later refuted by the government. These wrangles indicate the geopolitical and financial risks that arise from over-dependence for credit from single-creditor blocs.

Projected Debt Escalation

The debt outlook sees it getting worse in the medium term. The African Development Bank (2023) projected that Uganda's debt would cross UGX 106 trillion by mid-2024, primarily due to new borrowings for oil-related projects, such as the East African Crude Oil Pipeline (EACOP), and expenditure for recovery from the pandemic. The IMF has already ranked Uganda as facing a "moderate risk of debt distress," and warned that failure to make corrective measures in the budget would see the country drift into unsustainable debt (IMF, 2024). This prediction highlights a significant problem: without discovering more effective means of raising revenues and intelligent financial adjustments, Uganda's debt outlook may endanger macroeconomic stability.

Debt Growth Outpacing Revenue Mobilization

The crucial aspect of Uganda's debt profile is the gap between the rate at which debt is increasing and the amount of money generated. In FY2022/23, servicing debt consumed 32.5% of domestic revenues, which was UGX 8 trillion. This was significantly higher than what was allocated for health (UGX 3.6 trillion) and education (UGX 3.1 trillion) (MoFPED, 2023). Prioritizing debt repayment over spending on social services reflects the way increasing debt makes it difficult for governments to deliver services. Uganda, for example, committed under the Abuja Declaration that it would appropriate at least 15% of its budget towards health, yet spending has remained lower than 8% since debt repayment absorbs much-needed funds (WHO, 2023). If Uganda is not able to generate more revenues through tax reforms and improved spending efficiencies, the challenge of debt repayment will continue to exploit important sectors.

DEBT MANAGEMENT PRACTICES IN UGANDA

Uganda established a system for managing its debt that attempts to balance the nation's need for funds and maintain stable finances. The objective for managing debt is borrowing capital at the lowest feasible cost while exercising caution regarding risk and promoting building the economy. Nonetheless, other sources yield data that the extent to which those practices are effective is not uniform, and there are some successes and persistent issues. The next section addresses seven significant themes regarding Uganda's debt management practices.

Institutional Framework for Debt Management

Ugandan debt management is essentially undertaken by the Ministry of Finance, Planning and Economic Development (MoFPED), under the Debt and Cash Policy Department. This department is tasked with taking up, recording, and servicing public debt. The Bank of Uganda (BoU) oversees the sale and auctioning of local debt securities such as Treasury Bills and Bonds. This division of functions aims at ensuring that the operations of a country's debt are properly aligned and informed by monetary policy.

This system has some drawbacks. Parliament, for instance, lacks sufficient control over borrowing. The Public Finance Management Act stipulates that Parliament should approve external loans prior to their finalization, yet Parliament sometimes sees loan agreements after the executive has signed them (Kuteesa & Ssewanyana, 2019). This makes it more difficult to know what is going on and who is accountable. Second, there are challenges of inter-ministerial coordination, particularly between MoFPED and other ministries, and this leads to project commencement delays. These delays might increase loan costs due to additional charges.

Medium-Term Debt Management Strategy (MTDS)

Uganda has had a Medium-Term Debt Management Strategy (MTDS) since 2013, updated regularly for adapting to changing fiscal conditions. The most recent MTDS (2022-2026) aims at increasing the dependency on concessional borrowing, minimizing refinancing risks by extending the maturity profile of domestic debt, and diversifying the creditor base (MoFPED, 2022). The strategy has, for instance, encouraged the issuance of long-tenor Treasury Bonds like the issuance of a 15- and a 10-year instrument for dispersing repayment obligations over a longer period.

Nevertheless, regardless of these policy intentions, Uganda relies significantly on short-term domestic instruments. By June 2023, more than 35% of domestic borrowing was still in Treasury Bills maturing for less than a year (BoU, 2023). This generates rollover risks since enormous debt instruments have to be refinanced numerous times at prevailing-market rates, putting the government at the mercy of changing rates of interest. This disparity between announced intentions and actual actions demonstrates difficulties in executing debt management plans.

Preference for Concessional Loans

Uganda's borrowing policy formally prioritizes concessional loans, meaning loans with low interest rates, long maturities, and grace periods. These are mainly obtained from multilateral sources such as the World Bank's International Development Association (IDA) and the African Development Fund (AfDB). Concessional loans accounted for 66% of Uganda's external debt stock as of 2022 (World Bank, 2023). For instance, World Bank loans to Uganda's energy and transport sectors have been on largely concessional terms, with interest rates as low as 0.75% and maturities of up to 40 years.

However, in recent years there has been greater utilization of semi-concessional and commercial loans, especially for large infrastructure projects. For example, China's Exim Bank loans for the Karuma Hydropower Dam (USD 1.7 billion) and Isimba Dam (USD 568 million) carry higher interest rates and shorter repayment terms than multilateral concessional finance. This increases the cost of debt servicing and elevates the risk of debt distress. The hunger for concessional loans is therefore more on paper than in reality of borrowing, with infrastructure ambitions inclined to push the government towards non-concessional financing.

Use of Domestic Debt Instruments

The local borrowing in the nation plays a very significant role in financing Uganda's budget deficits. Treasury Bills for tenors of 91, 182, and 364 days and Treasury Bonds for tenors of between 2 and 15 years are the main instruments used. Even though long bonds had appeared later in an attempt to lower refinancing risks, the short-term securities remained predominant. During the financial year 2022/23, Treasury Bills took a 40% share of new domestic issuance while Treasury Bonds took a share of 60% (BoU, 2023).

The commercial banks are the largest holders of these securities, controlling over 60% of the total, and the National Social Security Fund (NSSF) owns 30% (BoU, 2022). This implies that when the government borrows, it is actually crowding out credit for private enterprise and economists term it "crowding out." In addition, while government securities offer risk-free yields of around 9–12% for Treasury Bills and 13–16% for Bonds, small and medium-sized businesses pay more than 20% in interest on commercial borrowing (BoU, 2023). This is detrimental to private sector-led growth, essential for broader development.

Legal and Policy Frameworks

Ugandan debt management is regulated by the Public Finance Management Act (PFMA) of 2015. The legislation specifies that the amount of public debt should not be more than 50% of the GDP in its current value. By the legislation, all government borrowing should also be approved by Parliament. This practice prohibits excessive borrowing.

Loopholes weaken these protections in practice. Repeated use of special budgets has, for example, enabled the government to borrow new funds beyond budgeted plan. Parliament approved UGX 2.8 trillion for supplementary borrowings in 2022, and this was a source of worry for spending containment (Parliament of Uganda, 2022). Secondly, the lack of actual penalties for breaching debt limits weakens the potency of the PFMA for controlling borrowings.

Capacity Building and Monitoring

Uganda has fared better in remaining abreast of its debt and disclosing it. The Ministry of Finance publishes a quarterly report titled the Public Debt Statistical Bulletin, and the Office of the Auditor General (OAG) reviews government debt annually. These instruments provide accurate and timely data for debt management.

However, there are some drawbacks. Capacity gaps in MoFPED translate into out-of-date or incomplete debt registers. In one case in point, for example, the Auditor General report for 2023 noted that UGX 7.55 trillion of domestic arrears was not accounted for fully in debt numbers and thus the government's liabilities were not fully reported (OAG, 2023). This inhibits fiscal planning and further elevates the risk of accumulating more arrears. Furthermore, a lack of technical know-how in appraising complicated fiscal instruments like syndicated loans and Eurobonds limits Uganda from negotiating better terms of deals.

Debt Transparency and Accountability

Uganda publishes debt information occasionally, though it lacks balance in terms of the conditions of bilateral loans. Chinese-backed projects are often cited as examples for which loan conditions have not been disclosed in public records. In a 2021 report by Debt Justice (formerly Jubilee Debt Campaign), Uganda was ranked among African countries with weak debt transparency, with very limited availability of information on interest rates, collateral arrangements, or repayment terms to civil society and citizens.

This lack of transparency undermines public accountability and creates suspicion about debt sustainability. The 2021 scandal surrounding claims that Uganda would have lost Entebbe International Airport due to failure to disclose loan terms with China's Exim Bank is a clear example of the political and social consequences of borrowing without transparency. In spite of assurances from the government that assets would not be seized, the incident highlighted the importance of transparency in maintaining public and investor confidence.

INFLUENCE OF PUBLIC DEBT ON SERVICE DELIVERY IN UGANDA

This objective of the research examines the impact of Uganda's rising public debt on service delivery in the major social sectors. Although borrowing has facilitated infrastructure development and budget stabilization, its rising cost has had trade-offs that reduce the budgets allocated to basic services. There are seven thematic effects identified in empirical proof from secondary data.

Crowding Out of Social Spending

Excessive debt servicing has heavily constrained fiscal space for investment in social services. Debt servicing occupied UGX 26 trillion (36% of domestic revenue) during FY2025/26, while combined with health and education, they consumed less than 20% of the budget (MoFPED, 2025). The difference reflects the way debt service directly competes with public investment in core services.

The operational consequence is that hospitals and schools frequently fall below minimum standards as a result of perennial underfunding. Uganda's per capita expenditure on health, for example, is USD 13, much lower than the World Health Organization's minimum recommendation of USD 34. Likewise, school infrastructure development in most districts has come to a standstill, with congested classrooms and dilapidated buildings being the norm. In reality, when state debt service obligations rise, there are fewer options to fund front-line services with direct effects on the well-being of citizens.

Delays in Infrastructure Development

Debt-financed infrastructure projects to spur economic growth and increase access to services usually experience delays due to the difficulty of raising funds. An example of this is the Standard Gauge Railway (SGR), whose initial cost was USD 2.3 billion, and which has experienced successive delays due to the difficulty of raising foreign funds (New Vision, 2023).

Such delays ensure that communities do not receive the expected benefits lower transportation costs, faster trade, or closer access to markets even as debt commitments continue to mount. This represents a paradox in which Uganda continues to pay for projects that have not yet started generating returns. Additionally, when there is a project overrun, the government will find itself forced to take up more loans, thus piling up the debt burden and further postponing the improvement in the provision of services.

Underfunding of Education

The education sector indicates the manner in which growing debt undermines long-term human capital development. For FY2022/23, the sector only received 10% of the country's budget, below the UNESCO guideline of 15–20% (UNESCO, 2023). This perpetual under-allocation has worsened teacher shortages, promoted dilapidated school buildings, and restricted the use of Universal Secondary Education.

Practical implications are high student-teacher ratios, especially in rural regions, where a single teacher can handle over 80 students. Dropouts remain elevated, most notably girls', largely due to inferior conditions of learning. With a population explosion over 70% of Ugandans are under the age of 30-the inability to properly finance education jeopardizes long-term productivity and labour market competitiveness and locks the country into underdevelopment.

Health Sector Strain

Uganda's health sector has been one of the most clearly affected by debt-driven budget tightening. In FY2022/23, the Ministry of Health was allocated UGX 3.6 trillion, less than half the total spent on debt servicing (MoFPED, 2023). This shortfall has resulted in shortages of essential drugs, diminished hospital facilities, and suboptimal staff remuneration.

The cost is particularly high in regional referral hospitals, the majority of which operate with below-standard equipment and bed capacity. For example, Mulago National Referral Hospital, despite being upgraded with loan money, still struggles with congestion and compels patients to share beds or seek private healthcare. The inability to expand universal health coverage has also been experienced in rural areas, where citizens travel a long way to access basic care. Rising debt thus indirectly contributes to preventable fatalities and poor health consequences through the limitation of government spending on primary and secondary healthcare.

Local Government Financing Gaps

Commitments to central debt repayment also reduce the share of national incomes that are transferred to local governments, the main implementers of delivery of services. During FY2021/22, only 13% of the national budget was sent to local governments, down from 25% in 2002 (Uganda Local Government Finance Commission, 2022).

This erosion of resources weakens the ability of districts to finance important services such as primary health care, education, and community initiatives. For instance, district local councils have lamented chronic delays in the payment of capitation grants for schools and health centres, forcing them to suspend essential activities. In actual terms, this has meant that teachers and health officers are not paid in time, ambulances are delayed fuel, and community water projects are left incomplete. Fewer finances to the local governments therefore imply fewer services provided at the grassroot level, where most Ugandans live.

Inequality in Service Delivery

The design of debt-financed schemes has also complemented imbalances in service provision. Most of the large loans go to urban-centred infrastructure schemes-roads, dams, and power stations while rural areas are left with shortages of basic services. For instance, whereas USD 476 million was invested in the Kampala-Entebbe Expressway, most rural health centres remain without electricity, adequate drugs, or qualified health workers (World Bank, 2023).

This urban bias also exacerbates geographical inequalities, and rural parts are left under-served. This creates a two-tier system where city residents reap the benefits of modern infrastructure and rural citizens struggle to get basic amenities. This inequality dilutes the practice of inclusive development and poses the risk of broadening social and economic inequalities between regions.

Risk of Future Austerity

With public debt projected to exceed UGX 106 trillion by 2024, the nation is under mounting pressure to implement fiscal consolidation measures in order to stabilize its finances (IMF, 2023). This could take the form of austerity such as barring recruitment in the public sector, cutting social spending, or increasing user charges for public services.

The austerity implications in real life are potentially hurtful: reduced hiring of health workers and teachers, reduced subsidies on life-saving medicines, and suspended maintenance of infrastructure. It would be the common citizens who would most suffer from these cuts, particularly the poor who rely most on government services. Already, plans to make government expenditure rational have had cuts proposed for schemes of agricultural extension and health outreach. Without planning, austerity could raise poverty and reverse gains in human development.

Uganda's growing debt has quantifiably and directly affected delivery of services. The rise in the cost of debt servicing has displaced social expenditure, delayed the provision of infrastructure, and exacerbated health and education funding gaps. Local governments, which are the point of contact for service delivery, have also experienced their fiscal space decline, with urban-rural disparities still persisting. In the future, the shadow of austerity also looms large over other aspects of human development. If Uganda does not improve revenue mobilization, improve debt absorption efficiency, and accord highest priority to equity in resource allocation, the growing debt will increasingly undermine the quality and extent of crucial public services.

CHALLENGES FACED IN MANAGING PUBLIC DEBT IN UGANDA

Despite debt management prudence, there are a number of issues eroding fiscal stability and economic growth in Uganda. They are rooted in both domestic weaknesses and external vulnerabilities, and their effects on service delivery and development outcomes are immediate. Seven broad themes arise from secondary data analysis.

Rising Debt Servicing Burden

Uganda's debt service charges have increased drastically over the past decade, affecting the national budget with increasing pressure. During FY2022/23, debt service expenditure totalled UGX 8.3 trillion, representing 32.5% of domestic revenue collection (MoFPED, 2023). This means that nearly one out of every three shillings collected in taxes is spent on servicing loans instead of funding development priorities.

The opportunity cost of this rising burden is highlighted when juxtaposed with spending on social sectors. For instance, while as high as debt service consumed UGX 8.3 trillion, only UGX 3.6 trillion was spent on the health sector and UGX 3.1 trillion on education in the same financial year. This contrast illustrates how debt servicing crowds out critical social investments. Moreover, rising interest payments on domestic short-term securities suggest that fiscal space is diminishing, with limited space for counter-cyclical spending in case of economic downturns.

Weak Revenue Mobilization

Uganda's ability to mobilize sufficient local revenue remains among the weakest in its debt strategy. Uganda's tax ratio as a percentage of GDP is about 13%, below the sub-Saharan Africa average of 16.5% and well below comparators such as Kenya (18%) and Rwanda (16%) (World Bank, 2023). With such a weak revenue base, Uganda struggles to finance an ever-larger debt burden without resorting to more borrowing.

Even as the Domestic Revenue Mobilization Strategy (2019–2024) aims to boost the tax-to-GDP ratio to 16%, and despite attempts, the pace has been sluggish. Structural constraints such as a vast informal sector (over 50% of economic activity), rampant tax evasion, and low levels of enforcement capacity at the Uganda Revenue Authority (URA) constrain progress. For example, in FY2021/22, URA underperformed its revenue collection by UGX 2.1 trillion, creating a fiscal gap that was financed through supplementary borrowing (URA, 2022). Such chronic underperformance undermines debt sustainability since it leaves the nation over reliant on external and domestic borrowing to finance its budget.

Overdependence on External Financing

The credit history of Uganda reveals foreign funding overdependence, in the form of concessionary and semi-concessionary lending. Much as these loans have funded massive infrastructure projects such as roads, dams, and oil development, they expose the country to exchange rate and global financial risks.

A clear example is the effect of exchange rate volatility. The shilling depreciated by about 5% against the dollar in 2022, increasing the domestic cost of foreign debt service by a likely UGX 1.1 trillion (BoU, 2022). This meant that without new borrowing, the stock of government debt would automatically increase due to exchange rates. Further, increased interest rates elsewhere in the world in the wake of the U.S. Federal Reserve tightening in 2022 increased the cost of Uganda's commercial and semi-concessional loans even higher, stretching the budget. Overdependence on foreign borrowing thus exposes Uganda to risk beyond its control, and thus debt planning becomes ambiguous.

Weak Debt Absorption Capacity

Despite Uganda accumulating massive loans annually, Uganda's ability to efficiently utilize these funds remains extremely low. Procurement delays, lack of proper technical capacity, and poor implementing agency coordination often impede the implementation of projects. Thus, massive slices of borrowed money remain undisbursed for years.

The Auditor General (2022) reported that Uganda had undisbursed loan balances amounting to USD 1.3 billion as of June 2022. Such idle money not only fails to yield the desired developmental benefit but also accrues commitment fees and interest charges, incurring the cost of borrowing without any obvious benefits. For instance, infrastructure development loans such as the Standard Gauge Railway have been postponed repeatedly, with rising charges while implementation lags behind. Weak absorption capacity undermines the efficacy of debt and leads to public disenchantment, where citizens witness little improvement in services but growing debt levels.

Domestic Debt Pressures

Uganda's growing reliance on domestic borrowing has imposed enormous pressures on the domestic financial system. Treasury Bills and Bonds now account for a significant percentage of government funding, with the commercial banks and the National Social Security Fund (NSSF) being the main investors. In FY2022/23, commercial banks owned over 60% of government securities (BoU, 2023).

This borrowing domestically at large has resulted in a crowding-out effect in which banks prefer lending to the government over the private sector. Government securities are risk-free with attractive yields of 9–16% on average by tenor, while private sector loans are risky. Consequently, credit growth to the private sector slowed to an average of 6% in 2022 from 12% a decade ago (BoU, 2023). Limited access to affordable credit throttles private investment, innovation, and job creation, thereby undermining long-term economic growth and the country's ability to generate revenues to service debt.

Limited Parliamentary Oversight

Parliament is constitutionally mandated to monitor and approve all borrowing by the government under the Public Finance Management Act (2015). In practice, though, such monitoring is weak or undermined by executive discretion. For example, during FY2021/22, Parliament retrospectively approved loans worth UGX 2 trillion that had been contracted by the executive without prior monitoring (Parliamentary Budget Office, 2022).

Such practices erode institutional checks and balances on managing debt. Parliament committees also lack technical expertise to rigorously assess the financial and economic implications of complex loan agreements. As such, loans are sometimes ratified without rigorous cost-benefit analysis, exposing the country to unfavourable terms. Poor oversight not only reduces accountability but also erodes public trust in the borrowing process.

Global Shocks and Vulnerabilities

Finally, the debt of Uganda has been exacerbated by global shocks outside the control of the local economy. The best example is the COVID-19 pandemic: in 2020, the fiscal deficit rose sharply as revenue declined and public spending on health and social protection grew strongly. In order to finance the gap, the government of Uganda took emergency financing of USD 491 million under the Rapid Credit Facility from the IMF (IMF, 2020). While this eased the immediate pressure somewhat, it added to future debt obligations.

In recent times, the Russia–Ukraine war has further worsened world commodity markets and resulted in higher fuel and food prices. This has not only driven Uganda's import bill up but also led to higher domestic inflation, which has further improved the cost of living and tightened public finances. World high oil prices have particularly affected Uganda's energy and transport sectors negatively, forcing more budget adjustments to subsidize fuel imports. These shocks demonstrate the exposure of Uganda's debt sustainability to global events, highlighting the imperative for more robust fiscal cushions and risk management tactics.

In summary, Uganda's debt management problems are multifaceted, combining internal structural weaknesses with external vulnerabilities. Rising debt servicing costs, inefficient revenue mobilization, and domestic debt pressure reveal underlying fiscal constraints, while foreign financing overdependence and poor absorption capacity reveal inadequacies in making use of borrowed resources. Inadequate parliamentary oversight also undermines accountability, and international shocks accentuate underlying vulnerabilities. These interconnected problems mean that, unless drastic changes are implemented in revenue mobilization, debt transparency, and institutional capacity, Uganda risks falling into debt distress which could risk economic stability and provision of services.

DISCUSSION OF RESULTS

This section summarizes the study results on the basis of previous studies and theories, with the objective of providing better insights into the nature, management, problems, and impact on service delivery of public debt in Uganda. Chapter Four presented the findings in themes, whereas this discussion relates the findings to the wider knowledge consulted in Chapter Two. The comparison indicates where the findings of the study concur or deviate from previous studies and identifies new knowledge contributing to the on-going debate on the sustainability of public debt and its impact on social and economic development. Placing the findings in the Ugandan context as well as the other developing country experiences demonstrates how the study provides better insights where previous knowledge gaps existed.

Nature of public debt in Uganda

The study's findings indicate that the trajectory of Uganda's public debt has transitioned from a period of relative stability following debt relief in the early 2000s to a rapid increase over the last two decades. This development underscores the more extensive fiscal and structural difficulties the nation encounters in reconciling developmental objectives with sustainability issues. The results align with previously reviewed literature, which highlighted that Uganda's public debt has expanded at a pace exceeding both economic growth and domestic revenue generation (World Bank, 2023; IMF, 2024). Although debt has played a crucial role in financing ambitious infrastructure initiatives, the results affirm that the swift accumulation has limited fiscal flexibility and restricted expenditure in the social sector.

A significant observation derived from the findings pertains to the composition of debt, specifically the balance between external and domestic borrowing. The almost equal distribution of external debt (54.6%) relative to domestic debt (45.4%) underscores Uganda's dual financing approach. This situation aligns with previous conclusions drawn by MoFPED (2025) and AfDB (2025), which suggested that external debt remains predominant within Uganda's financial portfolio, particularly through concessional loans facilitated by the World Bank and IMF, in addition to considerable bilateral support from China. Nevertheless, the findings also underscore an increasing dependence on domestic securities, which have yielded stable returns for banking institutions and pension funds; however, this shift has concurrently diminished the private sector's access to credit. This observation supports the World Bank’s (2023) warning that substantial domestic borrowing could potentially crowd out private investment, thus jeopardizing long-term economic growth prospects.

Public debt has grown from UGX 46 trillion in 2019 to UGX 96 trillion in 2023, a clear indicator of debt-subsidized development risks. The results are in line with existing work by the MoFPED (2025) that debt has increased more than twice over a short period, driven mainly by infrastructure expenditure in the form of hydropower dams and transport corridors. Although these investments align with Uganda's Vision 2040 strategy, the results show that reliance on foreign credit exposes the country to repayment shocks and exchange rate uncertainty. The IMF's (2024) debt sustainability analysis, which projected that debt servicing would take up over one-third of revenues by the period 2026, comes alive in the results reflecting mounting fiscal pressure.

Of particular note is the rising debt-to-GDP ratio, standing at 52.4% by June 2024. Though still below the IMF threshold for low-income countries at 55%, the rate of growth is worrying. According to the findings, the pace of the accumulation of debt is outpacing the pace of growth for the economy, with the sense also shared by the World Bank (2025) as well as AfDB (2025). With the risk involved comes not just the level of total debt but the structural gap created when the rate of growth of fiscal obligations outweighs the productive capability of the economy. This situation undermines the capability for growth-driven repayment of the debt with an anticipation arising for an imminent fiscal weakness.

The results also indicate that the country depends on borrowing to finance the budget. In FY2023/24, grants and loans accounted for more than half the UGX 72 trillion budget, with domestic revenue covering only 45%. This is in line with PwC's (2023) observation that the ratio of taxes to GDP for Uganda is significantly lower than the Sub-Saharan Africa average. This results in the country relying on borrowing not only for long-term development initiatives but also for recurrent expenditure and repayment of debts. This perpetuates the cycle of dependence on borrowing, as Literature identifies, and corresponds to the concern by the Parliamentary Public Accounts Committee (2024) that servicing problems delay the delivery of services.

The study also reveals Uganda’s growing reliance on Chinese bilateral loans, which although crucial for infrastructure development, introduce geopolitical and contractual risks. The findings on Chinese financing echo reports by Reuters (2025) and New Vision (2024), which noted both the opportunities and vulnerabilities of such debt. The controversy around Entebbe Airport, even if later refuted, illustrates the perceived risks of sovereign asset exposure and conditionality tied to Chinese loans. This reliance not only limits Uganda’s bargaining power but also raises concerns about long-term sustainability given that many of these loans are semi-concessional or commercial in nature.

Looking forward, the projections that Uganda’s debt could surpass UGX 106 trillion by 2024 highlight the worsening debt outlook. The results align with AfDB (2025) and IMF (2024) warnings that Uganda faces moderate but rising risks of debt distress. More importantly, the study confirms that debt growth continues to outpace revenue mobilization, leading to the diversion of resources from essential social sectors. The fact that debt servicing consumed 32.5% of domestic revenues in FY2022/23-far above allocations to health and education-provides concrete evidence of trade-offs. This finding supports the argument by WHO (2023) and the World Bank (2023) that debt repayment obligations are undermining Uganda’s ability to meet international commitments such as the Abuja Declaration on health financing.

The results show that Uganda’s public debt is not just about how much debt there is, but also about its structure, makeup, and effects on the budget. Relying on both foreign and local borrowing, quickly rising debt levels, and ongoing difficulties in collecting revenue have put Uganda in a risky financial situation. The findings support the gaps found in the literature reviewed, especially the lack of detailed studies on trade-offs between different sectors. By pointing out that debt repayment reduces funds for health and education, the study helps to understand how debt affects development beyond just economic stability.

Debt Management Practices in Uganda

The results of this study demonstrate that Uganda's debt management, while supported by relatively robust legal and institutional frameworks, is still undermined by gaps in enforcement, technical capacity weakness, and incongruence between avowed strategy and observed borrowing practice. Uganda's debt management is institutionally anchored in the Ministry of Finance, Planning and Economic Development (MoFPED), with the Bank of Uganda supporting the management of domestic securities. But as revealed in the report, parliamentary scrutiny remains weak, and loan agreements are sometimes tabled after executive approval. This confirms the IMF's (2023) view that fiscal management in Uganda is weakened by frequent supplementary borrowing and absence of transparency. What this study highlights, however, is the evidence that such governance shortcomings are not merely institutional but have direct ramifications on service delivery, as delays in project commencement and cost overruns reduce resources available for education, health, and local government projects.

The Medium-Term Debt Management Strategy (MTDS) has been an important part of Uganda's borrowing plan since 2013. It aims to focus on concessional loans and extend the time before domestic debt needs to be paid back. However, the findings show that short-term domestic loans still make up most of the borrowing, with Treasury Bills accounting for more than a third of new borrowing by 2023. This dependence on short-term loans matches the worries expressed by AfDB (2021) that Uganda's borrowing setup puts it at risk for refinancing. This study adds to that idea by showing that borrowing repeatedly at market rates increases the cost of paying back debt, which reduces available funds for important investments in social areas. Therefore, not following the plan properly is both a technical issue and a barrier to development.

Similarly, Uganda's stated preference for concessional loans is usually thwarted by the realities of infrastructure finance. While concessional funds from institutions such as the World Bank's International Development Association remain significant, the findings point to growing dependence on semi-concessional and commercial loans, particularly from bilateral sources such as China's Exim Bank. This tendency resonates with the World Bank's (2022) Debt Management Performance Assessment, which found that Uganda was doing well in mobilizing concessional resources but badly in managing non-concessional borrowing risks. The present findings confirm that reliance on expensive loans has heightened debt servicing pressures, thus undermining the capacity to finance recurrent social services. For example, the diversion of funds to pay for loans connected with mega energy projects has coincided with the long-term underfunding of health and education budgets, a relationship not sufficiently examined by earlier research.

The results also refer to the important role played by domestic debt instruments in financing fiscal deficits. Although longer-term Treasury Bonds have been introduced to contain refinancing pressures, short-term Treasury Bills are still widely utilized, primarily subscribed to by commercial banks and the National Social Security Fund. The Bank of Uganda (2024) already cautioned that such borrowing displaces private sector credit, and this study augments that view by showing its development consequences. Through the provision of risk-free and high-return options to banks, government securities siphon financial resources away from private enterprises, making credit more expensive for small- and medium-sized enterprises. This undermines private-sector-led growth that is at the centre of long-run service delivery and employment creation sustainability.

Uganda's legal and policy framework, the Public Finance Management Act (PFMA), lays down debt ceilings and parliament's approval for borrowing. While arrangements are meant to provide for discipline, the results show that loopholes like supplementary budgets and absence of sanctioning for non-compliance water down their effect. UNCTAD (2023) also noted the erosion of fiscal discipline due to weak enforcement. This study further confirms by showing the manner in which lapses in this respect shape local government finance. Ongoing supplemental budgets channel funds into debt servicing and leave local government shortchanged, undermining frontline delivery of health, education, and infrastructure services.

Capacity building and monitoring is another sector of mixed progress. Debt disclosure has been improved in Uganda with quarterly bulletins and annual audit reports, but technical and institutional capacity constraints still handicap accuracy. As the report illustrates, arrears to the tune of trillions of shillings were not comprehensively covered in official statistics on debt, a weakness that distorts fiscal planning. The World Bank (2022) earlier identified shortcomings in cash flow projections and reporting, and this study expands on such findings by linking false registers and poor assessment of financial instruments to budget implementation disruption. Ultimately, this suggests that deficiencies in debt management are expensive for social opportunities.

Finally, but not least, transparency and accountability shortcomings remain an issue. The study reveals that the majority of bilateral loan agreements, especially with China, are not published, affirming OECD's (2022) observation that Uganda performs poorly on debt transparency. The Entebbe Airport loan debacle illustrates how lack of transparency in loan terms erodes public trust and undermines accountability processes. This study goes a step further by highlighting that lack of transparency has not only political risks but also reduces the capacity of Parliament and civil society to demand that lent money is directed towards service delivery priorities.

In conclusion, the examination of findings portrays that Uganda's debt management practices are constrained more by poor policy-practice congruence, weakened enforcement, and inferior institutional capacity than by the absence of frameworks. This research differs from other studies in that it provides greater insight by way of identifying the weaknesses and back-tracking them to their development implications. Specifically, it demonstrates how gaps in debt management percolate into unreliable social sectors, lagging infrastructure, and discredited local governance. Consequently, even though institutionalization of debt management has increased in Uganda, the residual structural weaknesses call into question whether the nation is equipped for the ability to achieve debt sustainability vis-à-vis the delivery of fundamental services.

Influence of Public Debt on Service Delivery in Uganda

The evidence in this study shows that Uganda's rising public debt has imposed significant constraints on the ability of the government to finance core services, particularly in health, education, and municipal affairs. Debt repayment absorbs more than 30 percent of domestic revenue, and social expenditure has little fiscal space. This supports the World Bank's (2023) finding that debt service has crowded out education and health expenditure in Uganda, although this study adds to the debate by demonstrating the effects are not only being felt in aggregate terms but also in the reduced quality of buildings and shortages of personnel at community level. That per capita expenditure on health remains at USD 13, far below the WHO's USD 34 threshold, indicates the extent of the trade-off between debt service and delivery of services.

The results also show that the deferment in debt-funded infrastructure, such as the Standard Gauge Railway, prevents individuals from benefiting from the projected increase in connectivity and market access despite increasing debt service payments. This is in tandem with AfDB's (2022) regional discovery that lending for infrastructure has a tendency to divert resources away from human development activities. What this study adds is the Ugandan twist on a paradox: residents bear the debt service on non-operating or incomplete projects and double frustration at both local and national levels.

In education, there is a big problem with not enough funding. Only 10 percent of the national budget was given to education in FY2022/23, which is much lower than UNESCO’s guideline of 15–20 percent. The fact that teachers in rural areas have more than 80 students in their classes shows UNICEF’s (2021) worry that money problems take away from spending on children. This study also shows that this issue affects overall human development. With more than 70 percent of Uganda’s population under 30 years old, not investing enough in education could lead to long-term problems, lower productivity, and less competitiveness in the job market in the region.

The health sector also faces pressure, as debt servicing surpassed budgetary allocations to the Ministry of Health by more than double in FY2022/23. Consistent with IMF's (2023) observation that debt service payments reduce fiscal space, this study demonstrates how the reduction reflects in stockouts of essential medicines, dilapidated hospital infrastructure, and overburdened health workers. Even where debt has been contracted for capital development, such as in Mulago National Referral Hospital, congestion and lack of equipment still describe the hospital, indicating the inefficiency of debt absorption and the poor translation of borrowing into service delivery.

Local government financing gaps emerged strongly in the findings, with transfers falling to only 13 percent of the national budget by FY2021/22, down from 25 percent in 2002. This corroborates the Uganda Local Government Finance Commission’s (2022) warning that central debt obligations are squeezing intergovernmental transfers. The present study enriches this understanding by showing the practical consequences: delayed capitation grants, unpaid teachers and health workers, and stalled community water projects. These findings underline that the negative impact of public debt is most acutely felt at the grassroots, where the majority of Ugandans depend on public services for survival.

The results also depict the deep-seated character of inequality in service delivery where projects financed by borrowing get channelled predominantly in urban infrastructure, such as the Kampala-Entebbe Expressway, while rural health facilities and schools remain underfunded. This depicts Oxfam's (2020) argumentative postulation that debt-financed projects exacerbate inequality, but the current research achieves empirical evidence whereby rural-urban disparity in the availability of basic services is widening as a direct consequence of borrowing priorities. The threat is one of entrenching a two-tiered structure, where metropolitan dwellers enjoy the benefits of modern comforts, while rural communities are denied basic medications, teachers, and functioning health centres.

Finally, the looming spectre of austerity due to Uganda's rising debt stock projected to surpass UGX 106 trillion by 2024 raises pressing questions about the sustainability of service delivery. IMF's (2023) results on fiscal consolidation pressures are confirmed in this study, but the analysis here takes a step further in following through how austerity would affect citizens in practice: fewer health and education staff employed, lower agricultural extension services, and increased user fees for essential services. These would particularly harm the poor, reverse human development gains recently won, and exacerbate social inequality.

In general, the study demonstrates Uganda's rising debt burden has quantifiable and far-reaching effects on service provision. Findings support earlier literature that debt servicing constrains fiscal space but add to the debate by showing how this constraint unfolds unevenly across sectors and geographies, thus increasing inequality and degrading inclusive development. In contrast to earlier national-level research, this research focuses on district-level and rural impacts, and it is evident that unless Uganda raises revenue mobilization, increases debt absorption effectiveness, and provides for prioritization in equitable resource provision, public debt will continue to undermine the quantity and quality of basic services.

Challenges Faced in Managing Public Debt in Uganda

The study shows that Uganda’s problems with managing debt are complex, mixing local weaknesses with outside risks. One key finding is that the cost of paying off debt is increasing, with 32.5 percent of domestic revenue used for loan payments in FY2022/23, which is much more than what is spent on education and health. This aligns with what the Civil Society Budget Advocacy Group (CSBAG, 2022) said, which pointed out that debt payments reduce the money available for spending that helps poor people. Unlike CSBAG’s focus on advocacy, this study provides clear evidence of the trade-off, showing how high interest payments limit investment in social services and make it harder for the government to deal with economic problems.

Weak domestic revenue mobilization emerged as another persistent challenge. Uganda’s 13 percent tax-to-GDP ratio, among the lowest in the region, leaves the country unable to sustainably finance its debt. This finding is consistent with MoFPED’s (2022) fiscal risk statement, which identified low revenue performance as a critical risk. However, this study advances the debate by situating weak collection within institutional and political economy constraints, such as tax evasion, a dominant informal sector, and underperformance of the Uganda Revenue Authority. These systemic weaknesses mean that even ambitious targets under the Domestic Revenue Mobilization Strategy are difficult to achieve, perpetuating dependence on borrowing.

Relying too much on outside funding became a big problem. The findings show that when the value of the Ugandan currency goes down and global interest rates go up, Uganda’s debt payments become much more expensive. This confirms what the IMF said in 2023, which is that depending on loans with low or medium interest rates makes the country vulnerable to unexpected issues. However, while the IMF looked at the bigger picture, this study shows how higher debt costs affect real-life situations by showing that less money is available for health, education, and local governments. This connection highlights how global financial changes can directly impact local services in Uganda.

The research further pointed out Uganda's low capacity for debt absorption, whereby more than USD 1.3 billion undisbursed loan was recorded in 2022. This is consistent with AfDB's (2023) regional survey, which pointed out poor project implementation as one of the major debt challenges. This research goes a step further by graphically presenting the manner in which inefficiencies appear through delayed health centres, education facilities, and transport projects. The irony of commitment fee payment on dormant funds contributes to popular anger as citizens observe the mounting debt with little visible increment in service.

Pressures from borrowing money within the country became very important, as the government’s use of Treasury Bills and Bonds limited the credit available to private businesses. This lowers investment, creativity, and job creation, which slows down economic growth. Although this point is not often mentioned in other studies, this research shows how domestic debt problems hurt Uganda’s long-term financial health and lessen its ability to gather local resources to relieve debt issues.

Weak parliamentary oversight was also important. The findings that Parliament sometimes approves loans after the fact without careful checks support the report from the Parliament of Uganda (2022), which pointed out bad oversight during loan approvals. This study adds to that by linking weak oversight to not matching borrowing with what citizens need. It shows how loans approved without proper feasibility checks often do not provide useful social benefits. This problem weakens accountability and further decreases public trust.

The research indicated that the world crises such as the COVID-19 pandemic and the Russia–Ukraine war have exacerbated the debt challenges in Uganda. This corresponds with the UNDP (2021) governance report, which recognized the potential for these crises to lead to instability. Yet, this research goes one step further by linking these crises to intrinsic problems, such as weak monitoring and revenue gaps. This broader perspective demonstrates that these crises do not isolate; rather, they exacerbate prevailing weaknesses, rendering Uganda increasingly vulnerable to financial crisis.

In sum, the findings confirm much of the existing literature on Uganda’s debt management challenges, while also extending it by showing how macro-level vulnerabilities cascade into service delivery failures. Rising debt service obligations, weak revenue mobilization, poor loan absorption, domestic debt pressures, and limited oversight converge with external shocks to create a cycle of fiscal stress and social underinvestment. Without decisive reforms to strengthen revenue mobilization, enhance debt transparency, and build institutional capacity, Uganda risks deepening its debt distress and undermining both economic stability and service delivery.

CONCLUSIONS, FUTURE RESEARCH AND LIMITATIONS

Conclusions of the study

This section synthesizes the key conclusions drawn from the analysis and interprets them within the context of research objectives. While the findings overview offered the descriptive patterns and trends, the conclusions go a step further by emphasizing the broad-reaching implications of Uganda's public debt dynamics for economic stability, governance, and service delivery. The findings are categorized thematically in accordance with the study objectives, namely the nature of public debt, debt management strategies, effects of debt on delivery of services, and the challenges encountered in the management of public debt.

Nature of Public Debt in Uganda

Uganda's public debt has increased considerably in the last decade, fuelled by the government's quest for infrastructure-driven growth and the need to fund fiscal deficits. Although the borrowing has enabled key projects in transport, energy, and oil-related infrastructure, the debt path indicates signs of strain. The debt-to-GDP ratio has increased consistently, nearing and in certain instances surpassing regional convergence criteria, implying increasing dangers of fiscal tension. The structure of the debt portfolio also exacerbates vulnerabilities, with increasing reliance on semi-concessional and commercial external loans and expanding domestic borrowing that sucks liquidity from the banking system and tightens credit to the private economy.

The proof is in a debt profile that provides short-term development dividends but risks undermining long-run fiscal sustainability. Unless the borrowing trend abates with more solid domestic revenue mobilization, stricter spending control, and more transparent prioritization of concessional financing, Uganda is more at risk of debt distress. This will limit the government to invest in critical social sectors and might lead to austerity in the future. The verdict is therefore that while development finance has come largely from the public debt, the current level and structure of this debt are unsustainable without policy adjustments to balance the portfolio and enhance repayment capability.

Debt Management Practices in Uganda

Uganda has recorded notable progress in debt management institutionalization in the guise of instruments such as the Medium-Term Debt Management Strategy (MTDS) and the Public Finance Management Act (PFMA), both aimed at basing borrowing decisions on sustainability criteria. These instruments present a formal framework to link debt with macroeconomic stability and development objectives. The study, however, finds remaining gaps that undermine their effectiveness. Compliance with the ceiling on borrowing is typically eroded by executive discretion and frequent utilisation of overdrafts, and transparency of loan terms especially for bilateral agreements is still limited. In addition, domestic debt management continues to be dominated by short-term instruments, exposing the country to rollover and liquidity risks.

These weaknesses suggest that Uganda's debt management, while conceptually well established, is not yet robust enough to cushion the country against rising debt vulnerabilities. Going forward, without more effective oversight by Parliament, improved transparency of loan agreements, and further elaboration of long-term domestic debt instruments, Uganda may not be in a position to align its debt strategy with growth sustainability. The predictive judgment is that Uganda needs to enhance institutional checks and construct a more diversified and transparent debt portfolio if it has to protect fiscal stability and preserve investor confidence over the next decade.

Influence of Public Debt on Service Delivery in Uganda

The findings indicate that Uganda's rising debt burden has significantly constrained the fiscal room of the government to finance essential services such as health, education, and local government programs. Although debt has been instrumental in financing massive infrastructure projects like roads, dams, and power facilities, the price has been consistent under-funding of social sectors that have a direct impact on people's well-being. For instance, in recent years, repayment of debt has absorbed more resources than spending to both the health and education sectors combined, limiting efforts at universal health coverage and quality education. The disparity is further exacerbated at the local government level, where falling transfers have undermined service delivery at the grassroots, particularly in the rural counties.

The distributive effect of Uganda's debt policy is also evident in widening urban-rural inequality. Urban regions have benefitted from debt-funded infrastructure development, while rural communities are burdened with under-equipped health facilities, unstaffed schools, and under covered services. Such disparities risk solidifying social disparity and undermining inclusive development.

In the future, the implications are ominous. Should servicing of debt continue to exceed revenue growth, social spending crowding-out will be reinforced, diluting gains in human capital accumulation and poverty reduction. Uganda therefore must reach a more aware balance between infrastructure expansion and social investment. One of the predictions for the future is that sustainable service delivery will entail re-prioritizing resources, more rigorous monitoring of loan utilization, and more resolve to protect social sector budgets from the call of debt servicing.

Challenges Faced in Managing Public Debt in Uganda

Research has revealed that Uganda is endowed with inherent structural and institutional vulnerabilities that hinder successful debt management. Low domestic revenue mobilization, as indicated in a regional low tax-to-GDP ratio, has resulted in the government relying on continuous borrowing to finance fiscal deficits. Over-reliance on foreign creditors exposes the country to exchange rate volatility and economic shock from the global community while raising dependence on domestic borrowing has narrowed private sector credit and dampened economic momentum.

Institutional inefficiencies in project execution and loan absorption are of equal concern. Massive undisbursed balances caused by procurement delays and technical capacity deficiencies not only waste borrowed resources but also entail costs that compound the debt burden. Poor parliamentary oversight also compounds the problem since supplementary borrowing and non-transparent loan terms particularly with some bilateral lenders-erode accountability and public trust in debt governance. These local weaknesses were exacerbated by such external shocks as the COVID-19 pandemic and the Russia-Ukraine war, which increased borrowing needs while straining fiscal stability.

Looking ahead and despite the risks being elevated, in the event of a lack of essential reforms in revenue mobilization, institutional accountability, and debt absorption capacity, Uganda risks moving towards debt distress. This would further squeeze the availability of resources for development and social spending, entrench fiscal vulnerabilities, and slow down the pace of progress towards long-term development goals such as Vision 2040 and the SDGs. A forward-looking conclusion is that embedding debt governance and fiscal discipline will be critical in making sure that Uganda's debt trajectory does not turn unsustainable.

Future Research

Although this study has provided valuable insights regarding the nature, governance, problems, and consequences of Uganda's public debt, some gaps in knowledge must be further investigated by researchers. The following could be the focus areas in future studies:

As China increasingly stands out as Uganda's largest bilateral creditor, such examination is justified into the influence of Chinese lending, often with semi-concessional terms and infrastructure-for-resources arrangements, on Uganda's debt sustainability. Research could explore repayment risk, transparency of lending terms, and collateralized loans and their effects on Uganda's sovereignty and fiscal flexibility.

While this study indicated the crowding out of domestic debt, further empirical research is necessary to quantify the size of how rising government lending influences private sector credit, investment, and competitiveness. Such research would need to segment by sector-manufacturing, agriculture, and services to more precisely counsel on policies balancing public investment needs with private sector development.

One important gap is whether debt-financed investment in infrastructure and services is geographically equitable. Analysis can consider the rural-urban gap in access to debt-financed projects, being sensitive to whether debt increases or decreases social inequality. This would advise policymakers to design borrowing policies that are socially inclusive and growth-oriented.

The debt trajectory of Uganda is an economic as well as a political issue. Subsequent research needs to examine how electoral cycles, regime survival strategy, and political patronage guide borrowing and fiscal restraint. Political economy explanations would enhance comprehension of why certain debt decisions survive in spite of unsustainability.

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