



Civil Society Budget Advocacy Group

OAG FINDINGS ON DEBT MANAGEMENT

**CSBAG analysis extracted from the Annual Report of
the Auditor General to Parliament for the Financial
Year Ended 30th June 2024**

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1.0 Background.

The Civil Society Budget Advocacy Group (CSBAG) is a coalition formed in 2004 to bring together CSOs at national and district levels to influence Government decisions on resource mobilization, allocation and utilization for equitable and sustainable development.

CSBAG has over the years complemented the work of the Office of the Auditor General (OAG) in ensuring accountability and transparency in resource allocation, and utilization for improved service delivery in Uganda. In doing so, CSBAG collaborates with OAG to increase citizen participation and engagements in audit processes, which has made meaningful contributions in shaping Uganda's public finance management reforms. This is through **production of Simplified Audit Information** of the Auditor General's reports, which in turn increases citizens' access to credible facts regarding public financial management AND the **rollout of the Citizen Feedback platform (CFP)** intended for citizens to provide information on the state of service delivery and accountability in the country.

For FY2023/24 Audit, CSBAG **analysed and produced issue briefs on 13 audited areas** of Debt Management, Public Investment Management, Education Sector, Roads and Infrastructure, Performance of the Parish Development Model (PDM), Water and Environment, Energy and Extractives, Revenue Losses, Risky Ventures and Loss-Making Enterprises, Health, Agriculture, Pension Crisis, Procurement and misuse of supplementary funding. These can be accessed via the CSBAG website.

1.1 Roles of the Auditor General

The Office of the Auditor General (OAG) of Uganda is the Supreme Audit Institution responsible for auditing and reporting on all public accounts in Uganda. As mandated by the Constitution of the Republic of Uganda (1995), Article 163, the OAG audits the public accounts of all public offices, central and local government administrations, universities, public institutions, and any public corporation or organization established by an Act of Parliament. The OAG conducts financial and value-for-money audits for projects involving public funds and submits an annual report to Parliament for debate and consideration.

1.2 About this brief

As part of building a more transparent and accountable public sector, CSBAG has produced this analytical brief on debt management in FY 2023/24 as identified by OAG. This brief provides insights and raise public awareness about the state of public financial management and enables citizens to understand how public resources are being managed and fosters civic engagement. On the side of policy makers and government technocrats, the briefs contain information crucial for government agencies to implement corrective actions and improve overall efficiency and effectiveness.

2. Introduction

This analytical brief examines OAG findings Uganda's debt management, including inefficiencies in loan approval, low absorption rates, and escalating debt servicing costs. These issues are compounded by the misallocation of funds through non-performing loans, underutilization leading.

3. Overview of Uganda's Public Debt

The Office of the Auditor General (OAG) has conducted an in-depth review of Uganda's public debt management for the financial year 2023/24. According to the report, Uganda's the total public debt as of 30th June 2024 was **UGX.93.607Tn**, of which **UGX.39.159Tn** was **Domestic Debt** Stock while **54.449Tn** was **External Debt Stock**. **External debt stock** increased by **104%** from **USD 12.55 billion in FY 2018/19** to **USD 25.59 billion in FY 2023/24**. While there was a **decline** in the **debt-to-GDP ratio** from its peak of **47.86%** in FY 2021/22 to **46.17%** in FY 2023/24, it is projected to increase slightly over 50% by June 2025 due to various expenditure pressures.

4. Shortcomings in Debt Management

4.1. Lack of Pre-feasibility and Detailed Feasibility Studies

Observation: Out of the **49 loan-funded** projects reviewed between FY 2018/19 and FY 2023/24, **fifteen (15)** were implemented **without pre-feasibility or detailed feasibility studies**. This exposes the government to significant risks, as projects may not be viable or sustainable, leading to potential wastage of borrowed funds.

4.2. Loan Approval Process is excessively slow

The **Loan approval process** within the government is excessively slow, with a typical approval cycle taking an average of **756 days**, or over **two years**. This delay in securing loans significantly affects the government's ability to promptly address urgent financial needs or capitalize on time-sensitive opportunities. The inefficiencies are compounded by **duplicated responsibility centers**, meaning multiple entities are involved in the decision-making process without a clear delineation of roles. This lack of coordination causes delays as each entity processes loan approval, leading to **redundant steps** and a **lack of accountability**.

4.3. Increased penalties for low loan absorption

Observation: There were instances where loan funds were not drawn as scheduled, resulting in additional **commitment fees**. For example, the government paid **UGX 73.82 billion** in commitment fees for undrawn funds in **FY 2023/24**, down from **UGX 90.64 billion (23%)** in **FY 2018/19**. Accumulation of such fees places an unnecessary financial burden on the government, diverting resources from critical development initiatives.

4.4. Expensive debt rollover strategy

During the year, the Treasury requested BoU to **switch Bonds totalling to UGX 0.684Tn**, which resulted in the accumulation of **accrued interest amounting to UGX 1.547Tn**. The decision to roll over bonds (switching) may ease short-term cash flow issues but increases the government's overall debt burden. The switch and accumulated interest mean that a significant portion of the national

budget will be directed towards servicing this debt, potentially reducing the funds available for other essential public services

4.5. Rising Debt Burden and Fiscal Strain

In the **FY 2023-2024**, the **debt service cost** accounted for **UGX 18.56 trillion**, or **35%** of Uganda’s annual **national budget of UGX 52 trillion**. This represents a significant increase from **UGX 8.85 trillion (27%)** in **FY 2018/19**, out of a **UGX 32.7 trillion** budget. The surge in debt service costs underscores the **growing debt burden** facing the national economy. With such a large portion of the budget dedicated to servicing debt, the government faces increasing challenges in financing critical sectors such as **healthcare, education, infrastructure, and public services**. As debt service claims a larger share of public resources, the government is under **intense fiscal strain**, with an increasing portion of its revenue diverted to cover **debt repayments** rather than investing in sustainable development. This dynamic may reduce the flexibility of the budget, limiting the government’s ability to effectively respond to economic challenges and meet the needs of its citizens.

4.6. Paying for Nothing: The Hidden Cost of Undisbursed Loans:

In the **FY 2023/24**, there was an increase in **undisbursed loans** amounting to **UGX 1.890 trillion**, reflecting a **12.95% increase** from the previous year's balance of **UGX 14.6 trillion**. As a result, the government was forced to pay **UGX 73.904 billion** in commitment fees during the year under review, as shown in the table below:

Table 1: Commitment fees accrued by Government over the years

Financial Year	Commitment Fees Paid (UGX 'Bn)	Percentage Change
2023/24	73.904	1.4%
2022/23	72.909	-6%
2021/22	77.524	-2%
2020/21	79.117	1%
2019/20	78.558	-10%
2018/19	87.766	140%

4.7. Total Commitment Fees Paid (2018-2024): UGX 469.778 billion

The continued payment of **commitment fees** is a reflection of **inefficiency** in the utilization of borrowed funds. As the government fails to draw down on its loans promptly, it incurs additional costs that increase the overall expenditure on debt servicing.

The ongoing inefficiencies in debt management, particularly the accumulation of undisbursed loans, continue to increase **government expenditure** on debt repayment and contribute to the growing **debt burden**. These avoidable costs underscore the urgent need for better planning and utilization of borrowed funds to ensure that debt is managed effectively and efficiently.

4.8. Debt Wasted: The High Cost of Unutilized Loans in Uganda

The management of public debt in Uganda is significantly impacted by low **loan absorption**, which leads to **increased costs** and reduced efficiency in utilizing borrowed funds. According to the **Public Debt and Other Financial Liabilities Management Framework FY 2023/24 – FY 2027/28**, the government is expected to ensure that the acquisition and utilization of public debt are **sustainable**

and transparent. However, an analysis of **17 government loans** by the OAG 2024 from the **Debt Management and Financial Analysis System (DMFAS)** reveals troubling trends in loan disbursement performance.

As seen in the table below, the disbursement performance of several loans is significantly below expectations, with many loans remaining largely undisbursed. For example, the **Mbarara-Masaka Transmission Line** loan, which had a loan amount of **EUR 35 million**, has only absorbed **0.3%** of the loan, with **34.888 million EUR** still undisbursed. Similarly, the **Kampala City Roads Rehabilitation Project**, which was granted a loan of **USD 224 million**, has only disbursed **25.96%** of the funds, leaving the majority of the loan unutilized.

Table 2: Loan disbursement rate for ongoing project

Name	Closing Date	Currency	Undisbursed- Mn	Exchange Rate ¹	Undisbursed- UGX Bn
L.V Martime Communications	12/31/2024	AFU	5.189	3,800	19.72
Kampala City Roads Rehab Pjt	12/31/2024	AFU	29.678	3,800	112.78
Mbarara-Masaka Transm. Line	6/30/2023	EUR	34.888	4,200	146.53
Agago-Gulu Transmission Line	6/30/2024	EUR	21.971	4,200	92.28
Masaka-Mbarara Transmission	12/31/2024	EUR	36.979	4,200	155.31
Masaka-Mbarara Water Corridor	12/31/2024	EUR	48.000	4,200	201.60
Karamoja Infrs. Dev. Plan II	12/31/2024	EUR	5.000	4,200	21.00
Inland Port at Bukasa	12/31/2024	EUR	16.530	4,200	69.43
Namanve Kla Industr & Biz Park	12/31/2024	EUR	102.214	4,200	429.30
Solar Pumping Systems	12/31/2024	EUR	40.326	4,200	169.37
Add. Finance To UGIFT	12/31/2024	SDR	96.815	5,300	513.12
Kampala City Roads Rehab Pjt	12/31/2024	USD	165.843	3,800	630.20
Upgrade Of Luwero-Butalangu Rd	12/31/2024	USD	8.672	3,800	32.95
Solar Powered Water Pumping	12/31/2024	USD	18.369	3,800	69.80
Food Security Thru Rice Prodn	12/31/2024	USD	26.550	3,800	100.89
Vocational Educ Project 2	12/31/2024	USD	6.997	3,800	26.59
Luwero Butalangu Road	12/31/2024	USD	7.746	3,800	29.43
Total					2,820.30

Source: Based on the OAG Findings and CSBAG 's Calculations

This low loan absorption rate not only undermines the effectiveness of these loans but also increases the **costs of servicing debt**. Unabsorbed loans attract **commitment charges**, which contribute to a higher overall debt burden. For instance, the total commitment charges incurred by the government in the year under review amounted to **UGX 73.904 billion**, adding to the already high debt servicing costs. These funds, instead of being used for development projects and services, are locked in undisbursed loans, leading to a **wasted opportunity** for investing in public infrastructure, healthcare, education, and other critical services.

Furthermore, this inefficiency in loan utilization raises concerns about the government's ability to meet the **intended objectives** of the loans. With a large portion of loans remaining unused, the potential benefits of these loans are not realized, hindering the country's economic development. The government must address these issues to improve the absorption of funds, reduce unnecessary costs, and ensure that loans are effectively used for the intended purposes.

¹ Based on 31st Sept. 2025 Rates

4.9. Uganda's Escalating Debt Servicing Costs: A Looming Fiscal Crisis

Uganda's growing domestic debt burden is straining the country's fiscal health, with a significant portion of the national revenue directed towards servicing interest payments. The **Charter for Fiscal Responsibility** targets reducing the domestic debt interest payment to total revenue ratio to **12.5%** by FY 2025/26, but the latest findings from the **Office of the Auditor General (OAG) 2024** show a substantial breach of this target. In **FY 2023/24**, **20.99%** of domestic revenue was used to service debt interest—up from **17.72%** in FY 2021/22. This persistent overshoot underscores the growing financial strain from debt servicing, which consumes a larger share of revenue and leaves less for essential public services such as healthcare, education, and infrastructure. The table below shows the worsening trend

Table 3: Interest to total revenue ratio

Financial Year	Total Domestic Revenue (UGX Bn)	Total Interest Payments (UGX Bn)	% of Interest to Revenue	Benchmark
2021/22	22.10	3.917	17.72%	12.5%
2022/23	25.909	4.632	17.88%	12.5%
2023/24	27.805	5.835	20.99%	12.5%

Source OAG 2024

The escalation of debt servicing costs has a profound impact on Uganda's ability to fund development priorities. With nearly **21%** of the national revenue allocated to servicing interest payments, there is less available for critical investments in public welfare, including infrastructure and social services. This situation crowds out investment in key sectors, hampering growth and leading to a cycle of borrowing to meet debt obligations. Furthermore, this growing debt burden not only threatens economic stability but also risks eroding public trust in governance as the government struggles to balance fiscal responsibilities.

The continued breach of the **12.5%** benchmark and inefficiencies in loan utilization—such as slow project implementation and rising commitment fees—pose significant risks to Uganda's economic stability and social development. Addressing these challenges is essential to ensuring a sustainable fiscal path, preserving public trust, and fostering long-term economic growth.

5. Conclusion

The OAG findings reveal critical challenges in Uganda's debt management, including inefficiencies in loan approval, low absorption rates, and escalating debt servicing costs. These issues are compounded by the misallocation of funds through non-performing loans, underutilization leading to high commitment fees, and significant sums spent on undisbursed loans and penalty fees. This financial environment is ripe for misuse, either through deliberate mismanagement or corrupt practices, closely linking these inefficiencies to budgeting for corruption.

To address these challenges, Uganda must implement a comprehensive strategy that includes strengthening project preparation, streamlining approval processes, enhancing revenue mobilization, and improving the utilization of borrowed funds. By enhancing accountability and transparency, Uganda can better manage its public debt, reduce fiscal strain, and minimize opportunities for corruption. This targeted approach will not only bolster financial stability but also foster a more accountable and transparent debt management system, essential for sustainable economic development