

Global Fiscal Crisis Deepens, Threatening Uganda's Development Gains



A Spring meeting session in Washington DC hosted by the International Monetary Fund (IMF) and the World Bank. Source (Net File)

"According to the IMF report, global public debt has risen sharply to 93.9% of global GDP in 2025, up from just 82% in 2019. The IMF projects that debt will reach 100 percent of GDP by 2029 and climb further to 102.3 percent by 2031. At the same time, global fiscal deficits remain persistently high at around 5 percent of GDP—even during a period of economic recovery—indicating that countries continue to borrow heavily without a clear path to stabilization."

A rapidly deteriorating global fiscal environment, marked by rising debt, persistent deficits, and tightening financial conditions, poses a direct and urgent threat to Uganda's ability to finance essential health, education, and other public services, the Civil Society Budget Advocacy Group (CSBAG) has warned.

In a briefing issued following the release of the International Monetary Fund's (IMF) *Fiscal Monitor 2026*, CSBAG cautioned that the world has shifted from temporary fiscal stress into a structural global fiscal crisis—with serious implications for Uganda's economy and the welfare of its citizens.

"Uganda can no longer depend on borrowing as a sustainable financing strategy," said Julius Mukunda, who prepared the brief for CSBAG. "Global financial markets are tightening, borrowing costs are rising, and the window for gradual adjustment is closing fast."

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Perhaps most alarming, the global fiscal gap has collapsed from about **1.2 percent of GDP a decade ago to near zero today**. This means governments, including Uganda's, no longer have meaningful buffers to absorb economic, political, or environmental shocks.

"Any additional shock—whether from commodity prices, climate events, or domestic pressures—will now translate directly into higher debt and deficits," the CSBAG brief states.

Rising global interest rates are making debt increasingly expensive. Global interest payments have increased from **2% of GDP to nearly 3% within just four years**. For Uganda and other low-income countries, interest payments now consume a historically large share of government revenues—reducing fiscal space for essential services such as healthcare, education, and infrastructure. "This trend is particularly concerning because it represents a structural shift, not a temporary shock," Mukunda emphasized.

The IMF report identifies large economies as key sources of global fiscal risk. The United States is running persistent deficits of **7–8 percent of GDP**, with debt projected to rise to **142% of GDP by 2031**. China's deficit stands at **7.9% of GDP**, with debt projected to reach **about 127% of GDP by 2031**. These trends are tightening global financial conditions and directly increasing borrowing costs for developing countries like Uganda.

Debt in emerging and developing economies has increased from **54% of GDP in 2019 to 73.9% in 2025**, and is projected to reach **86.2% by 2031**. Fiscal deficits remain elevated at about **5.9% of GDP**, while declining official development assistance is creating widening financing gaps.

CSBAG has extracted several urgent messages from the IMF Fiscal Monitor for Uganda's policymakers:

- **Debt servicing is becoming the most immediate threat to fiscal space.** With global interest payments rising, Uganda's already stretched budget faces increasing pressure.
- **Fiscal buffers are effectively exhausted.** Uganda has limited capacity to absorb shocks from commodity price volatility, climate disasters, or domestic economic pressures.
- **Improving spending efficiency is now more important than increasing budgets.** Uganda must focus on eliminating waste, strengthening procurement, and improving the absorption of development funds.
- **Targeted spending must replace broad subsidies.** The brief argues that broad subsidies are fiscally costly and inefficient, while targeted interventions better protect vulnerable populations.
- **Domestic revenue mobilization is unavoidable.** With declining aid and tightening global liquidity, Uganda must strengthen tax administration and broaden its revenue base.
- **The window for gradual adjustment is closing.** Delayed reforms will require sharper and more painful fiscal adjustments in the future.

In response to the deepening global fiscal crisis, CSBAG has outlined 4 key advocacy priorities for Uganda, focusing on prudent and people-centered fiscal management rather than expanding borrowing or imposing new tax burdens on citizens. First, CSBAG calls for strengthening domestic revenue mobilization through improved tax administration and compliance, rather than introducing new taxes on already-burdened citizens. Second, the organization urges the government to address inefficiencies in public spending by reducing wasteful expenditures and ensuring value for money across all public investments. Third, CSBAG advocates for strengthening public investment management systems to ensure that any new borrowing translates into productive assets and genuine economic growth, rather than unsustainable debt. Finally, CSBAG emphasizes the need to enhance fiscal transparency and accountability, arguing that open governance and effective oversight of public resources are essential to building public trust and ensuring that limited fiscal space delivers meaningful outcomes for Ugandan citizens.

The global fiscal environment is entering a high-risk phase, CSBAG warns. With debt projected to exceed **100% of global GDP** and fiscal buffers exhausted, the margin for policy error is extremely small.

For Uganda, this is a moment for bold reform. "The focus must shift from expanding budgets to improving efficiency, prioritizing high-impact spending, and strengthening accountability. CSBAG will continue to advocate for prudent, transparent, and people-centered fiscal policies to ensure that public resources deliver meaningful outcomes for citizens."

About IMF/World Bank Spring Meetings 2026: The International Monetary Fund (IMF) and World Bank Spring Meetings, taking place from April 11th to April 18th, 2026, in Washington, D.C., has brought together Finance Ministers, Central Bank Governors, Civil Society observers, and Development Partners from across the globe to confront one of the most pressing fiscal challenges of our time: the imperative to deliver better public services with shrinking national budgets. Delegates are examining how governments can navigate tightening fiscal space, rising debt costs, and mounting climate pressures — not by raising more revenue or borrowing further, but by fundamentally improving the quality and efficiency of what they already spend. The gathering marks a significant shift from debates over how much governments allocate to what they actually achieve with every dollar, shilling, or rupee spent.