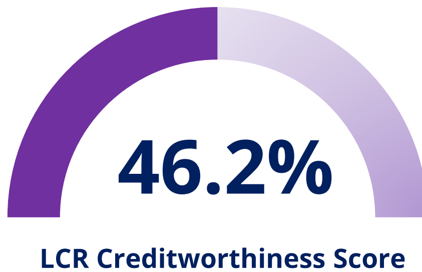
REPUBLIC OF UGANDA

SOVEREIGN CREDIT RATING

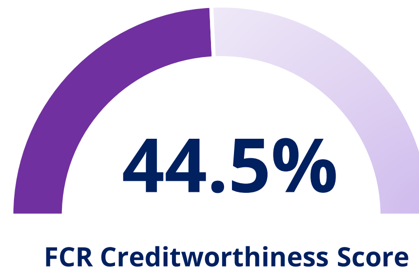
05 June 2026

RATING ACTION

SAR Sovereign Rating Model Creditworthiness Score



LCR Creditworthiness Score



FCR Creditworthiness Score

On 05 June 2026, Sovereign Africa Ratings (SAR) assigned Uganda's local currency long-term and short-term issuer credit ratings of BB- and B1, and foreign currency long-term and short-term issuer credit ratings of B+ and B2, respectively. The outlook on the ratings is stable.

Date	Rating Category	Rating	Outlook
Local Currency Ratings			
05 June 2026	**Long-term**	**BB-**	**Stable**
05 June 2026	**Short-term**	**B1**	**Stable**
Foreign Currency Ratings			
05 June 2026	**Long-term**	**B+**	**Stable**
05 June 2026	**Short-term**	**B2**	**Stable**

RATING RATIONALE

Uganda's sovereign profile is at a structural turning point, characterised by strong growth, with real GDP growth projected to range between 6.5% and 7.0% in 2026, outpacing regional peers. This momentum is heavily driven by oil field developments and the East African Crude Oil Pipeline (EACOP), with commercial production expected to begin around late 2026.

However, this positive momentum remains constrained by a narrow fiscal framework and a mounting debt-servicing burden. Key weaknesses include low domestic revenue mobilisation that sits closer to 13% of GDP, alongside rising debt service obligations where interest payments are projected to swallow nearly a third of all domestic revenues. This severely limits the government's ability to absorb external shocks, crowd in the private sector, and fund vital social investments.

While a cautious monetary policy and a stable exchange rate continue to support the local currency and keep inflation well anchored, the public debt burden has officially risen to between 51% and 54% of GDP, breaching the country's domestic target ceiling.

Ultimately, the long-term credit trajectory depends on the government's ability to institutionalise the upcoming oil windfalls, implement strict expenditure rationalisation, and execute its growth strategies to diversify the economy while aggressively reducing the public debt-to-GDP ratio to more sustainable levels.

RATIONALE FOR THE STABLE OUTLOOK

The Stable Outlook is underpinned by the post-election return to policy certainty and the strategic anticipation of First Oil; the moment Uganda will officially begin commercial petroleum production and extraction from its newly developed fields, scheduled for late 2026. While immediate fiscal constraints persist, the outlook assumes that the successful commissioning of the Lake Albert and the East African Crude Oil Pipeline (EACOP) projects will provide the critical liquidity needed to offset current external vulnerabilities and high debt-service obligations.

This stability is further anchored by the Bank of Uganda's disciplined inflationary management and the government's renewed focus on revenue mobilisation following the 2026 electoral cycle. Consequently, the outlook reflects a balanced risk profile, where the transformative potential of the energy sector is expected to outpace near-term structural rigidities and provide a sustainable pathway for medium-term fiscal consolidation.

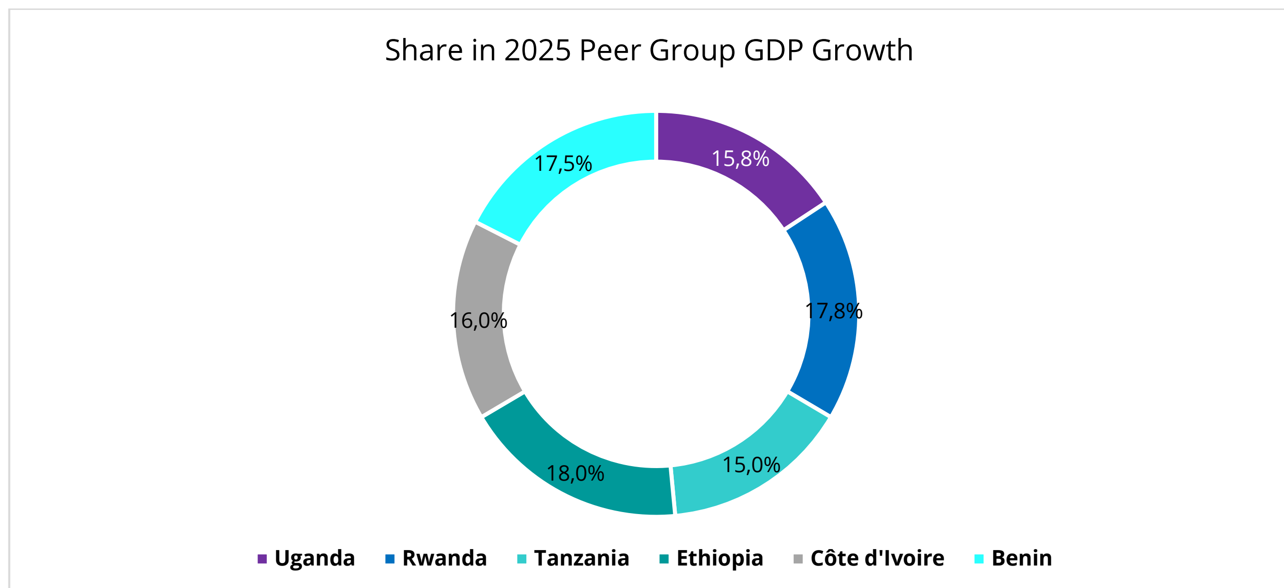
RATING DISCUSSION

Economic Strength Pillar

Uganda's economy reflects a sovereign at a high-growth pivot, where massive infrastructure investments are unlocking significant extractive potential. The SAR model balances robust GDP expansion and a burgeoning energy sector against structural constraints like a low per capita income base and narrow fiscal revenue. While the electoral transition has solidified policy continuity, the challenge remains to translate this macroeconomic momentum into broad-based developmental gains ahead of the full oil windfall. The sovereign's strength is further supported by an improving export diversification index and a steady increase in government revenue as a percentage of GDP.

Macroeconomic Performance and Growth Dynamics

Figure 1: Share in Peer Group GDP Growth



Source: SAR's calculations – World Bank data

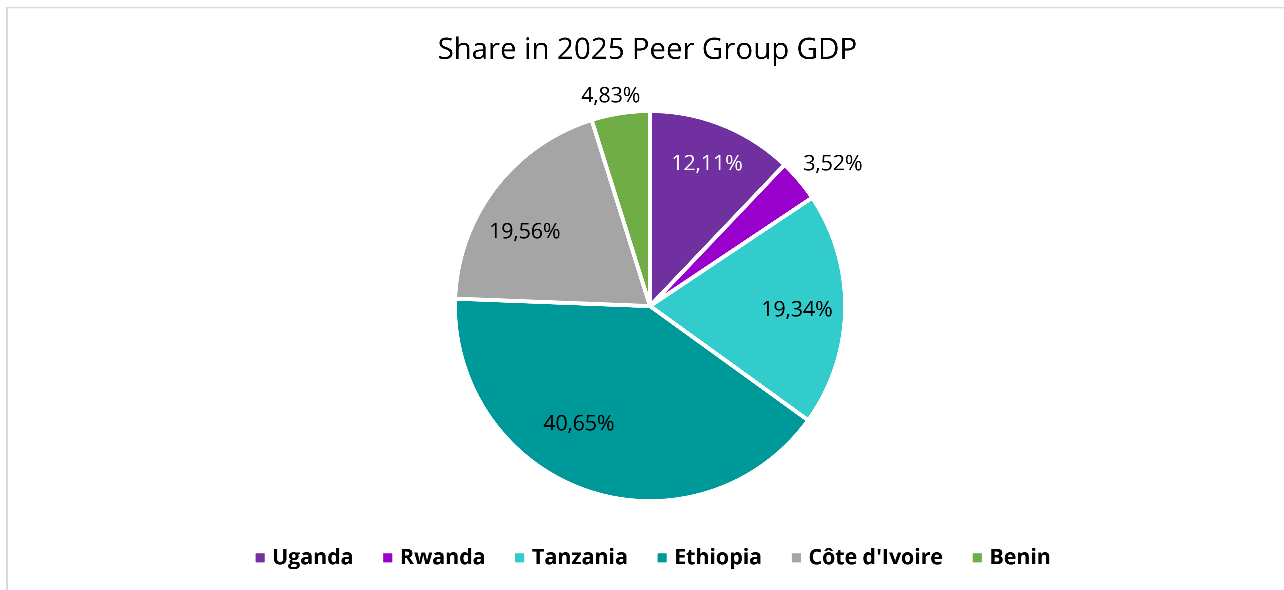
Uganda's 2025 performance relative to its peer developing countries highlights a sovereign maintaining a high-growth equilibrium, with its 6.3% growth rate positioning it as a top regional performer. While Ethiopia records the highest growth in the group at 7.2%, supported by rapid industrialisation and agricultural expansion, Uganda follows closely as a leader in the East African Community (EAC).

This robust expansion is fuelled by strategic domestic initiatives like the Parish Development Model (PDM) and substantial foreign direct investment (FDI) inflows, which reached $3.48 billion in the twelve months to March 2025. Unlike peers facing stagnation, Uganda's growth is anchored by a sharp 12.2% increase in construction and a resilient agricultural sector that expanded by 6.6%.

Uganda maintains a competitive 15.8% share of peer group GDP growth, driven by its own energy milestones. The successful commissioning of the Karuma Hydropower Project has increased installed capacity to nearly 2 000 MW, and the country is now positioned to leverage this surplus for industrial offtake and regional power exports, mirroring the energy-led development strategies of its highest-performing peers.

The comparison highlights Uganda's successful navigation of structural pivots that often constrain developing nations. While some peers struggle with fiscal discipline and stabilising inflation, Uganda has achieved relative exchange rate stability and low headline inflation, which averaged 3.4% in 2025. The sovereign is well-positioned to maintain its momentum and further narrow the gap with the group's leading growth performers.

Figure 2: Peer Group GDP



Source: SAR's calculations – World Bank data

Uganda holds a significant position within its regional peer group, defined not merely by its scale but by a balanced sectoral contribution that provides a resilient economic foundation. While larger regional economies often exhibit higher concentration, Uganda's value proposition lies in a diversified structure where the services sector acts as a primary anchor, supported by a rapidly expanding agricultural base and a strengthening industrial sector. This multipronged economic architecture ensures the sovereign is not over-reliant on a single driver, offering a degree of protection against the sector-specific shocks that frequently impact developing nations.

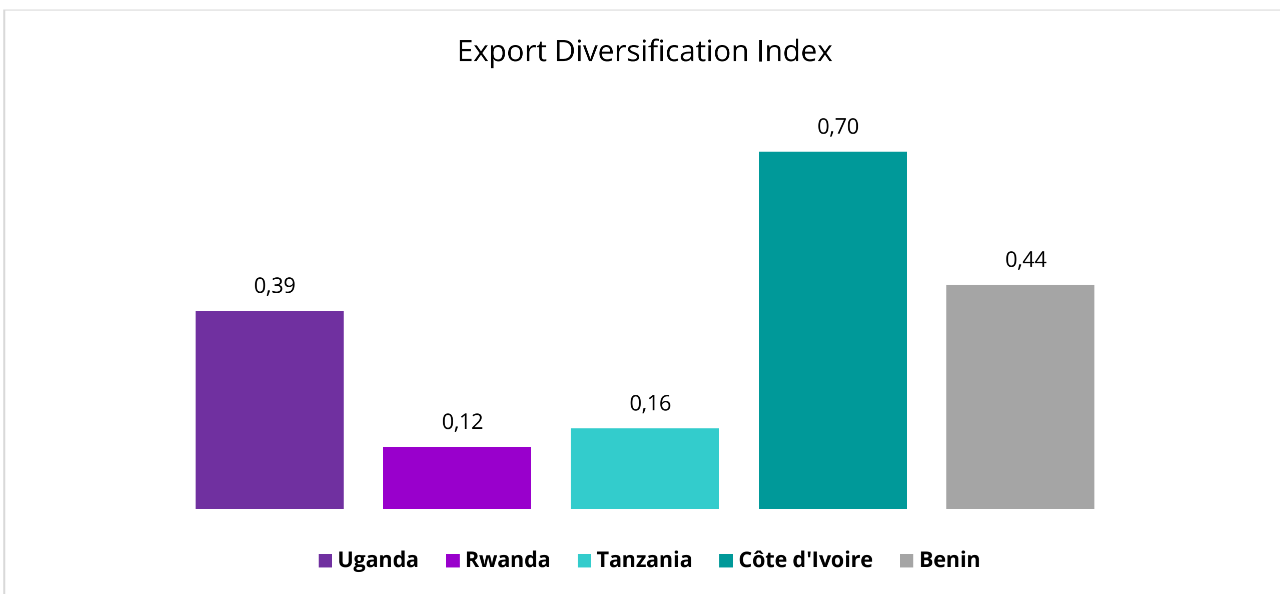
This structural resilience is being further augmented by a strategic transition toward a knowledge-based and digital economy, which serves as a distinctive pillar of the national growth story. By aggressively funding digital transformation initiatives, the government is prioritising the expansion of national backbone infrastructure and the rollout of e-government services to lower the cost of doing business and enhance overall competitiveness. This commitment to digital inclusion, integrated alongside massive traditional infrastructure projects like the Standard Gauge Railway (SGR), allows Uganda to effectively leapfrog conventional developmental hurdles. By combining industrial value addition with high-tech connectivity, the country is creating an agile, integrated economic environment prepared for long-term transformation.

Structure of the Economy and Diversification

The structural composition of the Ugandan economy reflects a high-growth equilibrium, supported by a resilient services sector and a surging industrial base. Services remain the largest contributor at 41.9% of GDP, while the industry sector has shown remarkable momentum, expanding by 10.1% in the Fiscal Year (FY) 2024/25, fuelled by a 12.2% surge in construction and a 5.5% increase in manufacturing.

Uganda scores 0.39 on the Export Diversification Index as shown in Figure 3 below, positioning it as a more diversified exporter compared to regional peers like Côte d'Ivoire (0.70) and Benin (0.44). While it currently trails Rwanda (0.12) and Tanzania (0.16) in this specific metric, the economy is moving away from mono-line reliance through a mix of high-value coffee, gold, horticultural products, and increasingly, manufactured goods like cement and iron.

Figure 3: Export Diversification Index



Source: SAR's calculations. IMF, UNCTADstat. The Export Diversification Index values are indicative of the extent to which each country's exports are diversified, with higher values indicating relatively lower diversification.

Uganda's export economy has undergone a structural transformation, with natural resource extraction now accounting for approximately 29.1% of total exports. This level reflects strategic resource monetisation while avoiding the extreme concentration risks typically associated with the resource curse. The defining development in this shift is the meteoric rise of gold as the sovereign's premier foreign exchange earner, with earnings reaching a record US$5.8 billion in the year to November 2025, a 75.8% increase. Total exports surged to US$12.7 billion in the same period, supported by a geographically diversified destination base where the UAE absorbs the bulk of gold exports and Italy takes nearly 70% of coffee.

Significantly, this commodity surge is increasingly driven by domestic value addition rather than just raw extraction, as Uganda has strategically established 10 gold refineries to serve as a regional processing hub. Data indicates a real increase in the quantities of gold moving through these formal channels, signalling improved revenue quality and sustainability.

Beyond gold, the sovereign maintains a deep pipeline of future extractive revenue through commercially viable deposits of coltan, tantalite, copper, silver, and uranium across key mineral belts in Busia, Karamoja, and West Nile. This diverse mineral wealth, combined with a Manufacturing Value Added (MVA) of 13.39% of GDP, underscores a long-term strategy to diversify the resource base and enhance industrial beneficiation.

Current Account Balance

Uganda's external position reflects the structural realities of an economy in active developmental transition, where the composition of trade flows tells a more nuanced story than headline deficit figures suggest. The Current Account Balance peaked at -9.50% of GDP in 2023 amid global commodity price shocks before entering a consolidation trajectory, narrowing to approximately 4.3% of GDP by early 2025. This improvement was driven by a 25.9% surge in export growth, supported by record earnings in key agricultural and mineral sectors, evidence that the sovereign's export base is meaningfully diversifying.

The agricultural sector remains a foundational pillar of this diversification, exemplified by the fishing industry’s 17.8% rebound following strengthened regulatory enforcement, which reinforces how governance improvements carry tangible macroeconomic dividends. However, the services and income accounts remain structurally negative, driven by payments to foreign asset holders and the importation of capital equipment for landmark infrastructure projects. Most notably, the East African Crude Oil Pipeline (EACOP) necessitates significant outflows that represent the financial footprint of an economy investing in long-cycle productive capacity.

These capital outflows are substantially offset by robust Foreign Direct Investment (FDI) inflows, which reached $3.48 billion in 2025, primarily concentrated in the oil and gas sectors. Stripped of these oil-related capital imports, the current account would approach near-surplus territory, reframing the deficit as a deliberate developmental trade-off rather than an underlying external imbalance. The SAR Sovereign Rating Model projects the deficit to average approximately -6.7% of GDP through the 2026/2027 forecast period.

Ultimately, the medium-term stability of this external profile is heavily contingent on Uganda’s successful transition to a net energy exporter by late 2026. Until these anticipated oil revenues materialise to provide a durable buffer and rebalance the trade position, the sovereign's external standing will remain a primary credit constraint. This reflects a temporary lost opportunity cost, where current high-value extraction has yet to fully translate into a sustainable and resilient current account surplus.

General Government Revenue

Uganda’s general government revenue (% of GDP) has demonstrated a consistent upward trajectory, averaging approximately 13.2% for the five years preceding 2024, with the 2024 figure reaching 14.49% and 2025 at 15.06%. This steady growth reflects the successful implementation of the Domestic Revenue Mobilisation Strategy (DRMS), and while current revenue levels remain lower than the African peer group's median, the positive momentum in tax administration and the formalisation of the economy remains evident.

SAR projects that Uganda’s general government revenue will continue its expansion in the medium term, reaching 15.6% by 2027 as oil-related revenues and enhanced collection efficiencies begin to materialise. This performance earns a score of 8 out of 10, reflecting a high level of institutional commitment to fiscal sustainability and a stabilising fiscal framework.

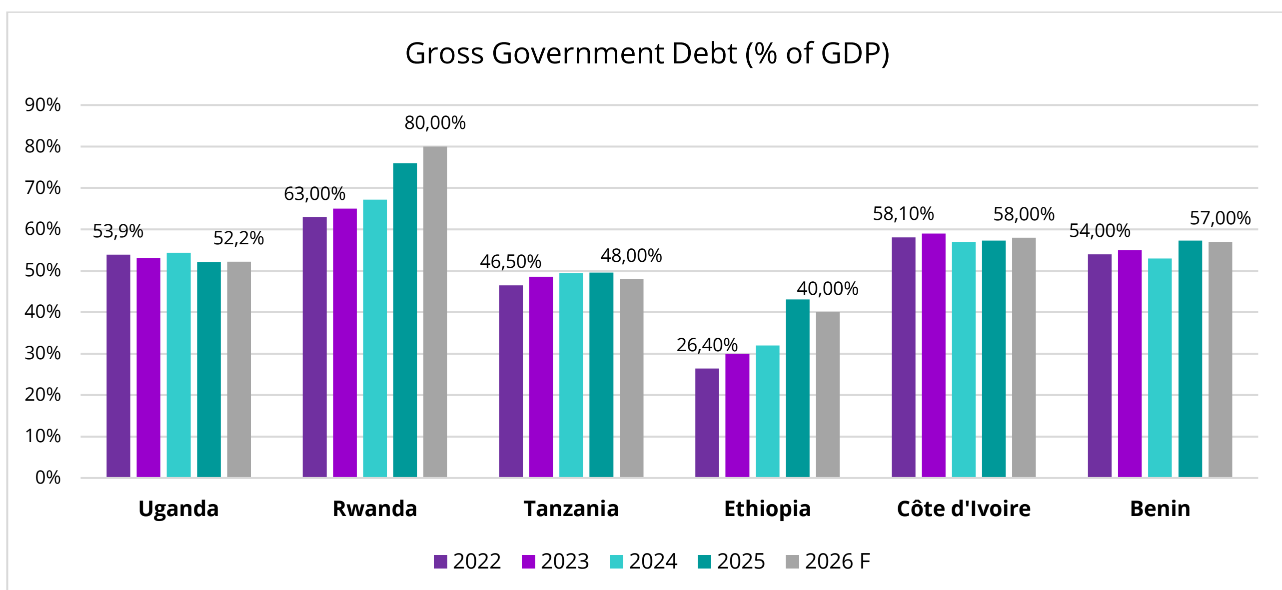
Financial Strength Pillar

The Fiscal Flexibility score provides an overall assessment of debt sustainability and affordability. The Financial Strength Pillar considers both short- and long-term dynamics concerning debt stocks and flows related to public finances, the sustainability of the current situation, and the projected path.

Government Debt Burden & Affordability

Uganda's gross government debt decreased by 2.3 percentage points from 54.4% in 2024 to 52.1% in 2025. The country exhibits a stable debt stock, partially countered by strong GDP growth. The debt-to-GDP ratio is moderate for a country of this size. Gross loan debt is expected to stabilise at 52.2% of GDP in 2026. Uganda's gross government debt ranks 3rd among its peers, with Ethiopia ranking 1st with the lowest levels.

Figure 4: Gross Government Debt

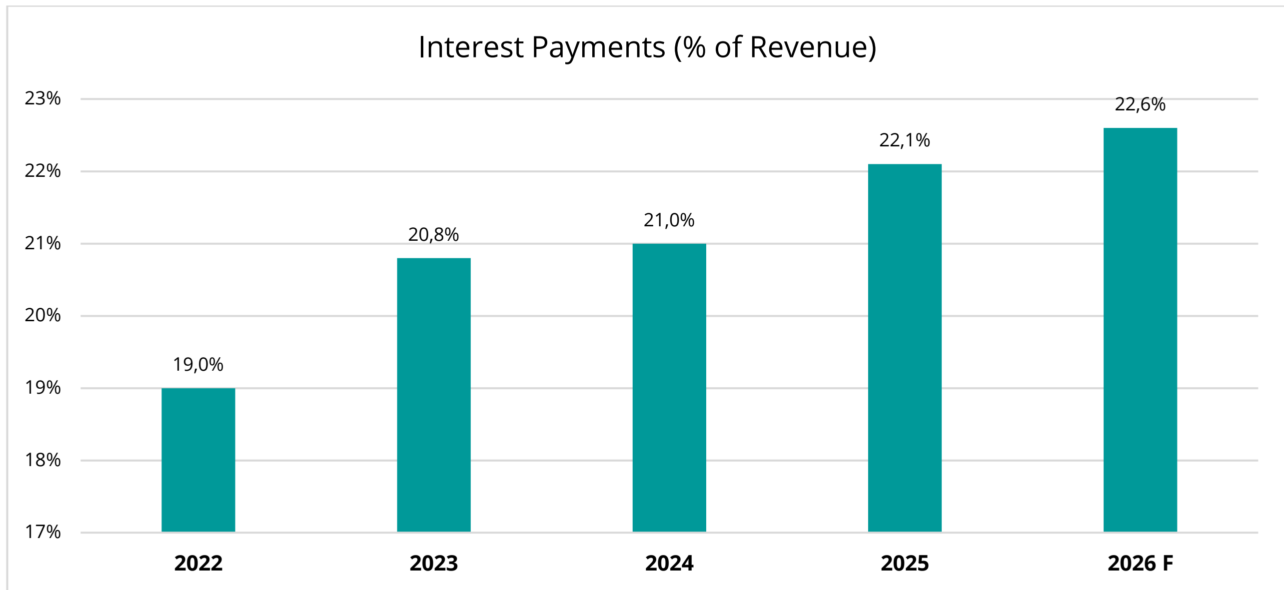


Source: SAR's calculations – World Bank data

Interest Payments to Revenue

Uganda's interest payments to revenue ratio exhibits gradual growth with an estimated 0.5 percentage point increase between 2025 and 2026. The debt-service costs remain high, accounting for 22.1% of government revenue in 2025 before increasing marginally thereafter. This means that for every Ugandan shilling collected in revenue, more than one-fifth is spent on interest payments rather than on social or economic programmes.

Figure 5: Interest Payments to Revenue

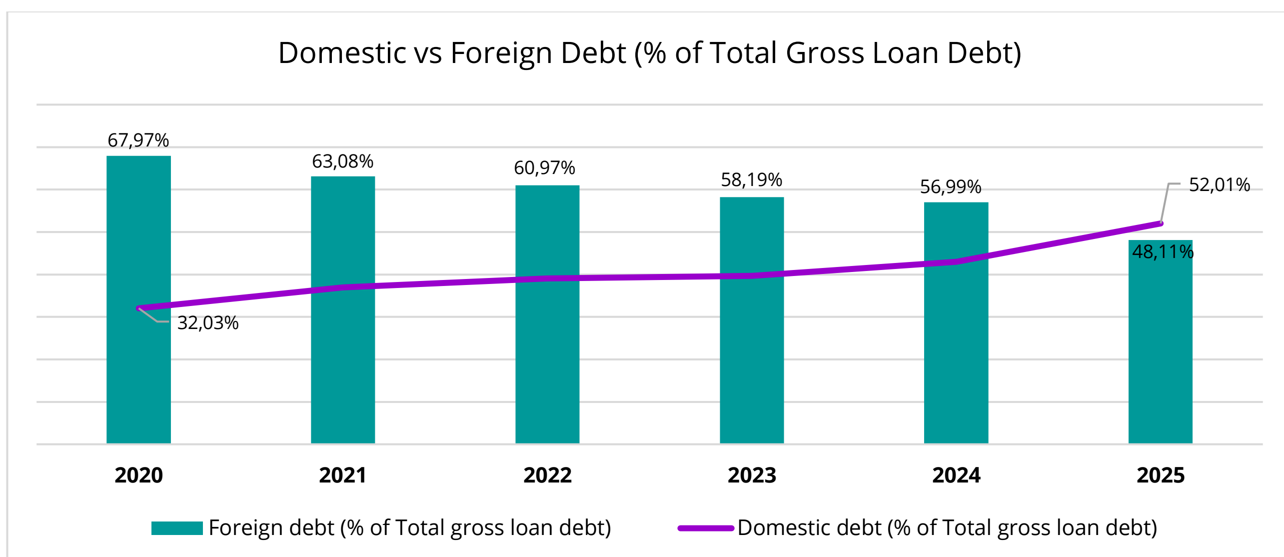


Source: SAR's calculations – World Bank data

Debt Structure

Uganda's debt profile has been shifting steadily toward domestic borrowing. Between 2020 and 2024, the majority of gross loan debt was held in foreign currency, but by 2024, domestic debt had risen to 52.01% of the total. This transition marks a meaningful reduction in external vulnerability, as reliance on foreign-denominated debt had previously exposed the country to exchange rate risks. Domestic debt is largely financed through government bonds and treasury bills, absorbed by local banks, pension funds, and institutional investors. To sustain this trajectory, Uganda will need to deepen its financial markets and expand domestic market capitalisation, ensuring that local institutions can continue to absorb sovereign debt without crowding out private sector credit.

Figure 6: Domestic vs Foreign Debt



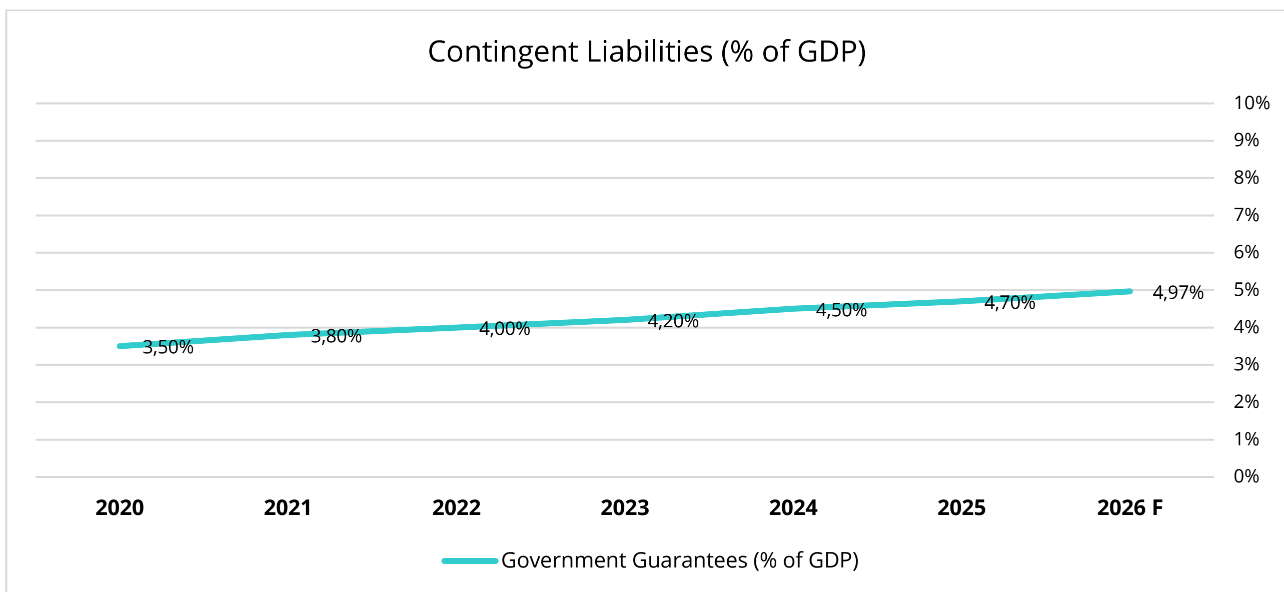
Source: SAR's calculations – Ugandan Ministry of Finance Planning and Economic Development data

Contingent Liabilities

Contingent liabilities are government obligations that give rise to expenditure only if specific events occur. The state maintains close oversight of these liabilities, which encompass guarantees extended to state-owned enterprises and public–private partnerships, as well as commitments to multilateral institutions and other fiscal responsibilities.

Uganda's contingent liabilities, specifically government financial guarantees, have grown alongside the public debt stock, though they remain a smaller share of GDP compared to direct debt obligations. According to the Ministry of Finance's Debt Statistical Bulletin (2025), guarantees issued to state-owned enterprises and infrastructure projects expose the government to fiscal risks if those entities fail to meet repayment obligations.

Figure 7: Contingent Liabilities



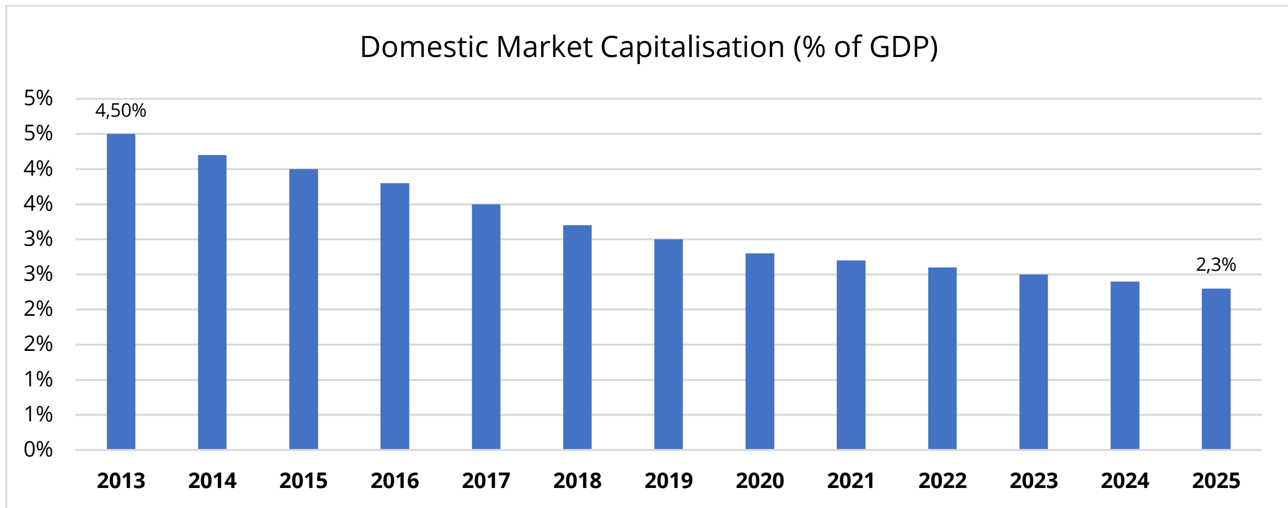
Source: SAR's Calculations – Ugandan Ministry of Finance Planning and Economic Development data

Debt Repayment Record

Uganda's debt repayment record, measured in years since default or restructuring event, was at 20 years as of 2026. This metric is indicative of the country's commitment to prudent debt management operations.

Domestic Market Capitalisation

Figure 8: Domestic Market Capitalisation



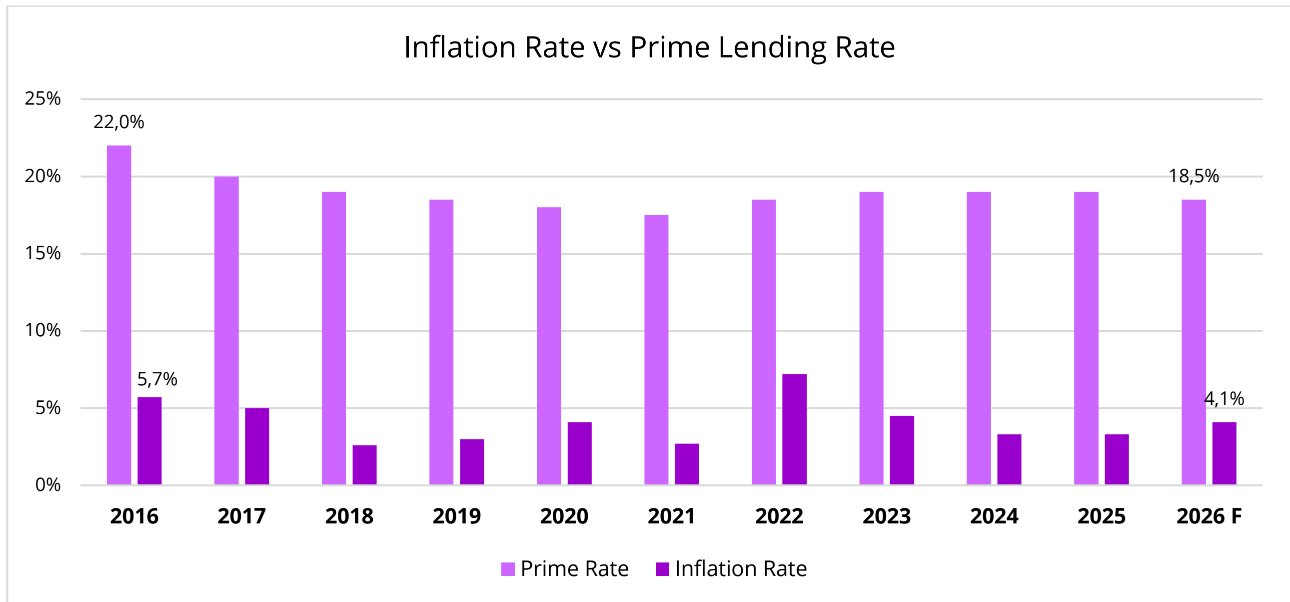
Source: SAR's calculations – World Bank data, IMF

Uganda's domestic market capitalisation has remained extremely low relative to GDP, averaging below 5% between 2013 and 2025. By 2024–2025, listed companies' market capitalisation was less than 3% of GDP, reflecting the shallow depth of Uganda's capital markets compared to regional peers.

Inflation and Interest Rates

Uganda's monetary policy over the past decade has been guided by the Bank of Uganda's efforts to anchor inflation near its medium-term target of 5% while supporting growth. The Central Bank Rate (CBR), serving as the policy benchmark, has been adjusted in response to inflationary pressures, fiscal dynamics, and external shocks. The prime lending rate, set by commercial banks, has generally tracked movements in the CBR, influencing credit conditions across the economy. Real interest rates (nominal minus inflation) have fluctuated, shaping investment flows and household borrowing. Recent moderation in inflation reflects tighter monetary policy and easing global commodity prices, though risks from exchange rate volatility and climate-sensitive food supply remain. The Bank of Uganda's credibility has strengthened, but global financial tightening and geopolitical tensions continue to pose cost-push inflation risks.

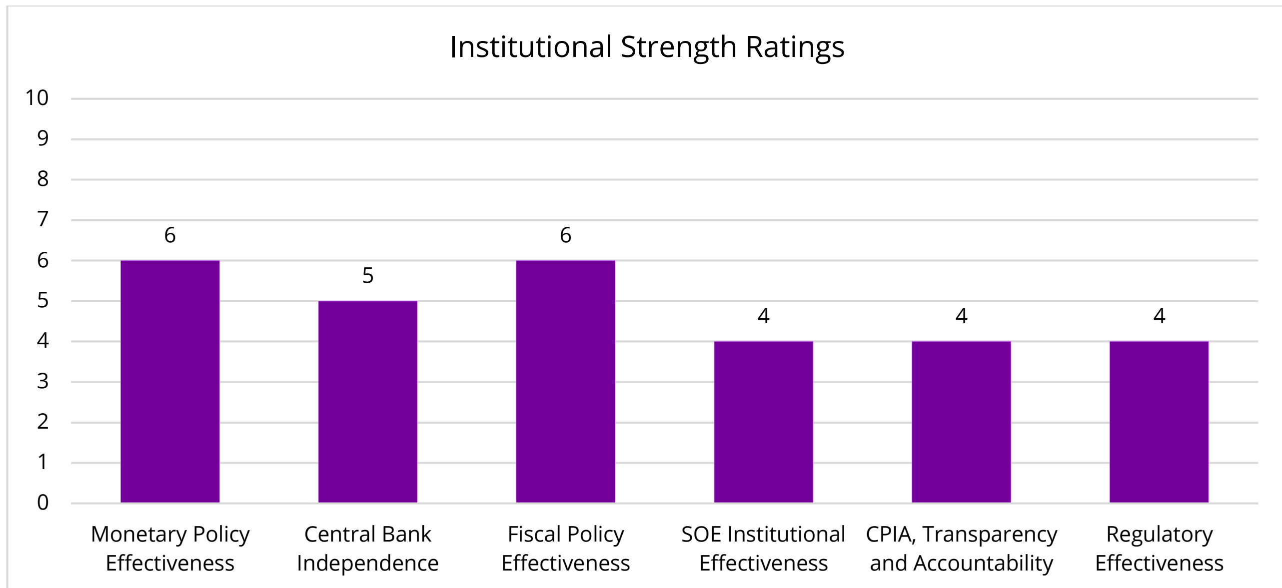
Figure 9: Inflation and Interest Rate



Source: SAR's calculations – Bank of Uganda data

Institutional Strength Pillar

Figure 10: Institutional Strength Scores



Source: SAR's calculations – World Bank data, OECD, IMF

Monetary Policy Effectiveness

The Bank of Uganda maintains highly credible capacity, successfully anchoring inflation at 3.4%. Policy effectiveness is reinforced by the Shilling's status as Africa's most stable currency, providing a reliable anchor for macroeconomic stability despite structural rigidities in credit transmission.

The institution has demonstrated a capacity for precise and timely intervention, illustrated most clearly in late 2025 when targeted Central Bank Rate (CBR) adjustments successfully contained second-round inflation effects from a global oil price spike. By keeping domestic transport and food prices stable while neighbouring currencies came under significant pressure, the Bank proved itself a technically capable institution operating within a well-defined policy framework.

However, the transmission of these policies remains structurally constrained by low financial inclusion. Because a significant portion of economic activity occurs outside the formal banking system, interest rate adjustments reach only a fraction of the economy, limiting the Bank's ability to influence aggregate demand at scale. Broadening formal financial sector participation represents the most consequential lever available to Uganda to materially deepen its monetary transmission mechanism and elevate the overall effectiveness of its policy framework.

Central Bank Independence

The Bank of Uganda enjoys a moderate level of institutional independence. While it has consistently upheld its mandate to ensure price stability and financial sector health, its autonomy is occasionally tested by broader fiscal pressures and the developmental requirements of the state's high-growth strategy.

This tension was navigated credibly when the Bank resisted pressure to monetise infrastructure deficits, opting instead for market-based reserve building through domestic gold purchases, targeting 100kg in 2026, a decision that signalled institutional discipline over short-term fiscal convenience.

However, translating a moderate score into a stronger one requires formalising legal firewalls that explicitly prevent direct Treasury borrowing from the Central Bank, while consistently demonstrating that inflation targets are defended even through politically sensitive election cycles, the kind of track record that SAR treats as the ultimate test of genuine central bank independence.

Fiscal Policy Effectiveness

Uganda is making progress in fiscal consolidation through the Domestic Revenue Mobilisation Strategy (DRMS), aiming for an annual revenue increase of 0.5% of GDP. While debt-servicing costs remain a burden, expenditure restraint and improved tax compliance are stabilising the fiscal framework.

The rollout of the Electronic Fiscal Receipting and Invoicing System (EFRIS) exemplifies this progress, drawing thousands of previously informal traders into the tax bracket and contributing to a revenue-to-GDP ratio of 15.06% in 2025, a meaningful structural improvement.

Nevertheless, debt-servicing costs remain a significant burden, consuming a disproportionate share of fiscal space that would otherwise fund development expenditure. The clearest path to a higher score lies in reducing the interest-to-revenue ratio by substituting expensive commercial borrowing with the concessional financing expected to follow First Oil in late 2026, which would free up fiscal resources for productive investment rather than debt obligation.

SOE Institutional Effectiveness

State-owned enterprise (SOE) reform is a critical priority, highlighted by the RAPEX initiative to rationalise government agencies and reduce functional duplications. Despite these efforts, governance risks and operational inefficiencies persist, particularly in infrastructure and energy sectors, posing ongoing contingent liability risks.

The consolidation of specialised electricity agencies back into the Ministry of Energy reflects a direct attempt to arrest administrative bloat and the salary inflation that had been draining billions of shillings annually, demonstrating at least a willingness to confront embedded inefficiencies.

However, translating reform intent into a materially stronger score requires SOEs to achieve genuine financial self-sufficiency; if anchor entities such as the Uganda National Oil Company can operate profitably without recourse to government guarantees or bailouts, the institutional framework will have demonstrated the resilience needed to shift the assessment from weak to moderate.

Transparency and Accountability

Transparency initiatives are gaining traction through digital public services and participatory governance. However, the modest score reflects persistent challenges in public procurement and corruption risks, which continue to temper investor confidence and prevent full alignment with international best-practice standards.

The Online Business Registration System represents a tangible step forward, reducing reliance on informal intermediaries and facilitation fees at the business entry level, though high-value infrastructure procurement remains subject to scrutiny and reputational risk.

A decisive improvement in this score would require the adoption of a fully open-contracting portal, providing real-time public visibility into every government tender and awarded contract, a reform that would directly address the procurement opacity that currently weighs on FDI investor perception and broader institutional credibility.

Regulatory Effectiveness

Regulatory modernisation is active, with recent successes in the fishing sector, which rebounded by 17.8% due to improved enforcement. Nevertheless, bureaucratic inertia and enforcement gaps in the broader business environment remain constraints on long-term competitiveness.

National Environment Management Authority (NEMA)'s assertive enforcement actions against wetland encroachment and non-compliant industrial operators reflect a notable shift toward rule-of-law application regardless of ownership status, suggesting institutional willingness to close the gap between regulation on paper and regulation in practice.

However, closing the implementation gap comprehensively, rather than selectively is the defining challenge; a meaningful score improvement will materialise when contract enforcement timelines and commercial dispute resolution are systematically accelerated, with the expansion of digital Commercial Courts offering the most credible mechanism to make Uganda's regulatory environment as responsive as its 6.3% GDP growth trajectory demands.

Environmental, Social, and Governance Pillar (ESG)

Environmental

Uganda's environmental credit profile is anchored by a structurally low-carbon energy trajectory that distinguishes it favourably from continental peers managing fossil fuel dependency. The successful commissioning of the Karuma and Isimba hydroelectric projects has elevated installed capacity to 2,098 MW, achieving a 91% energy availability rate by 2026. This shift from chronic deficit to regional exporter directly enhances industrial competitiveness, supported by affordable green energy priced at 5 US cents per kWh for heavy industry.

Despite these strengths, inherent climate vulnerabilities and the regulatory landscape remain critical focal points for the sovereign's ratings. While NEMA has adopted a more assertive enforcement posture regarding wetland restoration and industrial compliance, consistency across the broader economy remains a work in progress. The government is concurrently prioritising climate-resilient infrastructure and the development of the EACOP under stringent environmental standards to balance resource monetisation with vulnerability management.

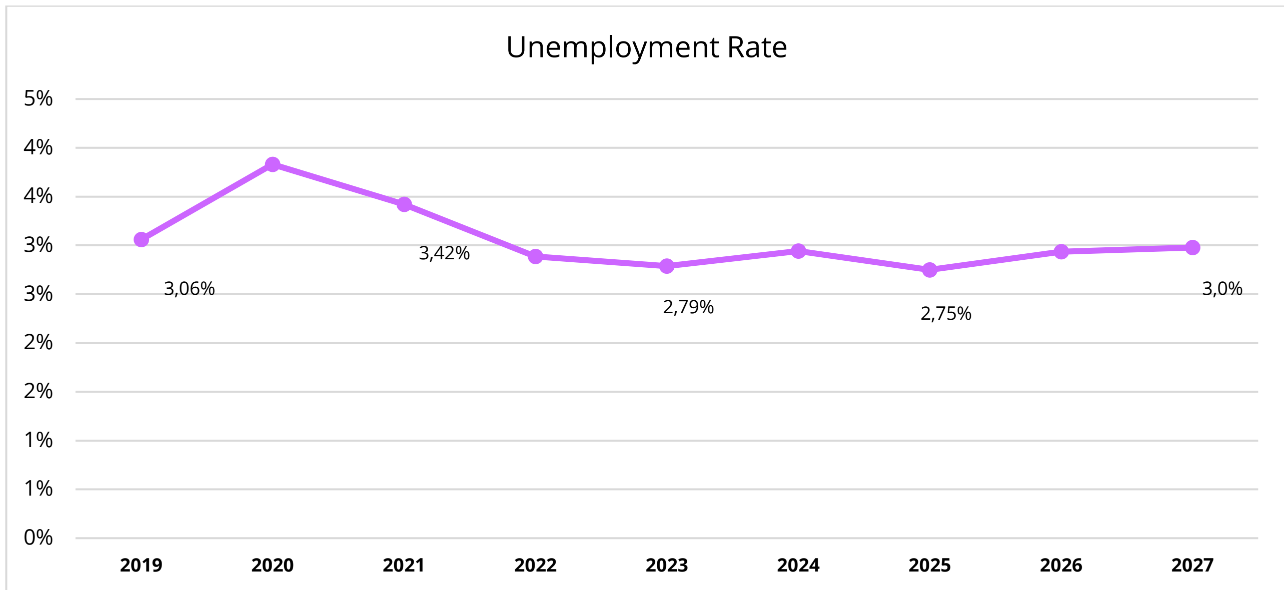
To improve its credit standing, Uganda must bridge the gap between policy design and implementation consistency to strengthen its Environmental Protection Index. Accelerating the Natural Resource Beneficiation rate beyond the current 13.39% will allow the sovereign to capture higher value from its green energy surplus, shifting the economy from a primary exporter to a diversified industrial hub. Ultimately, the successful, transparent execution of the EACOP project alongside maintained exchange rate stability will be vital for moving toward a more resilient investment-grade trajectory.

Social

Uganda's social profile presents a constructive contribution to its sovereign credit assessment, anchored by a low headline unemployment rate of 2.6% in 2026. While partly reflective of a large informal sector, this level of labour absorption mitigates systemic social fragility and reduces the risk of instability as a credit event.

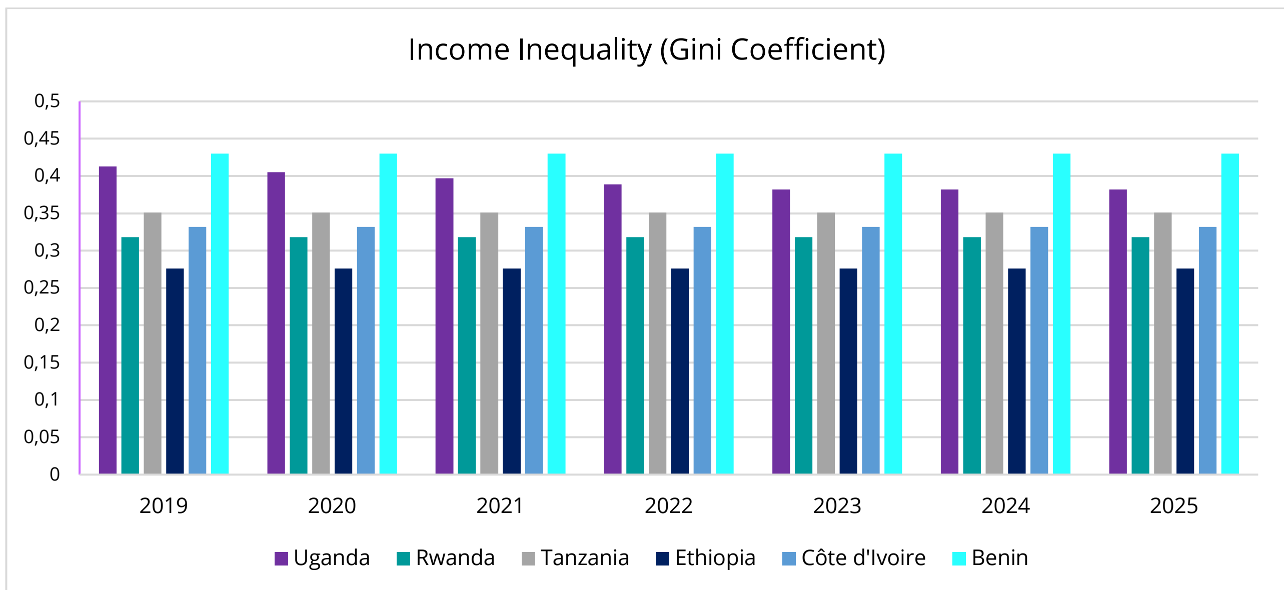
Furthermore, the Gini coefficient has demonstrated a sustained downward trend from its 2016 peak of 42.8% to 38.2% by 2025, signalling a positive trajectory in income distribution that supports social cohesion. This progress is reinforced by a steady rise in the Human Development Index, which is currently at 0.582 and driven by a substantial Ushs 9.58 trillion fiscal allocation toward human capital development.

Figure 11: Unemployment Rate



Source: SAR's calculations – World Bank data

Figure 12: Income Inequality (Gini Coefficient)



Source: SAR's calculations – World Bank, IMF

Governance

The governance framework is characterised by a divergence between strengthening administrative anchors and persistent constraints on political effectiveness. Institutional achievements, such as the Rationalisation of Government Agencies and Public Expenditure (RAPEX) initiative and the Bank of Uganda's success in anchoring inflation, have successfully supported robust Foreign Direct Investment (FDI) inflows. These technical successes underpin the stable rating outlook by providing a reliable macroeconomic foundation despite the broader structural challenges facing the sovereign.

However, regional security pressures and domestic political dynamics remain significant hurdles for the Political Stability dimension. For a sustained upward rating trajectory, the sovereign must bridge the gap between its strong monetary performance and its weaker accountability metrics. Demonstrating transparent procurement and consistent regulatory enforcement through upcoming political cycles will be essential to elevating Uganda's overall credit profile.

Natural Resource Pillar

Extraction and beneficiation

Uganda's industrial trajectory is defined by a strategic shift toward domestic beneficiation, moving beyond raw resource extraction to capture higher structural value. While Manufacturing Value Added (MVA) currently stands at 13.39% of GDP, a level categorised as low on the global index, the institutional depth of the value-addition drive is analytically significant for sovereign credit resilience. The establishment of a refining network, including the first wholly Ugandan-owned facility producing 99.9% purity bullion, has integrated the sovereign into global markets via hubs like Dubai. This maturity is further evidenced by the Bank of Uganda's March 2026 gold purchasing programme, which directly links extractive performance to macroeconomic stability by building national reserves.

The transformation of Uganda's energy base is the most structurally significant development within this pillar, as it provides the critical infrastructure required to shift from raw resource extraction to high-value beneficiation. By moving from a period of chronic power deficits to becoming a regional energy exporter, the sovereign has created a stable environment that directly enhances industrial competitiveness and credit resilience.

Picture: Karuma hydropower plant in Uganda

Under the Extraction and Beneficiation attribute, the relevance of this energy pivot is twofold:

- **Cost Efficiency:** The Electricity Regulatory Authority's (ERA) commitment to maintaining low industrial tariffs significantly reduces operational expenses for energy-intensive sectors like steel and agro-processing, making domestic value addition more viable.
- **Industrial Catalyst:** This affordable, renewable hydropower platform serves as the essential enabling layer for raising Manufacturing Value Added (MVA). By powering a transition toward internationally standardised products and domestic refining, the energy surplus helps translate

geological wealth into the durable, diversified fiscal revenue needed to support an upward sovereign rating trajectory.

Beneficiation

Uganda is rapidly evolving from a raw commodity exporter into a high-value industrial hub, positioning itself as a leader in regional beneficiation. This shift is anchored by the formalisation of the gold sector through a network of refineries and the deliberate expansion into critical minerals like coltan, copper, and uranium to diversify the resource base. A foundational competitive advantage is the sovereign's renewable energy surplus, which provides heavy industry with a structural cost edge over regional peers. Supported by a stable currency and robust Foreign Direct Investment (FDI), Uganda is successfully converting geological wealth into durable industrial value.

To elevate its credit profile toward an investment-grade trajectory, Uganda must bridge the gap between policy design and consistent regulatory enforcement while focusing on deepening its industrial base through higher value retention. Strengthening the sovereign's long-term fiscal revenue base requires a strategic shift in Manufacturing Value Added (MVA) toward higher targets, ensuring that surging mineral and agricultural outputs are processed domestically rather than exported as raw commodities. By leveraging its affordable, renewable energy surplus to power a diversified industrial hub, the sovereign can translate geological and agricultural wealth into durable economic value. Ultimately, the successful transition to a net energy exporter remains the defining milestone for rebalancing the current account and securing a resilient, high-value upward rating trajectory.

Infrastructure Development Pillar

Uganda's infrastructure development between 2013 and 2025 was marked by heavy investment (averaging 6–8% of GDP), ambitious transport and energy projects, and persistent challenges in project execution, financing diversity, and sustainability. While the country expanded roads, power generation, and ICT infrastructure, project delays, debt dependence, and limited community engagement constrained the overall impact.

Table 1: Infrastructure Development Summary

Variable	2013–2015	2016–2019	2020–2022	2023–2025	Score (1 – 10)
Investment Commitment	6–7% of GDP	7–8% of GDP	7–7.5% of GDP	6.3–6.8% of GDP	7
Project Implementation Rate	Low	Moderate	Low (COVID delays)	Moderate	4
Diversity and Scope of Projects	Central focus, Roads, energy	Wider spread, Roads, energy, ICT	National, Roads, energy, health	National, Roads, energy, ICT	4.5
Innovative Financing Models	Loans	Loans, PPPs	Loans, PPPs	Loans, PPPs	3
Sustainability and Environmental Considerations	Weak	Moderate	Moderate	Moderate	3
Economic Impact	Moderate	Strong	Mixed	Strong	6
Maintenance	Weak	Weak	Weak	Weak	3
Community Engagement	Limited	Limited	Limited	Limited	3
Total Pillar Score					**4.2**

Source: Uganda Ministry of Finance, Uganda National Development Plan, IMF, World Bank

The Commitment-Implementation Gap

Uganda consistently allocated 6–8% of GDP to infrastructure. For example, the Kampala–Entebbe Expressway (2018) and Karuma Hydropower Project (2019) absorbed significant resources. During the COVID-19 period (2020–2021), investment dipped slightly but remained above 6%.

Implementation was uneven. The Isimba Hydropower Plant (2019) was completed, but the Standard Gauge Railway (SGR) faced repeated delays and financing setbacks. On average, only 40–60% of projects were delivered on time and within budget.

The issuer must consider strengthening project management offices (PMOs), enforcing accountability, and adopting digital monitoring tools. There is also a need to diversify investment toward social infrastructure (health, education) and digital infrastructure to balance growth.

Diversity and Scope of Projects

Roads and energy dominated. ICT projects, such as the National Backbone Infrastructure (NBI) for internet connectivity, expanded after 2015. Health infrastructure saw upgrades during COVID-19 but remained secondary.

Initially concentrated in central Uganda, projects expanded nationally under NDP III (2021–2025). For instance, the Gulu Logistics Hub improved northern trade connectivity, while rural electrification programmes extended grid access to western and eastern regions.

It would be strategic to broaden the scope to include water, sanitation, and climate-resilient infrastructure, as well as to adopt regional equity targets to ensure balanced distribution.

Innovative Financing Models

Uganda relied on concessional loans, especially from China and multilateral lenders. PPPs were attempted in road projects, but uptake was limited. For example, the Kampala–Jinja Expressway PPP stalled due to investor concerns. It is therefore recommended to expand domestic bond markets, encourage pension fund participation, and explore blended finance.

Sustainability and Environmental Considerations

Environmental Impact Assessment & Compliance (EIAs) were mandated but inconsistently enforced. The Karuma Dam faced criticism for inadequate resettlement and ecological safeguards. Compliance improved after 2018, but monitoring remained weak. Resource management was weak. Hydropower projects disrupted ecosystems, while road construction often ignored sustainable land-use planning.

Mainstream renewable energy adoption and circular economy principles must be included in infrastructure planning, and environmental monitoring agencies must be strengthened and integrate climate resilience into EIAs.

Economic Impact

Infrastructure supported GDP growth of 5–6% annually. Roads improved trade with Kenya and South Sudan, while energy projects expanded electricity access. However, debt sustainability concerns offset gains, with public debt reaching UGX 116 trillion (≈51% of GDP in 2025). It is imperative to conduct regular cost-benefit analyses and prioritise projects with high multiplier effects.

Maintenance and Upkeep Plans

Maintenance was underfunded. Roads like the Kampala–Masaka Highway deteriorated quickly, requiring frequent rehabilitation. Electricity distribution faced reliability issues due to weak upkeep. The government must establish ring-fenced maintenance funds and adopt asset management systems.

Community Engagement and Impact

Community consultation was limited because land acquisition disputes delayed projects such as the SGR and oil pipeline, and compensation processes were often contested. There is a need to institutionalise community engagement frameworks, ensure fair compensation, and integrate social impact assessments.

RATING SENSITIVITIES

Factors That Could Lead to a Rating Upgrade

- **Infrastructure and Energy Optimisation**
    - Successful and timely completion of the East African Crude Oil Pipeline (EACOP), transitioning Uganda to a net energy exporter by late 2026.
    - Significant reduction in distribution losses (currently 17.1%) and improvements in grid stability under UEDCL management.
- **Fiscal Consolidation and Debt Sustainability**
    - Sustained increase in domestic revenue toward the 15.6% of GDP target by 2027, supported by the Domestic Revenue Mobilisation Strategy (DRMS).
    - A decline in the interest-to-revenue ratio, driven by a shift from commercial borrowing to concessional financing and oil-related fiscal inflows.
- **Industrial Transformation and Beneficiation**
    - A sustained increase in Manufacturing Value Added (MVA) from 13.39% toward 15.5% of GDP.
    - Deeper domestic beneficiation of natural resources, such as increased throughput in the 10 gold refineries and specialised mineral processing plants.

Factors That Could Lead to a Rating Downgrade

- **Macroeconomic Vulnerabilities**
    - A sharp deceleration in GDP growth below 5% (currently 6.3%), particularly if caused by severe climate-related agricultural shocks or delays in First Oil, a firm commitment to deliver oil by June or July 2026.
    - Significant currency volatility or a surge in inflation exceeding the 5% target, undermining the current stability of the Ugandan Shilling.
- **Fiscal and External Deterioration**
    - Gross government debt rising toward unsustainable levels without a corresponding increase in revenue from the extractive sector.
    - A widening of the Current Account Deficit beyond -9.5% of GDP, especially if FDI inflows (currently $3.48 billion) fail to cover infrastructure-related capital imports.
- **Contingent Liability and Governance Risks**
    - Failure of the RAPEX initiative to reduce functional duplications, leading to continued fiscal slippage from inefficient state-owned enterprises.
    - Materialisation of large-scale government guarantees or reputational risks stemming from procurement irregularities in the extractive or energy sectors.
- **Industrial and Environmental Regression**
    - A decline in MVA below 12% of GDP, signalling a return to raw commodity export dependency and a resource curse dynamic.
    - Significant environmental or social setbacks in the development of the EACOP project that trigger international sanctions or a withdrawal of foreign investment.

KEY RATING INDICATORS

Table 2: Key Risk Indicators

Variable	2023	2024	2025	2026	2027 F
GDP Growth Rate (%)	5.34%	6.14%	6.3%	6.89%	7.19%
GDP per Capita (US$)	1150.73	1223.87	1374.68	1 473.71	1 607.26
Share in Peer Group GDP	12.93%	13.32%	12.11%	12.58%	12.5%
Share in World GDP	0.08%	0.09%	0.09%	0.09%	0.09%
Export Diversification Index	0.44	0.42	0.4	0.39	0.4
Current Account Balance as Percentage of GDP (%)	-7.55%	-7.35%	-6.23%	-6.83%	-6.65%
General Government Revenue (% of GDP)	14.39%	14.49%	15.06%	15.6%	16.0%
Gross Government Debt (% of GDP)	53.1%	54.4%	52.13%	50.91%	49.64%
Gross Government Debt (% of Revenue)	310.0%	320.0%	330.0%	340.0%	350.0%
General Government Interest (% of Revenue)	20.8%	21.0%	22.1%	22.6%	23.5%
General Government Fiscal Balance (% of GDP)	-6.0%	-5.8%	-5.5%	-5.3%	-5.0%
Foreign Debt (% of Total Gross Loan Debt)	60.2%	57.0%	48.0%	47.6%	44.3%
Local Currency Denominated Debt (% of Foreign Debt)	19.0%	19.0%	20.0%	20.3%	21.1%
Contingent liabilities (% of GDP) [Government Financial Guarantees Exposed Value]	4.2%	4.5%	4.7%	5.0%	5.3%
Debt Repayment Record (Years Since Default or Restructuring Event)	17	18	19	20	21
Inflation Rate	4.5%	3.3%	3.3%	4.1%	3.7%
Exchange rate stability (Implied PPP Conversion)	1265.0	1267.0	1268.0	1269.7	1270.9
Domestic Market Capitalisation (% of GDP)	2.5%	2.4%	2.3%	2.2%	2.1%
Broad Money Supply Growth Rate (%)	6.0%	4.0%	6.0%	4.50%	2.93%
Foreign Currency Reserves (% of Total External Debt)	28.0%	29.0%	29.0%	29.5%	29.7%
Independence Of Central Bank (Transparency and Independence Index)	5	5	5	5	5
Regulatory Effectiveness (Regulatory Quality Index)	4	4	4	4	4
Fiscal Policy Effectiveness	4	4	4	4	4
Monetary Policy Effectiveness (CPIA Financial Sector Rating)	4	4	4	4	4
SOE Institutional Effectiveness	3	3	3	3	3

Transparency And Accountability	3	3	3	3	3
Environmental Regulations and Enforcement (Environmental Protection Index)	4	4	4	4	4
Climate and Natural Disaster Risk Exposure (Climate Change Policy Index)	4	4	4	4	4
Unemployment Rate (%)	2.79%	2.94%	2.75%	2.8%	2.6%
Income Inequality (Gini Coefficient)	0.618	0.618	0.621	0.628	0.627
Social and Environmental Impact of Natural Resource Extraction (Ecosystem Vitality Index)	8.0	8.0	8	8	8
Labour Rights and Standards	4.420	4.420	4.420	4.420	4.420
Human Development Index (HDI. 0 To 1)	0.582	0.582	0.582	0.582	0.582
Political Effectiveness (Political Stability Index)	1	1	1	1	1
Governance Practices (Government Effectiveness Index) (-2.5 To 2.5)	-0.430	-0.350	-0.350	-0.350	-0.350
Natural Resource Extraction (Natural Resources as % of Exports)	29%	29.1%	29.1%	29.1%	29.1%
Natural Resource Beneficiation (Manufacturing Value Added as % of GDP)	-	-	-	13.3%	13.5%
Energy Generation & Availability (% of Population with Access to Electricity)	-	-	-	89%	94%
Investment Commitment	7	7	6	7	7
Project Implementation Rate	5	4	4	4	4
Diversity And Scope of Projects	5	5	5	5	5
Innovative Financing Models	3	3	3	3	3
Sustainability and Environmental Consideration	3	3	3	3	3
Economic Impact Analysis	6	6	6	6	6
Maintenance and Upkeep Plans	3	3	3	3	3
Community Engagement and Impact	3	3	3	3	3

Rating Methodology

The principal methodology used in this rating methodology was published and is available at:

Sovereign Rating Methodology

Information and Data

SAR confirms that data and information adequacy was sufficient to conduct this credit rating.

Data and information from reputable sources were used during the credit rating process.

The quality of the data and information has been validated via cross-referencing against various data sources for consistency.

Issuer Participation

SAR confirms that the credit rating has been disclosed to the rated entity.

This is an unsolicited credit rating.

The rated entity did not participate in the rating process.

SAR had access to publicly available and internal data and information during the rating process.

The rated entity did not request that SAR conduct this credit rating assessment.

Rating Definitions

SAR Rating Definitions

Rating History

Initial Rating Date	05 June 2026	Current Rating Date	05 June 2026

Glossary of Terms

Term	Definition
The African Continental Free Trade Area (AfCFTA)	The African Continental Free Trade Area (AfCFTA) is a landmark trade agreement among African countries aimed at promoting intra-African trade and economic integration. It was established to create a single market for goods and services on the continent. removing trade barriers and fostering economic co-operation among African nations.
Beneficiation	The process of improving the chemical or physical properties of a raw resource (such as gold or oil) to create higher-value refined products.
Credit Rating Action	Any of the following is a credit rating action: 1. The process through which a credit rating is given to a rated entity or obligation. including credit ratings given during a subsequent rating process. 2. When relevant conditions are thought to have been satisfied in the anticipated rating process. a provisional note is removed from a credit rating. 3. A change to a credit rating (i.e. upgrade or downgrade). 4. Placing a credit rating under review. reconfiguring an active review. or removing a credit rating from review (i.e. credit rating confirmation). The assignment of. or modification of. an outlook linked to a rated entity or several credit ratings. 5. A credit rating affirmation. 6. A credit rating withdrawal.
Current Account Balance	Exports of goods and services minus imports of the same. plus, net factor income. plus official and private net transfers.
DRMS	Domestic Revenue Mobilisation Strategy; a fiscal framework aimed at increasing a sovereign's tax-to-GDP ratio through improved collection efficiencies and formalisation of the economy.
EACOP	The East African Crude Oil Pipeline; a landmark infrastructure project for transporting crude oil, representing significant capital imports and long-cycle productive investment.
Employee(s)	An employee is any full-time or part-time employee of SAR or any of its subsidiaries and associated companies.
ERA	The Electricity Regulatory Authority; the statutory body responsible for regulating the generation, transmission, distribution, sale, export, and import of electrical energy in Uganda.
Foreign Direct Investment (FDI)	Direct investment is conducted by non-residents.
Gross Domestic Product (GDP)	The total market value of goods and services produced by resident factors of production.
GDP per capita	GDP is divided by population.
GHG	Greenhouse Gas. Greenhouse gases are gases in the atmosphere that absorb and emit radiation within the thermal infrared range. causing the greenhouse effect.
Gini Coefficient	The Gini coefficient is a statistical measure used to assess income or wealth inequality within a population. It ranges from 0 to 1. where 0 represents perfect equality (everyone has the same income) and 1 represents perfect inequality (one person has all the income). A higher Gini coefficient indicates greater inequality.
Issuer	An issuer is any entity that issues debt. a credit commitment. debt-like obligations. or securities. Examples of such entities include special-purpose vehicles. companies. governments. and local governments.
Lead Rating Analyst (Lead Analyst)	Lead Rating Analyst is a term used to describe an analyst who is primarily responsible for providing details about a credit rating and/or for communicating with the issuer(s) regarding a specific credit rating or regarding the credit rating of a financial instrument issued by that issuer. as well as. when appropriate. for creating recommendations for the rating committee in relation to that credit rating.
Manager(s)	Manager(s) are employees who oversee personnel.

NEMA	The National Environment Management Authority; the principal agency responsible for co-ordinating, monitoring, and supervising all activities related to the environment.
MVA	Manufacturing Value Added; a net measure of the manufacturing sector's output, used to assess a sovereign's progress toward industrialisation and domestic value addition.
Net general government debt	General government debt minus general government liquid financial assets.
Net external liabilities	Total public and private sector liabilities to non-residents minus total external assets.
Outlook	An outlook is an opinion regarding the likely path an issuer’s rating could take over the medium term.
PM Score	PM (Particulate Matter) scores related to air quality.
Prohibited Recommendation	Any proposals or recommendations made either formally or informally regarding the design of financial instruments on which a CRA is envisioned to issue a credit rating may be made by an employee to a rated entity or its agent to improve the rated entity's rating. This includes suggestions about the rated entity's corporate or legal structure. assets. liabilities. or activities.
Rated Entity(ies)	A rated entity is any entity rated by a credit rating agency (CRA).
Review	A review is an indication that a rating may change in the not-too-distant future.
RAPEX	Rationalisation of Government Agencies and Public Expenditure; an administrative reform initiative designed to reduce functional duplications and improve fiscal discipline.
SAR	Sovereign Africa Ratings (Pty) Ltd is authorised to conduct business as a credit rating agency as per the Credit Ratings Services Act of 2012 of the Republic of South Africa.
Special Drawing Rights (SDR)	The SDR is an international reserve asset that was created by the International Monetary Fund in 1969 to supplement its member countries' official reserves.
Security	Security refers to any type of financial instrument. including stocks. bonds. debentures. notes. options. equity securities. convertible securities. warrants. derivative securities (derivatives). and warrants.
Total Debt Service (TDS)	Total Debt Service (TDS. current US$) refers to the total amount of money paid by a country to cover the principal and interest payments on its external debt. External debt includes loans and financial obligations owed to foreign creditors. such as other governments. international organisations. or private entities. by the country in question.

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