CHARTER FOR FISCAL RESPONSIBILITY

UGANDA
FY2026/27 – FY2030/31

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Ministry of Finance, Planning and Economic Development

CONTENTS

CHAPTER 1: INTRODUCTION

1.1 This is the third Charter for Fiscal Responsibility ("the Charter") that will run for the period FY 2026/27 – FY 2030/31.

1.2 This is a period where Uganda has entered a new phase of economic transformation characterized by accelerated economic growth, commencement of oil production, and implementation of the ten-fold growth strategy.

1.3 Government's fiscal policy strategy over the next 5 years will be to pursue macroeconomic stability while creating the fiscal space required for strategic public investments and private sector led growth. This fiscal policy strategy targets;

i. Accelerated economic growth by prioritizing high impact growth sectors
ii. Revenue-led fiscal consolidation
iii. Reduced dependence on commercial borrowing
iv. Efficient and effective public expenditure and
v. Sustainable management and utilization of petroleum revenues

1.4 The purpose of this Charter, therefore, is to provide an anchor for fiscal policy in the next five years that will support the ten-fold growth strategy, socioeconomic transformation of Uganda, as well as maintenance of a stable macroeconomic environment that incentivises private investment.

1.5 The Charter sets out Government's commitment to managing fiscal policy in accordance with clear and measurable objectives that are consistent with the following fiscal principles;

i. Sufficiency in revenue mobilisation to finance Government programmes.
ii. Maintenance of prudent and sustainable levels of public debt.

iii. Ensuring that the fiscal balance, when calculated without petroleum revenues, is maintained at a sustainable level over the medium term.
iv. Management of revenues from petroleum resources and other finite natural resources for the benefit of current and future generations.
v. Management of fiscal risks in a prudent manner.

1.6 This Charter takes into account the commencement of commercial oil production in FY2026/27. Accordingly, the measurable fiscal objectives set out herein are formulated with due regard to the anticipated presence of oil revenues within the medium-term fiscal framework, guiding their utilisation to promote long-term growth and development.

CHAPTER 2: LEGISLATIVE BASIS

2.1 The Public Finance Management Act Cap. 171 sets out a legal framework for economic management to ensure macroeconomic stability.

2.2 This Charter is formulated in accordance with Sections 3, 4, 5 and 6 of the PFM Act Cap. 171. These sections of the PFM Act explain in detail why the Charter for Fiscal Responsibility must be prepared, the timelines, assigns responsibilities, and gives guidance on how to handle any deviations during the implementation of the Charter. Specifically, Section 3(2) of the PFM Act Cap. 171, states the principles that must be based upon while setting Government's fiscal objectives.

Chapter 3: Statement of Fiscal Policy Objectives

3.1 For the period FY2026/27 – FY2030/31, Government shall adopt the following measurable objectives for fiscal responsibility.

Objective 1: Public Debt

*Total Public debt in nominal terms will be contained within a medium-term ceiling peaking at 55.1% of non-oil GDP before gradually reducing to **50% of non-oil GDP** by financial year 2030/31, strictly following the annual debt ceilings below.*

	2026/27	2027/28	2028/29	2029/30	2030/31
Nominal Debt to non-oil GDP	54.7%	55.1%	54.5%	52.9%	50.0%

Justification

Given Uganda's debt carrying capacity (size of the economy and revenue inflows), stabilising public debt at 50 percent of non-oil GDP in the medium term is what is sufficient to ensure long term fiscal and debt sustainability.

Objective 2: Debt Service

a. *The ratio of commercial borrowing (domestic borrowing[1] plus external commercial general budget borrowing[2]) to domestic non-oil revenue is reduced gradually to below 20 percent by FY2030/31.*

b. *Total interest payments is gradually reduced to 20 percent of domestic non-oil revenue by FY2030/31.*

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1 Domestic borrowing refers to new borrowing from the domestic market to finance the budget but does not include redemptions.

2 External commercial general budget borrowing is new borrowing from external markets for general budget financing, excluding external borrowing for development projects.

	2026/27	2027/28	2028/29	2029/30	2030/31
Total Commercial borrowing/ Domestic Non-Oil Revenue	33.7%	26.4%	25.5%	23.6%	19.3%
Total Interest/Domestic Non-Oil revenue	32.5%	29.4%	26.3%	23.2%	20.0%

Justification

Uganda's debt vulnerabilities mostly lie in debt service which is projected to be 44.3 percent of domestic revenue in FY 2025/26, limiting the ability of Government to spend on other essential items. The growth in debt service mainly comes from commercial borrowing from both the domestic market and the external sources. Thus, the need to set a limit on this expensive borrowing, which will reduce debt service requirements in the medium term. During the Charter period, emphasis will be put on concessional borrowing which is both less expensive and includes a grant component.

Objective 3: Fiscal balance

The overall fiscal balance, calculated without petroleum revenues, is gradually reduced to a deficit not exceeding 1.5 percent of non-oil GDP by financial year 2030/31, strictly following the path below.

	2026/27	2027/28	2028/29	2029/30	2030/31
Fiscal Deficit (Excl. Oil Revenue)	-6.6%	-6.0%	-4.3%	-3.0%	-1.5%

Justification

The above table provides a year to year path of fiscal deficit (excluding oil revenues) that Government shall adhere to in order to guide nominal public debt back to levels below 50% of non-oil GDP by financial year 2030/31.

Exclusion of petroleum revenues while calculating fiscal balance is intended to ensure that annual budgets are insulated from the volatilities associated with petroleum revenue which can result in pro-cyclical fiscal policy and harmful macroeconomic effects.

Objective 4: Expenditure Rule

The growth rate in recurrent spending as a percentage of non-oil GDP shall not exceed the growth rate of domestic revenue (excluding oil) as a percentage of non-oil GDP for each financial year.

Objective 5: Petroleum Revenue Rule;

A maximum of oil revenue worth 0.8% of the preceding year's estimated non-oil GDP outturn provided by Uganda Bureau of Statistics (UBOS) shall be transferred to the consolidated fund for budget operations and the remainder of the oil revenues shall be transferred to the Petroleum Revenue Investment Reserve (PRIR).

Justification

This fiscal rule is intended to smoothen expenditure related to petroleum revenues using the Permanent Income Hypothesis. Over the 25 year period of the generation of petroleum revenues given the current projections, the average petroleum revenue inflow will be approximately 1 percent of non-oil GDP annually. Therefore, to ensure macroeconomic stability and intergenerational equity, it is recommended that petroleum revenue equivalent to not more than 0.8 percent of the preceding year's estimated non-oil GDP outturn in any given financial year.

Non-oil GDP is used as a benchmark deliberately to insulate the rule from volatile oil-GDP expenditure. It is designed to anchor sustainable spending, preventing spending spikes driven by for example, global oil price changes.

The rule facilitates prudent utilization and management of petroleum resources to finance the country's development agenda while avoiding harmful macroeconomic effects such as the 'Dutch disease' and procyclicality in fiscal policy.

DEVIATION FROM THE CHARTER

3.2 Section 6(1) of the PFM Act Cap. 171 provides the circumstances under which the Minister may, with the approval of Parliament, deviate from the targets set in the Charter. These circumstances are:

(i) A natural disaster.

(ii) An unanticipated severe economic shock.[3]

(iii) Any other significant unforeseen event that cannot be funded under the PFM Act Cap. 171, or using prudent fiscal policy mechanisms.

3.3 The Minister shall, within thirty days following the deviation, publish a report in the gazette and on the website of the Ministry explaining the reasons for the deviation and the adjustments to be done to bring the overall fiscal deficit back to the set path over the remaining financial years.

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[3] *A severe economic shock constitutes an unexpected or unpredictable event resulting into a large-scale economic downturn, measured by a contraction in real non-oil GDP for at least two consecutive quarters in a quarter-to-quarter comparison from the preceding period.*

UPDATE OF THE CHARTER

3.4 In case the situation requires, the Minister may update the Charter for Fiscal Responsibility using the principles of Fiscal responsibility as set out in Sections 4(3)-(6) of the Public Finance Management (PFM) Act Cap. 171.

3.5 The Minister must submit the updated Charter to Parliament for approval.

3.6 The updated Charter shall be submitted alongside an updated Medium Term Fiscal Framework (MTFF) for the remaining period of the Charter, which shows how the updated fiscal objectives will be met on the basis of the economic and fiscal policy assumptions that underpin the Medium Term Fiscal Framework (MTFF).

3.7 The Minister shall, within one week after approval by Parliament, publish the updated Charter for Fiscal Responsibility.

CHAPTER 4: METHODOLOGY FOR ASSESSING FISCAL PERFORMANCE

4.1 Coverage of fiscal data shall be based on Public Finance Management Act Cap. 171 fiscal reporting requirements.

4.2 In assessing performance against the measurable objectives for fiscal responsibility, Government shall use the following definitions:

(i) "Fiscal balance" means the difference between total revenues (excluding petroleum revenues) and total expenditure.

(ii) "Petroleum revenue" as defined in the PFM Act Cap. 171 means tax paid under the Income Tax Act on income derived from petroleum operations, Government share of production, signature bonus, surface rentals, royalties, proceeds from the sale of Government share of production, any dividends due to Government, proceeds from the sale of Government's commercial interests and any other duties or fees payable to the Government from contract revenues under a petroleum agreement but excludes cash calls appropriated by Parliament from time to time, cost oil attributable to state participation and the tariff payable under the law relating to the East African Crude Oil Pipeline Project.

(iii) "Grants" includes project and budget support grants from development partners.

(iv) "Non-oil GDP" means the total monetary value of all goods and services produced within a country within a given time period, excluding the direct economic contributions of the oil sector and gas extraction sector.

(v) "Commercial borrowing" will include new Government borrowing from the domestic market to finance the budget (domestic borrowing) as well as new non-concessional external borrowing for general budget financing. The calculation for commercial borrowing will not include borrowing for projects and/or domestic debt redemptions.

4.3 The Economic and Fiscal Update accompanying this Charter shall include a Medium Term Fiscal Framework (MTFF) which shows how the fiscal objectives in this Charter will be met on the basis of the economic, fiscal and policy assumptions that underpin the MTFF.

4.4 The paths for public debt and overall budget deficit **(in objectives 1,2 and 3)** shall provide the basis for the annual assessment of Government's performance against the Charter for Fiscal Responsibility.

4.5 For purposes of section 4.4 above, measuring performance against the Charter to determine if there was any deviation from the annual targets set in the measurable fiscal objectives will be done annually based on outturns for both fiscal deficit and public debt.

4.6 The National Budget Framework Paper shall provide the medium term expenditure framework limits for each financial year consistent with the fiscal objectives and targets set in this Charter.

4.7 The National Budget Framework Paper shall include a Fiscal Risk Statement identifying the main sources of annual risks to Government's fiscal objectives. The major sources of fiscal risks may include among others, the following;

(i) Contingent liabilities

(ii) Natural disasters

(iii) Petroleum price volatilities

(iv) Refinancing risk

(v) Exchange rate risk

(vi) Interest rate risk

4.8 The Fiscal Risks Statement shall also include a strategy for managing the fiscal risks identified in paragraph 4.7, including Government's decisions on risk-bearing, mitigation and absorption.

CHAPTER 5: SOURCES OF DATA TO BE USED FOR REPORTING FISCAL PERFORMANCE

5.1 The sources of data for monitoring the performance of the measurable fiscal objectives in this charter will include the following Government reports:

(i) **National Budget Framework Paper (BFP)**, published no later than 30 days after 1st February.

(ii) **Half-year Fiscal Performance Report**, submitted to Parliament by the end of February of each financial year.

(iii) **Annual Fiscal Performance Report**, submitted to Parliament by the end of October of each financial year.

(iv) **Annual Report of the Petroleum Revenue Investment Reserve,** submitted to parliament by 1st April of the following year.

(v) **Audited Consolidated Accounts of Government.**

(vi) Audited accounts of the **Petroleum Fund and Petroleum Revenue Investment Reserve.**

(vii) **Annual Debt Management Report**, submitted to Parliament by 1st April each financial year.

(viii) **Debt Sustainability Analysis (DSA) Report**, prepared by 31st January each financial year and published on the Ministry of Finance website.

CHAPTER 6: CONSISTENCY OF THE FISCAL OBJECTIVES WITH THE PRINCIPLES OF FISCAL POLICY

6.1 The fiscal objectives in this charter aim at achieving the following goals which are consistent with the principles of fiscal policy stated in section 3(2) of the Public Finance Management (PFM) Act Cap. 171.

i. Ensuring maintenance of fiscal sustainability by avoiding deficit bias and gradually reducing the public debt burden.

ii. Insulating the budget from volatile oil revenues that could cause harmful macroeconomic effects.

iii. Ensuring intergenerational equity by spreading the benefits from oil beyond the current generation.