

Civil Society Calls for Structural Reforms as Uganda Prepares the FY2026/27 Budget



L-R: ACODE ED Dr. Arthur Bainomugisha, Finance Ministry's Tax Policy Advisor Paulo Lakuma, Associate Director Business Tax Advisory Robert Mbaziira and Observer Columnist Yusuf Serunkuma on Thursday, 20th February 2026 at the CSO Pre-Budget Dialogue. Photo(CSBAG)

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Civil Society Organizations (CSOs) have urged the Government of Uganda to move beyond numerical adjustments and undertake fundamental structural reforms to achieve economic transformation. The calls were made during the 41st CSO Pre-Budget Dialogue held in Kampala, convened under the theme: "Repurposing the Budget for Economic Transformation & Sustainable Growth."

In his opening remarks, the Executive Director of the Civil Society Budget Advocacy Group (CSBAG), Mr. Julius Mukunda, welcomed stakeholders and provided accountability on CSO advocacy wins embedded in the current FY2024/25 budget. Mr. Mukunda highlighted key government adoptions of CSO proposals, including the removal of 50 non-functional projects from the Public Investment Plan to create fiscal space, and a significant increase in allocation for domestic arrears to **UGX 1.4 trillion**—a 60% rise from the previous FY2024/25 allocation of **UGX 200 billion**.

"We are encouraged to see our proposals being taken up, particularly the clearance of arrears and the weeding out of inefficient projects. However, repurposing the budget requires restructuring the budget because the budget is already tight. The budget challenge is a structural issue, not just the numbers," Mr. Mukunda stated.

Representing the Permanent Secretary/Secretary to the Treasury (PSST) at the Ministry of Finance, Planning and Economic Development (MoFPED), Mr. Ali Tagole recognized the vital role of civil society in operationalizing Section 12(2)(f) of the Public Finance Management Act (PFMA), which mandates that the budget be prepared in consultation with key stakeholders.

Looking ahead, Mr. Tagole revealed that the FY2026/27 budget is projected at **UGX 78 trillion**. This will be supported by domestic revenue estimated at **UGX 41.5 trillion** and annual investments of **UGX 4.3 trillion**. He noted that budget support and domestic borrowing have been reduced to free resources for productive interventions.

"Budget priorities for FY2026/27 include strengthening enablers such as infrastructure, energy, water, roads, and industrial parks; driving export growth; and unlocking private sector productivity," Mr. Tagole explained.

Ms. Irene Kagoya, Associate Director of Advocacy at World Vision Uganda, emphasized that achieving Uganda's goal of a **\$500 billion** economy hinges on investing in people. She highlighted the stark reality that 12 million Ugandans lack access to basic water, and millions more lack safely managed sanitation.

"Human capital begins with dignity—water, sanitation, and health. Government priorities under NDP IV and the 10-fold Growth Strategy must place people and productivity at the center of Uganda's growth ambitions," Ms. Kagoya noted.

Delivering a research perspective, Dr. Fred Muhumuza warned of macroeconomic vulnerabilities, noting that the National Budget Framework Paper (NBFP) indicates a 10% depreciation in the exchange rate would increase public expenditure by **UGX 1.3 trillion** while offsetting revenue gains by **UGX 275 billion**. He also advocated for centralizing the industrialization agenda at MoFPED for better coordination.

Building on the calls for fiscal discipline, Dr. Arthur Bainomugisha echoed the need to reduce the number of Parliamentarians to cut expenditure on parliamentary business. He weighed in on the growing expenditure on Parliament, making a firm call for urgent action. "In this country, we need to make serious calls on reducing the number of MPs as part of reducing expenditure on Parliament business. The MPs also have to pay some tax. Let's reinstate MPs' payment of income tax because they are currently exempted from paying income tax on their allowances," Dr. Bainomugisha asserted.

Furthermore, Mr. Robert Mbaziira said Uganda doesn't need new taxes. What's urgent is widening the tax base and implementing measures already approved. Poor implementation and delays are hurting business and economic growth. Mr. Mbaziira asserted.

Adding to the discourse on tax reforms, Mr. Paul Lakuma, also representing the PSST's office, advised on addressing the fiscal deficit through enhanced domestic resource mobilization. He stressed that Uganda does not necessarily need new taxes but must urgently widen the tax base and fully implement measures already approved.

"For a more effective tax system, we need to shift focus from national taxes to local government taxes and rebalance indirect consumption taxes with direct taxes. Frequent policy changes negatively impact the investment environment," Mr. Lakuma said.

Dr. Yusuf Serunkuma urged the government to act as a growth enabler by running strategic ventures, citing Tanzania's example of government-run municipal buses that generate revenue while solving public needs. "Governments can earn while providing essential services, moving beyond simple taxation. Uganda can emulate that," he argued.

Mr. Adam Babale, Director of Research and Policy Analysis at the Local Government Finance Commission (LGFC), highlighted chronic funding gaps crippling local governments. He revealed that the Commission is working with MoFPED to boost local revenue collection and ensure equitable financing across districts. He also proposed new laws to ensure government-owned market spaces are rented directly to vendors without middlemen. "Properly managed markets can generate significant income for local governments," he added.

In his closing remarks, CSBAG's Executive Director Julius Mukunda appreciated stakeholders for their participation and outlined key takeaways. He noted that with oil revenues expected at year-end, budget reforms must force a focus on structures, not just numbers.

"As Parliament is set to start debating the **UGX 78 trillion** budget in March, we shall continuously monitor this process. We shall capture and publish today's proceedings in a report which you can access on our website," Mr. Mukunda concluded.