



The Republic of Uganda

# Contingent Liabilities Annual Report

## FY 2024/2025

Directorate of Debt and Cash Policy  
MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

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BoU	Bank of Uganda
DFCU	Development Finance Company of Uganda Bank
EBU	Extra-Budgetary Units
GoU	Government of Uganda
IAS	International Accounting Standard
PFMA	Public Finance Management Act
PDMF	Public Debt Management Framework
CFRS	Charter of Fiscal Responsibility
FRS	Fiscal Risks Statement
DSB	Debt Statistical Bulletin
DSA	Debt Sustainability Analysis
IUIU	Islamic University in Uganda
KFAED	Kuwait Fund for Arab Economic Development
LG	Local Governments
CA	Contracting Authority
MoFPED	Ministry of Finance, Planning and Economic Development
OPEC	Organization of the Petroleum Exporting Countries
PPP	Public Private Partnership
SOE	State-Owned Enterprise
UDBL	Uganda Development Bank Limited
UEGCL	Uganda Electricity Generation Company Limited
UETCL	Uganda Electricity Transmission Company Limited
UGX	Ugandan Shillings
USD	United States Dollar

## FOREWORD

The Ministry of Finance, Planning and Economic Development presents the Contingent Liabilities Annual Report for FY 2024/25 in accordance with the requirements of the Public Finance Management Act (Cap 171), the Public Debt Management Framework, and the Charter of Fiscal Responsibility. These legal and policy frameworks require Government to systematically identify, evaluate, and disclose fiscal risks that may crystallize into direct obligations on the Consolidated Fund. Contingent liabilities—arising from guarantees, public entities, legal proceedings, on-lending arrangements, or contractual commitments—constitute potential claims on public resources and therefore warrant transparent reporting and prudent management as part of sound public financial governance.

This Report underscores Government's commitment to strengthening fiscal risk oversight within the broader macroeconomic and debt management framework. The law mandates prior approval for borrowing and guarantees issued by public entities and entrusts the Minister responsible for Finance with ensuring that such exposures are rigorously assessed. Through the Directorate of Debt and Cash Policy, monitoring of contingent liabilities has been integrated into debt sustainability analysis, medium-term fiscal planning, and fiscal risk assessment processes to ensure that potential obligations remain within sustainable thresholds.

During the year under review, priority areas included oversight of Government guarantees, monitoring of State-Owned Enterprises and Extra Budgetary Units, management of on-lent facilities, review of borrowing authorizations, assessment of Public-Private Partnership exposures, and evaluation of liabilities arising from legal proceedings. Strengthened institutional controls, improved financial reporting, and enhanced inter-agency coordination have been central to mitigating the accumulation of unmanaged risks. As Uganda advances its development agenda, disciplined management and transparent disclosure of contingent liabilities remain essential to safeguarding macro-fiscal stability and sustaining investor confidence.



Ramathan Ggoobi

**PERMANENT SECRETARY/SECRETARY TO THE TREASURY**

This Contingent Liabilities Annual Report for FY 2024/25 provides a comprehensive assessment of explicit and implicit fiscal risks facing Government, in line with the Public Finance Management Act (Cap 171) and the Public Debt Management Framework. The report draws on audited financial statements, field engagements, and institutional submissions to evaluate potential obligations arising from guarantees, Public–Private Partnerships (PPPs), State-Owned Enterprises (SOEs), Extra Budgetary Units (EBUs), Local Governments, borrowing authorizations, and legal proceedings. Overall, while explicit guarantee-related risks remain low and manageable, pressures are emerging from the financial performance of SOEs and the growing stock of legal claims against Government.

Under explicit contingent liabilities, the guarantee portfolio expanded in nominal terms, with total guaranteed amounts increasing to approximately USD 200 million. Disbursed and outstanding guaranteed debt rose moderately, largely driven by additional facilities to Uganda Development Bank (UDB). The portfolio remains highly concentrated in the financial sector and in a single beneficiary, increasing concentration risk. However, credit assessments indicate very low probabilities of default, and expected fiscal losses remain negligible relative to GDP. The redemption profile is front-loaded over the medium term, requiring close monitoring during peak repayment years. Regarding PPPs, although 40 projects remain under the PPP Act pipeline, none has reached financial closure, implying that PPP-related fiscal exposures remain prospective rather than crystallized. Progress continues to be constrained by limited feasibility funding, procurement complexities, and capacity gaps.

Implicit contingent liabilities, particularly those arising from SOEs, present more material medium-term fiscal risks. While aggregate SOE revenues grew significantly in FY 2024/25, sector-wide profitability deteriorated sharply, with net income turning from surplus to deficit. Median profitability indicators- including net profit margin, return on assets, and return on equity- declined, and the proportion of loss-making

entities increased. Liquidity pressures intensified, with more entities reporting current ratios below one, and leverage ratios rising across the portfolio. Although total SOE debt remained broadly stable, the composition shifted toward growing non-debt liabilities (such as payables and lease obligations), while Government on-lent loans remain the dominant component of liabilities. These trends increase the likelihood that financially distressed SOEs, particularly in the energy sector, may require Government intervention, thereby elevating implicit fiscal risk.

Authorizations to borrow continued in compliance with statutory requirements, with all approved entities servicing their obligations as scheduled. Local Government liabilities remain modest and largely operational in nature, consisting mainly of payables with no structured borrowing exposure, thus posing minimal fiscal risk. In contrast, contingent liabilities arising from legal proceedings increased significantly during the year, with Ministries accounting for the bulk of the exposure. The rising stock of legal claims presents a growing risk to fiscal planning, as adverse judgments or settlements could require substantial budgetary allocations. Strengthened contract management, early dispute resolution mechanisms, and improved coordination with the Attorney General's Chambers will be essential to contain future fiscal exposure. Overall, while explicit contingent risks remain contained, the report underscores the need for enhanced SOE oversight, improved liquidity management, and proactive legal risk mitigation to safeguard Uganda's fiscal sustainability

## 1. INTRODUCTION

### 1.1 BACKGROUND

The Ministry of Finance, Planning and Economic Development (MoFPED) prepares this Annual Contingent Liabilities Report to monitor and manage potential financial risks facing the central government. Contingent liabilities are potential obligations that only become actual if certain uncertain events—largely beyond the government's control—take place. Should these events occur, the government would need to allocate funds to meet these obligations, thereby creating fiscal risks. By providing a comprehensive analysis of existing contingent liabilities and future ones, this report informs decisions on risk mitigation strategies. It also helps policymakers assess and manage prospective fiscal threats, ultimately supporting prudent financial management and safeguarding government finances.

### 1.2 METHODOLOGY

The annual contingent liabilities report is developed using a field-based approach, relying primarily on audited financial statements from the previous fiscal year, FY2024/25. This method is crucial for gathering comprehensive data on both explicit and implicit contingent liabilities of the Government of Uganda, drawing on sources such as government guaranteed entities, State-owned Enterprises (SoEs), Extra Budgetary Units (EBUs), local governments, legal proceedings, Public-Private Partnership (PPP) commitments, and potential obligations in the financial sector—particularly from financial institutions.

A meticulous review of audited financial statements underpins our data processing, ensuring the information obtained is both accurate and verified. Following the data compilation, a thorough analysis is conducted to identify, evaluate, and assess the extent and nature of these contingent liabilities. This analysis then informs the final report.

## 1.3 REPORT STRUCTURE

The report is structured into five key segments to provide a comprehensive analysis:

1. **Introduction:** Sets the stage by providing an overview of the report's scope and objectives.
2. **Explicit Contingent Liabilities:** Delves into a detailed analysis of the explicit contingent liabilities of the Ugandan government, including loan guarantees and other clearly defined financial obligations.
3. **Implicit Contingent Liabilities:** shifts focus to examine implicit contingent liabilities associated with state-owned enterprises, extra-budgetary units, and local governments. This section explores potential financial risks that may not be immediately apparent but could impact the government's fiscal position.
4. **Analysis of Legal Proceedings-Related Contingent Liabilities:** analyzes contingent liabilities arising from legal proceedings, highlighting the financial implications of ongoing or potential legal disputes faced by the government.
5. **Conclusion and Recommendations:** consolidates the findings, discusses challenges encountered during fieldwork, and proposes relevant recommendations to mitigate risks and improve debt management practices.

## 2. EXPLICIT CONTINGENT LIABILITIES

Explicit contingent liabilities represent potential government financial commitments established through contractual agreements, legal frameworks, or policy directives. They mandate the government to fulfill specific obligations under the terms set forth in these arrangements. Examples include loan guarantees, government-backed guarantee programs, liabilities arising from legal proceedings, and obligations stemming from Public-Private Partnership (PPP) contracts.

### 2.1 LOAN GUARANTEES

#### OVERVIEW OF GUARANTEES IN THE PORTFOLIO

Between December 2024 and December 2025 there was a noticeable shift in the portfolio's size and composition. The number of active guarantees increased from 12 to 15 then to 13 as the Uganda Development Bank (UDB) received additional facilities in 2025 as well as had full repayment of two guarantees within the year. Correspondingly, the total *face value* of guarantees rose from USD 120.1 million to USD 200.1 million. The new guarantees significantly increased the undisbursed balance — from USD 14.5 million in December 2024 to USD 84.5 million in December 2025 — because most of the newly approved loans had not yet been drawn down. Thus, the portfolio has a larger nominal value but has not yet translated into equivalent disbursements.

#### DISBURSED & OUTSTANDING GUARANTEES

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##### EXPOSURE BY BENEFICIARY

The guarantee portfolio remains highly concentrated in two beneficiaries. In both 2024 and 2025, the Uganda Development Bank holds the bulk of the guarantees. In December 2024, UDB's disbursed and outstanding obligations stood at about USD 38.8 million, representing roughly 80 % of the total exposure. The only other

beneficiary is the Islamic University in Uganda (IUIU), whose three guarantees generated outstanding debt of USD 9.5 million. With the new guarantees in 2025, UDB's exposure increased to USD 66 million, while IUIU's exposure rose slightly to USD 10.3 million. Consequently, the portfolio's concentration risk has grown further: by December 2025 UDB accounts for 86 % of outstanding guaranteed debt. Continuous monitoring of UDB's financial health remains critical, although the bank has historically exhibited strong debt-servicing capacity and holds an Aa1 credit rating, suggesting very low probability of default.

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## EXPOSURE BY CREDITOR AND SECTOR

On the creditor side, three creditors were dominant in December 2024: the OPEC Fund for International Development (OPEC) with exposure of USD 16.3 million, the Arab Bank for Economic Development in Africa (BADEA) at USD 11.9 million, and the Islamic Development Bank (IDB) at USD 10.0 million. Other exposures included the African Development Bank (USD 8.4 million) and Exim India (USD 1.8 million). Some creditors, such as the European Investment Bank and the Islamic Corporation for the Development of Private Sector (ICD), had no disbursed balances at that date.

By December 2025 the pattern changes markedly: ICD becomes the single largest creditor, with a USD 30 million outstanding guarantee (part of UDB's new facility). OPEC's exposure declines to USD 13.8 million due to repayments. IDB's exposure rises modestly to USD 10.6 million because of disbursements under an existing facility, while BADEA's falls to USD 9.1 million following scheduled amortisation. The African Development Bank's exposure reduces to USD 6.6 million, and the European Investment Bank's rises to USD 5.2 million as disbursements commence on a new credit line. From a sectoral perspective, the portfolio is dominated by the financial sector, which represented 81 % of exposures in December 2024 and 86 % in December 2025. The education sector, represented solely by IUIU, accounts for the remainder.

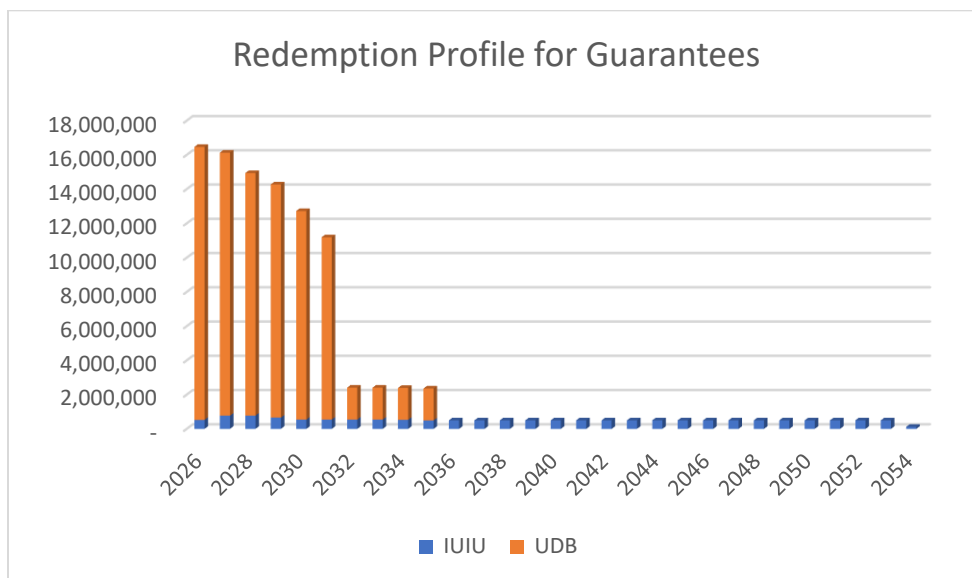
## RISK AND FISCAL EXPOSURE

Disbursed and outstanding guaranteed debt increased from USD 48.3 million in December 2024 to USD 76.3 million in December 2025, this was disbursement of old and new loans outpaced amortisation of existing loans. However, as the 2025 guarantees begin to disburse, outstanding debt is expected to rise. When measured against Uganda's nominal GDP (forecast at USD 52 billion in 2024 and USD 55 billion in 2025), the outstanding guarantees remain very small—0.09 % of GDP in 2024 and 0.14 % of GDP in 2025—well below the 5 % ceiling specified in the *Guidelines for the Management of Contingent Liabilities*. This ratio shows that contingent liabilities from guarantees pose a *negligible* direct burden on the national budget under current conditions.

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## REDEMPTION PROFILE

**Figure 1: Guarantee Redemption Profile**



The redemption profile indicates that repayments under the Government's guaranteed loan portfolio are front-loaded in the medium term, with a clear concentration of annual exposure in the early years of the projection horizon. Total scheduled repayments peak in 2026 at USD 16.46 million, followed by a gradual

decline through 2027 (USD 16.13 million) and 2028 (USD 14.93 million). The annual repayment burden remains elevated through 2029 (USD 14.28 million) and 2030 (USD 12.72 million) before easing further to USD 11.19 million in 2031 and USD 2.4 million in 2032. This pattern suggests that the Government's highest *annual contingent exposure*—in the event guarantees are called—would arise within the next five to seven years, making this the critical period for close monitoring of beneficiary debt-service capacity and early warning indicators.

The profile also shows significant concentration risk by beneficiary, with Uganda Development Bank (UDB) accounting for the dominant share of repayments over the high-exposure period. Across the entire redemption horizon, UDB contributes roughly 87% of total scheduled repayments, implying that any deterioration in UDB's financial performance during peak years could materially increase the probability of a call on Government. Notably, UDB's scheduled repayments fall sharply after 2031, dropping to about USD 1.86 million per year in 2032–2035, and then taper off entirely thereafter. This sharp step-down materially reduces the Government's potential annual exposure beyond the medium term, but it also reinforces the need to treat the 2026–2031 window as the principal risk period for guarantees management.

Beyond UDB's amortisation phase, the redemption profile becomes a long, low-value tail driven by the Islamic University in Uganda (IUIU), with repayments of approximately USD 0.50 million per year from 2035 through 2053, before declining to USD 0.12 million in 2054. While these later-year obligations are small and manageable in annual terms, they underscore the importance of sustained monitoring over long maturities, especially where repayment capacity depends on stable operating cash flows. Overall, the redemption structure implies that the guarantee portfolio's fiscal risk is less about the long tail and more about near-term repayment clustering, beneficiary concentration, and the possibility that a shock during the peak years could translate into simultaneous calls on multiple facilities. Continuous surveillance of repayment performance, liquidity buffers, and stress-testing around the peak repayment years remains essential to safeguard fiscal stability.

**Table 1: Credit Rating of Guaranteed Entities**

Entity	Rating (Moody's Equivalent)	Definitions	Source of Rating
Uganda Development Bank Limited	<b>Aa1<sup>1</sup></b>	Obligations judged to be of high quality and are subject to very low credit risk	AA+ by FITCH
Islamic University in Uganda	<b>A1</b>	Obligations are judged to be upper-medium grade and subject to low credit risk	Internal rating

Fitch maintained Uganda Development Bank's rating at AA+, the Moody's equivalent rating of Aa1, consistent with the previous year's assessment. The Aa1 rating signifies that UDB's obligations are of high quality and pose very low credit risk, indicating an exceptionally low probability of default on its guaranteed debt obligations. This robust rating reflects the institution's strong financial position and its capacity to fulfill its commitments, offering substantial reassurance to both creditors and the Government, as guarantor, regarding timely debt repayment.

Similarly, the Islamic University in Uganda (IUIU) exhibits a low risk of default, although at a slightly lower rating relative to UDB. While this suggests a marginally higher credit risk, it does not imply an imminent likelihood of default. Nevertheless, the Government should remain cognizant of the moderate credit risk associated with IUIU's obligations.

### 2.1.2. Probability of Default

Given the aforementioned ratings, table 2 presents the respective probabilities of default for the two entities over the next five-year period.

<sup>1</sup> Equating the internal and Fitch ratings to Moody's allows us to use the corresponding Moody's probabilities of default for the calculation of expected losses.

**Table 2: Probability of Default**

Entity	Rating	Year 1 (%)	Year 2 (%)	Year 3 (%)	Year 4 (%)	Year 5 (%)
Uganda Development Bank	Aa1	0.02	0.07	0.14	0.25	0.39
Islamic University in Uganda	A1	0.06	0.21	0.4	0.65	0.97

Source: DPI

In view of the low projected probabilities of default, it is reasonable to conclude that the likelihood of default on guaranteed debt obligations still remains minimal for both Uganda Development Bank and the Islamic University in Uganda over the foreseeable future. Their consistent fulfillment of financial commitments, as evidenced by their historical repayment records and credit ratings, reinforces this assessment. Although the Islamic University in Uganda carries a moderately higher credit risk, the overall probability of default remains low. Nevertheless, it is essential to maintain prudent risk management practices, ongoing monitoring, and contingency planning to effectively address any potential risks that may arise.

### 2.1.3 MAXIMUM & EXPECTED LOSS BY GOVERNMENT

The maximum loss is the potential amount of money the government would lose in a default event where the creditor requires the payment of the entire principal amount by the guarantor. This is equivalent to the entire disbursed and outstanding amount of the guaranteed debt for the respective entities as highlighted below.

**Table 3: Maximum loss and projected Exposure over the next five years**

<b>Year</b>	<b>Opening Disbursed &amp; Outstanding (in Millions USD)</b>	<b>New Disbursements (Undisbursed) in Millions USD</b>	<b>Exposure Before Redemption in Millions USD</b>	<b>Scheduled Redemption in Millions USD</b>	<b>Closing Disbursed &amp; Outstanding in Millions USD</b>
<b>2026</b>	76.30	84.50	160.80	16.46	<b>144.34</b>
<b>2027</b>	144.34	0.00	144.34	16.13	<b>128.21</b>
<b>2028</b>	128.21	0.00	128.21	14.93	<b>113.28</b>
<b>2029</b>	113.28	0.00	113.28	14.28	<b>98.99</b>
<b>2030</b>	98.99	0.00	98.99	12.72	<b>86.27</b>

Because all undisbursed loan amounts are assumed to be drawn down in 2026, the portfolio's maximum-loss exposure jumps from USD 76.3 million to USD 160.8 million before redemptions. After accounting for scheduled repayments of about USD 16.46 million, the closing exposure for 2026 is roughly USD 144.34 million.

With no further new disbursements in subsequent years, the outstanding stock declines steadily as repayments reduce the outstanding balance: to USD 128.21 million in 2027, USD 113.28 million in 2028, USD 98.99 million in 2029 and USD 86.27 million by 2030.

Fiscal context: Even after the large drawdown in 2026, the maximum-loss exposure represents a modest share of Uganda's economy – less than 0.3% of the projected USD 55 billion nominal GDP for 2025. This suggests that the existing guarantee portfolio, though sizeable, remains manageable relative to macroeconomic capacity. However, the front-loaded nature of potential drawdowns (2026) underscores the need for vigilant monitoring of beneficiaries' disbursement schedules and cashflow performance during the next few years. Over the medium

term, the declining trajectory of the outstanding stock should translate into progressively lower fiscal risk.

**Table 4: Exposure at Default to 2026-2030**

<b>Year</b>	<b>UDB Opening Exposure (USD Million)</b>	<b>IUIU Opening Exposure (USD Million)</b>	<b>Total Opening Exposure (USD million)</b>
<b>2026</b>	65.99	10.31	<b>76.30</b>
<b>2027</b>	145.84	14.98	<b>160.82</b>
<b>2028</b>	130.91	13.44	<b>144.36</b>
<b>2029</b>	116.29	11.94	<b>128.23</b>
<b>2030</b>	102.74	10.55	<b>113.29</b>

With the low default probabilities observed above, the expected losses for the government are projected to be equally low. These expected losses, calculated as a function of Exposure at Default (EAD), Loss Given Default (LGD), and Probability of Default (PD), represent the potential financial consequences of default events for the government assuming the government meets debt service obligations of the distressed entity as. In the calculation of expected losses, we assume the government meets 100% of obligations due and that it doesn't immediately recover any fraction of the amount.

Owing to the low likelihood of defaults, coupled with the strong financial standings and creditworthiness of these guaranteed entities, the expected losses are likely to stay at minimal levels. This evaluation highlights the government's relatively limited risk exposure in its guarantee portfolio. The distribution of forecasted future losses over the next five years is provided in Table Below.

**Table 5: The Distribution of Expected Losses**

Year	UDB	IUIU	Total(Expected loss from portfolio, USD million)
2026	0.013198	0.006186	0.019384
2027	0.102088	0.031458	0.133546
2028	0.183274	0.05376	0.237034
2029	0.290725	0.07761	0.368335
2030	0.400686	0.102335	0.503021

Source: MoFPED

Despite the relatively large Exposure at Default—particularly following full disbursement in 2026—the expected fiscal loss remains very low, totaling approximately USD 1.26 million over five years. This reflects:

- Very low probability of default for UDB (Aa1 rating)
- Moderate but still contained risk for IUIU (A1 rating)
- Declining exposure profile over time

Even at the peak year (2030), annual expected loss remains below USD 0.5 million, representing an extremely small fraction of GDP and of the guarantee portfolio.

The analysis confirms that while the maximum loss scenario (full default) could be material in nominal terms, the risk-weighted expected fiscal impact remains negligible under current credit conditions.

#### 2.1.4 PROVISIONING FOR LOSSES

In light of the negligible fiscal impact of the potential losses arising from default or distress events of the guarantee, no provisionings have been recommended for the next fiscal year. The table below provides details of current guarantee portfolio of the Government.

**Table 6: Debt Stock Under Guarantee and Government Risk Exposure**

No.	Beneficiary	Project	Creditor	Sector	Year Approved by Parliament	Year signed	Guaranteed Amount (USD)	Tenure (Years)	Undisbursed (USD)	Disbursed & Outstanding (USD)		Performance
										Dec-24	Dec-25	
1	Islamic University in Uganda	Student's hostel	Islamic Development Bank (IDB)	Education		2004	4,302,676	25	-	1,061,417	780,535	Repayment on schedule
2	Islamic University in Uganda	Student's hostel project additional financing	Islamic Development Bank (IDB)	Education		2010	983,888	20	-	452,533	405,528	Repayment on schedule
3	Islamic University in Uganda	Constructing faculty of engineering, upgrade the library and purchase ICT equipment	Islamic Development Bank (IDB)	Education		2018	13,790,000	18	4,669,796	7,950,065	9,120,204	Not fully disbursed
4	Uganda Development Bank Limited	Private sector projects and trade transaction in the Republic of Uganda	The Arab Bank for Economic Development in Africa. (BADEA)	Financial		2017	6,000,000	10	-	1,874,900	1,125,000	Repayment on schedule
5	Uganda Development Bank Limited	Private sector projects and trade transaction in the Republic of Uganda	Islamic Development Bank (IDB)	Financial		2017	10,000,000	8	-	497,028	335,500	Repayment on schedule

6	Uganda Development Bank Limited	On-lending exclusively to eligible projects in various sectors in Uganda Including in priority targeted sectors.	African Development Bank	Financial	2019		15,000,000	10	-	8,437,500	6,562,500	Repayment on schedule
7	Uganda Development Bank Limited	To finance import of goods and services from India.	Exim India	Financial	2019		5,000,000	7	-	1,785,714	1,071,429	Repayment on schedule
8	Uganda Development Bank Limited	Funds for project Finance especially women led projects and youth	European Investment Bank	Financial	2021	2022	15,000,000	10	9,845,090		5,154,910	Undisbursed
9	Uganda Development Bank Limited	Funds for project Finance (SMEs in key growth sectors)	OPEC Fund for International Development	Financial	2021	2021	20,000,000	8	-	16,250,001	13,750,000	Repayment on schedule
10	Uganda Development Bank Limited	Funding of projects in key growth sectors of Uganda	The Arab Bank for Economic Development in Africa. (BADEA)	Financial	2021	2022	10,000,000	7	-	10,000,000	8,000,000	Still on Grace Period

11	Uganda Development Bank Limited	Financing to support SMEs and corporates in Agric,Agro-industry & manufacturing	Islamic Development Bank (IDB)	Financial	2025	2025	40,000,000	10	40,000,000			Undisbursed
12	Uganda Development Bank Limited	Financing to support SMEs and corporates in Agric,Agro-industry & manufacturing.	Islamic Corporation for the Development of Private Sector (ICD)	Financial	2025	2025	30,000,000	7	-		30,000,000	
13	Uganda Development Bank Limited	Financing to support SMEs and corporates in Agric,Agro-industry & manufacturing.	International Islamic Trade Finance Corporation	Financial	2025	2025	30,000,000	1	30,000,000			Undisbursed
<b>TOTAL</b>							<b>200,076,564</b>		<b>84,514,886</b>	<b>48,309,159</b>	<b>76,305,606</b>	

Source: MoFPED, Directorate of Debt and Cash Policy

## 2.2 CONTINGENT LIABILITIES RELATED TO PPP CONTRACTS

Public–Private Partnerships (PPPs) remain an important instrument for advancing infrastructure development and supporting Uganda's long-term economic transformation. By mobilizing private sector financing, technical expertise, and operational efficiency, PPPs have the potential to accelerate project delivery, improve service quality, and reduce immediate pressures on the public budget. In strategic sectors such as energy, transport, water, and social infrastructure, PPPs can play a catalytic role in closing infrastructure gaps and enhancing productivity across the economy.

Notwithstanding these benefits, PPP arrangements inherently generate fiscal risks that must be carefully identified, assessed, and managed. These risks arise from both direct commitments and contingent liabilities embedded in contractual arrangements. Direct commitments reflect explicit obligations undertaken by Government under PPP contracts, including availability payments, capital contributions, viability gap funding, and operational support. Such commitments require predictable budgetary allocations over the life of the project and may create long-term expenditure rigidities if not adequately planned for within the medium-term fiscal framework.

Contingent liabilities, by contrast, represent potential obligations that materialize only upon the occurrence of specified events. These may include minimum revenue guarantees, exchange rate guarantees, termination payments, debt assumption clauses, or compensation for force majeure events. While these obligations are conditional, their crystallization can result in significant fiscal costs. Accordingly, prudent structuring of risk allocation, rigorous financial appraisal, and transparent disclosure of PPP-related exposures are essential to safeguarding fiscal sustainability. Effective oversight by the PPP Unit and integration of PPP risk assessment into the

broader contingent liabilities framework remain critical to ensuring that PPP projects contribute to national development without compromising macro-fiscal stability.

As of December 2025, the number of projects being processed under the PPP Act, 2015 remained at 40, unchanged from the previous year. In addition, 67 projects were identified in the broader pipeline. However, none of the projects under the PPP Act had reached financial closure as of the reporting date. Consequently, it has not yet been possible to quantify the contingent liabilities that may arise from these prospective agreements. The absence of financially closed projects implies that, at present, PPP-related fiscal exposures remain largely prospective rather than crystallized. A summary of project stages is presented in Table 5, with detailed information provided in the annex.

Despite their strategic importance, progress across the PPP portfolio remains limited. A significant constraint has been the inadequate funding available to undertake comprehensive feasibility studies, which are essential for determining project bankability, value-for-money considerations, and appropriate risk allocation. Without robust feasibility analysis, projects cannot advance to procurement and financial closure. Furthermore, procedural complexities within procurement processes, capacity constraints among implementing agencies, and regulatory and coordination challenges contribute to implementation delays. Addressing these structural bottlenecks—particularly strengthening project preparation funding and institutional capacity—will be critical to accelerating PPP implementation and ensuring that future agreements are structured in a fiscally responsible manner.

**Table 7: Summary of PPP project stages**

Stage	Number of Projects
Concept Stage	19
Procurement of Private Party	3
Feasibility stage	6
Procurement of Transaction advisor	7

On Hold	1
Procurement Stage	4
<b>Total</b>	<b>40</b>

Source: MoFPED; (PPP-Unit)

### 3. IMPLICIT CONTINGENT LIABILITIES

Implicit liabilities are generally viewed as moral obligations or burdens that, while not legally binding, governments often assume because of public expectations or political pressures. Conventional fiscal analysis typically places a stronger emphasis on the direct, explicit liabilities of governments. A primary source of these implicit contingent liabilities arises from non-guaranteed debt or obligations—those incurred by state-owned enterprises (SOEs), local governments (LGs), and extra-budgetary units (EBUs) without any formal government guarantee. Although such borrowing is approved by the Ministry of Finance, Planning and Economic Development (MoFPED), the Government of Uganda is not legally required to intervene in the event of a default.

State-Owned Enterprises (SOEs) are integral to many facets of economic development, ranging from the provision of essential public services to driving strategic industries. Given their broad operational scope and substantial financial footprints, SOEs can introduce significant potential obligations for the government. As such, including an assessment of SOEs in the Contingent Liabilities Report serves to identify any fiscal risks that might stem from their activities and to evaluate how these risks could translate into implicit or explicit liabilities for the government. By systematically monitoring SOE performance and financial health, policymakers gain early visibility into possible vulnerabilities that may undermine fiscal stability and call for government intervention.

Moreover, SOEs warrant heightened scrutiny because they operate at the intersection of public policy and commercial enterprise. Their mandates often entail both public service objectives and profitability targets, which can make balancing these goals challenging. In addition, due to their size and direct link to government objectives, any financial distress experienced by SOEs may have ramifications that extend beyond their balance sheets—impacting service delivery, employment, and broader macroeconomic indicators. Proactively addressing these risks through rigorous assessment and transparent reporting ensures that SOEs remain accountable, reduces the potential burden on public finances, and maintains the trust of both investors and the citizenry.

### 3.1 SCOPE FOR SOE AND EBU ANALYSIS

In this report, the analysis of implicit contingent liabilities extends beyond traditional loan obligations to encompass a broader range of liabilities associated with State-Owned Enterprises (SOEs). While conventional evaluations often focus on explicit debts guaranteed or otherwise recognized by the government, many SOEs hold significant non-guaranteed obligations, including trade payables and other short-term liabilities. These commitments, though not formalized under sovereign guarantees, have the potential to impair SOE performance, particularly if accumulated payables lead to operational disruptions, liquidity pressures, or reputational damage that ultimately necessitates governmental intervention.

By examining not only outstanding loans but also other liabilities incurred by SOEs, the report seeks to capture the full spectrum of fiscal risks that could translate into implicit contingencies for the government. This holistic approach accounts for the myriad ways in which financial pressures on SOEs may escalate, whether through prolonged payment delays, escalating supplier costs, or unforeseen cash flow constraints. Ultimately, the goal is to present a comprehensive understanding of how a variety of liabilities, regardless of guarantee status—can aggregate into significant implicit obligations, influencing both SOE stability and the broader fiscal position of the government.

Additionally, we cover both commercial SOEs and Extra Budgetary Units of government in our analysis, this will be done for FY2024/25 using audited financial statements. Since our primary data source is audited financial statements, we do not cover all SOEs in Uganda for the year due to the delay in completion of audit which usually goes beyond our publication time.

### 3.1 REVENUES AND PROFITABILITY OF SOES

State-owned enterprises (SOEs) play a critical role in Uganda's economy and its fiscal landscape. They provide public goods and services, invest in infrastructure and influence the Government's contingent liabilities.

The data show that total SOE revenues grew substantially from FY 2024 to FY 2025, but the sector's profitability deteriorated. This disconnect between revenue growth and earnings is a critical fiscal concern: high expenditure levels mean that incremental revenue does not translate into net profits. The previous report points out that SOE expenditure has averaged about 81 % of revenues in recent years, a structural issue that constrains profitability and raises the risk of government intervention. Understanding which entities drive these trends, and how profitability metrics evolve over time, is key to measuring the likelihood of contingent liabilities.

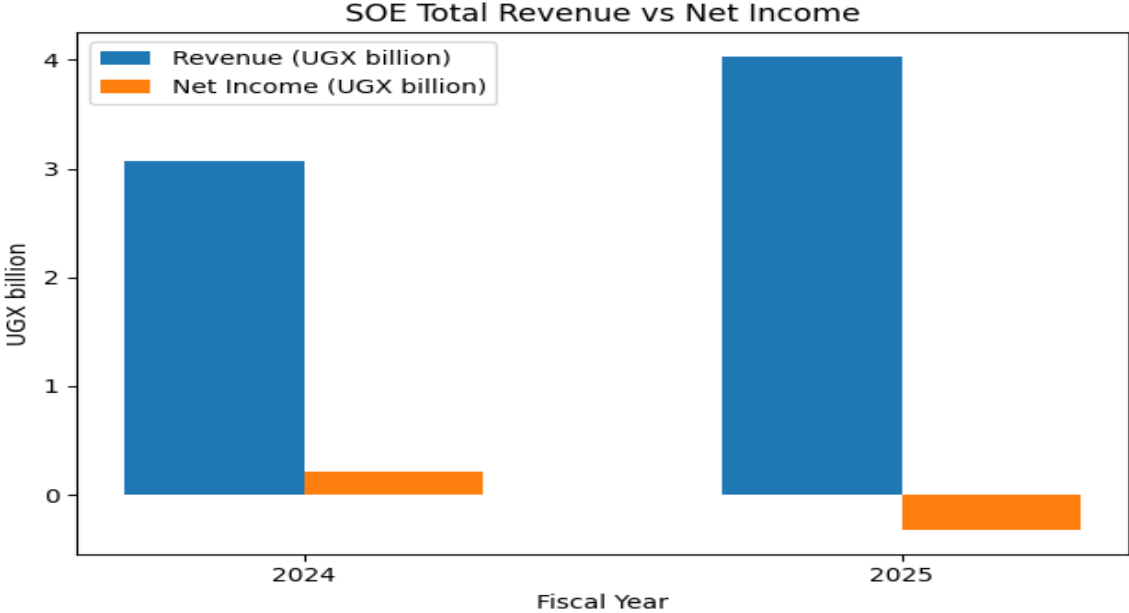
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## REVENUE TRENDS (FY 2024–FY 2025)

### AGGREGATE REVENUE GROWTH

The aggregate revenue of the analysed SOEs increased sharply between FY 2024 and FY 2025. In FY 2024, total revenue stood at UGX 3.064 trillion, while in FY 2025 it rose to UGX 4.031 trillion, an increase of about 32 %. This jump reflects the rebound of key infrastructure and utility companies. The accompanying chart demonstrates that while revenue rose significantly, net income moved in the opposite direction, turning from a moderate profit into a sizeable sector-wide loss:

**Figure 2: SOE total revenues vs Net income FY2023/24- FY2024/25**



The graph shows that net income declined from UGX 212.9 billion in FY 2024 to negative (-)UGX 325.8 billion in FY 2025, despite the revenue increase. The high cost structure, where operating expenditures consume around 81 % of revenues, explains why revenue growth does not translate into higher profits. Expense pressures remain pervasive across the SOE portfolio.

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**SECTOR CONCENTRATION AND DRIVERS**

The revenue base is heavily concentrated in a few large entities. Uganda Electricity Transmission Company Limited (UETCL), Uganda Electricity Generation Company Limited (UEGCL), and National Housing dominate the income statement. For example, UETCL alone accounts for roughly one-third of the total revenue pool in FY 2025. This concentration implies that shocks to tariffs or generation capacity will significantly influence the overall SOE revenue. Meanwhile, smaller entities—such as Capital Market Authority, UNBS and Atomic Energy Council, rely heavily on government transfers for a large portion of their income. Calculations from the data show that the median GoU transfers-to-revenue ratio decreased from 0.88 % in FY 2024 to 0.46 % in FY 2025, indicating a slight improvement in self-financing

capacity. However, three entities (Atomic Energy Council, Capital Market Authority and UNCST) still derive more than 80 % of their revenues from government transfers.

**PROFITABILITY INDICATORS**

Profitability is assessed using three principal ratios: net profit margin, return on assets (ROA) and return on equity (ROE). These ratios measure the ability of SOEs to convert revenues into profits, utilise assets efficiently and generate returns for shareholders (the Government), respectively. The table below summarises aggregated profitability statistics across the portfolio for FY 2024 and FY 2025.

**Table 8: Selected Profitability indicators**

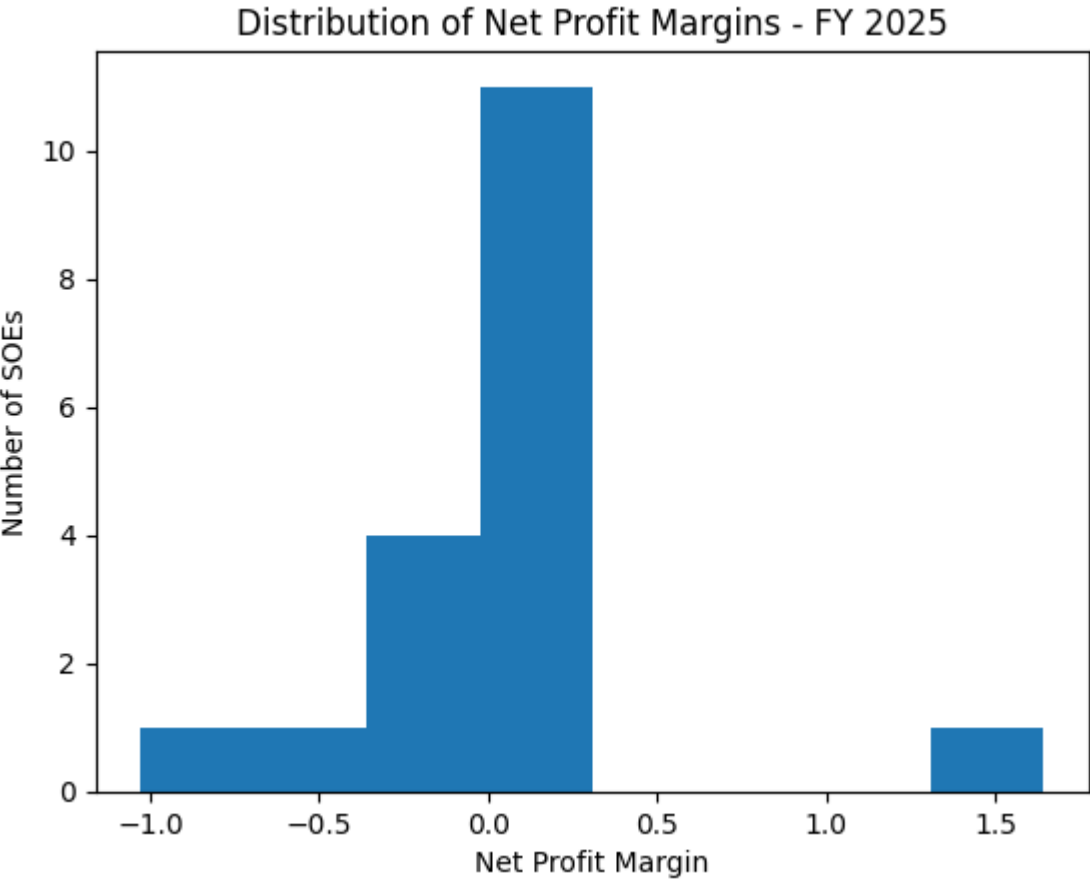
Indicator (median)	FY 2024	FY 2025	Change
<b>Net profit margin</b> (Net income ÷ Revenue)	<b>6.67 %</b>	<b>4.55 %</b>	-2.12 pp
<b>Return on assets (ROA)</b> (Net income ÷ Total assets)	<b>1.11 %</b>	<b>0.33 %</b>	-0.78 pp
<b>Return on equity (ROE)</b> (Net income ÷ Total equity)	<b>2.97 %</b>	<b>0.72 %</b>	-2.25 pp
<b>Loss-making entities</b>	<b>22 %</b>	<b>33 %</b>	+11 pp

These figures show a deterioration across all major profitability metrics. The median net profit margin fell by more than two percentage points, reflecting heavier cost burdens relative to revenue. ROA and ROE, measures of asset and equity efficiency, also declined markedly, indicating weaker returns on the capital employed. In FY 2025, the median ROA was just 0.33 %, signalling that assets are generating minimal earnings, while ROE dropped to 0.72 %, suggesting that the Government's investment is not yielding adequate returns.

DISTRIBUTION OF NET PROFIT MARGINS

The median values mask wide disparities across entities. The following charts illustrate the distribution of net profit margins across the SOEs in FY 2024 and FY 2025.

Figure 3: Distribution of net profit margins



In FY 2024, Uganda Electricity Construction Company (UECCCL), Makerere University Business School and Uganda Development Corporation recorded the highest margins, all above 28%. Conversely, Uganda Air Cargo, Uganda Virus Research Institute (UVRI) and Vision Group were deeply negative, with margins between -16% and -104%. By FY 2025, National Housing posted an exceptional net margin of 164% due to a one-off asset revaluation, while MUBS and Capital Market Authority also remained profitable. However, the bottom performers—Uganda Air Cargo, UVRI and Uganda Electricity Distribution Company Limited (UEDCL), continued to record large

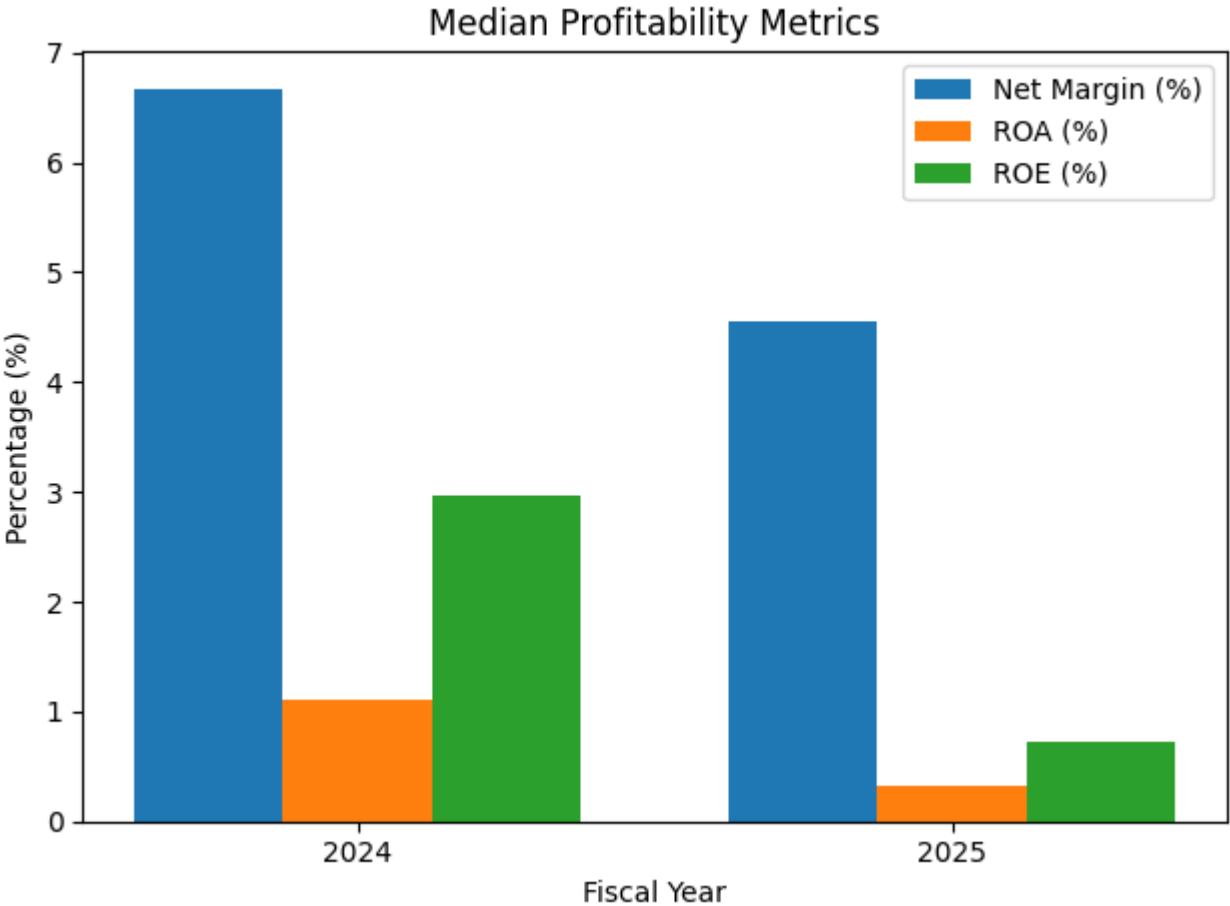
deficits. The widening gap between the top and bottom performers underscores the heterogeneity within the SOE portfolio and highlights which entities may pose the greatest fiscal risks.

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### TRENDS IN PROFITABILITY INDICATORS

The next chart summarises how the median profitability indicators changed between FY 2024 and FY 2025:

**Figure 4: Medium Profitability Metrics**



Net margins, ROA and ROE all declined. The net profit margin dropped from 6.7 % to 4.6 %, ROA from 1.1 % to 0.3 % and ROE from 3.0 % to 0.7 %. These declines were driven by a combination of weak earnings in the electricity generation and transmission

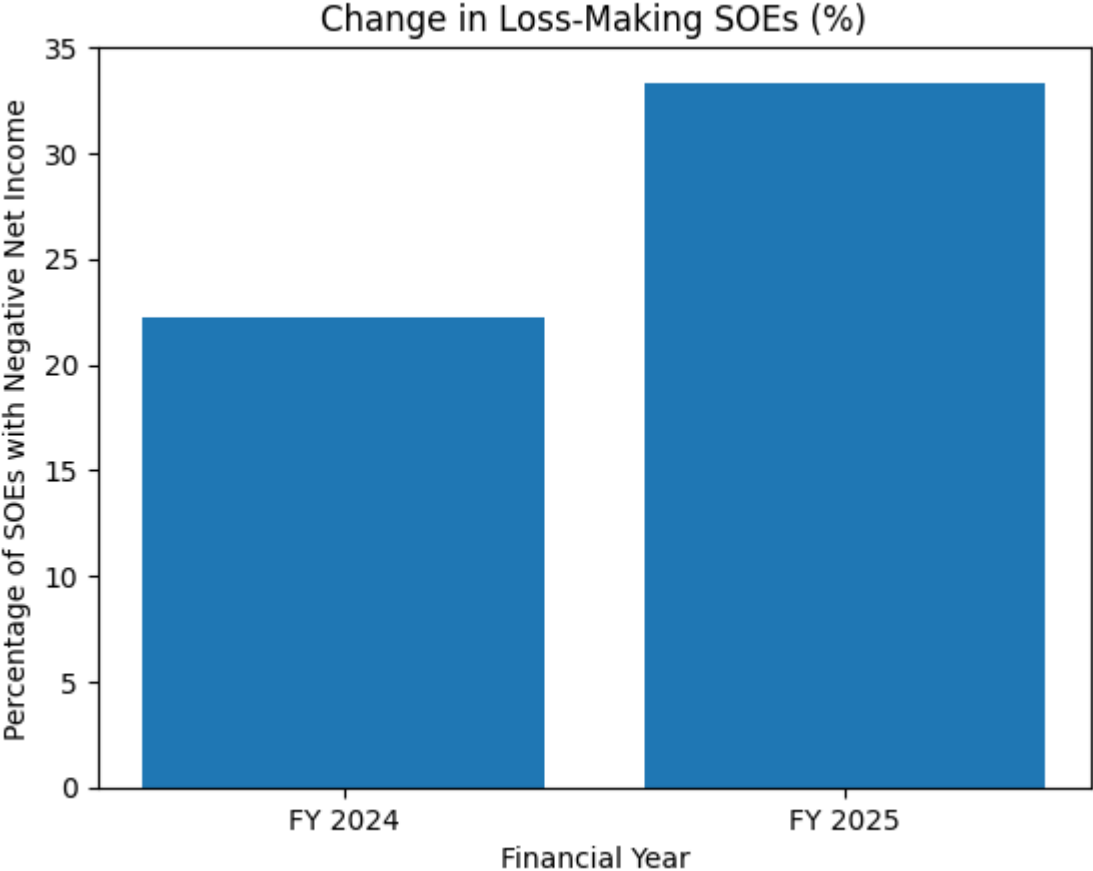
entities and escalating operating expenses across the board. Notably, the energy sector posted heavy losses in FY 2025 despite higher revenues, due in part to delayed tariff adjustments and maintenance costs. Research and media entities such as UVRI and Vision Group also registered persistent losses, reflecting revenue constraints and policy mandates that prioritise service delivery over profitability. Overall, the declining profitability indicators signal heightened financial vulnerability and call for closer monitoring.

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### LOSS-MAKING ENTITIES AND CHANGES

The share of loss-making entities increased from 22 % in FY 2024 to 33 % in FY 2025. The following chart visualises this change:

**Figure 5: Change in loss making SOEs**



This growth in the number of loss-making SOEs is consistent with the previous CL Report, which notes that the proportion of loss-makers rose to 38 % in 2024 from 24 % in 2023. The trend implies that more SOEs may seek government support or delay dividend payments in the future. Among the loss-making entities in FY 2025 were UETCL, UEDCL, UVRI, Vision Group and Uganda Air Cargo. These entities operate in capital-intensive sectors or under policy mandates that may constrain revenue (e.g., research and media). Addressing their structural deficits will be crucial for reducing contingent liabilities.

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## FISCAL RISK IMPLICATIONS

The widening gap between revenue growth and profitability has direct implications for fiscal risk. The previous CL Report emphasises that high expenditure levels (around 81 % of revenue) limit profits and elevate the risk of government intervention. When operating margins are thin, SOEs may struggle to service their debts or meet liquidity obligations, prompting requests for subsidies or guarantees. The increase in loss-making entities heightens this risk, as chronic deficits signal that certain SOEs lack viable business models and may become recurrent drains on public resources.

Several risk factors emerge from above, these include:

1. **Persistent cost pressures:** The majority of SOEs have not contained costs sufficiently to convert revenue growth into profits. Without cost reforms, the ratio of expenditure to revenue will continue to erode margins, as highlighted by the CL Report.
2. **High dependency on a few entities:** Revenues are concentrated in a handful of utilities and housing companies. Any operational disruptions, tariff delays or investment overruns in these entities will have disproportionate effects on the SOE portfolio and could require budgetary support.
3. **Weak returns on assets and equity:** Median ROA and ROE are exceptionally low, suggesting inefficient asset utilisation and poor returns on government capital. These indicators imply that capital invested in SOEs is not being deployed effectively, raising questions about value for money.

4. **Reliance on government transfers:** Although the median dependence on GoU transfers declined slightly, some entities still derive 80 % or more of their revenue from transfers. These entities face heightened fiscal risks because they are unable to sustain operations without continuous budget support.
5. **Increasing losses in key sectors:** Loss-making utilities (UETCL, UEDCL) operate in sectors critical to the economy. Continued deficits could jeopardise service delivery and prompt the Government to step in, thereby increasing contingent liabilities.

The FY 2024–FY 2025 analysis of Ugandan SOEs reveals a concerning divergence between rising revenues and declining profitability. Total revenues increased by one-third, yet net income swung from a UGX 213 billion profit to a UGX 326 billion loss. Median net profit margins, ROA and ROE all fell markedly, and the proportion of loss-making entities increased by 11 percentage points. These trends align with observations from the CL Report that expenditures remain high (around 81 % of revenues), limiting the sector's profitability, and that an increasing share of SOEs is operating at a loss. The fiscal risks are compounded by the concentration of revenues in a few large entities, reliance on government transfers for smaller enterprises and weak returns on assets and equity.

Without structural reforms to address expenditure inefficiencies, improve governance and diversify revenue streams, SOE profitability will remain under strain. Consequently, the Government may face growing demands for subsidies or guarantees, elevating contingent liabilities. Proactive monitoring of profitability indicators, targeted cost-control measures and strategic interventions to improve the performance of loss-making entities are essential to safeguard public finances and ensure that Uganda's SOEs contribute positively to the economy.

## SOE DEBT AND LIABILITIES

State-Owned Enterprises (SOEs) carry a diverse range of liabilities, primarily consisting of contractual loans, on-lent loans, and various other obligations—such as payables, lease contracts, deferred income, and conditional grants. Each of these liabilities can potentially impair SOE performance, underscoring the importance of a

comprehensive evaluation. Although on-lent loans do not inherently constitute contingent liabilities, they are recorded on the entities' financial statements and can significantly influence their overall financial standing hence the need to address it here.

**Table 9: SOE debt and Non-Debt liabilities.**

<b>Indicator</b>	<b>FY 2024 (UGX million)</b>	<b>FY 2025 (UGX million)</b>	<b>Absolute change</b>	<b>% change</b>
<b>Domestic Borrowing</b>	733,778.23	757,203.74	+23,425.52	+3.2 %
<b>External Borrowing</b>	0.00	0.00	0.00	–
<b>Other liabilities (incl. leases &amp; overdrafts)</b>	4,935,809.98	5,284,556.72	+348,746.74	+7.1 %
<b>Total outstanding debt/liabilities excl. GoU on-lent loans</b>	5,669,588.21	6,041,760.47	+372,172.26	+6.6 %
<b>GoU On-Lent</b>	7,861,556.69	7,519,746.99	–341,809.70	–4.3 %
<b>Total debt incl. GoU on-lent loans</b>	13,531,144.90	13,56,507.46	+30,362.56	+0.2 %
<b>Liabilities from grants &amp; GoU contributions</b>	943,622.10	1,108,084.14	+164,462.05	+17.4 %

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## DOMESTIC BORROWING

Domestic loans rose modestly from UGX 733.8 billion to UGX 757.2 billion (3.2 % growth). Even after this increase, domestic loans accounted for only about 5.6 % of total debt (including on-lent) in both years. The absence of external borrowing in the dataset suggests that SOEs are relying almost exclusively on domestic credit and

on-lent government facilities, exposing them to local interest-rate volatility and limiting access to foreign currency. Because domestic debt is denominated in shillings, it may mitigate foreign-exchange risk but could exacerbate crowding-out of private-sector credit. Overall, the relatively small share of domestic borrowing implies that broader fiscal risk arises less from bond-like debt and more from other liabilities and on-lent loans.

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### OTHER LIABILITIES (INCLUDING LEASES, PAYABLES AND OVERDRAFTS)

The largest driver of liability growth is the “Other non-debt liabilities” category, which climbed from UGX 4.94 trillion in FY 2024 to UGX 5.28 trillion in FY 2025 (a 7.1 % increase). These obligations, comprising trade payables, lease liabilities, bank overdrafts, deferred revenues and other accrued expenses, now represent roughly 39 % of total liabilities (up from 36 %). They are not strictly debt but can significantly impair liquidity if payment delays persist or suppliers demand cash upfront. The previous CL report points out that non-debt liabilities accounted for about 54 % of total SOE liabilities, confirming that operational obligations outweigh conventional borrowing. Rapid growth in this category could signal delayed payments, cost overruns, or poor contract management. Should these liabilities continue to rise, SOEs may face working-capital crises that necessitate government bailouts.

**Table 10: liabilities of SOE (Debt and Non-Debt liabilities)**

All in million UGX	Uganda Electricity Distribution Company Ltd	Uganda Electricity Generation Company Ltd	Uganda Electricity Transmission Company	Civil Aviation Authority
<b>Total Debt (Borrowings)</b>		<b>5,282,036.99</b>	<b>2,237,710.00</b>	<b>759,111.21</b>
o/w Onlent		5,282,036.99	2,237,710.00	759,111.21
<b>Other Non-Debt Liabilities</b>	<b>597,346.00</b>	<b>1,546,381.72</b>	<b>1,745,809.00</b>	<b>923,350.47</b>

o/w deferred income tax liabilities			52,531.00	797,402.22
o/w Retention		37.76		-
o/w terminal benefits				-
o/w deferred tax	233,812.00	179,426.32		
o/w deferred income	43,600.00	1,322,503.48	62,556.00	1,046.63
o/w lease liability		2,532.99		-
o/w Dividends Payable				
o/w Bank overdraft				
o/w capital grants	293,758.00		814,168.00	-
o/w trade and other payables	26,176.00	41,881.17	810,978.00	82,889.98
o/w Contract Liabilities				
o/w employee benefit obligation/provision for gratuity			5,576.00	21,985.80
o/w deposits				20,025.84
o/w amounts due to related parties				

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### TOTAL OUTSTANDING DEBT EXCLUDING ON-LENT LOANS

Summing domestic borrowing, external borrowing and other non-debt liabilities gives "Total outstanding debt excluding GoU on-lent loans." This aggregated measure increased from UGX 5.67 trillion to UGX 6.04 trillion (6.6 %). The rise is driven almost entirely by the growth in non-debt liabilities, as domestic loans were relatively flat and no external loans were recorded. The growth of this metric indicates that SOEs' obligations to suppliers and lessors are expanding faster than their capacity to pay

them. Given that these obligations are not covered by government guarantees, they would normally remain off the sovereign balance sheet. However, their escalation can quickly turn into implicit liabilities if SOEs cannot manage them, especially in sectors critical to public service delivery.

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### GOU ON-LENT LOANS

Government on-lent loans remain the largest component of SOE liabilities. These loans declined slightly from UGX 7.86 trillion to UGX 7.52 trillion (–4.3 %), suggesting that repayments or rescheduling exceeded new drawdowns. Nonetheless, on-lent loans still represent 55 % of total liabilities, highlighting the dominant role of government-provided credit. The CL report underscores that on-lent loans constitute about 94 % of debt-related liabilities; actual third-party borrowing comprises only around 3 %. Although these loans are recorded as assets from the government's perspective, failure to repay them would force the Treasury to absorb the outstanding balance—an implicit contingent liability. Moreover, the concentration of on-lent loans in a few large utilities amplifies sectoral risk: if one large borrower fails, the fiscal impact could be substantial.

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### TOTAL DEBT INCLUDING GOU ON-LENT LOANS

Total debt (including on-lent loans) remained essentially flat, rising from UGX 13.53 trillion to UGX 13.56 trillion (0.2 % increase). This apparent stability masks contrasting underlying trends: while on-lent debt fell, other liabilities expanded. The near-stasis of total debt suggests that repayments or rescheduling of on-lent loans offset new liabilities in other categories. However, this does not alleviate fiscal risk: the stability arises because some high-risk liabilities (on-lent) have declined temporarily, while new short-term obligations have increased. Thus, even if nominal debt remains constant, the composition has shifted towards obligations that are harder to monitor and may require quicker government intervention.

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### LIABILITIES FROM GRANTS AND GOU CONTRIBUTIONS

Liabilities associated with grants and Government contributions rose sharply from UGX 943.6 billion to UGX 1.11 trillion (+17.4 %). These line items typically arise when

SOEs receive capital grants or earmarked funds for projects but recognise them as liabilities until the associated assets are depreciated or conditions met. The increase means these liabilities grew from 6.97 % to 8.17 % of total debt. It may reflect new government-funded projects or delays in executing existing projects. Such build-ups can create accountability issues if not accompanied by transparent reporting on project implementation. Large grant liabilities could also signal that funds remain idle on SOE balance sheets, raising questions about absorption capacity and potential misuse.

The FY 2024 to FY 2025 comparison reveals that SOE liabilities are shifting in composition rather than declining. Domestic borrowing remains small but growing; on-lent loans are decreasing but still dominate; and non-debt liabilities are rising rapidly. The uptick in grant-related liabilities further complicates the picture. These changes underscore the importance of a more rigorous and transparent SOE monitoring framework. The government should strengthen oversight of payables and lease obligations, enforce performance contracts for on-lent loans, and ensure timely utilisation of grant funds. Without such measures, the growing weight of non-debt obligations could crystallise into substantial contingent liabilities, undermining Uganda's fiscal sustainability.

### 3.2 LIQUIDITY AND SOLVENCY

The table below compares median solvency and liquidity metrics for FY 2024 and FY 2025. Overall, the sector's liquidity and solvency weakened: the median current ratio fell from 1.26 to 1.04, Debt Service Coverage Ratio (DSCR) plummeted from 242 to 2.66 (reflecting lower cash-flow coverage of debt service), and the median leverage ratio doubled from 0.09 to 0.19. The extreme drop in DSCR is partly due to several SOEs reporting minimal or negative debt service in 2024; by FY 2025 debt service increased, exposing entities' weaker cash flows. A current ratio close to 1 means that many entities barely cover short-term obligations with their current assets. Rising leverage indicates heavier reliance on liabilities to finance assets.

**Table 11: Solvency Indicators and Debt Capacity**

Metric (median)	FY 2024	FY 2025	Change
<b>Current ratio</b>	1.26	1.04	-0.22 ↓
<b>DSCR</b>	242.17	2.66	-239.51 ↓
<b>Leverage ratio</b>	0.09	0.19	+0.10 ↑

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## RISK DISTRIBUTION

Liquidity risk worsened. In FY 2024, five entities had current ratios below 1 (high risk), eight were moderate (1–2), and five were robust (>2). By FY 2025 the number of high-risk entities jumped to nine, while only four remained in the moderate range and five in the low-risk category. This supports the CL report's observation that around 27 % of SOEs operate with current ratios under 1, limiting their capacity to meet short-term obligations. Elevated short-term liabilities raise the likelihood of cash-flow shortages or operational disruptions.

Solvency risk, measured by DSCR, remained concentrated. In both years, four entities were in the high-risk category (DSCR < 1). However, the number of moderate-risk entities (DSCR 1–1.5) fell from one in 2024 to zero in 2025, while low-risk entities (DSCR > 1.5) were constant at seven. The CL report notes that some SOEs finance over half their assets with debt, yet the sector's overall leverage is around 20–30 %; our results show that leverage is rising but still concentrated in a few entities.

**Table 12: Risk category counts are summarised below**

DSCR risk category (entities)	FY 2024	FY 2025
<b>High risk</b> (DSCR < 1)	4	4
<b>Moderate</b> ( $1 \leq \text{DSCR} < 1.5$ )	1	0
<b>Low risk</b> (DSCR $\geq 1.5$ )	7	7
<b>Current-ratio risk category (entities)</b>	FY 2024	FY 2025

<b>High risk (CR &lt; 1)</b>	5	9
<b>Moderate (1 ≤ CR &lt; 2)</b>	8	4
<b>Low risk (CR ≥ 2)</b>	5	5

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## MAJOR HIGH-RISK ENTITIES IN 2025

Table 4 lists selected entities with particularly weak liquidity and solvency in FY 2025. The current ratio and DSCR are shown alongside the leverage ratio. Values below 1 highlight entities that cannot cover their short-term liabilities (CR < 1) or debt service (DSCR < 1). A leverage ratio above 1 indicates that liabilities exceed assets.

**Table 13: High Risk entities**

<b>Entity</b>	<b>Current ratio</b>	<b>DSCR</b>	<b>Leverage ratio</b>	<b>Remarks</b>
<b>Uganda Electricity Generation Co. (UEGCL)</b>	0.05	0.75	1.45	Extremely illiquid and highly leveraged; relies heavily on on-lent debt.
<b>Uganda Electricity Transmission Co. (UETCL)</b>	0.31	– 64.25	1.08	Very low liquidity; negative DSCR due to negative operating cash flow; leverage >1.
<b>Uganda Civil Aviation Authority (UCAA)</b>	0.20	5.84	0.56	Liquidity extremely tight; DSCR is higher but leverage remains high.
<b>Pride Microfinance</b>	1.80	0.75	0.51	Moderate liquidity but DSCR below 1; leverage above 0.5.
<b>Vision Group</b>	1.09	–1.16	0.37	Marginal liquidity; negative DSCR.

<b>Uganda Post Ltd</b>	0.78	3.17	0.19	Liquidity below 1; DSCR improved but still moderate.
<b>Makerere University Business School (MUBS)</b>	0.55	∞*	0.02	Liquidity deteriorated sharply; DSCR undefined (no debt service).
<b>National Housing</b>	0.99	2.15	0.17	Liquidity near 1; DSCR improved, but leverage rising.

\*Note: "∞" indicates that no debt service was reported; DSCR cannot be computed. A negative DSCR reflects negative operating cash flow relative to debt service.

These entities merit close monitoring. UEGCL and UETCL, which account for most sector liabilities, have extremely low current ratios (0.05 and 0.31) and leverage ratios well above 1, meaning liabilities exceed assets. UETCL's DSCR became sharply negative in 2025, suggesting that operating cash flows were negative relative to debt service. UEGCL's DSCR improved slightly but remains below 1. UCAA is similarly illiquid and levered; it has a more comfortable DSCR but still depends on Government support. Pride Microfinance, Vision Group and Uganda Post Limited also exhibit weak debt service capacity or liquidity. MUBS' current ratio fell from 1.58 to 0.55 in 2025, highlighting a rapid deterioration, while National Housing's ratio dipped to 0.99.

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## IMPLICATIONS FOR FISCAL RISK AND DEBT CAPACITY

The weakening solvency and liquidity indicators have important fiscal-risk implications. The previous CL report observes that non-debt liabilities now account for roughly 54 % of total SOE liabilities and that on-lent loans represent about 94 % of debt-related liabilities. Coupled with our findings of rising leverage and declining current ratios, this means SOEs are increasingly reliant on short-term obligations and Government on-lent loans to finance operations. Liquidity shortages could force the government to provide cash injections or guarantees to avert service disruptions. The CL report also notes that some SOEs finance more than half of their assets with debt,

although the sector average is lower; our analysis confirms that UEGCL and UETCL fall into this highly leveraged group.

As leverage rises and liquidity tightens, the debt-carrying capacity of SOEs shrinks. Entities with current ratios well below 1 will struggle to access new credit without Government backing. Negative or low DSCRs undermine the ability to service existing debt, increasing the risk of arrears and default. A higher leverage ratio reduces financial flexibility and may breach covenants. For Government, this translates into potential contingent liabilities: if SOEs cannot meet obligations, the state may need to assume debts or provide guarantees, thereby increasing public debt. The energy sector—which holds about 68 % of total SOE liabilities—is especially critical, as UEGCL and UETCL already display distress.

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## POLICY RECOMMENDATIONS

1. **Targeted liquidity support linked to reforms:** For entities with current ratios below 1 (e.g., UEGCL, UETCL, UCAA and MUBS), Government support should be conditional on cost-containment measures, tariff reforms and improved collection efficiency. Temporary working-capital facilities could be paired with performance contracts to prevent recurrent bailouts.
2. **Debt restructuring and refinancing:** SOEs with very high leverage (liabilities > assets) should explore restructuring their on-lent loans and other liabilities. Converting short-term payables into longer-term instruments or equity injections could reduce immediate cash pressure. Refinancing expensive debt at lower rates may improve DSCR.
3. **Strengthen financial reporting and oversight:** The dramatic year-to-year swings in DSCR point to volatility in debt service and operating cash flows. Improved budgeting, cash-flow forecasting and independent audits will enhance transparency and enable earlier intervention. Regular reporting of liquidity ratios should be mandated in performance agreements.
4. **Sector-specific reforms:** The energy sector's dominance in liabilities demands sectoral reforms—such as timely tariff adjustments, loss-reduction programmes

and transparent capital expenditure planning—to restore solvency. For financial SOEs like Pride, enforcing prudential ratios and limiting deposit concentration will mitigate systemic risk.

### 3.2 AUTHORIZATIONS TO BORROW

According to the Public Finance Management CAP 171, no public entity is allowed to raise a loan or issue a guarantee without the prior approval of the Minister responsible for Finance. As such, the Minister approves the borrowing by entities that are deemed to have good credit quality, i.e., are capable and willing to repay the loan for which they seek permission to acquire.

In FY 2024/2025, approvals amounting to approximately UGX 7.4 trillion were issued to different entities on top of previously issued outstanding loans. Within this period, all entities were fully compliant with their debt servicing. It is important to note that the risks attributed to noncompliance is fully borne by the Board of Governors of the institution, as well as the creditor. This is clearly communicated in every authorization issued to these entities. Below is a list of institutions that were authorized to borrow with their outstanding loans as of December 2025, which amount to a total of UGX 7,440,989,055,837. (UGX 7.44 trillion)

**Table 14: List of Institutions Authorized to Borrow with Outstanding Loans**

No	Borrower	Date of Signature	Lender	Purpose	Amount (Ugx)	Outstanding as of December 2025	Comments
1	Buckley High School	1/9/2020	Stanbic bank	Purchase of bus	188,310,000	19,617,921	Payments are done on a termly basis with sums of UGX 22,000,000 million and are

							scheduled to be completed by March 2025. Repayment on schedule.
2	Kitante hill School	29/01/2020	Stanbic bank	Purchase of bus	467,680,000	83,809,861	Payments of UGX 63,000,000 million on schedule per term. Repayment on schedule.
3	Masaba Secondary school	19/12/2018	Stanbic bank	Purchase of bus	275,000,000	230,000,000	Servicing is on a quarterly basis, payments are not always on time and also sometimes incomplete. Repayments not on schedule.
4	Our Lady of Good Counsel S.S.S Gayaza	10/05/2017 12/03/2019	Centenary bank	Construction	2,900,000,000	1,891,532,000	Payment was disrupted by covid-19 but servicing has since resumed as scheduled on a termly basis. Repayment on schedule.

5	St. Mary's College Kisubi	18/10/2018	Centenary bank	Construction , repairs, rollover	4,000,000,000	1,402,000,000	Repayment is on termly basis with payments of UGX 166,000,000 million. Repayment on schedule.
6	Mubende light Secondary school	12/3/2024	Post Bank	Construction	300,000,000	300,000,000	Repayment starting 2025
7	Makerere College School	3/4/2024	Centenary Bank	Construction	2,000,000,000	2,000,000,000	Repayment on schedule.
8	Kamuli Girls Secondary school	20/08/2024	Stanbic bank	Construction	120,000,000	120,000,000	Repayment on schedule.
9	Bulo Parents Secondary School	26/07/2024	Stanbic bank	Construction	300,000,000	300,000,000	Repayment on schedule.
10	Tororo Girls School	24/07/2024	Housing Finance Bank	Bus	670,000,000	670,000,000	Repayment on schedule.
11	Uganda College of Commerce Aduku	3/12/2019	Stanbic bank	Purchase of bus	506,000,000	435,282,215	Payment of installments reduced due to a reduction in the number of students since covid-19 pandemic.
12	Kisiki College Namutum ba	24/05/2024	Post Bank	Bus	680,000,000	680,000,000	Repayment on schedule.

No	Borrower	Date of Signature	Lender	Purpose	Amount (Ugx)	Current Outstanding as of December 2023	Comments
13	Hoima school of Nursing	28/09/2022	KCB	Property purchase	2,470,000,000	1,742,000,000	Repayment on schedule.
14	Tororo Girls School	22/08/2023	Housing Finance Bank	Construction	3,700,000,000	1,633,000,000	Newly acquired loan being disbursed in tranches of UGX 1,800,000,000 billion/ payment as per disbursed is on a termly basis. Repayment on schedule.
15	National Water and Sewerage Corporation	20/12/2019	Equity Bank	Address urgent water challenges	50,000,000,000	18,061,022,000	Repayment on schedule.
16	National Water and Sewerage Corporation	28/01/2022	HFBU/UDB	Priority water intervention projects	95,000,000,000	92,303,360,000	Repayment on schedule.
17	Uganda Electricity Distribution Company Limited	13/02/2023	UDBL	Expansion of Pole plant at Kyampisi	7,045,903,200	-	Undisbursed yet.

18	Uganda Electricity Generation Company Limited	30/03/2023	Stanbic Bank	Operations for Nalubaale at end of Concession	10,000,000,000	-	Undisbursed yet.
19	Pride Micro Finance Limited (MDI)	05/04/2022 and 14/06/2023	East African development Bank, Financial sector deepening (FSD), aBi Finance, Stanbic bank, French Development Agency (AFD).	Operations	73,107,200,000	58,302,016,840	Repayment on schedule.
20	ST Katherine Secondary School	23/10/2025	Equity Bank	Construction of Dormitory	400,000,000	400,000,000	Fully disbursed
21	Uganda National Oil Company	6/11/2025	Vitol	Various Projects	UGX 7.2 trillion	7.2 trillion	
22	Soroti City	18/12/2025	Housing Finance	Vehicles	415,415,000	415,415,000	
23	National Housing and Construction Company	11/11/2025	Diamond Trust Bank	Various construction projects	60,000,000,000	60,000,000,000	Not yet disbursed
<b>Total</b>					<b>7,514,545,508,200.</b>	<b>7,440,989,055,837.</b>	

### 3.3 NON-GUARANTEED DEBT AND OTHER LIABILITIES OF LOCAL GOVERNMENTS

Local Government (LG) liabilities remain relatively modest in size and composition, and continue to pose minimal fiscal risk to the Central Government. As presented in table below, total implicit contingent liabilities increased from UGX 57,895 million in June 2024 to UGX 74,457 million in June 2025, representing a rise of approximately 28.6%. Despite this growth, the overall level remains small relative to total SOE liabilities and negligible compared to national GDP and central government debt aggregates. Importantly, Local Governments reported no domestic loans, external loans, or on-lent borrowing in both years, meaning there is no direct debt exposure that could crystallize into explicit fiscal obligations.

The increase in total LG liabilities is primarily driven by a rise in current liabilities (including payables), which grew from UGX 54,651 million in 2024 to UGX 73,442.6 million in 2025. These liabilities typically reflect short-term operational obligations such as unpaid suppliers, accrued expenses, and service contracts. While the growth suggests some tightening in cash flow management or delays in settlement of obligations, these liabilities are largely operational in nature and do not constitute structured borrowing. Given that LGs operate under strict cash budgeting frameworks and receive conditional and unconditional transfers from the center, the likelihood of systemic liquidity distress remains low. Moreover, the absence of lease-related debts, overdrafts, or structured financing arrangements further limits rollover and refinancing risks.

Pension liabilities, which are often a structural fiscal concern in subnational governments, actually declined significantly from UGX 2,433 million in 2024 to UGX 1,013.9 million in 2025. This reduction of nearly 58% suggests progress in clearing arrears or improved provisioning practices. Pension-related obligations remain small in absolute terms and are not of a magnitude that would materially affect central government finances. Additionally, other contingent liabilities reported under LGs

were minimal (UGX 811 million in 2025), indicating that exposure from guarantees, legal claims, or quasi-fiscal activities is negligible.

Overall, although LG implicit liabilities increased moderately between 2024 and 2025, the structure of these liabilities—being almost entirely short-term payables with declining pension obligations and no borrowing—implies very limited fiscal risk to Government. There is no evidence of debt accumulation, leverage build-up, or contingent guarantees that could trigger central government intervention. Continued monitoring of payables is advisable to prevent arrears accumulation; however, based on current data, Local Governments do not represent a significant source of contingent liability risk within Uganda's broader public sector risk profile.

**Table 15: Contingent Liabilities Arising from Local Governments**

<b>All in UGX Millions</b>	<b>June 2025</b>	<b>June 2024</b>
Domestic loans	-	-
External loans	-	-
On-lending	-	-
<b>Total outstanding debt including GoU on-lent</b>		-
Current liabilities (including payables)	73,442.615	54,651
Other debts (including lease contracts and overdrafts)	-	-
Other LG contingent liabilities		811
Capital grants	-	-
Pension liabilities	1,013.889	2,433
<b>Total (Implicit contingent liabilities)</b>	<b>74,457</b>	<b>57,895</b>

Source: MoFPED

#### 4. CONTINGENT LIABILITIES ARISING FROM LEGAL PROCEEDINGS

The stock of contingent liabilities arising from legal proceedings registered a significant increase between June 2024 and June 2025, rising from UGX 4.91 trillion to UGX 6.45 trillion, representing an increase of approximately UGX 1.54 trillion (31.4%). This upward movement signals growing exposure of Government to potential fiscal obligations emanating from court cases and arbitration awards. The trend also reflects the continued accumulation of claims against Government entities, particularly within central government votes, and underscores the importance of strengthening dispute prevention, legal risk management, and timely settlement mechanisms to mitigate escalation of claims

Ministries remain the dominant source of legal contingent liabilities, accounting for UGX 6.25 trillion as at June 2025, up from UGX 4.47 trillion in June 2024. This represents the largest share of the overall exposure and explains the bulk of the annual increase. The magnitude of claims against Ministries suggests heightened contractual disputes, land compensation cases, infrastructure-related claims, and other statutory obligations that have crystallized into litigation. Given that Ministries implement large-scale capital projects and policy mandates, they inherently carry higher litigation risk; however, the rapid increase calls for enhanced contract management, strengthened legal advisory services, and proactive out-of-court settlements where feasible to contain fiscal risks.

In contrast, Agencies recorded a notable decline in legal proceedings from UGX 424.0 billion in June 2024 to UGX 184.2 billion in June 2025, indicating progress either in settlement of cases, successful defense outcomes, or improved risk management practices. Public Universities and Other Tertiary Institutions (PUSATIs) registered a marginal increase from UGX 2.34 billion to UGX 2.64 billion, while Local Governments experienced a moderate rise from UGX 9.97 billion to UGX 13.36 billion. Although the exposure at Local Government level remains relatively small compared to central government, the upward trend warrants monitoring, particularly in areas related to land disputes, employment matters, and contract enforcement. Embassies and

Missions reported minimal exposure, and Referral Hospitals recorded no reported legal proceedings during the period under review

Overall, the concentration of legal contingent liabilities within Ministries presents a material fiscal risk, given the potential for some cases to crystallize into enforceable court awards or negotiated settlements that would require budgetary allocation. If unmanaged, such liabilities may disrupt cash planning, crowd out priority expenditures, and increase pressure on supplementary budgets. Going forward, it is critical to enhance coordination between Accounting Officers, the Attorney General's Chambers, and the Ministry of Finance to regularly assess the probability of case outcomes, improve provisioning where necessary, and integrate legal risk analysis into medium-term fiscal planning to safeguard fiscal sustainability

**Table 16: Legal Proceedings as at June 2025**

<b>Summary</b>	<b>June 2024 Legal proceedings (UGX)</b>	<b>June 2025 Legal proceedings (UGX)</b>
Ministries	4,473,891,528,961	6,251,061,738,952
Agencies	423,964,013,291	184,241,218,644
PUSATIs	2,339,408,521	2,642,696,543
Referral Hospitals	-	
Embassies and Missions	18,655,448	
Local Governments	9,974,846,027	13,362,024,204
<b>Total</b>	<b>4,910,188,452,248</b>	<b>6,451,307,678,343</b>
Total [30 June 2023]	4,414,309,097,502	

Source: Accountant General

## 5. CHALLENGES MET DURING THE FIELDWORK

### 5.1 CHALLENGES

The data gathering process for the fiscal year 2024/25 encountered challenges in gathering some financial statements, as many institutions faced delays in finalizing their audits with the Auditor General. This has been an ongoing issue, with such delays preventing numerous institutions from providing the required information by the set deadlines.

### 5.2 RECOMMENDATIONS

To address the challenges faced during the auditing process for the fiscal year 2022/23, where delays in finalizing audits with the Auditor General led to difficulties in gathering financial statements, the following tailored recommendations are proposed:

1. Enhance the report to cover a more extensive array of explicit and implicit contingent liabilities. This expansion should include guarantees against trade and exchange rate fluctuations, power purchase agreements (PPAs), and various state insurance schemes (e.g., deposit, crop and flood, and war-risk insurance), along with liabilities from environmental disasters or banking failures exceeding state insurance protections.
2. Given the ongoing challenges, there's a critical need for developing expertise in fiscal risk analysis, with a special emphasis on contingent liabilities. This will aid in navigating and mitigating delays in audit finalizations by providing more nuanced insights into potential fiscal risks.
3. Pay particular attention to Public-Private Partnership (PPP) projects initiated before the PPP Act of 2015. These projects require a detailed examination to identify any contingent liabilities that could pose fiscal risks to the Government, ensuring that these risks are mitigated in light of audit delays.
4. Engage the Directorate of Debt and Cash Policy (DDCP) in creating feasibility studies for ongoing and prospective PPP projects. This involvement is crucial for ensuring that initial assessments are conducted timely and thoroughly,

facilitating the identification and study of contingent liabilities and associated fiscal risks amidst audit delays.

ANNEX 1: LIST OF SOES AND EBUS INCLUDED IN THE CONTINGENT LIABILITIES  
FIELDWORK EXERCISE

<b>Education</b>
Fisheries Training Institute
Hotel and Tourism Training Institute
Kabale University
Kyambogo University
Law Development Centre
Makerere University Business School
Management Training and Advisory Centre
Mbarara University
National Council for Higher Education
National Library of Uganda
Uganda Institute of Information and Communications Technology
Uganda Management Institute
Uganda National Council of Science and Technology
National Library of Uganda
Uganda National Examinations Board (UNEBC)
<b>Energy and GoU guarantees</b>
Atomic Energy Council
Uganda Electricity Distribution Company Limited
Uganda Electricity Generation Company Limited
Uganda Electricity Transmission Company Limited
Uganda Petroleum Institute Kigumba
Electricity Regulatory Authority
IUIU
UDBL
<b>Financial</b>
Bank of Uganda
Housing Finance Bank
Insurance Regulatory Authority
National Social Security Fund

Post Bank Uganda
Pride Microfinance Uganda Limited
Capital Markets Authority
Uganda Investment Authority
Uganda Retirement Benefits Regulatory Authority
<b>Information and Communications Technology</b>
Uganda Broadcasting Corporation
Uganda Communications Commission
Uganda Property Holdings Limited
Uganda Export Promotion Board
Uganda Railway Cooperation
National Water and Sewerage Corporation
Posta Uganda
Uganda Tea Development Authority
Uganda Printing and Publishing Corp
New Vision Printing & Publishing Corp
<b>Tourism</b>
Uganda Railways Corporation
Uganda Tourism Board
Nile Hotel International Ltd
Uganda National Cultural Centre
Uganda Wildlife Authority
Uganda Wildlife Education Centre
Uganda Cranes Limited
<b>Gender</b>
Uganda National Council for Disability
Uganda National Youth Council
National Council for Children
Uganda Property Holdings Ltd
Uganda Air Cargo
National Housing and Construction company

Uganda National Council for Women
Health
Uganda Medical and Dental Practitioners Council
Uganda Pharmaceutical Society
National Medical Stores
Joint Clinical Research Centre
Uganda Trypanosomiasis Control Council
Uganda Virus research Institute
Uganda Cotton Development Organization
Uganda National Chambers of Commerce
Uganda Livestock Industries
Uganda National Health Research Organization
Engineers Registration Board

ANNEX 2: LIST OF ENTITIES INCLUDED IN THE CONTINGENT LIABILITIES  
FIELDWORK EXERCISE

Arua	Kasese	Nakasogola
Budaka	Katakwi	Namutumba
Bududa	Kayunga	Nebbi
Bugiri	Kiboga	Ngora
Bukedea	Kibuku	Ntungamo
Bukomansimbi	Kisoro	Omoro
Buikwe	Koboko	Otuke
Bulambuli	Kole	Oyam
Bundibugyo	Kyankwanzi	Pader
Busia	Kyenjojo	Pakwach
Busitema University	Kyotera	Pallisa
Butaleja	Lira	Rubanda
Butambala	Lira University	Rubirizi
Dokolo	Luwero	Rukungiri
Gomba	Lwengo	Sembabule
Gulu	Manafawa	Serere
Gulu University	Maracha	Sheema
Iganga	Masaka	Sironko
Isingiro	Masindi	Soroti
Jinja	Mbarara	Soroti University
Kabale	Mbarara University	Tororo
Kabale University	Mbale	Wakiso

Kaliro	Mitooma	Yumbe
Kalungu	Mubende	Zombo
Kamuli	Mukono	
Kanungu	Muni University	