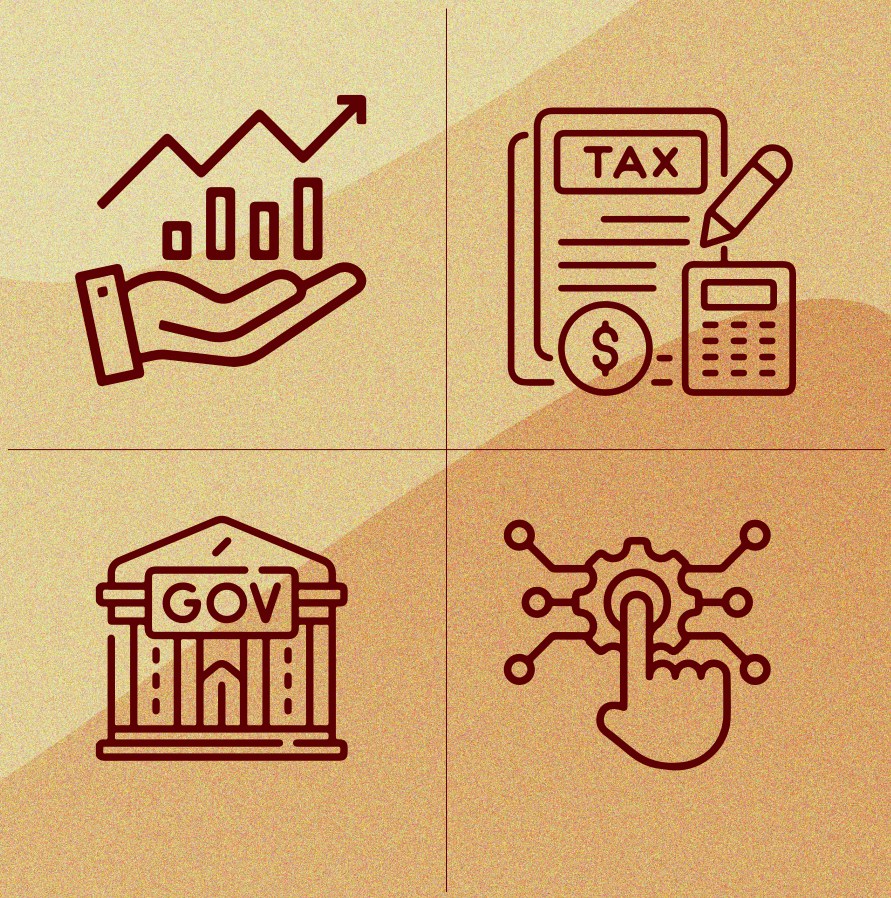
The Triple Constraint on Uganda's Digital Economy

How Underinvestment, Over-Taxation, and Restrictive Governance Are Limiting Digital Transformation

A Policy Analysis Paper

May 2026



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Foreword

Uganda's digital economy stands at a defining moment. Across the country, digital technologies are transforming how people communicate, learn, trade, access financial services, and participate in civic life. The ICT sector has emerged as a critical driver of economic growth, innovation, and public service delivery, with enormous potential to advance inclusion and national development. Yet, the promise of digital transformation cannot be realized without deliberate investment, affordable access, and governance frameworks that protect rights and build public trust.

This policy analysis paper comes at a time when Uganda is pursuing ambitious digital transformation goals under Vision 2040, the National Development Plan, and the Digital Transformation Roadmap. However, significant structural challenges continue to constrain the sector. Persistent underinvestment in ICT infrastructure, high taxation on connectivity and digital devices, internet disruptions, and restrictive governance practices risk deepening inequality and excluding millions from meaningful digital participation.

At Unwanted Witness, we believe that digital transformation must be people-centered, inclusive, and rights-based. Access to affordable internet and digital services is no longer a luxury; it is essential for education, entrepreneurship, employment, innovation, democratic participation, and social inclusion. Financing ICT should therefore be treated as a strategic national investment, not merely a sectoral expenditure. Equally, governance frameworks must safeguard privacy, freedom of expression, and access to information while fostering accountability and innovation.

This paper highlights the urgent need to align ICT financing, taxation, and governance with Uganda's broader development aspirations. A digitally inclusive Uganda requires smarter public investment, fairer taxation, and regulatory approaches that enable rather than restrict participation. The choices made today will determine whether Uganda's digital future is equitable, open, and transformative for all.

Dorothy Mukasa

Executive Director
Unwanted Witness

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Acronyms and Abbreviations

Acronym	Full Meaning
AETR	Average Effective Tax Rate
AI	Artificial Intelligence
APC	Association for Progressive Communications
CIPESA	Collaboration on International ICT Policy for East and Southern Africa
CSOs	Civil Society Organizations
DST	Digital Services Tax
FY	Financial Year
GDP	Gross Domestic Product
GNI	Gross National Income
GSMA	Global System for Mobile Communications Association
ICT	Information and Communication Technology
ICTD	International Centre for Tax and Development
IGC	International Growth Centre
ITU	International Telecommunication Union
IXPs	Internet Exchange Points
MDAs	Ministries, Departments and Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MTN	Mobile Telephone Network
NDP IV	Fourth National Development Plan
NITA-U	National Information Technology Authority – Uganda
OTT	Over-the-Top
PDPO	Personal Data Protection Office
RICA	Regulation of Interception of Communications Act
SIM	Subscriber Identity Module
SMEs	Small and Medium Enterprises
UCC	Uganda Communications Commission
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
VAT	Value Added Tax
VPN	Virtual Private Network
WOUGNET	Women of Uganda Network

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The Executive Summary

Uganda's digital economy is indeed at a critical inflection point, and this is not merely a policy assertion but one grounded in measurable sector performance, investment patterns, and structural constraints evidenced across national frameworks. Over the past decade, ICT has transitioned from a peripheral enabler to a central economic driver. The Digital Transformation Roadmap[1] shows that the sector is growing at an average rate of *14.8% and already contributes approximately 9% to GDP*, underscoring its expanding macroeconomic significance and its role in productivity, service delivery, and innovation. This growth trajectory aligns with national ambitions under Vision 2040[2], which explicitly positions ICT as one of the foundational sectors required to transform Uganda into a modern, competitive, upper-middle-income economy, alongside infrastructure, industrialization, and human capital development.

However, while policy ambition is clear and consistently reinforced across frameworks such as NDP IV[3] and the Digital Uganda Vision, the evidence reveals that outcomes are increasingly shaped not just by strategy, but by the political economy of financing, taxation, and governance. The Digital Transformation Roadmap[4] itself acknowledges that achieving transformation requires optimizing scarce resources and coordinating investments across public and private actors, pointing to underlying fiscal and institutional constraints. Similarly, the Ministry of ICT Strategic Plan (2025/26–2029/30)[5] highlights financing gaps and the need for improved resource mobilization and coordination, indicating that planned interventions are not fully matched by available funding, which directly affects implementation capacity.

At the infrastructure level, Uganda has made notable progress, particularly through broadband expansion and the National Backbone Infrastructure. Yet, structural inefficiencies persist. The National Broadband Policy[6] identifies duplication of infrastructure and weak coordination between public and private actors as key drivers of high internet costs, which in turn limit affordability and access. This is critical because affordability remains one of the most significant barriers to digital inclusion, meaning that even as infrastructure expands, effective usage and equitable access lag behind. The same policy underscores that broadband should be treated as a core public utility akin to electricity or transport, yet in practice, investment and regulatory coherence have not fully matched this priority, reinforcing systemic inefficiencies.

Moreover, the interaction between taxation and digital access further constrains the sector's potential. While not always explicitly quantified in these frameworks, the emphasis on reducing the cost of internet and improving affordability in the Digital Transformation Roadmap signals that current cost structures partly shaped by fiscal policy, are inhibiting uptake and limiting the broader economic spillovers of ICT. This creates a paradox where the sector is both high-growth and high-potential, yet simultaneously constrained in its ability to drive inclusive participation and innovation at scale.

Governance challenges compound these constraints. The Roadmap emphasizes the need for robust digital governance frameworks, including data protection, cybersecurity, and regulatory coordination, as prerequisites for trust and sustained digital adoption. At the same time, the Strategic Plan highlights the need to strengthen enforcement of laws and regulatory frameworks, suggesting existing gaps in implementation and oversight. These governance weaknesses not only affect market efficiency but also have direct implications for digital rights, accountability, and user trust; key components of a functional digital economy.

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1 Digital Transformation Roadmap (2023/2024 - 2027/2028)

2 Uganda Vision 2040

3 Fourth National Development Plan (NDPIV) (2025/26 - 2029/30)

4 *Ibid.*

5 Ministry of Information, Communications Technology and National Guidance, *Strategic Plan FY 2025/2026–2029/2030*, Government of Uganda

6 Ministry of Information, Communication Technology & National Guidance (2018), *National Broadband Policy for Uganda*, Government of Uganda.

The evidence demonstrates that Uganda's digital transformation is advancing, but unevenly. Infrastructure rollout, sector growth, and policy ambition have created a technically evolving ecosystem. Yet, low and constrained financing, high-cost structures linked to inefficiencies and taxation pressures, and gaps in governance and enforcement interact to produce a system that is economically restrictive and socially uneven. This explains why, despite strong growth indicators, the digital economy has not fully translated into broad-based inclusion, optimal returns on ICT investment, or the full realization of digital rights.

Key Findings

a) **Persistent underinvestment and low budget absorption in the ICT sector:** Although ICT underpins innovation, public sector efficiency, and economic competitiveness, the sector continues to receive less than 2–2.5% of the national budget, reflecting a mismatch between its strategic importance and resource allocation[7]. Moreover, available funds are not always fully utilized, with some ICT programmes recording absorption rates of only 70%, meaning that nearly 30% of allocated resources remain unspent[8]. This points to weaknesses in project implementation, including procurement bottlenecks, inadequate institutional capacity, and fragmented investment planning across government entities. Consequently, the sector experiences delays in infrastructure deployment, slower delivery of digital services, and reduced returns on public investment, ultimately constraining Uganda's progress toward a digitally enabled economy.

b) **A high and distortive ICT tax regime limits access and usage**: Uganda's ICT sector is subject to a layered tax burden across devices, connectivity, and digital services. Telecom services attract *18% VAT and 12% excise duty*, resulting in an effective tax burden of up to *44.6% on airtime and data*[9]. Smartphones face cumulative taxes that increase prices by *30–50%*[10], while mobile money transactions are taxed at *0.5% on withdrawals*[11]. These costs suppress usage, as evidenced by the gap between *57.3 million SIM cards and only 18.5 million active internet users*[12], indicating that affordability not availability, is the primary constraint.

c) **Internet shutdowns impose significant economic costs:** Internet disruptions have evolved into system-wide economic shocks. During the January 2026 election-period shutdown[13], Uganda lost at least UGX 59.7 billion (approximately USD 16 million) in just five days, with additional losses incurred during extended restrictions on social media and mobile money services[14]. These disruptions halted digital transactions, paralyzed ride-hailing, e-commerce, and fintech services, and severely affected SMEs and gig economy workers. Beyond immediate losses, shutdowns disrupt supply chains, undermine investor confidence, and signal regulatory unpredictability, further weakening Uganda's attractiveness for digital investment.

d) **Weak data protection enforcement undermines trust:** Although Uganda has a legal framework for data protection, enforcement remains fragmented and inconsistent. Evidence from the 2026 elections shows widespread non-compliance[15], including the Electoral Commission registering with the Personal Data Protection Office only after the elections, and no political party registering at all, alongside the absence of data protection impact assessments for high-risk biometric systems and unclear data retention practices. This uneven and largely reactive enforcement environment, where institutional breaches persist alongside selective enforcement, erodes public trust in how personal data is handled. As a result, citizens are less likely to engage with e-government services, digital finance, and online platforms, ultimately limiting both economic participation and the effectiveness of digital public services.

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7 Ministry of Finance, Planning and Economic Development (MoFPED), *The National Budget Framework Paper FY 2026/27 – FY 2030/31*, December 2025.

8 Auditor General, *Annual Report of the Auditor General to Parliament for the Audit Year Ended 31st December 2025* (Kampala: Office of the Auditor General, 2025).

9 ALN Uganda – MMAKS Advocates, *Uganda's Tax Proposals for the Financial Year 2026/2027*, April 2026.

10 The Smartphone Tax Trap: Is Uganda Pricing Millions Out of the Digital Economy?" CEO East Africa, March 31, 2026

11 Is Mobile Money Tax a Fair Game?", *Daily Monitor* (Uganda), 21 April 2026

12 Uganda Communications Commission (UCC), *Market Performance Report: Quarter 4 (October–December 2025)*, Kampala: UCC, 2025.

13 Unwanted Witness and Women of Uganda Network (WOUGNET), *"No Signal, No Voice: How Internet Shutdowns Undermined Uganda's 2026 Elections,"* 23 February 2026

14 Collaboration on International ICT Policy for East and Southern Africa (CIPESA), *Assessing the Impact of the 2026 Internet Shutdown on Uganda's Digital Economy* (March 2026)

15 Unwanted Witness, *Uneven Enforcement of Data Protection Laws Puts Data Subjects' Rights at Risk in Uganda's 2026 Polls* (31 March 2026)

e) **Constrained digital civic space limits participation and innovation**: Uganda's regulatory environment increasingly restricts online expression through surveillance, broad content regulation, and administrative controls[16]. Legal provisions have been used to target dissent, while regulatory uncertainty has normalized self-censorship[17]. This undermines civic participation, weakens accountability, and creates a risk environment that discourages innovation and investment. A constrained digital civic space ultimately affects both democratic governance and economic growth.

Table 1: Key Statistic Highlights

Indicator	Value / Estimate	Policy Implication
ICT share of national budget	**< 2–2.5%**	Underinvestment relative to its role as a key economic enabler
ICT budget absorption rates	**70–85% (some <70%)**	Execution inefficiencies reduce impact of already limited funding
Effective tax burden on telecom services	**Up to 44.6%**	High cost of connectivity suppresses usage and digital participation
Increase in smartphone costs due to taxes	**30–50%**	High entry barriers limit access to digital services
SIM cards vs active internet users	**57.3 million vs 18.5 million**	Affordability gap between access and meaningful usage
Mobile money transaction volume	**2.48 billion (quarterly)**	High reliance on digital finance, yet taxed—affecting financial inclusion
Estimated cost of 2021 internet shutdown	**~USD 100 million**	Shutdowns impose significant macroeconomic losses

Top Policy Recommendations

a) **Increase and improve ICT financing**: Raise ICT allocations to at least 4–5% of the national budget, prioritize rural connectivity, and strengthen budget execution through improved procurement, coordination, and project readiness.
b) **Rationalize ICT taxation to reduce the cost of access**: Reduce excise duty on data, review VAT burdens on telecom services, and eliminate excessive taxes on smartphones and ICT equipment to improve affordability and usage.
c) **Introduce incentives for digital infrastructure and innovation**: Provide tax incentives for broadband expansion, data centres, and digital startups, while reassessing Digital Services Tax to avoid discouraging innovation.
d) **Establish safeguards against internet shutdowns**: Legally restrict shutdowns to exceptional cases with judicial oversight, transparency, and accountability mechanisms to prevent economic disruption.
e) **Strengthen data protection enforcement**: Fully operationalize and resource the Personal Data Protection Office to ensure compliance, build trust, and support digital service adoption.
f) **Protect digital civic space and platform access**: Ensure that regulation of online expression is lawful, proportionate, and consistent with constitutional protections, while preventing arbitrary platform restrictions.
g) **Strengthen institutional coordination and accountability**: Enhance oversight mechanisms, improve inter-agency coordination, and institutionalize multi-stakeholder engagement in ICT policy and taxation reforms.

Uganda's digital transformation is not constrained by a lack of vision, but by a misalignment between financing, taxation, and governance. The current system imposes high costs, limits access, and weakens trust undermining both economic growth and democratic participation.

To unlock the full potential of the digital economy, Uganda must move from fragmentation to alignment. This requires *investing more, taxing smarter, and governing better.* Uganda cannot build a competitive digital economy on a foundation of high costs, low investment, and restricted access.

16 *A Regulatory Detour or Constitutional Evasion? Rethinking 'Fake News' and Broadcasting in Uganda's Democratic Order,* Unwanted Witness, 11 April 2026

17 Unwanted Witness, *Position Statement on Public Concerns Arising from the Application of Data Protection Laws in Uganda's Electoral Context* (January 2026)

1. Introduction: Uganda's Digital Crossroads

Uganda's digital economy stands at a decisive turning point one defined not only by rapid growth, but by deep structural tensions that will determine whether this growth translates into inclusive transformation or remains uneven and constrained.

Over the past decade, Information and Communication Technology (ICT) has evolved into a central driver of economic activity, contributing approximately 9% to GDP and growing at an estimated 14.8% annually[18]. This expansion has enabled new forms of commerce, financial inclusion, and public service delivery, positioning digital systems at the core of Uganda's economic and social infrastructure.

This trajectory reflects a deliberate national ambition. Frameworks such as the Fourth National Development Plan (NDP IV)[19], the Digital Transformation Roadmap[20], and Uganda Vision 2040[21] consistently position ICT as a foundational enabler of socio-economic transformation alongside infrastructure, industrialization, and human capital development. The policy vision is clear: *a digitally enabled, modern, and competitive economy capable of driving inclusive growth and improving livelihoods.*

However, while the ambition is well-articulated, outcomes are shaped less by strategy alone and more by the underlying political economy of the digital sector. Uganda's digital transformation is not constrained by a lack of vision or technology, it is fundamentally shaped by how ICT is *financed, taxed,* and *governed.* It is within these three domains that the country's digital trajectory is being determined.

At the core of this challenge lies a triple structural constraint:

a) Underinvestment in ICT infrastructure and systems limits the foundation upon which the digital economy is built. Despite ICT's central role, it receives a disproportionately low share of public financing, constraining broadband expansion, digital public services, and innovation ecosystems. The result is a supply-side limitation, where infrastructure and systems do not scale at the pace required to support widespread digital adoption.

b) Over-taxation of digital services and devices raises the cost of participation and suppresses usage. High cumulative taxes on connectivity, devices, and digital transactions increase the cost of being online, creating a demand-side constraint. This is reflected in the persistent gap between high SIM penetration and significantly lower active internet usage indicating that access exists, but affordability limits meaningful participation.

c) Restrictive governance and policy practices undermine trust, participation, and investment. Weak enforcement of data protection, regulatory uncertainty, and practices such as internet shutdowns introduce systemic risk into the digital ecosystem. In an economy increasingly dependent on data, platforms, and digital finance, trust becomes a core economic asset, yet one that remains fragile.

Crucially, these constraints do not operate in isolation. They interact in ways that reinforce one another, creating a self-limiting system:

18 Ministry of ICT and National Guidance (Uganda), *Digital Transformation Roadmap 2023/2024–2027/2028*

19 *NDP IV*, 2025/26–2029/30, p. 3

20 *Digital Transformation Roadmap*, 2023/24–2027/28, p. 3.

21 *Uganda Vision 2040*, p. 3.

a) Limited investment weakens infrastructure and service quality;
b) High taxation makes available services unaffordable for many;
c) Governance constraints reduce trust, discouraging both usage and investment.

The result is a digital economy that is growing but not fully working. Infrastructure is expanding, yet usage remains constrained. The sector is contributing to GDP, yet participation is uneven. Policy ambition is strong, yet real-world outcomes fall short of potential.

This structural imbalance is not abstract; it is reflected in lived realities. Millions remain priced out of meaningful internet use despite widespread network coverage[22]. The cost of devices continues to limit entry into the digital economy[23]. Businesses and innovators face high operational costs and regulatory uncertainty[24]. Disruptions such as internet shutdowns interrupt economic activity and undermine confidence in digital systems[25]. At the same time, weak and inconsistent enforcement of data protection erodes trust in how personal data is handled[26].

The consequences are significant. Returns on ICT investment are diminished, as infrastructure does not translate into proportional usage or economic activity. Digital participation remains unequal, reinforcing existing socio-economic divides. The broader benefits of digital transformation including productivity gains, innovation, and democratic participation are only partially realized.

In this context, Uganda's digital transformation challenge is not simply about expanding connectivity or adopting new technologies. It is about addressing the underlying fiscal and governance structures that determine how the digital economy functions in practice. This brief therefore examines how financing, taxation, and governance interact as a system, shaping outcomes across access, affordability, trust, and participation.

By applying a budget accountability and policy analysis lens, the policy analysis paper identifies the structural gaps limiting Uganda's digital potential and proposes actionable reforms to address them. The central argument is clear: unlocking the full potential of Uganda's digital economy requires deliberate alignment across these three domains.

Without such alignment, Uganda risks sustaining a digital ecosystem that is connected, but constrained; growing, but not inclusive; and ambitious, but ultimately underperforming.

22 Why Internet Cost Has Remained Expensive," *New Vision*, February 19, 2026

23 High Smartphone Costs Lock Millions of Ugandans Out of Digital Economy," *Nile Post*, 24 March 2026

24 Ronald Jjagwe, *"A Decade of National Innovation System Performance in Uganda: Implications for Policy and Practice,"* East African Journal of Interdisciplinary Studies 9, no. 1 (April 2026)

25 Unwanted Witness and WOUGNET, *No Signal, No Voice*, 2026.

26 Unwanted Witness, *Uneven Enforcement of Data Protection Laws Puts Data Subjects' Rights at Risk in Uganda's 2026 Polls* (Association for Progressive Communications, 31 March 2026)

2. ICT Financing in Uganda: Scale, Structure, and Systemic Constraints

Uganda's digital economy is expanding rapidly, contributing approximately 9% of GDP and growing at an estimated 14.8% annually, positioning ICT among the fastest-growing sectors in the economy[27]. This growth has been driven largely by telecommunications expansion, mobile financial services, and the increasing digitization of public and private services. However, the financing structure underpinning this growth remains narrow and imbalanced, limiting the sector's ability to scale inclusively and sustainably.

At a structural level, financing of Uganda's digital economy is driven by two primary sources: public investment mainly through the Digital Transformation Programme and related government ICT expenditures[28] and private sector investment, led by telecommunications operators, fintech firms, and digital service providers[29]. While private investment has been instrumental in expanding network infrastructure and digital services, public investment plays a critical role in enabling foundational infrastructure, interoperability, and digital public services.

Despite ICT's growing role as a driver of economic growth, innovation, and public service delivery, public financing for Uganda's digital sector remains disproportionately low and structurally fragmented[30]. Over the last three financial years, the ICT sector has consistently received less than 2–2.5% of the national budget equivalent to approximately UGX 1.2–1.9 trillion annually, significantly below allocations to traditional infrastructure sectors such as transport and energy, which together absorb more than 10–15% of total public expenditure, as well as human capital sectors that collectively account for over 25–30% of the national budget[31]. This financing imbalance persists despite national frameworks such as Uganda Vision 2040 and NDP IV identifying digital transformation as a foundational pillar for socio-economic transformation and competitiveness.

The financing challenge is compounded by institutional fragmentation and inefficiencies in ICT budgeting across government. Rather than operating through a coordinated national digital investment framework, Ministries, Departments and Agencies (MDAs) continue to independently procure and budget for ICT systems, infrastructure, software, and data centers.

Parliament's Committee on ICT has repeatedly warned that this fragmented approach results in duplication of investments, weak coordination, and loss of economies of scale. In January 2026, legislators urged government to centralize ICT budgets under the Ministry of ICT and National Guidance to improve efficiency and optimise scarce resources. As Bunya South MP Iddi Isabirye noted, "every Ministry is currently planning and budgeting for its own ICT needs," creating duplication in services that could otherwise be centrally delivered more efficiently[32]. Similarly, Budiope East MP Moses Magogo raised concern over repeated duplication of digital infrastructure projects, including multiple data centres and overlapping digital platforms across MDAs.

These inefficiencies are occurring at a time when the Digital Transformation Programme itself is facing declining budgetary support. In FY2026/27, the programme's allocation was reduced by 28%, causing its share of the national budget to fall from 1% to just 0.4%[33]. Although the programme reportedly required approximately

27 *Digital Transformation Roadmap*, 2023/24–2027/28, p. 8

28 Government of Uganda, *Digital Transformation Programme Annual Budget Monitoring Report, Financial Year 2024/25*

29 Jjagwe, "A Decade of National Innovation System Performance in Uganda,"

30 *Budget: Uganda's ICT Investment is a Good Step, but More is Needed,"* Daily Monitor, July 10, 2025

31 KPMG Uganda, *Uganda Budget Brief 2025/2026* (KPMG East Africa, June 2025)

32 Parliament Watch Uganda, *"MPs Demand Central Control of ICT Budgets,"* 29 January 2026

33 Ministry of Finance, Planning and Economic Development (MoFPED), *The National Budget Framework Paper FY 2026/27 – FY 2030/31*

UGX 600 billion to effectively implement its mandate as one of the four core pillars of Uganda's accelerated growth strategy, it received only UGX 273 billion, leaving a financing gap of more than UGX 318 billion. Parliament's ICT Committee described these cuts as contradictory to government's own recognition of digital transformation as a key economic driver.

The consequence is a digital economy that is expected to deliver national transformation while operating with constrained and poorly coordinated investment. Limited financing slows broadband expansion, delays rollout of digital public infrastructure, weakens cybersecurity preparedness, and undermines innovation ecosystems. At the same time, fragmented ICT expenditure reduces efficiency and diminishes returns on already scarce public resources. This disconnect between policy ambition and fiscal commitment risks weakening Uganda's ability to fully leverage ICT for inclusive growth, digital industrialisation, and public sector modernization.

From a macroeconomic perspective, Uganda's GDP stood at approximately **UGX 202.7 trillion (USD 53.7 billion) in FY 2023/24**[34], rising to over **UGX 226 trillion by FY 2025/26**[35]. Within this context, public investment in ICT represents **less than 1% of GDP**, placing Uganda below the levels observed in more digitally advanced economies, where ICT investment typically exceeds **1–2% of GDP**. This gap suggests that Uganda's digital transformation is being pursued on a relatively low investment base, which limits the pace, scale, and inclusivity of digital growth.

2.2. Public vs Private Investment Dynamics

Uganda's digital economy is increasingly driven by private sector investment, but the sustainability and inclusiveness of this growth remain constrained by insufficient public investment in foundational digital infrastructure and systems.

Telecommunications companies, fintech providers, and digital platforms continue to provide the bulk of capital financing for connectivity expansion, digital financial services, and innovation ecosystems, while public investment has struggled to keep pace with the scale and strategic demands of digital transformation.

This imbalance is evident in the structure of Uganda's connectivity ecosystem. Private telecommunications operators such as MTN Uganda and Airtel Uganda have emerged as the primary financiers of network expansion and digital service delivery infrastructure. MTN Uganda reported approximately **22 million subscribers in 2024**[36] and continues to position digital and financial inclusion as a central investment priority. Airtel Uganda similarly reported **16.9 million subscribers**, over **3,000 network sites**, and claimed **100% 4G coverage**, alongside continued investments in fibre infrastructure and 5G deployment[37]. These investments have significantly expanded access to telecommunications and digital financial services, particularly through mobile money platforms, which are increasingly central to Uganda's digital economy.

The scale of private sector activity in digital finance further illustrates this transformation. According to recent sector reporting, mobile money users borrowed nearly **UGX 3 trillion in 2025**, demonstrating the growing dependence of households and businesses on digitally enabled financial services[38]. This rapid expansion of fintech and mobile financial ecosystems has strengthened financial inclusion and increased the role of digital platforms in everyday economic activity.

However, it has also deepened dependence on privately financed digital infrastructure and commercially driven service models. Yet, despite the dominance of private capital, evidence from Uganda's digital infrastructure assessments demonstrates that private investment alone is insufficient to deliver equitable and universal digital access[39].

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34 Ministry of Finance, Planning and Economic Development (MoFPED), *Semi-Annual Budget Performance Report FY 2023/24*

35 Ministry of Finance, Planning and Economic Development, *The National Budget Framework Paper FY 2025/26 – FY 2029/30*

36 MTN Uganda, *Annual Report 2024*

37 Airtel Uganda Ltd, *Annual Report 2024*

38 Mobile Money Users Borrowed Nearly Shs3 Trillion in 2025," *Daily Monitor*, May 5, 2026

39 United Nations Uganda, *"Telecom Sector Power Forum 2025: Powering Uganda's Digital Future,"* 5 August 2025

The National Broadband Baseline Survey and Infrastructure Blueprint[40] notes that although Uganda has experienced substantial investment in fibre infrastructure from both government and private operators, the country continues to face major structural gaps, including:

a) inadequate broadband penetration, particularly in rural and remote areas;
b) duplication of infrastructure by operators;
c) high broadband costs relative to income levels; and
d) weak policy, legal, and institutional coordination.

These challenges point to the limits of a predominantly market-led model of digital expansion. Commercial operators naturally prioritize high-return urban and peri-urban markets where demand density and profitability are strongest. As a result, rural and underserved communities continue to experience weak last-mile connectivity, limited broadband penetration, and higher effective costs of access.

The International Telecommunication Union's 2025 Assessment of Last-Mile Connectivity Interventions in Uganda reinforces this finding, noting that despite progress in ICT infrastructure rollout, "many rural and remote areas still face significant barriers in accessing reliable and affordable internet"[41]. The report further emphasizes that last-mile connectivity is not simply a commercial challenge, but a public policy and development issue requiring deliberate state intervention, regulatory coordination, and targeted financing support. This reflects a broader structural imbalance in Uganda's digital investment model.
While private operators finance commercially viable infrastructure, public investment in digital public goods and enabling systems has remained comparatively weak and fragmented[42]. Critical areas such as national backbone expansion, interoperability frameworks, rural connectivity support, cybersecurity infrastructure, and digital public services require long-term financing models that are often unattractive to purely commercial actors. Where such public investment is insufficient, the incentives for private operators to extend infrastructure into low-income or geographically remote areas are significantly weakened.

The consequences of this imbalance are increasingly visible across Uganda's digital ecosystem. Despite high mobile penetration, internet usage remains comparatively low, reflecting affordability and access barriers that persist even where infrastructure exists. Broadband costs remain high relative to income levels, while unequal infrastructure distribution reinforces geographic and socio-economic inequalities in digital participation[43]. In effect, the digital economy is expanding, but unevenly.

The Auditor General's 2025 report further highlights the fiscal and operational pressures undermining digital infrastructure sustainability. The report identified the accumulation of unpaid maintenance bills for the National Backbone Infrastructure and outstanding internet service fees owed by government target user groups amounting to **UGX 5.41 billion**[44]. These findings suggest that even where public digital infrastructure has been established, inadequate financing and operational support continue to weaken its effectiveness and long-term sustainability.

Importantly, the interaction between weak public investment and commercially driven private capital creates a reinforcing cycle:

a) limited public investment slows infrastructure expansion and digital public service development;
b) private operators concentrate investment in commercially profitable markets;
c) underserved regions remain digitally excluded; and
d) low inclusion ultimately limits the overall scale and multiplier effects of the digital economy itself.

As a result, Uganda's current financing model produces a digital economy that is visibly growing, but structurally uneven. Digital services, mobile money platforms, and broadband infrastructure continue to expand, yet access, affordability, and meaningful participation remain highly unequal. In this context, insufficient public investment does not merely create infrastructure gaps, it weakens the overall developmental and economic returns of private sector digital investment.

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40 Ministry of ICT and National Guidance, *National Broadband Baseline Survey and Infrastructure Blueprint* (April 2022)

41 International Telecommunication Union Development Sector, *Assessment of Last-Mile Connectivity Interventions in Uganda 2025*

42 Auditor General, *Annual Report of the Auditor General to Parliament for the Audit Year Ended 31st December 2025: Consolidated Audit Findings*

43 *Daily Monitor*, "Why Uganda is Offline," 3 March 2026

44 Auditor General, *Annual Report to Parliament*, 2025.

2.3. Budget Trends and Structural Underinvestment

Uganda's ICT financing trajectory reflects incremental nominal growth without a corresponding structural shift in prioritization. While allocations to the Digital Transformation Programme have increased over the past three financial years, this growth remains modest relative to both the size of the national budget and the strategic importance of ICT as a driver of productivity and economic transformation.

Table 2: Allocation Trends

Financial Year	ICT Allocation (UGX Trn)	Share of Budget	Estimated GDP Share
FY 2024/25	~1.2–1.5	~1.8–2.1%	~0.6–0.7%
FY 2025/26	~1.4–1.7	~2.0–2.3%	~0.7–0.8%
FY 2026/27*	~1.6–1.9 (proj.)	~2.0–2.5%	~0.7–0.9%

Projected based on Medium-Term Expenditure Framework trends

Despite these nominal increases, the share of ICT within the national budget remains consistently below 2%, translating into less than 1% of GDP in public investment. This level of financing remains comparatively low when measured against sectors such as transport, which received approximately 2.54% of GDP in the FY 2025/26 budget[45], despite ICT serving as a critical cross-cutting enabler of efficiency, innovation, productivity, and public service delivery across the entire economy.

The trend suggests that ICT is recognized in policy as a strategic enabler but not financed as core economic infrastructure. As a result, investments remain insufficient to support universal connectivity, scalable digital public services, and a fully integrated digital economy. This persistent underinvestment constrains the sector's ability to generate network effects, limits returns on existing infrastructure, and slows the pace at which digital transformation can contribute to inclusive economic growth.

2.4. Execution and Absorption Inefficiencies

Beyond allocation constraints, execution inefficiencies significantly reduce the real impact of ICT financing. While Uganda allocates modest resources to the Digital Transformation Programme, a substantial portion of these funds does not translate into timely or effective implementation.

Audit and budget performance evidence indicates that[46]:

a) Budget absorption rates for ICT-related projects typically range between 70%–85%, with some projects falling below 70%;

b) As a result, an estimated 15–30% of allocated funds remain unspent, delayed, or inefficiently utilized, particularly in infrastructure-intensive projects such as broadband expansion and digital systems deployment.

These inefficiencies are driven by a combination of institutional and systemic factors:

a) Procurement delays and lack of standardized frameworks, slowing project rollout;

b) Fragmentation of ICT investments across Ministries, Departments, and Agencies (MDAs), resulting in duplication, poor interoperability, and reduced economies of scale;

c) Weak project readiness, with some initiatives included in the budget before feasibility studies and technical designs are completed;

d) Limited institutional and technical capacity to design, procure, and manage complex ICT infrastructure projects.

45 National Budget Framework Paper FY 2025/26 – FY 2029/30

46 Auditor General, *Annual Report to Parliament*, 2025.

The Auditor General has consistently highlighted these structural bottlenecks, including delays in project implementation, weak planning, and gaps in coordination across government programmes[47].

2.5. Economic Implications of Execution Gaps

The impact of these inefficiencies extends beyond administrative performance they directly affect the functioning of Uganda's digital economy. Assuming an annual ICT allocation of approximately *UGX 1.2–1.7 trillion*, a *15–30%* inefficiency implies that between *UGX 180–510 billion* in potential digital investment value is effectively lost each year. This represents delayed or unrealized infrastructure, services, and innovation capacity.

In practical terms, this results in:

a) Slower expansion of broadband and last-mile connectivity;

b) Delayed rollout of digital public services and platforms;

c) Higher costs for private sector operators filling infrastructure gaps;

d) Reduced adoption and usage of digital services by citizens.

These dynamics reinforce a structural constraint in the digital economy: limited financing is further weakened by inefficient execution, resulting in significantly lower real returns on ICT investment.

2.6. Economic Cost of Underinvestment

The consequences of underinvestment in ICT extend beyond infrastructure gaps; they directly constrain economic performance, productivity, and long-term growth. Digital technologies are now central to efficiency gains across sectors, enabling firms to reduce transaction costs, expand market access, and improve service delivery. Where investment in digital infrastructure is weak, these productivity spillovers are significantly reduced, limiting the broader economic impact of digital transformation.

In Uganda's case, underinvestment has contributed to a persistent gap between infrastructure availability and effective usage, with millions of potential users remaining excluded from meaningful digital participation[48]. This constrains firm-level productivity, particularly for small and medium enterprises that rely on digital platforms for market access, payments, and operations.

Global evidence demonstrates that broadband investment has a direct and measurable impact on economic growth, particularly in developing economies where digital connectivity serves as a primary gateway to participation in the modern economy. According to the International Telecommunication Union (ITU), an increase of 10% in mobile broadband penetration in Africa yields an estimated 2.5% increase in GDP per capita, while a 10% increase in the broader Digital Ecosystem Development Index results in approximately 1.9% GDP growth[49]. The study further finds that a 10% reduction in mobile broadband prices boosts adoption by more than 3.1%, underscoring the central role affordability and investment play in expanding digital participation.

For Uganda, these findings carry significant implications. Continued underinvestment in ICT infrastructure and digital systems limits broadband expansion, slows digitization, and constrains the wider digital ecosystem that drives productivity, innovation, and inclusion. The opportunity cost is therefore substantial: reduced economic growth, lower returns on existing ICT investments, slower adoption of digital services, and diminished capacity to leverage the full developmental benefits of the digital economy. In effect, insufficient investment not only weakens connectivity outcomes, but also suppresses the broader economic gains associated with digital transformation.

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47 Auditor General, *Annual Report of the Auditor General to Parliament for the Audit Year Ended 31st December 2024: Consolidated Audit Findings*

48 Research ICT Africa, *After Access 2022–2023: Digital Africa Post the Pandemic: Uganda Report*

49 International Telecommunication Union (ITU), *Economic Contribution of Broadband, Digitization and ICT Regulation: Econometric Modelling for Africa* (Geneva: ITU).

2.7. Lost Returns on Public Investment

Underinvestment in ICT significantly reduces the economic returns on existing public investments, limiting their ability to generate productivity gains and scale digital adoption across the economy[50].

a) **Incomplete infrastructure reduces utilization:** Digital services remain underused where broadband and last-mile connectivity are insufficient, lowering the return on prior capital investments.

b) **Underperforming digital public systems:** Investments in e-government platforms, digital ID, and payment systems operate below optimal capacity due to limited integration and user uptake.

c) **Weak network effects:** Digital economies rely on scale; low adoption prevents positive spillovers, reducing the overall economic impact of ICT investments.

2.8. Increased Cost of Digital Access

Infrastructure gaps continue to drive up the cost of connectivity in Uganda, particularly in rural and remote areas where deployment remains commercially unattractive. Despite progress in network expansion, only 53% of Uganda's geography is covered by 3G and just 24% by 4G, while many underserved regions still lack adequate broadband infrastructure[51]. The high cost of deploying and maintaining infrastructure in these areas with rural mobile coverage sites costing 18% more and remote sites 35% more than urban sites raises operational expenses that are ultimately passed on to consumers through higher internet and data costs. As a result, connectivity increasingly exists in technical terms but remains financially inaccessible for many Ugandans, reinforcing a structural affordability gap.

2.9. Distributional Impact: Who Bears the Cost?

Underinvestment in ICT infrastructure does not affect all users equally; rather, it produces uneven and exclusionary outcomes across different socio-economic groups. The costs of weak digital infrastructure are disproportionately borne by those already at the margins of the digital economy[52].

a) **Rural populations** face persistent connectivity gaps due to low commercial incentives for private investment in last-mile infrastructure, limiting access to digital services and markets.

b) **Low-income households** are effectively priced out of the digital economy, as high data and device costs consume a larger share of disposable income.

c) **Women and youth**, who rely heavily on mobile-based platforms for employment, financial services, and communication, encounter disproportionate barriers to participation.

d) **SMEs and startups** face higher operational costs due to unreliable connectivity and fragmented digital infrastructure, reducing competitiveness and limiting innovation.

These disparities reinforce a pattern of digital inequality, where access, usage, and economic benefits are concentrated among urban and higher-income populations. The result is not only social exclusion but also lost economic potential, as large segments of the population remain unable to participate meaningfully in the digital economy.

2.10. Political Economy of ICT Underinvestment

The persistence of low ICT financing in Uganda is not accidental; it reflects broader political economy dynamics that shape public investment decisions. Despite ICT's growing contribution to economic activity and its central role in national development strategies, budget allocation continues to favour traditional infrastructure sectors such as transport, energy, and oil and gas, which are perceived as more tangible, capital-intensive, and politically visible.

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50 World Bank, *Growth and Transformative Effects of ICT Adoption: A Survey*, Digital Development Global Practice (March 2023).

51 International Telecommunication Union (ITU) Development Sector, *Assessment of Last-Mile Connectivity Interventions in Uganda*

52 The ICT/Poverty Nexus," *UN Chronicle*, Vol. 48, No. 3 (2011), United Nations

At the same time, ICT is often treated as a supporting or enabling sector, rather than as core economic infrastructure. This perception leads to systematic under-prioritization in fiscal planning, even as digital systems increasingly underpin productivity, financial services, and public administration.

Short-term fiscal pressures further reinforce this pattern. In a constrained budget environment, government spending tends to prioritise projects with immediate and visible outputs, while ICT investments; whose returns are more diffuse, long-term, and system-wide, receive comparatively less attention.

The result is a structural paradox: ICT is widely recognized as critical to economic transformation, yet it is not financed at a level consistent with this role. This misalignment between policy ambition and fiscal commitment continues to limit the scale, efficiency, and inclusiveness of Uganda's digital economy.

2.11. The Structural Constraint: A Supply-Side Bottleneck

ICT financing in Uganda operates as a binding supply-side constraint on the performance and scalability of the digital economy. While demand for digital services continues to grow, the underlying infrastructure and systems required to support this demand remain underdeveloped due to persistent underinvestment.

At a structural level, this constraint follows a clear causal pathway. Low levels of public investment in ICT limit the expansion and quality of digital infrastructure and systems. This, in turn, increases the unit cost of delivering digital services and restricts their availability, particularly in underserved and rural areas. The result is a high-cost digital environment in which access exists but remains unaffordable or unreliable for a significant portion of the population.

These cost and access barriers suppress adoption and usage, reducing the scale effects necessary for digital systems to generate strong economic returns. As a result, the contribution of ICT to productivity, innovation, and inclusive growth remains below potential.

This dynamic creates a self-reinforcing cycle of underperformance:

a) Low investment constrains infrastructure development

b) Weak infrastructure increases service costs

c) High costs reduce affordability and adoption

d) Low adoption limits economic returns and reinvestment

Together, these factors produce a digital economy that is expanding in reach but constrained in impact; growing, but not at the scale or efficiency required to fully support Uganda's broader economic transformation.

3. ICT Tax Regime Analysis: The Cost of Being Online

3.1. A Layered Tax Structure Shaping Digital Participation

Uganda's ICT tax regime operates as a layered and cumulative cost structure imposed across the entire digital value chain; devices, connectivity, transactions, and digital services and its effects extend far beyond revenue mobilization. In practice, taxation directly shapes who can participate in the digital economy, how frequently they can engage online, and the extent to which digital transformation translates into inclusive economic growth.

This matters because Uganda's digital economy has increasingly become a lifeline for millions of citizens, particularly young people. Digital platforms now support livelihoods across ride-hailing, e-commerce, online content creation, mobile money services, and freelance work[53]. A growing number of young Ugandans depend on platforms such as TikTok, online marketplaces, and app-based services to generate income, market businesses, and access customers[54]. For many, digital connectivity is no longer a luxury, it is a prerequisite for economic participation.

However, the rapid expansion of the sector has also made it an attractive target for taxation due to the relative ease with which digital transactions and telecom services can be taxed. Uganda's current ICT tax framework imposes multiple layers of taxation across the digital ecosystem, significantly increasing the effective cost of being online.

Table 3: Layers of Taxation Affecting Uganda's Digital Ecosystem

Stage	Tax Applied	Effect
Device purchase	VAT + import duty	Raises smartphone and device costs
Connectivity	VAT + excise duty	Raises internet and data costs
Transactions	Mobile money tax	Increases cost of digital payments
Businesses	Digital Services Tax (DST) + VAT	Raises operational and innovation costs

The cumulative effect of these taxes is a high-cost digital environment in which access increasingly depends on purchasing power rather than infrastructure availability. While Uganda's digital sector has expanded significantly with approximately 57.3 million registered SIM cards, 18.5 million active internet users, and 36.3 million active mobile money accounts[55], these figures conceal a deeper structural constraint: affordability. Connectivity may exist in technical terms, but meaningful participation remains limited by cost.

This affordability challenge is particularly visible among low-income users. Uganda's 2022 National IT Survey found that the average citizen spends approximately UGX 10,800 per month on phone and internet services[56]. Yet a single gigabyte (1GB) of data costs approximately UGX 5,000, consuming nearly half of a typical user's monthly digital expenditure[57]. In practical terms, this forces many users to ration internet usage, remain offline for extended periods, or avoid data-intensive services altogether.

53 Ministry of ICT and National Guidance, *"How Digital Services are Transforming Citizens' Lives,"* Government of Uganda

54 Uganda Moves to Monetise TikTok, X Creators," *New Vision*, March 26, 2026

55 Uganda Communications Commission (UCC), *Market Performance Report Q4 2025 (October–December 2025)*

56 National Information Technology Authority–Uganda (NITA-U), *National Information Technology Survey Report 2022*

57 Are Taxes Undermining Uganda's Youth-Driven Digital Economy?' *Daily Monitor* (Kampala, 15 February 2026)

The result is a structural paradox at the center of Uganda's digital transformation agenda: infrastructure coverage is expanding, but usage remains constrained. Although 4G coverage reportedly reaches approximately 96% of the population, only about 37% of Ugandans actively use mobile internet[58]. The gap is therefore not primarily one of infrastructure availability, but of affordability and purchasing power. Digital infrastructure exists, but a significant portion of the population cannot afford to fully utilize it.

This contradiction highlights a broader policy tension. On one hand, government seeks to expand digital transformation, financial inclusion, and online service delivery. On the other, the tax regime increases the cost of accessing the very services required by the citizenry to participate in that transformation. In effect, fiscal policy is partially offsetting the developmental gains of digital investment.

The experience of the 2018 Over-the-Top (OTT) tax illustrates the consequences of this approach[59]. Introduced as a levy on social media access, the tax forced more than five million users offline within three months while generating only approximately USD 13.5 million, far below the projected USD 77.8 million target. The episode demonstrated a critical principle of digital taxation: heavy taxes on connectivity suppress usage, reduce participation, and can ultimately undermine expected revenue outcomes.

The implications extend beyond individual users to the broader economy. High digital costs reduce customer participation on online platforms, limit digital entrepreneurship, and increase the operational burden on businesses that rely on internet-based services. SMEs, startups, and gig economy workers are particularly affected because they depend heavily on affordable connectivity to access markets, process payments, and communicate with customers. In this sense, ICT taxation functions not only as a consumer burden, but also as a tax on productivity, innovation, and economic opportunity.

Importantly, the issue is not whether government should raise revenue from the digital economy. Uganda faces genuine fiscal pressures, widening budget deficits, and growing demands for public expenditure. The challenge is that the current taxation approach prioritizes short-term extraction over long-term digital growth. By taxing connectivity heavily at an early stage of digital adoption, the country risks limiting the scale effects necessary for the digital economy to mature and expand sustainably.

Emerging evidence suggests that a lower-tax, growth-oriented approach could generate stronger long-term outcomes. A 2025 GSMA study projected that removing the 12% excise duty on data could bring approximately four million additional Ugandans online by 2030, create an estimated 1.79 million new jobs, and generate an additional UGX 2.1 trillion in annual tax revenues through expanded economic activity and a broader tax base[60]. This suggests that reducing barriers to digital participation may ultimately produce greater fiscal returns than maintaining high taxes on connectivity.

Uganda's ICT tax regime therefore represents more than a revenue policy, it functions as a structural demand-side constraint on digital transformation. By increasing the cost of devices, connectivity, and digital transactions, the regime suppresses adoption, limits inclusion, and weakens the economic returns of digital investment. The result is a digital economy that is technically expanding, but economically constrained and socially uneven.

3.2. Taxation of Connectivity and Suppressed Usage

At the center of this constraint is the heavy taxation of telecom and internet services. Internet and voice services attract 18% VAT and 12% excise duty, alongside numerous sector-specific fees, regulatory charges, customs duties, and operational levies imposed on mobile operators[61]. These include taxes on mobile devices, towers, SIM cards, spectrum fees, licensing charges, and revenue-based contributions such as the 2% Rural Communications Development Fund levy. Collectively, these taxes and fees significantly increase the cost of connectivity for both operators and consumers[62].

The GSMA estimates that the mobile telecom sector in Uganda faces an Average Effective Tax Rate (AETR) of 68% as a share of pre-tax profit and 24% as a share of revenue, substantially higher than the retail finance sector[63]. Notably, only 29% of the telecom sector's tax burden is profit-based, with the majority arising from fixed fees, sector-specific levies, customs duties, and revenue-based charges.

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58 Uganda's Digital Leap: Fast Connections, Slow Adoption - GSMA Report

59 Eight Years after OTT: A Failed Experiment that Stifled Uganda's Digital Economy' *The Observer* (25 February 2026)

60 GSMA, *Uganda's Digital Leap*.

61 'Are Taxes Undermining Uganda's Youth-Driven Digital Economy? Daily Monitor

62 MTN Uganda. "MTN Uganda Boosts the Uganda Communications Universal Service and Access Fund with UGX 36 Billion for the Year 2023."

63 GSMA, *Mobile Sector Taxation: Comparative Fiscal Burden in Uganda*, October 2025

This creates a tax environment where operators incur high costs regardless of profitability, limiting incentives for infrastructure expansion and affordability improvements.

These costs are ultimately passed on to users. Evidence from Uganda's digital market shows that increases in connectivity taxation lead to immediate reductions in internet usage, slower uptake of digital services, and prolonged recovery from usage declines[64]. Users respond by rationing data consumption, relying on multiple SIM cards to manage costs, or abandoning internet usage altogether.

This affordability challenge persists despite broader government ambitions around digital transformation. Although the FY2025/26 budget allocated UGX 381.75 billion towards ICT and digitalization[65], and identified digital transformation as a key pillar of economic growth, the continued over-taxation of connectivity undermines these investments by suppressing demand for digital services.

The disparity between 57.3 million SIM registrations and only 18.5 million active internet users illustrates this gap between nominal access and meaningful participation[66]. Many Ugandans remain technically connected but economically excluded from sustained digital engagement due to the recurring cost of data, devices, and online services.

As a result, Uganda's digital economy faces a structural inefficiency: substantial investments are made in broadband infrastructure and digital systems, yet high taxation suppresses the usage needed to fully realize their economic and social value.

3.3. Cost of Internet and the Affordability Paradox

Uganda's internet affordability challenge reflects a deeper structural contradiction within the country's digital transformation agenda. Over the past decade, government and private sector investments in fibre-optic infrastructure, Internet Exchange Points (IXPs), regional interconnectivity, and broadband expansion have significantly improved network capacity and reduced wholesale connectivity costs[67]. The expansion of undersea cable access routes and the establishment of national internet exchange infrastructure have reduced latency, improved traffic efficiency, and lowered the operational costs of internet provision in Uganda[68].

These investments have produced measurable gains. According to Uganda Communications Commission (UCC) data, the average cost of one gigabyte (GB) of mobile data declined from more than UGX 5,000 in 2020 to approximately UGX 2,000 by 2025[69]. Over the same period, smartphone connections more than doubled from approximately 8 million to nearly 19 million devices while monthly data consumption per user increased from around 500MB in 2020 to over 5GB in 2025.

Despite these improvements, internet affordability remains a major barrier to meaningful digital participation. Retail internet prices continue to absorb a disproportionately high share of household income due to persistent structural costs, sector-specific taxation, device affordability challenges, and unequal access between urban and rural users. Freedom House estimates that the cost of 1GB of prepaid mobile data in Uganda still represented approximately 6.13% of monthly gross national income (GNI) per capita, well above the UN Broadband Commission's affordability target of 2%[70].

This creates a clear affordability paradox: while infrastructure policies are designed to expand access and reduce connectivity costs, fiscal and market realities continue to restrict actual usage.

64 'Why Uganda is Offline' *Daily Monitor* (3 March 2026)

65 National Budget Framework Paper FY 2025/26–FY 2029/30

66 Why Smartphone Users Still Lack Digital Skills', *Daily Monitor*, 31 March 2026.

67 *National Broadband Baseline Survey and Infrastructure Blueprint*, April 2022

68 Uganda Launches National Internet Exchange to Cut Costs and Improve Connectivity' Nile Post

69 Uganda Communications Commission (UCC), *Comparison of Mobile and Fixed Internet Prices as of June 2025* (July 2025)

70 Freedom House, 'Uganda: Freedom on the Net 2024'

Table 4: Indicative Mobile and Fixed Internet Pricing Trends in Uganda (June 2025)

Indicator	Findings from UCC June 2025 Report	Implication for Uganda's Digital Economy
Cost of entry-level mobile internet bundles	Daily bundles range from UGX 250–500 for low-volume packages across major telecoms	Basic connectivity is available, but small bundle sizes limit meaningful internet use for education, work, and digital services
Cost of medium/ high-volume monthly bundles	Monthly bundles range from approximately UGX 30,000 to UGX 170,000 depending on provider and data volume	Sustained internet use remains expensive for many low-income households and small businesses
Cost of non-expiry bundles	Non-expiry bundles range between UGX 5,000 and UGX 200,000 depending on data volume and provider	Flexible data options exist, but affordability challenges persist for users requiring reliable long-term connectivity
Variation in telecom pricing	Significant price differences exist between providers for similar data volumes	Market competition exists, but uneven pricing may affect equitable access and consumer choice
Fixed broadband pricing	Lowest unlimited home internet package starts at approximately UGX 72,000 per month	Fixed broadband remains largely inaccessible to many households outside middle- and high-income users
Broadband speed disparities	Fixed internet speeds range from 5 Mbps to 60 Mbps across providers	Quality of internet access remains unequal and linked to affordability
Consumer market focus	Most promoted bundles are short-term daily, weekly, and monthly packages	Uganda's internet market remains heavily consumption-based rather than enabling sustained digital productivity and innovation

Source: Uganda Communications Commission (UCC), *Mobile and Fixed Internet Prices Comparison – June 2025*[71].

The pricing patterns reflected in the UCC comparison suggest that while internet access has expanded and market competition has increased, affordability remains a structural barrier to meaningful digital participation. The continued reliance on small-volume, short-term bundles points to a digital economy where connectivity exists, but sustained and productive usage remains economically constrained.

3.4. Device Taxation and Barriers to Entry

Taxation begins at the point of entry into Uganda's digital ecosystem. Smartphones now the primary gateway to internet access, digital finance, e-government, and online commerce are subject to multiple taxes and import-related charges that significantly inflate retail prices. Imported devices attract a combination of a 10% import duty, 18% VAT, 6% withholding tax, and a 1.5% infrastructure levy, increasing smartphone prices by an estimated 30–50% above import value[72].

The impact of this tax structure is substantial in a country where affordability remains the biggest barrier to digital participation. Although Uganda has over 20 million smartphones in circulation, smartphone penetration remains low, with only about one in three mobile phone users owning a smartphone[73]. Entry-level smartphones currently cost between UGX 132,000 and UGX 136,000, representing nearly 39% of GDP per capita and almost the entire monthly income of the poorest 40% of Ugandans[74].

This creates a structural barrier to digital inclusion. High device costs exclude millions from accessing online markets, digital public services, fintech platforms, and educational opportunities, particularly among low-income and rural populations. The Uganda Communications Commission (UCC) has itself acknowledged that the current telecom tax regime affects affordability, usage, and sector growth[75].

71 Uganda Communications Commission (UCC), *Comparison of Mobile and Fixed Internet Prices - as of June 2025*

72 High Taxes Keep Millions of Ugandans Stuck on Basic Phones' *Daily Monitor*

73 Experts Push for Tax Cuts on Entry-Level Smartphones to Close Digital Gender Gap' Nile Post

74 *Daily Monitor*, 'Why Uganda Is Offline'

75 New Study Digs into How Tax Policy Shapes Telecom Sector Growth' Uganda Communications Commission

Table 5: Taxes Applied on Imported Smartphones in Uganda

Tax/Charge	Rate
Import Duty	10%
Value Added Tax (VAT)	18%
Withholding Tax	6%
Infrastructure Levy	1.5%

Table 6: Indicators of Device Affordability and Digital Access

Indicator	Estimate
Smartphones in circulation	~20 million
Smartphone ownership among mobile users	~33%
Cost of entry-level smartphone	UGX 132,000–136,000
Estimated tax component of smartphone price	~35%

Source: UCC [76]

3.5. Mobile Money Taxation and Financial Inclusion Impacts

Mobile money remains a cornerstone of Uganda's digital economy and financial inclusion ecosystem. By 2022, Uganda had over 40 million registered mobile money accounts, with transaction values steadily increasing over the past decade. In 2020 alone, annual mobile money transaction values reached approximately US$18.7 billion, demonstrating the sector's centrality to commerce, remittances, and everyday financial activity[77].

However, Uganda's digital financial services ecosystem remains heavily shaped by taxation. Mobile money withdrawals are subject to a 0.5% excise duty, alongside additional excise duties on financial service fees and money transfer charges[78]. Evidence shows that these taxes have had measurable behavioural and economic impacts. Following the introduction of the mobile money tax in 2018, average transaction values fell by more than 50%, from approximately UGX 54,000 to below UGX 29,000 within months[79]. Another study found that over US$40 million in mobile money balances were withdrawn shortly after the tax was introduced, as users shifted toward cash transactions, agent banking, and traditional banking channels[80].

Recent evidence further demonstrates the scale of Uganda's mobile sector tax burden. According to the GSMA, Uganda's mobile telecommunications sector faces a significantly heavier fiscal burden than comparable sectors such as retail finance. The sector's Average Effective Tax Rate (AETR) stands at *68% of pre-tax profit*, compared to *39%* in the retail finance sector. Similarly, taxes and fees account for approximately *24% of mobile sector revenue*s, more than double the burden faced by retail finance at *11%*[81].

The tax structure is also heavily dependent on sector-specific and revenue-based levies rather than profit-based taxation. Only **29% of the mobile sector's tax burden is profit-based**, while the remaining burden comes from excise duties, fixed regulatory fees, spectrum charges, and turnover-based levies. Mobile operators are additionally subject to a range of taxes and fees, including:

a) 12% excise duty on airtime and data services;

b) 18% VAT on mobile services;

c) 10% customs duty on mobile phones;

d) 25% customs duty on SIM and memory cards;

e) annual telecom licensing and spectrum fees; and

76 UCC, *Market Report for Q4 2025.*

77 International Centre for Tax and Development (ICTD), *Taxation of Digital Financial Services in Uganda* (ICTD, January 2023)

78 Mobile Money Taxes Reverse Digital Financial Inclusion' Daily Monitor (17 March 2026)

79 United Nations Capital Development Fund (UNCDF), *The Impact of Mobile Money Taxation in Uganda* (November 2021).

80 International Growth Centre (IGC), *The Consequences of Uganda's Mobile Money Tax* (IGC Uganda, 2025)

81 GSMA, *Mobile Sector Taxation* (2025)

f) a 2% Rural Communications Development Fund levy .

These cumulative taxes increase the cost of digital access for both operators and consumers, limiting affordability and slowing digital inclusion. The burden disproportionately affects low-income and rural users, many of whom lack viable financial alternatives. Research indicates that higher-income and urban users were significantly more likely to shift to agent banking and ATMs, while poorer users remained dependent on mobile money despite rising costs. This has important implications for financial inclusion, as taxation effectively increases the cost of participating in the digital economy, discourages digital transactions, and risks reversing gains made in expanding access to financial services.

More broadly, Uganda's experience demonstrates how poorly calibrated digital taxation can undermine trust, reduce digital uptake, and deepen inequalities within the digital economy. As the GSMA notes, excessive sector-specific taxes and fees not only increase compliance costs for operators but also hinder infrastructure investment, constrain network expansion, and reduce service quality, ultimately slowing broader socio-economic development.

Table 7: Selected Indicators on Mobile Sector Taxation in Uganda

Indicator	Uganda Mobile Sector	Retail Finance Sector
AETR as share of pre-tax profit	68%	39%
AETR as share of revenue	24%	11%
Share of tax burden that is profit-based	29%	66%
Contribution to total government tax receipts	13%	4%
Sector revenue contribution to GDP	8%	3%

Source: GSMA, *Mobile Sector Taxation: Comparative Fiscal Burden in Uganda* (2025)

4. Economic Cost of Internet Shutdowns

1.1 Overview of Shutdown Incidents

Internet shutdowns in Uganda are no longer isolated or accidental disruptions; they are recurring, deliberate, and centrally coordinated interventions, most prominently during election periods. The 2026 General Elections provide the clearest recent illustration of this pattern. Evidence shows that disruptions were introduced in phases beginning with pre-election policy signals, followed by throttling and platform restrictions, and culminating in a full nationwide shutdown on *13 January 2026*[82].

The shutdown lasted approximately four days of complete internet blackout, including election day itself, followed by an additional eight days of platform-specific restrictions, extending the disruption well beyond polling. Critically, the scope was nationwide, affecting all major connectivity channels mobile broadband, fixed internet, and even satellite-based alternatives, demonstrating a level of coordination inconsistent with technical failure and indicative of intentional control.

The disruptions were not limited to full shutdowns. They also included:

a) Platform-specific blocking (e.g., social media and messaging apps);

b) Service degradation and throttling prior to full blackout;

c) Restrictions on alternative connectivity options, such as satellite internet;

d) Deterrent messaging discouraging VPN use and circumvention.

This layered approach reflects a shift from blunt shutdowns to strategic digital control, where connectivity is selectively restricted to manage information flows while maintaining limited administrative functionality.

1.2 Economic Impact Analysis

1.2.1 Macroeconomic Losses and GDP Impact

Internet shutdowns in Uganda operate as immediate and system-wide economic disruptions, the effects of which extend far beyond the period of disconnection. At a macroeconomic level, they function as acute productivity shocks that interrupt the normal flow of economic activity across sectors increasingly dependent on digital infrastructure. Evidence from previous disruptions shows that Uganda lost approximately USD 100 million during the 2021 shutdown, providing a clear benchmark for the magnitude of economic loss associated with even short-term connectivity interruptions[83].

Given the expansion of the digital economy by 2026 with greater reliance on mobile money, e-commerce, and platform-based services, the scale of loss during more recent shutdowns is likely significantly higher[84]. These disruptions effectively remove a critical layer of economic infrastructure, causing real-time contractions in output. Digital transactions halt, supply chains dependent on communication breakdown, and productivity declines across sectors. In an economy where mobile and digital platforms underpin commerce and financial exchange, such disruptions translate into daily GDP losses running into millions of dollars, creating a temporary but severe economic shock.

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82 Unwanted Witness and WOUGNET, *No Signal, No Voice* (2026)

83 Uganda Lost Shs390 Billion in Internet Shutdown Last Year," *Daily Monitor*, January 20, 2022

84 BBC News, "Slashed Incomes and Gamers Go Cold Turkey: The Fallout from Uganda's Internet Shutdown," January 21, 2026

1.2.2 Disruption to Financial Systems and Mobile Money

The disruption to financial systems is particularly acute. Mobile money, which processes billions of transactions and serves as the primary financial tool for millions of Ugandans, becomes partially or entirely inaccessible during shutdowns. The consequences are immediate and cascading: businesses are unable to receive payments, individuals cannot access funds, and liquidity across both the informal and formal economy is constrained. The 2026 shutdown, for instance, disrupted mobile money, remittances, and online banking systems, effectively cutting off a critical financial lifeline for households and enterprises[85].

This disruption has deeper structural implications. When mobile money systems are interrupted, the effects ripple through the economy: informal sector workers lose daily income, small businesses face liquidity shortages, and previously achieved gains in financial inclusion are reversed. In this sense, shutdowns do not simply interrupt financial transactions, they freeze economic activity at scale, particularly in an economy where digital financial services are deeply embedded in everyday life.

85 Collaboration on International ICT Policy for East and Southern Africa (CIPESA), *Assessing the Impact of the 2026 Internet Shutdown on Uganda's Digital Economy* (Kampala: CIPESA, March 2026)

5. Regulatory Constraints on Digital Civic Space in Uganda

1.1 Overview: The Expansion of Regulatory Governance Over Digital Civic Space

Uganda's digital civic space is increasingly shaped by a complex and expanding architecture of legal, regulatory, surveillance, and administrative controls governing how citizens communicate, organize, access information, and participate in public discourse online[86]. Although these measures are frequently justified on grounds of national security, public order, counter-terrorism, misinformation control, and digital governance, their cumulative application reflects a broader transformation in the governance of digital expression and democratic participation.

Over the past decade, the regulation of Uganda's digital environment has evolved from relatively narrow concerns relating to telecommunications management and cybercrime prevention toward a far broader system encompassing online political expression, journalism, civic mobilization, electoral engagement, and public-interest advocacy. This transition is evident in the trajectory of the Computer Misuse Act and its 2022 amendments, which introduced offences such as "malicious information," "unsolicited information," and the "misuse of social media."[87] These provisions were widely criticized by civil society organizations, journalists, lawyers, and digital rights advocates for being vague, overbroad, and susceptible to politically selective enforcement[88].

The Constitutional Court's 2026 judgment striking down key provisions of the Computer Misuse (Amendment) Act marked an important constitutional reaffirmation of digital rights protections[89]. The Court emphasized that criminal laws regulating online expression must satisfy constitutional standards of legality, clarity, proportionality, and demonstrable justification within a free and democratic society. Importantly, the Court recognized that vague offences governing online communication generate a chilling effect because individuals cannot reasonably predict what forms of expression may attract criminal sanction.

This reasoning substantially echoes Uganda's earlier foundational free expression jurisprudence in *Obbo and Another v Attorney General* (2004)[90], where the Supreme Court held that freedom of expression protects not only agreeable or accurate speech, but also speech that may be controversial, critical, offensive, or erroneous, provided restrictions do not exceed the constitutional limitations framework under *Article 43 of the Constitution*[91]. The constitutional requirement, therefore, is not merely that restrictions pursue a legitimate objective, but that they remain proportionate, precise, and demonstrably justifiable.

However, developments following the Constitutional Court judgment suggest that the invalidation of specific legislative provisions has not necessarily translated into a meaningful reduction in regulatory control over digital expression. Rather, there appears to be an emerging pattern of regulatory migration, whereby restrictions previously challenged under one legal framework are increasingly reintroduced through alternative regulatory mechanisms, including the *Uganda Communications Act, broadcasting regulations, cybersecurity frameworks,* and *platform governance directives*.

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86 Collaboration on International ICT Policy for East and Southern Africa (CIPESA), *Simplified Guide on Laws that Regulate the Digital Civic Space in Uganda*

87 Computer Misuse Act is a Shame – ULS President," Daily Monitor, 16 October 2022

88 Collaboration on International ICT Policy for East and Southern Africa (CIPESA), "Uganda Passes Regressive Law on 'Misuse of Social Media' and Hate Speech," 12 September 2022

89 A Landmark Reset for Free Expression in Uganda's Digital Age: What the Constitutional Court's Computer Misuse Act Judgment Means for Journalism, Justice, and Democracy," *Unwanted Witness*, 24 March 2026

90 *Onyango-Obbo and Another v Attorney-General*, Constitutional Appeal No. 2 of 2002 (Supreme Court of Uganda, 11 February 2004), reported in *International Law Reports*, Vol. 140 (2011), pp. 566–623.

91 *The Constitution of the Republic of Uganda, 1995* (as amended).

This dynamic became particularly visible following public statements by the Uganda Communications Commission (UCC) after the Constitutional Court decision, warning against the continued "misuse of digital platforms" and signaling ongoing enforcement through communications and broadcasting frameworks[92]. Such developments raise important constitutional concerns regarding whether regulatory authorities may be preserving the substantive effect of previously invalidated restrictions through alternative administrative mechanisms.

At the same time, Uganda's digital governance framework has increasingly intersected with broader surveillance infrastructures and intelligence operations. Uganda has gradually developed a heavily securitized model of digital governance characterized by extensive state monitoring capacities, expansive surveillance powers, and weak accountability mechanisms[93]. While formally justified under the language of public interest and national security, these measures increasingly affect constitutionally protected rights including privacy, freedom of expression, association, assembly, and political participation.

Uganda's communications surveillance framework has evolved through the combined operation of laws such as the Regulation of Interception of Communications Act (RICA)[94], the Anti-Terrorism Act[95], the Computer Misuse Act[96], and the Uganda Communications Act[97]. Collectively, these laws establish broad legal authority for communications interception, digital monitoring, and information control.

Particularly concerning is the persistent reliance on vague and indeterminate legal concepts such as *"national security," "public safety," "economic interests,"* and *"terrorism"* without sufficiently precise statutory definition. The breadth of these formulations creates significant opportunities for arbitrary interpretation and politically motivated enforcement[98]. Such vagueness is constitutionally problematic because it undermines predictability and legality, while simultaneously granting broad discretionary authority to enforcement agencies.

Beyond legislative frameworks, concerns have also emerged regarding the deployment of technologically enabled surveillance systems in Uganda[99]. The report references allegations concerning the acquisition and use of intrusive spyware technologies, including FinFisher malware and Huawei-supported surveillance systems incorporating facial recognition and AI-assisted monitoring capabilities. These technologies were allegedly deployed not only for ordinary crime prevention, but also to monitor opposition actors, journalists, activists, and civic organizers, particularly during politically sensitive periods such as elections.

These developments signal a broader transformation in the nature of digital governance itself. Regulation is no longer exercised solely through overt censorship or criminal prosecution after publication. Increasingly, control operates through continuous surveillance capacities, regulatory ambiguity, administrative discretion, and anticipatory compliance. Citizens may therefore self-censor not only because of direct punishment, but because of the perception that digital activity is persistently observable and legally uncertain.

The expanding regulatory environment has also increasingly intersected with data governance frameworks. Of particular concern is the growing use of the Data Protection and Privacy Act, 2019[100] in contexts extending beyond traditional personal data protection objectives. Recent developments involving civic actors, election observers, and public-interest advocates suggest that data governance frameworks may increasingly be operationalized in ways that affect civic oversight, accountability efforts, and digital political participation[101].

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92 UCC Warns Public Against Misuse of Digital Platforms Despite Court Ruling," *Nile Post*, 31 March 2026

93 D Basimanyane, 'The Peril of Digital Privacy and Free Speech in Uganda' (2025) 25 *African Human Rights Law Journal* 852–885

94 Uganda, *The Regulation of Interception of Communications Act, 2010*, Act No. 18 of 2010, Uganda Gazette No. 53 (3 September 2010),

95 The Republic of Uganda, *The Anti-Terrorism Act, 2002* (Cap. 120), Laws of Uganda.

96 The Republic of Uganda, *The Computer Misuse Act, 2011* (Act No. 2 of 2011), Laws of Uganda

97 The Republic of Uganda, *The Uganda Communications Act, 2013* (Act No. 1 of 2013), Laws of Uganda

98 Basimanyane (n 1) 854.

99 Unwanted Witness Uganda, *Surveillance/Spyware: An Impediment to Civil Society, HRDs and Journalists in East & Southern Africa*

100 The Republic of Uganda, *The Data Protection and Privacy Act, 2019* (Act No. 9 of 2019), Acts Supplement No. 6, Uganda Gazette Vol. CXII No. 21

101 Unwanted Witness, *Position Statement on Public Concerns Arising from the Application of Data Protection Laws in Uganda's Electoral Context*

The case involving Sarah Bireete and other civic actors illustrates these emerging tensions. Observers have raised concerns regarding the selective invocation of data protection and digital regulation frameworks against civil society actors engaged in electoral accountability and public-interest scrutiny[102]. This creates a significant constitutional paradox: legislation enacted to strengthen informational privacy and citizen protection risks becoming part of a broader regulatory toolkit capable of constraining democratic participation where safeguards, proportionality standards, and consistent enforcement remain weak.

These developments suggest that Uganda's digital civic constraints can no longer be understood merely as isolated incidents of censorship or problematic legislation. Rather, they increasingly reflect the emergence of an integrated model of digital governance in which surveillance infrastructure, cybersecurity regulation, communications law, data governance systems, and administrative enforcement mechanisms collectively shape, discipline, and constrain digital participation.

1.2 Surveillance, Regulatory Uncertainty, and the Chilling Effect

A defining feature of Uganda's contemporary digital civic environment is the convergence of surveillance practices, vague regulatory standards, and discretionary enforcement mechanisms[103]. Together, these factors have contributed to the normalization of self-censorship and the gradual contraction of online civic participation.

Uganda's legal and operational surveillance frameworks grant broad monitoring and interception powers with relatively limited transparency, accountability, or independent oversight. While governments may legitimately invoke surveillance powers for national security or crime prevention purposes, the breadth and opacity of Uganda's surveillance architecture create both real and perceived risks of abuse. In digital environments, perception itself produces regulatory consequences. Individuals who believe they may be monitored frequently alter their behavior preemptively by avoiding political commentary, investigative engagement, criticism of public institutions, or participation in civic mobilization online.

Uganda's surveillance infrastructure increasingly operates through a combination of formal legal authorization and technologically enabled monitoring systems. Although RICA formally requires judicial authorization for interception activities, concerns persist regarding weak oversight structures, secrecy surrounding warrant processes, and the absence of meaningful public accountability. Little public information exists concerning the number of surveillance warrants issued, the standards used in granting them, the duration of surveillance operations, or the safeguards governing data retention and destruction[104].

The absence of robust oversight is further aggravated by the continued use of vague legal concepts such as *"fake news," "malicious information," "misuse of social media," "public order,"* and *"national security."* These formulations frequently lack sufficiently precise statutory definition, thereby expanding discretionary enforcement powers and undermining constitutional principles of legality and predictability.

The Constitutional Court's 2026 judgment reaffirmed that vague criminal prohibitions regulating online communication are constitutionally problematic precisely because they expose ordinary citizens to unpredictable enforcement risks[105]. This reasoning closely mirrors earlier constitutional doctrine established in *Obbo*, where the Supreme Court warned against granting the state excessive discretionary authority to determine permissible expression.

Nonetheless, subsequent developments suggest continuing attempts to regulate expression through communications and broadcasting law. By extending licensing and broadcasting frameworks into digital environments, regulatory authorities risk collapsing the distinction between institutional broadcasting and ordinary online expression[106]. Under such interpretations, citizen journalism, livestreaming, social media commentary, independent digital reporting, and civic organizing become increasingly vulnerable to licensing requirements, administrative sanctions, or indirect censorship.

The implications extend beyond legal doctrine into democratic behavior itself. Journalists, academics, activists, opposition actors, and ordinary users increasingly adopt risk-averse communication strategies to avoid potential legal exposure or surveillance scrutiny. Importantly, the chilling effect does not require constant prosecution to be effective. Rather, uncertainty itself becomes a mechanism of control.

Uganda's growing surveillance environment contributes to broader patterns of digital authoritarianism increasingly ob-

102 NTV Uganda, "Sarah Bireete Charged with Alleged Unlawful Access to Voters' Register Data," published 6 January 2026,

103 Unwanted Witness, *Surveillance State: Parliament Endorses Unregulated Surveillance*

104 Ibid.

105 Ibid.

106 "Registration of Online Publishers and Broadcasters Threatens Free Expression in Uganda," Collaboration on International ICT Policy for East and Southern Africa (CIPESA), 16 September 2020

servable across parts of Africa. In such systems, governments do not necessarily eliminate digital participation outright[107]. Instead, they maintain formally accessible digital spaces while simultaneously embedding those spaces within systems of surveillance, regulatory ambiguity, platform control, and selective enforcement capable of disciplining civic behavior.

This concern is intensified by allegations regarding the deployment of intrusive surveillance technologies such as FinFisher malware and Huawei-supported facial recognition systems. These technologies were used to monitor opposition figures, journalists, activists, and protesters during politically sensitive periods, including elections[108]. The significance of these developments lies not merely in the surveillance technologies themselves, but in their cumulative democratic effect: the transformation of digital public space into an environment where citizens increasingly anticipate monitoring and regulate their own expression accordingly.

The increasing operationalization of the Data Protection and Privacy Act within civic and electoral contexts further intensifies these tensions. Although data protection laws are intended to empower citizens and strengthen accountability in personal data handling, concerns have emerged regarding the selective or inconsistent deployment of these frameworks against public-interest oversight, electoral scrutiny, and civic engagement[109].

This creates a profound constitutional tension. Data protection frameworks are designed to enhance democratic rights and informational autonomy. Yet where enforcement occurs selectively, or within weak accountability environments, such frameworks risk evolving into instruments capable of restricting the very democratic participation they were intended to protect.

107 Ibid.

108 Unwanted Witness Uganda, *Surveillance/Spyware* (2025).

109 Ibid., p. 38

6. Synthesis: The Triple Constraint on Uganda's Digital Economy Underinvestment, Over-Taxation, and Restrictive Governance

Uganda's digital economy is often presented as one of the country's fastest-growing sectors, with ICT contributing approximately 9% of GDP and expanding at an estimated annual growth rate of 14.8%. Yet the evidence throughout this brief demonstrates that this growth is occurring within a structurally constrained ecosystem whose full developmental and economic potential remains unrealized.

At the center of this challenge is a reinforcing triple constraint composed of:

a) persistent underinvestment in digital infrastructure and systems;
b) over-taxation of digital access, devices, and services; and
c) restrictive governance practices that weaken trust, participation, and innovation.

These constraints are not isolated policy failures operating independently of one another. Rather, they interact systemically to shape the performance, inclusiveness, and sustainability of Uganda's digital economy. Together, they produce a digital ecosystem that is expanding technically but constrained economically, institutionally, and democratically.

1.1 Underinvestment: A Structural Supply-Side Constraint

The first constraint is the persistent underinvestment in ICT infrastructure, digital public systems, and foundational digital ecosystems. Although Uganda's national development frameworks including Vision 2040, NDP IV, and the Digital Transformation Roadmap identify ICT as a strategic enabler of economic transformation, public financing has remained consistently below the scale required to support these ambitions. ICT continues to receive less than 2% of the national budget and less than 1% of GDP in public investment terms.

This financing gap has several structural consequences.

First, it weakens the expansion of universal and affordable broadband infrastructure, particularly in rural and underserved regions where private investment incentives remain limited. The digital economy therefore expands unevenly, concentrating infrastructure and services in commercially viable urban markets while leaving many communities digitally marginalized.

Second, fragmented ICT financing across Ministries, Departments, and Agencies creates duplication, interoperability challenges, and inefficiencies that reduce returns on already scarce public resources. Rather than functioning through a coherent national digital investment strategy, Uganda's ICT ecosystem remains institutionally fragmented and operationally inefficient.

Third, execution inefficiencies further weaken the effectiveness of available financing. Budget absorption rates ranging between 70–85%, procurement delays, weak project readiness, and institutional capacity limitations collectively reduce the real impact of ICT investments. In practice, Uganda is not only underinvesting in ICT, it is also failing to fully utilize portions of the limited resources already allocated to the sector.

The broader economic implications are significant. Digital infrastructure generates network effects and productivity spillovers only when investment reaches sufficient scale and accessibility. Underinvestment therefore suppresses digital

adoption, weakens productivity gains, slows innovation ecosystems, and reduces the contribution of ICT to inclusive economic growth. The result is a supply-side bottleneck where the infrastructure required to support broad digital participation expands too slowly and unevenly to sustain transformative economic impact.

1.2 Over-Taxation: The Demand-Side Constraint on Digital Participation

The second constraint is Uganda's layered and cumulative ICT tax regime, which significantly raises the cost of digital participation and suppresses demand for digital services.

Taxes are imposed across virtually every stage of digital engagement: smartphone acquisition, internet access, airtime, mobile money transactions, digital services, and telecommunications operations. Internet and telecom services attract both VAT and excise duty, while smartphones face multiple import-related taxes that increase retail prices by an estimated 30–50%.

The cumulative effect is a structurally high-cost digital environment in which connectivity exists technically but remains economically inaccessible for large segments of the population.

This contradiction is reflected in Uganda's digital usage patterns. While SIM penetration exceeds 57 million subscriptions and 4G population coverage approaches national scale, only approximately 18.5 million users actively access the internet. The central challenge is therefore no longer simply infrastructure availability; it is affordability.

High taxation affects digital participation in several interconnected ways.

First, it suppresses internet usage and digital consumption. Many users ration data usage, limit participation in digital platforms, or remain offline for prolonged periods due to recurring connectivity costs. Short-term and low-volume data bundles dominate the market because sustained internet access remains financially unattainable for many households.

Second, device taxation creates entry barriers into the digital economy. Smartphones have become essential gateways to e-commerce, digital finance, online learning, public services, and platform-based employment. Yet the tax burden imposed on imported devices significantly raises the cost of access, disproportionately affecting low-income populations, women, youth, and rural communities.

Third, taxation of mobile money and digital transactions increases the cost of participating in the formal digital economy. Evidence following Uganda's mobile money tax demonstrates that higher transaction costs discourage digital financial usage, reduce transaction volumes, and push some users back toward informal cash-based systems. This weakens gains in financial inclusion and slows the transition toward digitally enabled economic participation.

Importantly, the evidence suggests that the current taxation model may be economically counterproductive over the long term. Heavy taxation at early stages of digital adoption suppresses the scale effects necessary for the digital economy to expand. Reduced usage limits innovation, weakens digital markets, constrains entrepreneurship, and ultimately narrows the future tax base itself. Uganda therefore faces a structural demand-side constraint where digital participation is limited not primarily by infrastructure scarcity, but by the high cost of accessing and meaningfully using digital systems.

1.3 Restrictive Governance and Constrained Digital Civic Space

The third constraint relates to governance and the regulation of Uganda's digital environment. Increasingly, the digital economy operates within a governance framework characterized by surveillance expansion, regulatory uncertainty, inconsistent enforcement, and recurring disruptions to digital access.

This governance environment affects the digital economy in both democratic and economic terms.

The recurring use of internet shutdowns provides perhaps the clearest illustration of the economic consequences of restrictive governance. Uganda's election-period shutdowns disrupted mobile money systems, e-commerce, digital platforms, online services, and broader economic activity, resulting in substantial financial losses and undermining investor confidence in the predictability of Uganda's digital environment.

Beyond shutdowns, the regulatory environment governing online expression and digital participation has become increasingly restrictive. Broad content regulation, surveillance frameworks, and vague legal provisions governing online communication create uncertainty regarding permissible digital conduct. Even where certain legislative provisions have been invalidated by courts, regulatory migration into broadcasting, communications, and administrative frameworks has continued to expand the reach of state control over digital spaces.

These developments produce concerning economic effects.

First, they weaken trust in digital systems. Trust is a foundational asset within digital economies because participation increasingly depends on confidence in platforms, financial systems, data governance frameworks, and communications infrastructure. Where surveillance concerns, selective enforcement, or arbitrary restrictions persist, citizens become less willing to engage fully in digital systems.

Second, restrictive governance discourages innovation and investment. Digital entrepreneurs, technology firms, media organizations, and investors require regulatory predictability and openness to innovate effectively. Environments characterized by shutdown risks, regulatory ambiguity, and discretionary enforcement increase operational uncertainty and reduce long-term investment attractiveness.

Third, constrained civic space weakens democratic principles of accountability and public participation. Digital platforms increasingly function as critical spaces for public debate, civic engagement, journalism, and oversight. Restricting these spaces does not only affect rights and freedoms; it also weakens the transparency, trust, and institutional accountability required for healthy digital economies to function sustainably.

1.4 The Interaction of the Triple Constraint

The central finding of this brief is that these three constraints reinforce one another in a self-limiting cycle.

Low public investment weakens infrastructure expansion and digital service quality. In response, high operational costs are passed on to consumers through expensive internet services and devices. High taxation further increases these costs, suppressing adoption and limiting meaningful digital participation. At the same time, restrictive governance practices weaken trust, reduce investor confidence, and increase regulatory risk within the digital ecosystem.

Together, these dynamics reduce the scale effects necessary for digital economies to thrive.

Digital economies depend fundamentally on:

a) affordable access;
b) broad participation;
c) trust in digital systems;
d) predictable regulation; and
e) sustained investment in infrastructure and innovation.

Where these conditions are weakened simultaneously, digital transformation becomes fragmented and uneven.

Uganda's digital economy therefore reflects a paradox of simultaneous expansion and constraint:

a) infrastructure is growing, yet meaningful usage remains limited;
b) digital services are expanding, yet affordability remains exclusionary;
c) policy ambition is strong, yet financing remains weak;
d) connectivity exists, yet trust and openness remain fragile.

The result is a digital ecosystem that is connected but constrained; growing but not fully inclusive; and technologically advancing without fully realizing its economic, democratic, and developmental potential.

7. Policy Recommendations

Uganda's digital transformation agenda requires reforms that are practical, fiscally realistic, and institutionally achievable. The evidence presented throughout this policy analysis paper demonstrates that the country's digital economy is constrained not by a lack of policy ambition, but by misalignment between financing, taxation, governance, and institutional coordination.

The following recommendations are therefore designed to address the structural constraints identified in this brief while remaining implementable within Uganda's existing legal, fiscal, and institutional framework.

A. Financing Reforms

1. Gradually Increase ICT Financing to at Least 4% of the National Budget

Government should progressively increase allocations to the ICT and Digital Transformation Programme from the current levels of below 2% toward at least 4% of the national budget over the medium term.

This increase should prioritize:

a) rural broadband expansion;
b) last-mile connectivity;
c) digital public infrastructure;
d) cybersecurity systems; and
e) interoperability of government digital platforms.

Rather than treating ICT as a secondary enabling sector, government should classify digital infrastructure as core economic infrastructure similar to transport and energy.

2. Ring-Fence Funding for Rural Connectivity and Universal Access

Government, through the Uganda Communications Commission (UCC) and the Uganda Communications Universal Service and Access Fund (UCUSAF)[110], should dedicate a larger proportion of universal access financing toward underserved districts and low-connectivity regions.

Priority should be given to:

a) community internet infrastructure;
b) public Wi-Fi hotspots in schools, markets, and health centers;
c) shared telecom infrastructure in hard-to-reach areas; and
d) digital access for women, youth, and persons with disabilities.

This would help reduce the growing rural-urban digital divide identified in the brief.

110 Uganda Communications Commission (UCC), *Uganda Communications Universal Service and Access Fund (UCUSAF)*

3. Improve Budget Execution and ICT Project Absorption

Government should strengthen ICT project implementation capacity to reduce persistent absorption and execution gaps.

This can be achieved through:

a) standardized ICT procurement frameworks;
b) mandatory project readiness assessments before budget approval;
c) improved technical staffing within MDAs; and
d) multi-year financing commitments for large-scale digital infrastructure projects.

Reducing procurement delays and fragmented implementation would improve value for money and increase returns on public ICT investments.

4. Centralize and Coordinate Government ICT Investments

Government should operationalize a centralized digital infrastructure coordination framework under the Ministry of ICT and National Guidance and NITA-U.

This should include:

a) shared government data centres;
b) centralized procurement of major ICT systems;
c) interoperability standards across MDAs; and
d) consolidation of overlapping digital platforms.

Such coordination would reduce duplication, lower operational costs, and improve efficiency in public ICT spending.

5. Expand Public-Private Partnerships (PPPs) in Digital Infrastructure

Government should strengthen structured partnerships with telecom operators, infrastructure providers, fintech companies, and development partners to accelerate broadband rollout and digital public service delivery.

Priority PPP areas should include:

a) fibre backbone expansion;
b) rural telecom infrastructure;
c) digital skills programmes; and
d) government service digitization.

Public financing should focus on de-risking investments in commercially unattractive but socially important areas.

B. Tax Reforms

1. Reduce Excise Duty on Internet Data and Connectivity Services

Government should gradually reduce the 12% excise duty on internet data and related telecom services to improve affordability and expand internet usage.

Reducing connectivity taxes would:

a) increase digital participation;
b) expand the digital consumer base;
c) improve uptake of e-government and digital financial services; and
d) generate broader long-term tax revenues through increased economic activity.

A phased reduction approach would allow fiscal adjustment while supporting digital growth.

2. Remove or Reduce Taxes on Entry-Level Smartphones and ICT Devices

Government should introduce targeted tax exemptions or reductions for low-cost smartphones, tablets, educational devices, and essential ICT equipment.

Specifically, government should:

a) review import duties on entry-level smartphones;
b) waive selected levies on affordable smart devices; and
c) classify digital access devices as strategic development tools.

Lowering device costs would significantly increase digital inclusion, particularly among youth, rural populations, women, and low-income households.

3. Review Mobile Money and Digital Transaction Taxes

Government should reassess the current mobile money tax framework to avoid discouraging financial inclusion and digital transactions.

This should include:

a) reducing withdrawal taxes for low-value transactions to 0.25%;
b) exempting small peer-to-peer transfers below a defined threshold; and
c) conducting periodic impact assessments on digital financial taxation.

Taxation of digital finance should encourage formalization and adoption rather than push users back into cash-based systems.

4. Introduce Tax Incentives for Digital Infrastructure and Innovation

Government should provide targeted incentives to encourage investment in Uganda's digital ecosystem.

Possible incentives include:

a) tax holidays for rural broadband infrastructure investment;
b) accelerated depreciation for ICT infrastructure;
c) incentives for local data centers and cloud infrastructure; and
d) startup tax relief for early-stage digital enterprises.

These measures would help lower operational costs and stimulate innovation and investment.

5. Institutionalize Digital Tax Impact Assessments

Before introducing new ICT-related taxes, government should require mandatory socio-economic and digital inclusion impact assessments.

These assessments should evaluate:

a) affordability implications;
b) impact on internet adoption;
c) implications for SMEs and startups; and
d) effects on financial inclusion and innovation.

This would improve evidence-based fiscal policymaking and reduce unintended consequences.

C. Digital Rights & Governance Reforms

1. Establish Clear Legal Safeguards Against Internet Shutdowns

Government should adopt a legal and regulatory framework restricting internet shutdowns and platform blocking to exceptional circumstances subject to strict safeguards.

Such safeguards should include:

a) judicial authorization;
b) necessity and proportionality tests;
c) public transparency requirements; and
d) time limitations and independent oversight.

Given the demonstrated economic costs of shutdowns, uninterrupted internet access should be recognized as essential economic infrastructure.

2. Strengthen Independence and Capacity of the Personal Data Protection Office (PDPO)

Government should fully operationalize and adequately resource the Personal Data Protection Office to ensure effective, fair, and consistent enforcement of Uganda's data protection framework.

Priority actions should include:

a) increasing technical and investigative staffing;
b) expanding public awareness and compliance support;
c) issuing sector-specific compliance guidelines; and
d) strengthening enforcement transparency and accountability.

Consistent enforcement would improve trust in digital systems and support greater adoption of e-services and digital finance.

3. Ensure Proportionate Regulation of Online Expression

Government and regulatory agencies should align digital regulation with constitutional protections on freedom of expression, access to information, and civic participation.

This requires:

a) avoiding vague and overly broad online speech restrictions;
b) ensuring regulatory clarity and legal certainty;
c) limiting administrative discretion in platform regulation; and
d) promoting judicial oversight in digital rights restrictions.

Predictable and rights-respecting regulation is essential for innovation, investment, and democratic participation.

4. Increase Transparency in Surveillance and Digital Monitoring Practices

Government should establish stronger safeguards and accountability mechanisms governing communications surveillance and digital monitoring.

Key reforms should include:

a) parliamentary oversight of surveillance powers;
b) annual transparency reporting;
c) independent authorization mechanisms; and
d) stronger safeguards against unlawful or disproportionate interception.

Public trust in digital systems depends significantly on confidence that surveillance powers are not abused.

5. Promote Multi-Stakeholder Digital Governance

Government should institutionalize regular engagement between regulators, civil society, private sector actors, academia, and digital rights organizations in ICT policymaking processes.

This could include:

a) annual digital economy policy dialogues;
b) public consultation requirements for major ICT laws; and
c) participatory review mechanisms for digital taxation and governance policies.

Inclusive policymaking would improve legitimacy, trust, and policy effectiveness.

D. Institutional Reforms

1. Establish a National Digital Economy Coordination Framework

Government should establish a formal inter-agency coordination mechanism for digital economy governance chaired by the Ministry of ICT and National Guidance.

The framework should coordinate:

a) ICT financing;
b) taxation policy;
c) digital infrastructure planning;
d) cybersecurity;
e) digital trade; and
f) data governance reforms.

This would reduce fragmentation and improve policy coherence across government.

2. Strengthen Parliamentary Oversight of ICT Financing and Digital Governance

Parliament should strengthen sectoral oversight over ICT expenditure, digital taxation, and digital rights governance.

This should include:

a) regular reviews of ICT budget performance;
b) oversight hearings on internet shutdowns and digital disruptions;
c) scrutiny of surveillance-related expenditures; and
d) monitoring implementation of data protection obligations.

Enhanced oversight would improve accountability and transparency within the digital sector.

3. Build Technical Capacity Across Government Institutions

Government should invest in specialized digital policy, cybersecurity, procurement, and data governance expertise across MDAs.

Priority areas include:

a) digital project management;
b) ICT procurement;
c) cybersecurity governance;
d) data protection compliance; and
e) digital public infrastructure management.

Institutional capacity constraints remain a major obstacle to effective implementation.

4. Develop a National Framework for Measuring Digital Economy Impact

Government, in collaboration with UCC, UBOS, and research institutions, should establish standardized indicators for measuring:

a) internet affordability;
b) digital inclusion;
c) economic cost of shutdowns;
d) digital taxation impacts; and
e) returns on ICT investments.

Reliable data would improve evidence-based policymaking and policy evaluation.

5. Institutionalize Regulatory Impact Assessments for ICT Laws and Policies

All major ICT-related laws, regulations, and fiscal measures should undergo mandatory regulatory impact assessments before implementation.

These assessments should examine:

a) economic implications;
b) human rights impacts;
c) innovation and investment effects; and
d) affordability and inclusion consequences.

This would reduce policy inconsistency and improve long-term digital governance outcomes.

Conclusion

Uganda's digital economy as envisioned under vision 2040 cannot achieve its full transformative potential under conditions of persistent underinvestment, digital exclusion, high access costs, and restrictive governance. Addressing these constraints requires coordinated reforms that invest more strategically, tax more intelligently, govern more openly, and strengthen institutional accountability.

The reforms proposed in this policy analysis paper are practical, achievable, and fiscally realistic. More importantly, they recognize that digital transformation is no longer solely a technology issue; it is a core economic, governance, human rights and development issue that will shape Uganda's long-term competitiveness, inclusion, and democratic resilience.

Annexes

Annex 1: ICT Budget Data Tables

Table 8: ICT and Digital Transformation Programme Allocations in National Budget Framework Papers

Financial Year	National Budget Theme	ICT/Digital Transformation Priority Area	Indicative Policy Position
FY 2024/25	Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Social Services, Digital Transformation and Market Access	Science, Technology, Innovation including ICT and Creative Arts Industry identified as a key growth driver	ICT recognized as a strategic enabler for the knowledge economy and digital transformation agenda
FY 2025/26	Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialization, Expanding and Broadening Social Services, Digital Transformation and Market Access	Digital Transformation Programme prioritized under NDP IV implementation	Government committed to investments in ICT infrastructure, e-Government systems, and the knowledge economy
FY 2026/27	Full Monetization of Uganda's Economy through Commercial Agriculture, Industrialisation, Expanding and Broadening Social Services, Digital Transformation and Market Access	Digital Transformation retained as a key strategic programme under the Tenfold Growth Strategy	Government emphasizes digital transformation, ICT infrastructure expansion, and technological advancement as drivers of growth

Table 9: Ministry of ICT and National Guidance Budget Projections (UGX Billion)

Budget Item	FY 2023/24 Approved Budget	FY 2023/24 Spent by Dec	FY 2024/25 Budget Estimates	FY 2025/26 Projection	FY 2026/27 Projection	FY 2027/28 Projection	FY 2028/29 Projection
Wage	6.877	3.353	2.400	2.520	2.646	2.778	2.938
Non-Wage Recurrent	47.584	30.290	48.419	49.388	57.784	66.451	79.379
Development (GoU)	0.781	0.067	0.781	0.820	0.943	1.037	1.037
External Financing	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total GoU Allocation	55.242	33.710	51.600	52.728	61.372	70.267	83.355
Arrears	51.489	46.993	55.353	0.000	0.000	0.000	0.000
Total Budget	106.731	—	—	—	—	—	—

Source: *Ministry of ICT and National Guidance Ministerial Policy Statements*

Table 10: Selected Digital Economy and ICT Sector Indicators

Indicator	Value/Estimate	Source/Implication
ICT Sector Growth Rate	14.8% average growth	Demonstrates growing contribution of ICT sector to the economy
ICT Contribution to GDP	Approximately 9%	ICT increasingly central to national economic growth
ICT Share of National Budget	Less than 2–2.5%	Indicates persistent underinvestment in digital transformation
ICT Budget Absorption Rates	70–85%	Execution inefficiencies reduce effectiveness of ICT financing
Effective Tax Burden on Telecom Services	Up to 44.6%	High taxation increases cost of connectivity
Smartphone Price Increase Due to Taxes	30–50%	Limits affordability and digital inclusion
SIM Cards Registered	57.3 million	Indicates broad telecom access
Active Internet Users	18.5 million	Reflects affordability and usage gap
Quarterly Mobile Money Transactions	2.48 billion	Highlights importance of digital financial services
Estimated Loss from Election-Period Internet Shutdown	UGX 59.7 billion in 5 days	Demonstrates economic cost of internet disruptions

Table 11: Macroeconomic Context Relevant to Digital Transformation

Indicator	FY 2024/25	FY 2025/26 Projection	FY 2026/27 Projection
Real GDP Growth	6.1%–6.3%	6.4%–6.6%	10.4%
Inflation	2.9%–3.6%	Maintained within 5% target	Maintained within 5% target
GDP Size	UGX 222.7 trillion	UGX 250 trillion	UGX 290.315 trillion
Per Capita Income	USD 1,236.7	USD 1,338.7–1,399.5	USD 1,527.1
Foreign Direct Investment	USD 3.03–3.56 billion	Expected to increase	Expected to increase further

Sources: *National Budget Framework Paper FY 2025/26 and FY 2026/27*

Table 12: Structural Constraints Affecting Uganda's Digital Economy

Constraint Area	Key Challenge	Implication
Financing	Low ICT allocations and weak budget absorption	Delayed infrastructure rollout and weak service delivery
Taxation	High taxes on devices, internet, and digital finance	Reduced affordability and digital participation
Infrastructure	Duplication and fragmented investments	High internet costs and inefficiencies
Governance	Weak data protection enforcement	Reduced trust in digital systems
Civic Space	Internet shutdowns and restrictive regulation	Economic losses and reduced innovation
Institutional Coordination	Fragmented ICT investments across MDAs	Reduced efficiency and duplication of systems

Annex 2: Tax Structure Breakdown

Table 13: Overview of Uganda's ICT and Digital Economy Tax Structure

Tax Category	Tax/Levy	Applicable Rate	Scope/Description	Economic Implication
Consumption Taxes	Value Added Tax (VAT) on Telecom Services	18%	Applied on airtime, internet data, and telecom services	Increases cost of connectivity and digital access
Consumption Taxes	Excise Duty on Airtime and Data	12%	Charged on airtime, internet data, and value-added services	Raises effective consumer cost of digital services
Digital Finance Taxes	Mobile Money Withdrawal Tax	0.5%	Charged on withdrawals from mobile money accounts	Discourages digital financial transactions and financial inclusion
Device Import Taxes	Customs Duty on Mobile Phones	10%	Applied on imported mobile handsets	Raises smartphone acquisition costs
Device Import Taxes	Customs Duty on SIM and Memory Cards	25%	Levied on SIM cards and memory storage devices	Increases cost of connectivity tools
Device Import Taxes	Customs Duty on Towers and Masts	25%	Applied on telecom infrastructure imports	Raises network deployment costs
Corporate Taxes	Corporate Income Tax	30%	Charged on taxable income of telecom operators and ICT companies	Reduces retained capital for reinvestment
Sector-Specific Taxes	Telecom Commission Withholding Tax	10%	Proposed withholding tax on airtime and mobile money commissions	Reduces earnings for telecom agents and digital service intermediaries
Digital Services Taxes	Digital Service Tax (DST)	5%	Charged on non-resident digital service providers	Increases cost of cross-border digital services
Digital Services Taxes	VAT on Electronic Services	18%	Applied to electronic services supplied by non-residents	Raises cost of cloud services, software, and online platforms
Software Taxation	Proposed VAT on Imported Software	18% (proposed)	Proposed tax on imported software products and services	Increases operational costs for businesses and government
Software Taxation	Expansion of Royalty Definition	Subject to WHT	Proposed classification of software payments as royalties	Expands taxation of software and digital products

Sources: *URA Tax Amendments FY 2025/26*

Table 14: Effective Tax Burden on ICT and Telecom Services

Component	Tax Rate
VAT on Telecom Services	18%
Excise Duty on Airtime and Data	12%
Additional Sector-Specific Charges and Fees	Variable
Estimated Effective Consumer Tax Burden	Up to 44.6%

Key Implication

The cumulative effect of VAT, excise duties, import levies, regulatory fees, and telecom-specific charges significantly increases the cost of internet access, airtime, and digital participation in Uganda, disproportionately affecting low-income users and SMEs.

Table 15: Mobile Money and Digital Financial Services Taxation

Tax Measure	Rate	Description	Observed Impact
Mobile Money Withdrawal Tax	0.5%	Applied on withdrawals	Reduced digital transaction usage
OTT/Social Media Tax (Historical)	UGX 200 per day	Applied before repeal in 2021	Reduced internet and social media access
Internet Data Excise Duty	12%	Introduced after OTT repeal	Increased cost of internet usage
Proposed WHT on Telecom Agent Commissions	10%	Proposed on mobile money and airtime commissions	May reduce agent profitability

Key Findings

Studies found that mobile money taxation contributed to shifts from digital transactions toward cash transactions and agent banking, with lower-income populations disproportionately affected.

Table 16: Proposed and Emerging ICT Tax Measures (FY 2026/27)

Proposed Measure	Description	Likely Impact
VAT on Imported Software	Proposed 18% VAT on imported software	Higher costs for businesses, startups, and public institutions
Expansion of "Royalty" Definition	Software classified as royalty income	Increased withholding tax obligations
Stricter EFRIS Enforcement	Increased penalties for non-compliance	Higher compliance costs for SMEs
Digital Service Tax Enforcement	Continued enforcement on foreign digital providers	Increased cost of digital platforms and cloud services
Withholding Tax on Telecom Agents	Proposed 10% WHT on commissions	Reduced income for mobile money ecosystem actors

Sources: *ICPAU Tax Policy Proposals FY 2026/27*

Annex 3: Glossary

Term / Acronym	Definition
4G	Fourth Generation mobile telecommunications technology that enables high-speed internet access and broadband mobile services.
5G	Fifth Generation mobile network technology offering faster speeds, lower latency, and improved connectivity for digital services and smart technologies.
Absorption Rate	The percentage of allocated public funds that are actually utilized or spent within a financial year.
Affordability Gap	The difference between the availability of digital services and the ability of citizens to afford meaningful access and usage.
Airtime	Prepaid mobile credit used for voice calls, SMS, and internet data services.
Auditor General	Constitutional office responsible for auditing government expenditure and assessing public financial accountability in Uganda.
Average Effective Tax Rate (AETR)	A measure of the total tax burden borne by a sector or company as a percentage of profits or revenues.
Broadband	High-speed internet connectivity infrastructure enabling transmission of large volumes of digital data.
CIPESA	Collaboration on International ICT Policy for East and Southern Africa, a regional ICT policy and digital rights organization.
Cloud Computing	Delivery of computing services including storage, software, and processing power over the internet.
Connectivity	The ability of users, devices, or systems to access and communicate through digital networks and internet infrastructure.
Customs Duty	A tax imposed on imported goods, including ICT devices and telecommunications equipment.
Data Protection	Legal and regulatory measures aimed at safeguarding personal data from misuse, unauthorized access, or unlawful processing.
Data Subject	An individual whose personal data is collected, stored, or processed.
Digital Civic Space	The online environment where individuals and organizations exercise rights to expression, association, participation, and access to information.
Digital Economy	Economic activities enabled by digital technologies, internet connectivity, data systems, and online platforms.
Digital Financial Services	Financial services delivered through digital channels such as mobile money, online banking, and fintech applications.
Digital Inclusion	Ensuring equitable access to affordable internet, digital devices, and digital skills for all populations.
Digital Infrastructure	Foundational technologies and systems including broadband networks, fibre optic cables, data centres, and telecommunications systems that enable digital services.
Digital Public Services	Government services delivered electronically through digital platforms and systems.
Digital Service Tax (DST)	A tax imposed on income derived from digital services provided by non-resident or multinational digital companies.
Digital Transformation	The integration of digital technologies into economic, governmental, and social systems to improve efficiency, innovation, and service delivery.
E-Commerce	Commercial transactions conducted electronically through internet platforms and digital systems.
EFRIS	Electronic Fiscal Receipting and Invoicing System used by the Uganda Revenue Authority for digital tax administration and compliance.
Excise Duty	A tax imposed on specific goods and services such as airtime, internet data, and mobile money transactions.
Fibre Optic Infrastructure	High-capacity telecommunications infrastructure that transmits internet data using light signals through optical cables.

Fintech	Technology-driven financial services and innovations including mobile money, digital payments, and online lending platforms.
GDP	Gross Domestic Product; the total monetary value of goods and services produced within a country over a specified period.
GSMA	Global System for Mobile Communications Association; an international industry organization representing mobile network operators worldwide.
ICT	Information and Communication Technology, encompassing digital systems, telecommunications, software, internet services, and related infrastructure.
Internet Shutdown	Intentional disruption or restriction of internet or digital communication services by authorities or service providers.
Interoperability	The ability of digital systems, platforms, and networks to exchange and use information seamlessly.
Last-Mile Connectivity	The final stage of telecommunications infrastructure that connects internet services directly to end users, particularly households and businesses.
Mobile Broadband	Wireless high-speed internet access provided through mobile telecommunications networks.
Mobile Money	A digital financial service enabling users to send, receive, save, and withdraw money using mobile phones.
National Backbone Infrastructure (NBI)	Government-supported national fibre optic network designed to expand broadband connectivity across Uganda.
NDP IV	Uganda's Fourth National Development Plan (2025/26–2029/30), outlining national development priorities and strategies.
NITA-U	National Information Technology Authority–Uganda, responsible for coordinating and regulating IT services and infrastructure in Uganda.
OTT Tax	Over-the-Top tax previously imposed on access to social media and internet-based communication platforms in Uganda.
Personal Data	Information relating to an identified or identifiable individual.
Personal Data Protection Office (PDPO)	Government office mandated to oversee implementation and enforcement of Uganda's data protection laws.
Platform Economy	Economic activities conducted through digital platforms connecting users, businesses, and service providers online.
Procurement Delays	Administrative or procedural delays in acquiring goods, services, or infrastructure projects.
Regulatory Uncertainty	A situation where unclear or inconsistent laws and policies create unpredictability for businesses and users.
Rural Communications Development Fund (RCDF)	A universal service fund aimed at expanding ICT access and connectivity in underserved areas.
SIM Card	Subscriber Identity Module used in mobile devices to access telecommunications services.
Smartphone Penetration	The proportion of mobile phone users who own or use smartphones.
Spectrum Fees	Charges paid by telecommunications operators for the right to use radio frequencies for communication services.
Tax Burden	The overall level of taxation imposed on individuals, businesses, or sectors.
Telecom Operator	A company providing telecommunications services such as voice, internet, and mobile connectivity.
UCC	Uganda Communications Commission, the regulator responsible for communications and telecommunications services in Uganda.
UNCDF	United Nations Capital Development Fund, a UN agency supporting inclusive finance and digital economic development.
Underinvestment	Insufficient allocation of financial resources to a sector relative to its strategic or economic importance.
Universal Connectivity	Access to reliable and affordable internet and digital communication services for all populations.

VAT	Value Added Tax imposed on goods and services including digital and telecommunications services.
Vision 2040	Uganda's long-term national development framework aimed at transforming the country into an upper-middle-income economy.
Withholding Tax (WHT)	Tax deducted at source from payments such as commissions, royalties, or service fees before payment is made to the recipient.

The Triple Constraint on Uganda's Digital Economy -

How Underinvestment, Over-Taxation, and Restrictive Governance Are Limiting Digital Transformation

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