



CAN UGANDA TAME ELECTION-RELATED INFLATION?

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 **Policy Brief 018**

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Executive Summary

The persistent cycle of election-related inflation in Uganda

Taming this cycle requires pre-emptive structural reforms that target the political economy of elections.

Ensuring the operational independence of the Bank of Uganda to prevent direct government financing

This policy brief analyses the persistent cycle of election-related inflation in Uganda, arguing that it is a direct consequence of a commercialized political system rather than a mere economic fluctuation. Historical data consistently shows inflationary spikes coinciding with general elections, driven by massive, unaccounted-for campaign spending. This expenditure creates a dual shock to the economy: first, a demand-pull inflation from cash injections during campaigns, and second, a cost-push inflation as elected officials engage in rent-seeking to recoup their investments. The judiciary's annulment of elections due to voter bribery is a surface-level indicator of this deep-rooted problem, which corrupts representation and prioritizes patronage over public service. With the 2026 elections approaching, the risk of a repeat performance is high, threatening macroeconomic stability and the purchasing power of ordinary Ugandans. Conventional monetary policy alone is insufficient to address this politically driven challenge. Taming this cycle requires pre-emptive structural reforms that target the political economy of elections. Key recommendations include legislating and enforcing stringent campaign finance limits, ensuring the operational independence of the Bank of Uganda to prevent direct government financing, empowering anti-corruption agencies to prosecute election finance crimes, and launching civic education on the economic costs of vote selling. Ultimately, achieving lasting price stability is inextricably linked to reforming the high-cost nature of Ugandan politics.

Keywords: *Election, Inflation, Campaign Finance, Political Economy, Macroeconomic Stability.*

1. Introduction and Background

Uganda's electoral cycles have consistently been characterized by a significant interplay between political ambition and economic reality. A recurring feature of this interplay is a discernible spike in inflationary pressure in the months preceding and following a general election. This policy brief argues that this phenomenon is not coincidental but is a direct result of deliberate fiscal and monetary policy choices driven by political imperatives. With the 2026 general elections on the horizon, this brief forecasts a high likelihood of a repetition of this cycle, threatening macroeconomic

stability and eroding the purchasing power of ordinary Ugandans. The analysis concludes with recommendations for mitigating these pressures and safeguarding the economy from politically-induced volatility.

Figure 1: Uganda’s Inflationary Rates in Different Election Periods



Source: Bank of Uganda Annual and Financial Stability Reports (1995-2025)

This spike can likely be attributed to the economic disruptions and expansive fiscal policies following the 1996 general election

The late 1990s were a period of notable volatility. Following a moderate rate of 5.3% in 1996, inflation surged to a high of 10.4% in 1997. This spike can likely be attributed to the economic disruptions and expansive fiscal policies following the 1996 general election, a common phenomenon in many economies where government spending increases significantly during election cycles. The rate then returned to a more stable level of 5.3% by 1999. The early 2000s (2001-2002) were characterized by a downward trend, with inflation falling from 4.6% to 3.0%. This period of calming inflation may reflect efforts to stabilize the economy after previous shocks. However, a gradual climb resumed in the mid-2000s, rising from 4.7% in 2005 to 6.9% in 2007. This increase could be linked to global commodity price shocks and domestic factors leading up to and following the 2006 election. A period of relative moderation followed from 2010 to 2015, with rates hovering between 4.5% and 3.3%. This suggests a period of successful macroeconomic management and stable prices. However, this stability was interrupted in 2016, when inflation jumped to 6.7%, coinciding with the general election held that year highlighting the potential for election-related spending to fuel price increases. Recent years (2020-2021) show a return to low and stable inflation, with rates of 3.1% and 3.5%, respectively, despite the global economic challenges of the COVID-19 pandemic. The projection for 2025 shows an increase to 4.2%. Given the historical

pattern, this anticipated rise could be connected to the upcoming 2026 general election, suggesting policymakers and citizens should be prepared for potential fiscal expansion and its inflationary consequences. In conclusion, Uganda's inflation history is marked by peaks often associated with election cycles and global events, interspersed with periods of effective stabilization. The data underscores the persistent challenge of maintaining price stability amidst political pressures and external economic shocks.

2. Commercialisation of Politics in Uganda

The commercialisation of politics in Uganda has become a defining feature of its electoral landscape.

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The very purpose of representation is corrupted.

The consequence is a profound erosion of democratic legitimacy.

The commercialisation of politics in Uganda has become a defining feature of its electoral landscape, fundamentally distorting democratic processes and undermining representation. This phenomenon, where political influence is treated as a commodity to be bought and sold, manifests most visibly in rampant voter bribery. The judiciary's annulment of parliamentary election results in several constituencies, with a significant majority citing concrete evidence of voter bribery as the primary cause, offers a stark indictment of this trend. These court rulings are not merely legal corrections; they are a testament to a system where electoral success is increasingly divorced from policy platforms or public trust and is instead linked to a candidate's financial war chest. This transactional politics creates a vicious cycle: candidates must amass vast sums to compete, often incurring debts or obligations to wealthy backers, which they then seek to recoup through office. Consequently, the electorate is reduced from citizens with sovereign will to a market of consumers whose votes are a temporary asset for sale.

This systemic commercialisation entrenches a political economy that prioritizes patronage over public service. When elections are won through financial inducement rather than ideological appeal or a record of performance, the very purpose of representation is corrupted. The nullified elections highlight a critical failure of accountability, but they also point to a deeper pathology. The winners in such a system are not those with the best development plans, but those with the deepest pockets or the most extensive patronage networks. This effectively sidelines individuals of integrity but limited means and perpetuates a governance model focused on rent-seeking and the redistribution of state resources to a narrow political class. The consequence is a profound erosion of democratic legitimacy, where elected leaders are beholden to their financiers rather than their constituents, and public office is seen not as a duty but as an

investment for personal enrichment. This undermines the social contract and fosters widespread political cynicism among the electorate.

3. Conclusion

The inflationary pressure could be partly a direct outcome of the commercialised political

The cyclical spike in Uganda's inflation around elections is not a mere economic anomaly but a symptom of a deeper, politically engineered condition. Notably, the inflationary pressure could be partly a direct outcome of the commercialised political system, where victory is financed through massive, often unaccounted-for, expenditures. This creates a dual economic shock: first, a demand-pull inflation from the injection of cash into the economy during the campaign, and second, a cost-push inflation as elected officials, burdened by campaign debts and obligations, engage in rent-seeking and corrupt practices that distort markets and increase the cost of doing business. The judiciary's nullification of elections due to voter bribery is merely the legal tip of a vast iceberg of political spending whose economic consequences are borne by the entire population through rising prices.

Therefore, taming election-related inflation requires moving beyond conventional monetary tightening by the Bank of Uganda, which often proves to be a blunt and reactive tool. The solution lies in confronting the political economy drivers head-on. This necessitates stringent electoral spending limits enforced by an empowered independent electoral commission, coupled with transparent auditing of campaign finances. Further, strengthening anti-corruption institutions is an economic imperative to break the cycle of patronage and recoupment of campaign costs through state resources. Ultimately, safeguarding macroeconomic stability is inextricably linked to democratic integrity. For Uganda to achieve sustainable price stability, it must first address the high-cost politics that fuels the inflationary fires every five years. The 2026 election presents a critical test; without pre-emptive structural reforms, another cycle of politically-induced inflation is not just a possible risk, but a certainty.

4. Key Policy Recommendations

mandate real-time, publicly accessible disclosure of all campaign contributions and expenditures

➡ Uganda's Electoral Commission should mandate real-time, publicly accessible disclosure of all campaign contributions and expenditures especially at presidential, parliamentary and LC.5 levels. As such, there should be a transparent online platform to enforce this, to increase accountability and reduce illicit funding.

➡ Parliament should amend the Bank of Uganda Act to legally shield it Uganda from directives to finance election-related government spending in case they occur. This will prevent fiscal dominance and monetary inflation. Without this, direct central bank financing will devalue the currency.

➡ Parliament and the Judiciary should objectively strengthen the investigative and prosecutorial power of anti-corruption agencies specifically for election finance crimes. Any form of inaction will perpetuate graft-driven price hikes, but the prosecution should target opposition politicians.

➡ Civil Society Organizations, with support from development partners, should launch and strengthen civic education campaigns highlighting the direct link between voter bribery and subsequent inflation that erodes incomes. This will create an informed citizenry that rejects vote selling, reducing the effect of bribery. Failure to undertake this, will sustain the toxic demand for handouts during and after election periods.

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