TERMS OF REFERENCE FOR DEVELOPMENT OF A COMPREHENSIVE AGRICULTURAL SPECIFIC PRUDENTIAL LOAN PROVISIONING FRAMEWORK IN UGANDA

August 2026

1. Introduction

About the Uganda Bankers' Association

The Uganda Bankers' Association (UBA) is an umbrella organization for financial institutions licensed and supervised by the Bank of Uganda (BoU). Established in 1981, UBA is currently made up of 34 members, including 22 Tier 1 Commercial Banks, 3 Development Banks, and 9 Tier 2 & 3 Financial Institutions. UBA promotes and represents the interests of the member financial institutions; works closely with the regulator to promote financial sector growth; undertakes policy research on the banking sector; and acts as a platform for advocacy for a strong, vibrant, and respected financial services industry.

About Aceli Africa

Aceli Africa (Aceli) is a market catalyst that seeks to bridge the gap between capital supply and demand for agricultural SMEs and unlock their growth and impact potential. The program aims to mobilize $2B in private sector lending to agricultural small and medium-sized enterprises (SMEs) and improve livelihoods for 5M farmers and employees in East and Southern Africa by 2030. Aceli's model provides financial incentives and capacity-building support to 55+ financial institutions while facilitating technical assistance to expand the ability of Agri-SMEs to qualify for and manage finance and smallholder farmers linked to the Agri-SMEs, creating a more sustainable and competitive marketplace.

In Uganda, Aceli has partnered with 19 commercial banks, non-bank financial institutions, and Savings & Credit Cooperatives (SACCO). These lenders have mobilized $108M in lending to agri-SMEs providing inputs and market access for 375k Ugandan farmers and workers, of whom 54% are youth and 50% are women.

Ultimately, Aceli wants to influence national governments to create a more favourable environment for agricultural SME finance, including (i) budget allocations that replace donor funding and promote inclusive agricultural growth and (ii) central bank regulations aligned to the promotion of agricultural lending.

The Uganda Bankers Association and Aceli Africa have had a running partnership since May 2023 to drive advocacy efforts for the improvement of the enabling environment for the agricultural finance landscape in Uganda.

2. Background to the Assignment

In early 2022, Aceli undertook a study to establish the existing policies that positively or negatively influence agri-SME lending. The focus was on the effect of central bank regulations on agricultural lending. The study revealed:

I. Capital Adequacy Ratios are more conservative in East Africa than Basel III.
II. Unintended consequences of International Financial Reporting Standards 9, which requires banks to set aside capital for Expected Credit Loss (ECL).
III. Loan classifications and provisioning requirements are not industry-specific and are ill-suited to agriculture
IV. Low appetite for alternative collaterals by lenders.
V. Treatment of credit guarantees (risk-weighting of guarantees), where most banks use guarantees as a security enhancement and most central banks do not treat credit guarantees as risk-free instruments.
VI. Disconnect between what is Agri finance within the banks and the Central Bank.

Following these findings, Aceli convened a stakeholder meeting in Nairobi in November 2022 to validate the challenges identified and prioritise policy areas where targeted advocacy and regulatory engagement could unlock greater flows of capital to agri-SMEs. The discussions identified three priority areas where Aceli and its partners could make a meaningful contribution:

I. Address loan misclassification by the financial industry.
II. Review of the regulatory treatment of credit guarantees, including consideration of how guarantees can be appropriately recognised as risk-mitigation instruments within the prudential framework.
III. Development of an agriculture-specific prudential provisioning framework that recognises sector-specific risks, including seasonality, value chain complexities, and agricultural production cycles, while maintaining appropriate safeguards for customer deposits and financial system stability.

For the past two years, UBA and Aceli have focused on fast-tracking reforms to credit guarantee treatment and loan classification/sector definitions. These recommendations are now under consideration by the central bank. In initial engagements on the loan classification and provisioning reforms, the regulator showed receptiveness to the need for change but requested more empirical evidence showing how such reforms would safeguard customer deposits and financial sector stability. In particular, BoU has indicated that additional data and analysis are required, noting that at least several years of sector-level agricultural loan performance data would be needed before it can consider policy changes; this assignment is designed to directly address that requirement by compiling and analysing a multi-year agricultural lending performance dataset across participating institutions.

This assignment responds directly to that feedback. It will strengthen the empirical evidence base by compiling and analysing several years of sector and portfolio performance data, benchmarking practice from comparable jurisdictions, and developing a comprehensive agriculture-specific prudential provisioning framework for the central bank's consideration. The assignment is intended to balance two objectives: expanding sustainable access to agricultural finance while preserving prudential soundness, depositor protection and financial stability.

3. Assignment: Loan Classification and Provisioning Guidelines

In Uganda, the Financial Institutions Act provisioning guidelines require Financial Institutions (FIs) to apply both the quantitative (objective) and qualitative (subjective) criteria to classify credit facilities into the following five categories: Normal Risk (Pass), Watch (Special Mention), Substandard, Doubtful, and Loss. The current loan Provisioning regime treats all sectors the same irrespective of the length of the cash cycle thus, lenders are required to provide early for loans with long cash cycles. For instance, in lending to agricultural production, delayed loan repayments do not necessarily mean the loan is non-performing because clients often recover in the subsequent season – thus, NPLs might be higher, but write-offs, which are a good proxy for the loss given defaults, are lower.

As a result, lenders are shying away from loans to agricultural enterprises, especially at the production node with long cash flow cycles (more than 30 days) because these not only tie up capital in provisions but are presumed to increase repayment uncertainty.

There is therefore a need to consider developing agriculture-specific provisioning or expand the subjective provisioning guidelines to allow for seasonality, value chain complexities, and other risk factors while also protecting depositors.

This assignment therefore seeks to build a strong business case or empirical evidence for subjective for agriculture, propose an agricultural specific prudential loan provisioning framework and develop a policy brief to support stakeholder engagements.

Scope of Work:

1. In-depth analysis of the current Framework on loans classification and provision in Uganda.
2. Benchmarking with other jurisdictions
3. Engagement of key stakeholders to gather insights into the current framework and propose practical policy reforms.
4. Development of a comprehensive agricultural specific prudential loan provisioning framework
5. Development of a policy brief.
6. Stakeholders' engagements for adoption

Expected deliverables:

a) Inception Report
b) Business case for Agriculture-Specific Prudential Loan Provisioning
c) Agriculture-Specific Prudential Loan Provisioning Framework for Uganda
d) Policy Brief on the Agriculture-Specific Prudential Loan Provisioning Framework
e) Proposed Agriculture-Specific Prudential Loan Provisioning Framework adopted by the Bank of Uganda.

Minimum Requirements of the Consultant (s):

1. Exposure to lending/Credit Administration.
2. Strong understanding of central bank loan provisioning guidelines and Basel standards.
3. Previous experience in conducting loan impairments using BoU FIA and IFRS9 standards in a commercial bank in Uganda.
4. Prior experience in bank supervision and drafting regulations is an added advantage.
5. Strong research and writing skills
6. Excellent oral and written communication skills.
7. Minimum Qualifications: Master's in Economics, Business Administration, Finance & Accounting, Agricultural Finance or a related field.

Timelines: The estimated duration of the assignment is 30 working days, including stakeholder engagements.

Application process: Interested consultant/s can apply for the assignment by submitting the expression of interest to take up the assignment, with the following documents;

1. Expression of interest to take up the assignment
2. Technical proposal
3. Financial proposal, including professional fees
4. Curriculum Vitae (CV)
5. Evidence of executing similar work previously

Interested applicants should submit their application and supporting documents to secretariat@ugandabankers.org with the subject line "UBA – Loan Classification and Provisioning Consultancy" no later than 18th August 2026. Only short-listed candidates will be contacted.