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WPS/04/26

Patient Capital for a Tenfold Economy: Financing Uganda's Agro-Industrialisation.

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**UBA Research Department
Working Paper Series**

September 2026



Working Paper Series

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INTRODUCTION

Uganda has set itself one of the most ambitious economic targets: expanding GDP from approximately US\$50 billion in FY2023/24 to US\$500 billion by 2040. The Tenfold Growth Strategy, anchored in the Fourth National Development Plan (NDP IV), focuses on four high-impact sectors: agro-industrialisation, tourism, mineral-based industrial development, including oil and gas, and science, technology and innovation (ATMS).¹

The ambition runs far beyond the headline number. Per capita GDP is to rise from US\$1,081 in FY2022/23 to about US\$7,000 by FY2039/40. Domestic savings, including pension savings, are to double from 20 to 40 percent of GDP. The shares of exports in GDP, of manufactured products in exports, and of medium-to-high-technology products (12 percent, 24.6 percent, and 21 percent in 2022, respectively) are each to reach 50 percent by 2040. Foreign direct investment is to grow more than fifteen-fold, from US\$2.9 billion to US\$50 billion, alongside rapid accumulation of the four capitals: human, physical, natural, and financial.¹

The starting point, however, is sobering. A third of households remain in the subsistence economy. Seventy percent of Ugandans are engaged in agriculture, yet the sector accounts for only 24.6 percent of GDP. Exports are dominated by raw materials and lightly processed output; coffee, maize, fish, and tea still leave the country as low-value commodities. Policy implementation is hampered by weak institutional coordination, overlapping mandates, and data gaps, while public finances are strained by low domestic revenue mobilisation, rising debt-to-GDP, and mounting debt-service pressure. Additionally, across the board, lack of access to, and the high cost of, credit is holding back MSME growth, including in agriculture.¹

The scale of these ambitions exceeds what public resources alone can finance; the private sector is needed. The Governor of the Bank of Uganda put

it plainly: the resources required for tenfold growth are huge, and the private sector must be crowded in, and because domestic savings are insufficient, innovative ways of acquiring external financing are needed.²

Recognising this, the Uganda Bankers' Association (UBA) prepared a banking sector response framework outlining how the sector intends to support the government in delivering the 10x ambition. The framework commits the industry to mobilising funds to expand private sector credit, gradually lowering interest rates, and driving the banking sector reforms needed to spur the country's transformation agenda. The framework targets UGX 490 trillion (about US\$134 billion) in private sector credit through 2040, lifting its share of GDP from 12 percent toward 50 percent.³

Among the four ATMS pillars, agro-industrialisation carries the greatest weight: it reaches deepest into Ugandan livelihoods, holds the key to upgrading the export basket, and is expected to contribute US\$20 billion a year to GDP by 2040,¹ yet its financing machinery is the weakest. For this pillar, UBA proposed four interventions: a special-purpose Agri-Market Catalyst (AMC) to address lender capitalisation constraints; formal recognition of credit guarantees in regulatory capital treatment; revival of the Regional Export Facility; and a value chain-based loan classification system.³ This paper focuses on the first intervention (the AMC), and answers: how to crowd in private capital, innovatively and at scale, to deliver that promise.

2.0 THE WHOLESALE AGRICULTURAL CREDIT GAP

Access to credit is a challenge across Uganda's economy. Private sector credit stands at roughly 12 percent of GDP, and the country's MSMEs face an estimated US\$8.5 billion financing gap.⁴ The paradox is that the banking system itself is liquid, with the sector's average loan-to-deposit ratio at about 61 percent.³ The constraint, therefore, is less the availability of financing than the terms on which it can be accessed.

The challenge is most pronounced in agriculture. A sector that generates 24.6 percent of GDP and employs 70 percent of Ugandans received only about 12 percent (US\$700 million) of the US\$5.9 billion in bank lending in 2024.^{1,4} What is available is largely seasonal working capital and

trade finance, priced above 20 percent per annum with tenors of 24–36 months⁴ - funds that are not appropriate for financing processing plants, cold chains, irrigation systems, or perennial crops, which pay back over many years.

Aceli Africa, a non-profit operating in Uganda, Kenya, Tanzania, Rwanda, and Zambia, has used market incentives (portfolio first-loss cover, origination incentives, and capacity building) since 2020 to drive lenders' appetite for agri-SME lending, and uptake has been remarkable (Box 1). Yet at times even well-activated lenders struggle to deploy financing to the sector; not for lack of willingness, but for lack of the right liquidity.

Box 1: Aceli Africa Progress in Uganda — incentives are shifting lender behaviour.

Aceli's incentives (portfolio first-loss cover, origination incentives, and capacity building) offset the higher risks and costs that have historically kept lenders away from agri-SME lending. Between September 2020 and June 2026, the model supported 2,004 loans in Uganda, mobilising US\$125 million through 20 active lenders, at an average loan size of US\$62,000 and a leverage ratio of 9x. Behind the lending metrics, the impact registered includes market access for 390,000 farmers (50 percent women), 24,000 full-time jobs (44 percent youth), 53 percent of loans to first-time borrowers (accessing \$25k for the first time), 71 percent for food crops, and 41 percent supporting climate resilience.

The results are shifting mindsets: lenders are building dedicated agri-desks and departments, growing their agricultural portfolios, and adjusting lending requirements and terms. See quote from one of the lenders below.

"We have had so many initiatives, guarantees, and advisory activations, but the one with Aceli has never been matched because its co-created products with us. It walked the journey with us and helped us see the agriculture sector that we were taking for granted. And, most importantly, it motivated us."¹²

Chief Relationship Officer, Opportunity Bank Uganda.

The reason is structural: in comparison to other sectors, agriculture is a net borrower with a longer gestation period. Crops, livestock, and processing investments take seasons or years to generate cash flows, while the lenders that serve it are financed from low, short-term deposits, supplemented only by limited equity and short-term borrowings.⁴ Wholesale funding that could stretch maturities is scarce and, where available, is largely in foreign currency, ill-suited to shilling-denominated agricultural portfolios. Internal funds transfer pricing compounds the problem: bank treasuries price funds to their agricultural desks at

a premium reflecting the sector's perceived risk and the scarcity of matched long-term funding, so agricultural loans carry higher interest rates than loans to other sectors before any individual borrower's risk is even assessed.

Lastly, the central bank's push for lenders to balance their assets and liabilities (matching short funding with short lending), while prudent, sharpens the dilemma. The majority of lenders will simply not prioritise agriculture, given its lower returns and higher perceived risks. Two interventions can contribute to changing lender perceptions and behaviour towards agriculture: the right incentives to increase risk appetite, and long-term, affordable funding. Encouragingly, Aceli's experience shows the first intervention works - with well-designed incentives, lenders are willing to serve the sector. What still constrains them now is the second: the right funding.

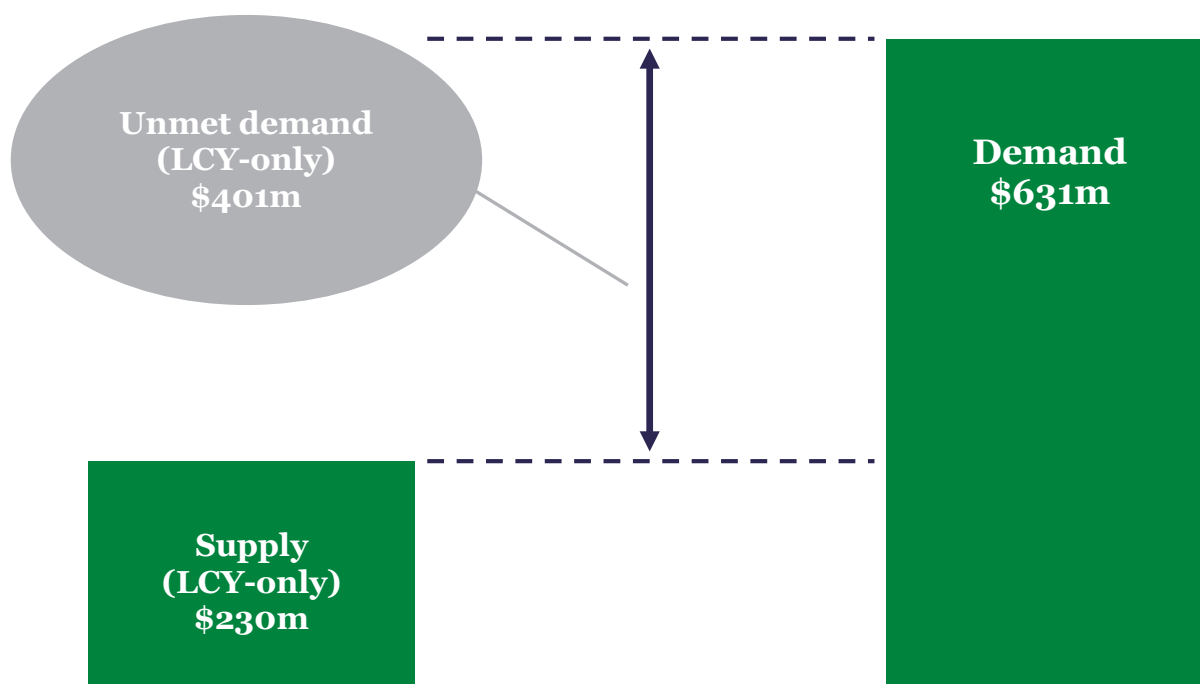
Market assessment findings. Building on preliminary insights from lenders on their portfolio, Aceli commissioned ISF Advisors to conduct a detailed market assessment to establish the demand for agri-focused wholesale credit in Uganda. The study, completed in January 2026, combined structured interviews with 15 lenders and six ecosystem actors with a market-wide supply-and-demand model.⁴ It confirmed four binding constraints on agricultural lending: asset-liability mismatch, high cost of capital, high underlying risk that is poorly priced and only partially transferred, and high operating costs compounded by weak data.

On the demand side, the study established a US\$631 million demand for agri-focused wholesale capital. Strikingly, the same institutions' absorptive capacity at minimum capital adequacy exceeds US\$6 billion, implying lenders' balance sheets could carry many times more agricultural assets than their funding currently permits.⁴

On the capital supply side, local-currency wholesale capital stands at only about US\$230 million, of which the Agricultural Credit Facility (ACF) provides ~ US\$64 million and aBi Finance US\$66 million. This liquidity is crucial, but demand far outstrips it. Foreign-currency lines could fill part of the void, but they carry two limitations: hedging the exchange risk on shilling-denominated agricultural portfolios is prohibitively expensive (long-tenor currency hedges typically cost 8 to 10 percentage points per annum, a premium that feeds straight into lending rates and prices agricultural borrowers out) and over half of this supply is restricted to trade finance.⁴

The study established an estimated US\$401 million supply gap for local-currency, agri-focused wholesale capital - demand of US\$631 million against supply of just US\$230 million (Figure 1). The gap reflects currency, pricing, and tenor mismatches rather than an absolute capital shortage.

Figure 1: Local-currency wholesale capital for agriculture in Uganda — a US\$401 million gap.



Source: ISF Advisors & Aceli Africa (2026).

Lenders were equally clear about what would close the gap: affordable capital in local currency; flexibility on structure and tenor (five to ten years); terms and conditions that fit the local context; and support beyond lending capital, bundling credit lines with risk sharing, incentives, capacity building, and enabling policy. When asked what is needed to unlock growth in agricultural financing, roughly 75 percent of lenders in Aceli's network rated such liquidity as "highly needed" or "most needed."⁴

The gap, moreover, is not standing still. A tenfold economy will demand far more. Under a no-action scenario, in which financing patterns

remain as they are, the shortfall will only widen as the economy grows, leaving a larger share of viable agricultural finance demand unmet. Taken together, the findings cement the need for an innovative way to attract affordable, long-term capital in local currency at a scale no current vehicle can reach.

Through consultations with stakeholders and analysis of existing vehicles, a new private sector-led, blended, evergreen wholesale facility, independently managed and able to attract both domestic and foreign investors, was deemed the most suitable route.

3.0 ADDRESSING THE GAP: THE AGRI-MARKET CATALYST

One response now taking shape, being explored by UBA in partnership with Aceli Africa, is the Agri-Market Catalyst (AMC), designed to complement existing wholesale facilities. It is conceived as a private sector-led, evergreen, blended finance wholesale facility. The facility would provide appropriately structured, affordable, long-term funding in Ugandan shillings to local financial institutions for on-lending to food and agri-SMEs. Its design is still evolving; it is sketched here to open a conversation about what is possible, not to present a finished product.

A vehicle of this kind would raise a mix of concessional and commercial capital, structured so that each investor class takes the risk it is best placed to carry - making the vehicle safe enough for commercial investors and catalytic enough for public funders. At the base of the stack would sit catalytic equity: it would earn below-market returns and take the first losses if any arise - precisely what gives every investor above it the confidence to come

in. In the middle, catalytic (subordinated) debt would offer development finance institutions discounted returns with capital protection. At the top would be senior debt (in local currency and at market rates) built for Uganda's own institutional investors such as pension funds and insurers.

Importantly, participating lenders would put their own skin in the game through 'member' contributions, with modalities and related returns under consideration. Additionally, the concept would leverage existing incentive and risk sharing mechanisms, policy reforms, lender capacity building, and SME technical assistance to drive uptake and deliver greater impact. Capital on its own would be eroded by the very constraints that created the gap, while the three together - incentive and risk sharing mechanisms, policy reforms, lender capacity building - would collectively address both liquidity gaps and the structures underlying the shortfall.

4.0 AN OPPORTUNITY FOR GOVERNMENT AND SAVINGS SCHEMES

The AMC's capital stack is being designed to attract a mix of impact oriented and commercial investors: a catalytic layer built for government and development partners, and a senior local-currency layer built for Uganda's own institutional investors.

How the Government can participate.

Government's most powerful role is market-shaping, and this could be achieved in a vehicle like the AMC in two main ways:

1. **Enabling policy and regulatory reforms**, such as recognising reputable credit guarantees in risk-weighted-asset and provisioning computations, and rolling out the value chain-based loan classification.²
2. **Direct catalytic participation**, with public institutions taking junior positions in the vehicle. Nigeria's sovereign wealth authority, for instance, put US\$25 million of paid-in equity into co-founding InfraCredit, which has since enabled pension-held infrastructure bonds of up to 20-year tenors with zero defaults;⁵ and in Rwanda, the government holds ~74 percent of the Development Bank of Rwanda (BRD).⁶ In Uganda, this could come through multilateral funding (i.e., World Bank or other grant), a direct allocation in annual budget(s), or through an innovative finance mechanism (e.g., a debt-for-agriculture swap, green bond issuance).⁸

The opportunity for savings schemes. With oil and gas revenues imminent, the government projects approximately UGX 2.2 trillion (about US\$600 million) in FY2026/27 alone. The Ministry of Finance has already signalled a cut in domestic borrowing from UGX 11.4 trillion to UGX 9 trillion

roughly (US\$3.1 billion to US\$2.5 billion), and Bank of Uganda expect that yields on government securities "could come down substantially."⁹ Retirement schemes today hold about 80 percent of their assets in these securities, earning double-digit returns; when yields fall, that strategy would have to be reconsidered. The prudent question for every trustee is: when yields compress, where will we be invested? Long-tenor, de-risked, local-currency assets originated in the productive economy are a good option, but in order for these to form meaningful opportunities in the years to come, they need to be seeded now.

Retirement schemes across the continent and beyond have already invested actively in SMEs, agriculture and vehicles like the AMC, and the trend is growing:⁶

- **Rwanda.** The Rwanda Social Security Board holds about 25 percent of BRD's equity - retirement savings owning a quarter of the national development bank whose portfolio spans agriculture and coffee, tea, and horticulture export value chains. When BRD issued East Africa's first sustainability-linked bond in 2023, demand from local pension funds, unit trusts, and insurers exceeded the amount on offer, and did so again on both follow-on issues.⁶ Most recently, in April 2026, RSSB committed US\$30 million as the anchor investor at the first close of the Rwanda SME Growth Fund, a US\$100 million fund, managed by Enko Capital, that will provide long-term, local-currency growth capital to small and medium enterprises in Rwanda.⁷

- **Ghana.** Pension schemes are anchor investors in two recent agriculture-focused funds: the US\$18 million Injaro Venture Capital Fund and the US\$75 million Ci-Gaba Fund of Funds, in which they contributed over two-thirds of the initial capital raised in January 2026.⁵
- **Kenya and Nigeria.** In Kenya, 24 pension funds have joined forces through the Kenya Pension Funds Investment Consortium (KEPFIC) to invest together in housing and infrastructure, earning returns of 12 to 18 percent. In Nigeria, 19 pension funds hold long-term infrastructure bonds, some with tenors of up to 20 years, guaranteed by InfraCredit, and five of them became shareholders in InfraCredit itself in 2025.⁵
- **Globally, agriculture is mainstream pension territory.** Teachers Insurance and Annuity Association (TIAA), the retirement fund manager for teachers in the United States, raised two global agriculture funds of US\$2 billion and US\$3 billion, with investors including Sweden's

national pension fund and Canadian and British pension schemes; its farmland arm now manages over US\$12 billion. Canada's public sector pension manager holds an agriculture-dominated portfolio of about US\$14 billion, and New Zealand's national pension fund owns farms worth more than US\$600 million.¹⁰ The world's largest retirement funds treat agriculture as a long-term investment that protects savings against inflation.

The appetite is emerging at home as well. The National Social Security Fund (NSSF), for example, has committed 1 percent of its assets under management (roughly US\$70-100 million) to investments that deliver financial returns alongside social and economic development¹¹ - a signal that Uganda's institutional investors are ready to look beyond traditional investments such as government securities. Vehicles like the AMC would broaden the menu of such opportunities for any scheme that chooses to participate.

5.0 HOW THE AMC CAN CONVERT CAPITAL INTO 10X-ALIGNED OUTCOMES

A vehicle like the AMC would not merely be an agricultural intervention; it would map directly onto the outcome indicators of the Tenfold Growth Strategy (the “Strategy”)¹. Patient local-currency funding would expand productive investment by agri-SMEs, raising output, productivity, and value addition - the very substance of GDP growth. The same investments would lift incomes at household level, advancing the strategy’s per capita income target. And by raising incomes and expanding formal employment, the AMC could contribute to widening the potential domestic savings base, thus supporting the strategy’s ambition of doubling domestic savings from 20 to 40 percent of GDP. Those savings are precisely the capital the vehicle would reinvest, closing a virtuous circle between growth, savings, and investment.

The export and investment indicators follow the same logic. By financing processing, storage, cold chains, irrigation, and perennial crops, the vehicle could shift agriculture from raw commodities toward higher-value, export-focused production; the engine of the strategy’s 50:50:50 export ambition. Its proposed blended structure would crowd in international catalytic and commercial investors alongside domestic capital, potentially contributing to the fifteen-fold growth in FDI inflows the strategy targets. And taken together, its four instruments (wholesale finance, lender capability, market incentives, and policy work) would strengthen the financial, physical, human, and natural capitals whose rapid accumulation the Strategy demands. Few single instruments could move as many of the 10x dials at once.

6.0 CONCLUSION

The realisation of Uganda's tenfold ambition hinges on financing, and nowhere more so than in agriculture - the pillar that sustains the most livelihoods yet borrows on the shortest and most expensive terms. Lenders are willing, and their balance sheets have room; what is missing is patient, affordable, local-currency capital at scale. That gap will not be closed by conventional programmes: it calls for innovations such as the Agri-Market Catalyst and a sovereign debt-for-agriculture conversion, among others.

The government, regulator, lenders, savings schemes, and development partners each hold one piece of the solution (policy, reform, ownership, patient capital, and de-risking), and each piece works only alongside the others. The gap is US\$401 million today and will most likely widen as the economy grows under no-action scenarios. Yet the opposite also holds: if patient, affordable capital flows to the productive parts of the agri-economy at scale, the payoff is transformative - faster and more inclusive growth, hundreds of thousands of new jobs, higher food productivity, and a stronger export base. That is the prize within Uganda's reach.

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