

Mobilising Resources at Scale to Finance Uganda's Ten-Fold Growth Ambition

From Conventional to Market-Based
Instruments

Authors

Bob Twinomugisha, Francis Mwesigye and Amelia Babirye



Executive Summary

Uganda's Tenfold Growth Strategy seeks to expand the economy from nearly US\$50 billion in 2023 to US\$500 billion by 2040. Achieving this ambition requires substantially greater public and private investment in agro-industrialisation, tourism development, mineral-based industrialisation, science, technology & innovation as well as supportive infrastructure and human capital. The required long-term finance exceeds what can reasonably be provided through the national budget, sovereign borrowing and conventional commercial-bank lending alone.

The policy paper argues that Uganda's development-financing challenge is not simply a shortage of resources. It also reflects limited financial intermediation, inadequate long-term investment instruments, weak project preparation and the concentration of domestic savings in government securities. Private-sector credit remains insufficient for the scale of industrial and enterprise expansion envisaged under the Tenfold Growth Strategy.

Reliance on sovereign debt is becoming constrained. General government debt reached 52.4 percent of GDP in 2025, while rising interest and refinancing obligations are reducing the fiscal space available for new development expenditure. Increased domestic borrowing also competes with businesses for finance. At the same time, tighter international financial conditions, reduced development

assistance and stronger competition for concessional resources have made external borrowing more difficult, uncertain and costly.

Uganda, nevertheless, possesses domestic financing capacity. Retirement schemes and fund managers held approximately UGX30.3 trillion in FY2024/25 but limited investable instruments and project-readiness constraints restrict the movement of these savings into productive enterprises and infrastructure.

The paper proposes three practical and mutually reinforcing policy options. First, Government, through the development finance mechanisms, should strengthen project preparation and coordinate a pipeline of investment-ready projects, with clear indication of the blended finance instruments required to implement them. Second, Uganda should expand market-based instruments that connect institutional and individual funds to productive enterprises and infrastructure. Third, financial institutions, including development finance mechanisms, should increase their catalytic role through syndicated lending, co-financing and partnerships that mobilise additional capital. Implemented through existing institutions and supported by transparent fiscal-risk controls, these measures would mobilise long-term domestic and international capital, reduce crowding out and limit excessive dependence on sovereign debt.



THE NUMBERS IN BRIEF

UGX 930^{tn}

Private credit and capital markets combined must supply this by 2040

UGX 30.3^{tn}

Held by retirement schemes and fund managers in FY2024/25

UGX 148

Goes to debt payments for every UGX 100 of development spending, FY2026/27

1.0 Introduction

Uganda's ambition to expand its economy from nearly US\$50 billion in 2023 to US\$500 billion by 2040 requires a substantial increase in productive investment. The Tenfold Growth Strategy prioritises agro-industrialisation, tourism, mineral-based industrial development, and science, technology and innovation. Delivering these priorities will require complementary investment in energy, transport, digital infrastructure, education, health and urban development. Long-term finance will also be needed for private enterprises to establish industrial clusters and factories, acquire machinery, adopt technology, add value to domestic resources and expand exports. The required investment is therefore considerably greater than what can be financed through annual government budgets and conventional commercial bank lending alone (MoFPED, 2025)

Uganda's financing gap is already evident in its investment and credit indicators. Domestic credit to the private sector was only 14.3 percent of GDP in 2024, compared with the Sub-Saharan African average of 29.4 percent and the global average of 140.3 percent (World Bank, 2025). Although the global figure is influenced by highly developed financial markets and should not be treated as Uganda's immediate target, the

difference illustrates the limited depth of Uganda's financial system. The Uganda Bankers Association estimates that private-sector credit must increase from approximately UGX26 trillion in 2025 to UGX490 trillion by 2040, supported by about UGX440 trillion mobilised through capital markets. These estimates demonstrate the large difference between the financing currently available and the capital required to implement Uganda's transformation agenda (URBRA, 2025; World Bank, 2026)

Government borrowing has helped finance infrastructure and other public investments, but its continued expansion is narrowing Uganda's fiscal space. General government debt increased from 29.8 percent of GDP in 2016 to 52.4 percent in 2025. Domestic public debt rose from 10.7 percent to 25.1 percent of GDP, while external public debt increased from 19.1 percent to 27.3 percent over the same period. Statutory interest payments are consequently projected to rise from UGX9.6 trillion in FY2024/25 to UGX14.1 trillion in FY2026/27. As increasing amounts of public revenue are allocated to interest payments and debt refinancing, fewer resources remain available for new public investment and essential development services (World Bank, 2025; MoFPED, 2026).

Access to external borrowing has also become more difficult and costly. Higher international interest rates, geopolitical tensions, declining official development assistance (ODA), greater competition for concessional resources and increased uncertainty in global financial markets have weakened developing countries' access to affordable long-term finance. Countries with rising debt burdens may face higher risk premiums, stricter lending conditions and reduced access to new financing. Uganda therefore cannot assume that concessional and commercial external borrowing will remain available at the scale and cost required to finance its transformation priorities. Increasing reliance on sovereign borrowing would expose the country to greater debt-service, exchange-rate and refinancing risks at a time when global financing conditions remain uncertain (ADB, 2024; IMF, 2025).

The central policy problem is therefore not simply that Uganda requires more finance. Sovereign borrowing is becoming increasingly costly and constrained, while significant domestic financial resources are not adequately channelled into productive investment. Uganda's retirement benefits and investment funds held approximately UGX30.3 trillion in assets in FY2024/25, including assets managed by retirement schemes and licensed fund managers. Of this amount, approximately UGX26.0 trillion was held by the National Social Security Fund. However, shallow capital markets,

limited long-term investment instruments, inadequate project preparation and weak risk-sharing arrangements restrict the movement of these savings into bankable public infrastructure and private enterprises. Uganda's financing gap consequently has three related dimensions: an investment rate below the level required for accelerated transformation, limited private-sector credit, and growing pressure on public resources from sovereign debt obligations (MoFPED, 2026; URBRA, 2025).

This paper therefore examines how Uganda can mobilise and channel domestic and international long-term capital into transformative public and private investment while reducing excessive dependence on both domestic and sovereign debt. It analyses Uganda's investment financing constraints, fiscal and debt constraints, private-sector credit, institutional funds, capital markets, and project readiness. Based on this analysis, the paper proposes practical measures to strengthen project preparation and investment coordination, expand market-based financing instruments, and use public resources and risk-sharing arrangements strategically. These measures are intended to connect institutional savings and private capital to investment-ready projects, reduce crowding out, manage fiscal pressure and ensure that sovereign borrowing is concentrated on essential investments that cannot be financed commercially.



2.0 Uganda's Development Financing Gap

Uganda's transformation agenda requires complementary public and private investment. Public investment in transport, energy, water, digital connectivity, education and health creates an enabling environment, while private investment in factories, machinery, technology, storage, mineral processing and export capacity converts these public assets into production, employment and revenue. The financing gap is therefore the difference between the investment required to deliver this transformation and the long-term capital available to viable public and private projects (MoFPED, 2025; NPA, 2025)

Gross capital formation provides a broad measure of investment in infrastructure, buildings, machinery, equipment and inventories. Uganda's gross capital formation increased from 19.5 percent of GDP in 2000 to a peak of 32.0 percent in 2013. However, this improvement was not sustained: the rate declined to 23.9 percent in 2015 and reached 22.4 percent in 2024. This was below the Sub-Saharan African average of 24.1 percent and the global average of 26.3 percent. The decline of 9.6 percentage points between 2013 and 2024 indicates that a smaller share of national output is being converted into assets that expand future productive capacity (World Bank, 2025).

Uganda's investment rate also remains below that of economies that sustained rapid structural transformation. In 2024, gross capital formation represented approximately 40.6 percent of GDP in China, 30.6 percent in Viet Nam and 30.0 percent in the Republic of Korea. These values should not be treated as direct targets because national circumstances differ. Nevertheless, they demonstrate that rapid industrialisation has

generally been supported by high and sustained investment rather than temporary increases in capital formation (World Bank, 2025; ADB, 2024).

The financing required is substantial. The Uganda Bankers Association estimates that private-sector credit must increase from approximately UGX26 trillion to UGX490 trillion by 2040, while capital markets would need to mobilise about UGX440 trillion. Together, these channels would need to provide approximately UGX930 trillion to support the Tenfold Growth Strategy. Achieving this scale through commercial financial institutions alone would be difficult because banks largely depend on short- and medium-term deposits, while transformative projects require longer repayment periods. Uganda must therefore expand capital-market instruments, institutional investment, development-finance co-financing and risk-sharing arrangements (MoFPED, 2026; UBA, 2025).

Closing the gap entirely through government borrowing would increase public debt, interest costs and future fiscal obligations. The policy challenge is therefore to separate investments according to their financing suitability. Essential public projects with broad social and economic benefits may require budgetary or concessional financing. Commercially viable projects should mainly use private debt and equity, while projects that are economically important but initially unattractive to investors may require targeted public support, blended financing, project preparation or risk-sharing mechanisms. This approach would increase productive investment without transferring the entire financing burden to the sovereign balance sheet (Gill & Ruiz-ortega, 2024; OECD, 2026).

Framework 1: Matching Projects to the Financing Source Best Suited to Them

Essential public investment

Broad social and economic benefit, little direct revenue

Budgetary or concessional finance

Important, not yet bankable

Economically significant, initially unattractive to investors

Blended finance, guarantees, project preparation

Commercially viable investment

Clear revenue model, risks that investors can price

Private debt and equity

← PUBLIC BALANCE SHEET CARRIES THE RISK

PRIVATE CAPITAL CARRIES THE RISK →



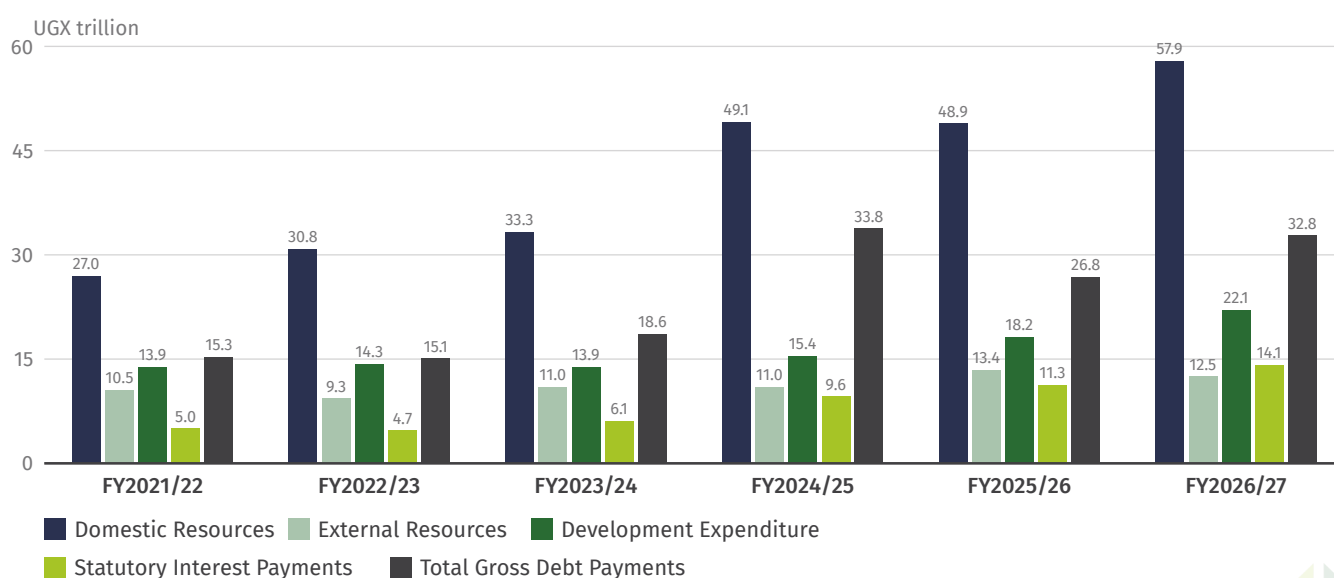
3.0 Fiscal Constraints and Rising Dependence on Sovereign Debt

Uganda's national budget remains central to financing public infrastructure and services. However, its expansion has not been matched by a proportionate increase in resources allocated to transformative investment. The total budget increased from UGX44.8 trillion in FY2021/22 to UGX72.1 trillion in FY2024/25 and stands at UGX84.4 trillion in the approved FY2026/27 budget, which is currently under implementation. Development expenditure increased from UGX13.9 trillion to UGX22.1 trillion over the same period, representing growth of 59.0 percent. However, its share of the total budget declined from 31.0 percent to 26.2 percent. This suggests that, despite higher nominal allocations, the fiscal space available

for creating productive assets and expanding productive capacity remains constrained relative to Uganda's growing investment requirements (MoFPED, 2026).

Gross debt payments contribute substantially to this constraint. They increased from UGX15.3 trillion in FY2021/22 to UGX32.8 trillion in FY2026/27, representing growth of 114.4 percent almost twice the 59.0 percent growth in development expenditure. Although gross debt payments fluctuated during the period, rising to UGX33.8 trillion in FY2024/25, declining to UGX26.8 trillion in FY2025/26 and increasing again to UGX32.8 trillion in FY2026/27, they remained substantial relative to the total budget.

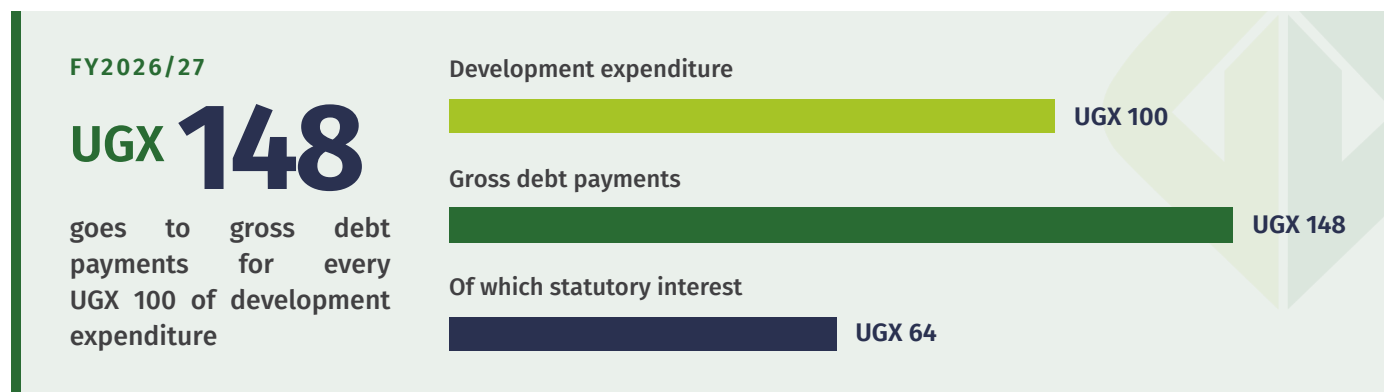
Figure 1: Uganda's Budget Resources, Development Expenditure and Gross Debt Payments, FY2021/22–FY2026/27 (UGX trillion)



Source: Author's computations based on MoFPED, Background to the Budget reports, FY2021/22–FY2026/27. Total budget rose from UGX44.8 trillion in FY2021/22 to UGX84.4 trillion in FY2026/27.

Gross debt payments increased from 34.2 percent of the total budget in FY2021/22 to 38.9 percent in FY2026/27. They were also equivalent to 110.1 percent of development expenditure in FY2021/22 and 148.4 percent in FY2026/27. Accordingly, for every UGX100 allocated to

development expenditure in FY2026/27, approximately UGX148 is allocated to gross debt payments. This illustrates the scale of debt-related financing requirements relative to the resources directed towards development.



Statutory interest payments, which constitute a direct fiscal cost, increased from UGX5.0 trillion in FY2021/22 to UGX14.1 trillion in FY2026/27, representing growth of 182.0 percent. Their share of the total budget increased from 11.2 percent to 16.7 percent, while their value relative to development expenditure rose from 36.0 percent to 63.8 percent. Thus, for every UGX100 allocated to development expenditure in FY2026/27, approximately UGX64 is allocated to statutory interest payments alone. The rapid increase in interest payments reduces the flexibility available to allocate additional budgetary resources to productive and transformative investment.

Domestic resources increased from UGX27.0 trillion in FY2021/22 to UGX57.9 trillion in FY2026/27, representing growth of 114.4 percent. Their share of the total budget increased from 60.3 percent to 68.6 percent over the same period. Although this expansion has strengthened Uganda's domestic financing base, the increase has occurred alongside a substantial rise in gross debt payments and statutory interest obligations. Consequently, the

growth in domestic resources does not translate fully into an equivalent expansion of fiscal space for development investment.

External resources increased only modestly from UGX10.5 trillion in FY2021/22 to UGX12.5 trillion in FY2026/27, representing growth of 19.0 percent. Their share of the total budget declined from 23.4 percent to 14.8 percent over the same period. External resources also fluctuated, reaching UGX13.4 trillion in FY2025/26 before declining to UGX12.5 trillion in FY2026/27. This limited growth means that external resources have not expanded sufficiently to offset the pressure created by rising gross debt payments and interest obligations.

The fiscal financing constraint is therefore evident in three related trends: gross debt payments and statutory interest costs have grown substantially faster than development expenditure; external resources have increased only modestly and declined as a share of the budget; and the expansion in domestic resources has been accompanied by rising debt-payment requirements. These pressures limit the

proportion of the national budget available for transformative investment and highlight the importance of diversifying the financing

approaches used to support Uganda's Tenfold Growth Strategy (MoFPED, 2026).

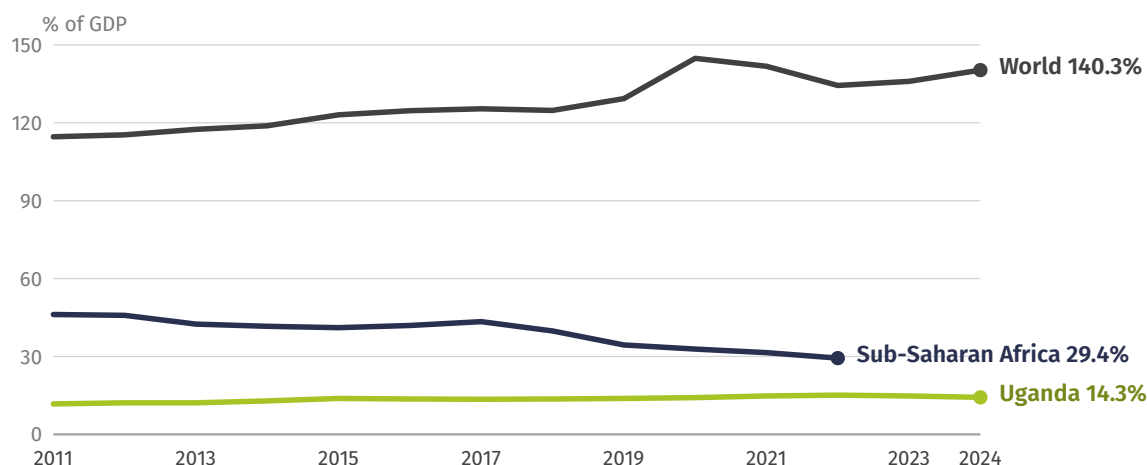


4.0 Private-Sector Credit and the Financial Intermediation Gap

A financial system supports investment and growth by mobilising savings and converting them into credit for enterprises to finance production, machinery, technology, working capital and exports. Uganda has achieved a gradual increase in financial intermediation, but domestic credit to the private sector remains low relative to the size of the economy and the investment required under the Tenfold Growth Strategy (World Bank, 2025).

Domestic credit to Uganda's private sector increased from 11.7 percent of GDP in 2011 to 15.1 percent in 2022. However, this improvement was not sustained, with the ratio declining to 14.8 percent in 2023 and 14.3 percent in 2024 (World Bank, 2025). The decline indicates that private-sector credit grew more slowly than the economy during the two years. It also shows that the financial system has not yet moved onto the significantly higher credit path required to finance industrial expansion and other capital-intensive investments.

Figure 2: Domestic Credit to the Private Sector in Uganda, Sub-Saharan Africa and the World, 2011–2024 (% of GDP)



Source: Author's computation based on World Bank data, 2025. Comparable Sub-Saharan Africa data end in 2022.

Uganda's private sector credit ratio remained considerably below the Sub-Saharan African average throughout the period for which comparable data are available. In 2011, private-sector credit represented 11.7 percent of GDP in Uganda, compared with 46.2 percent in Sub-Saharan Africa. By 2022, Uganda's ratio had increased to 15.1 percent, while the regional average had declined to 29.4 percent. Although the gap narrowed from 34.5 percentage points to

14.3 percentage points, this mainly reflected a decline in the regional average rather than rapid financial deepening in Uganda (World Bank, 2025).

The difference with the global average is substantially larger. Global private-sector credit increased from 114.6 percent of GDP in 2011 to 140.3 percent in 2024, compared with Uganda's increase from 11.7 percent to 14.3 percent (World

Bank, 2025). The global figure is influenced by advanced economies with highly developed banking and capital markets and should not be interpreted as Uganda's immediate policy target. Nevertheless, it demonstrates the considerable difference in the capacity of financial systems to support private investment.

The limited depth of private credit is important because the Tenfold Growth Strategy requires private-sector credit to rise from approximately UGX26 trillion to UGX490 trillion by 2040, according to Uganda Bankers Association (UBA, 2025). Enterprises that cannot obtain sufficient long-term credit may postpone investment, depend on retained earnings or seek government support. The financing requirement can therefore shift towards the national budget, sovereign guarantees and public borrowing, reinforcing pressure on the Government's balance sheet (UBA, 2025; OECD, 2024).

Uganda's financial intermediation gap is consequently both a private-sector and fiscal concern. Private-sector credit remains low relative to GDP, its recent ratio has declined, and the financing needs of productive enterprises are expanding. Unless private credit grows faster and becomes available at maturities appropriate

for transformative investment, sovereign financing will continue to bear a disproportionate share of Uganda's development requirements (Bank of Uganda, 2026).

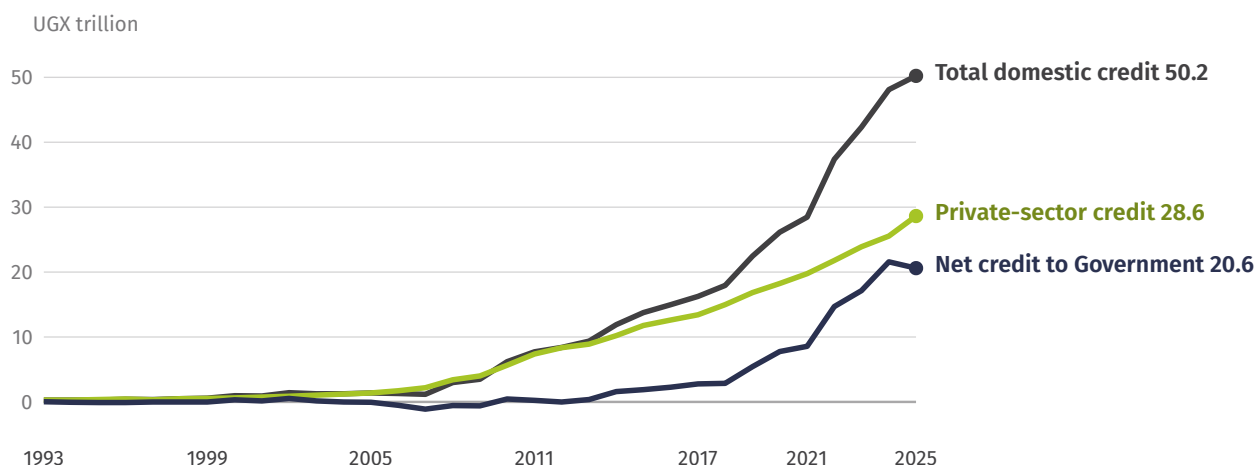
4.1 Composition and Maturity of Domestic Credit

Uganda's domestic financial system has expanded considerably in nominal terms. Total domestic credit increased from UGX0.3 trillion in 1993 to UGX50.2 trillion in 2025, while private-sector credit rose from UGX0.3 trillion to UGX28.6 trillion. These trends demonstrate the substantial expansion of domestic financing over the past three decades. However, the distribution of this growth between Government and the private sector has changed over time (Bank of Uganda, 2026).

The shift became particularly evident after 2011. Between 2011 and 2025, total domestic credit increased from UGX7.7 trillion to UGX50.2 trillion. Net credit to Government rose from UGX0.2 trillion to UGX20.6 trillion, while private-sector credit increased from UGX7.4 trillion to UGX28.6 trillion. Consequently, net credit to Government represented approximately 41 percent of total domestic credit in 2025, compared with about 3 percent in 2011.



Figure 3: Composition of Uganda's Domestic Credit, 1993–2025 (UGX trillion)



Source: Author's computation based on Bank of Uganda data, 2025.

This development should not be interpreted to mean that domestic government borrowing is inherently undesirable. It enables the Government to finance approved expenditure, manage temporary revenue shortfalls and support the development of the domestic securities market. Government securities also provide financial institutions and institutional investors with relatively secure and liquid assets. However, when government borrowing grows rapidly within a financial system with a relatively modest savings pool, it can increase competition for available funds and create a risk of crowding out private-sector borrowers.

Crowding out may occur when banks and other investors allocate a greater proportion of their resources to government securities instead of lending to enterprises. Because government securities generally offer predictable returns and lower credit risk, financial institutions may prefer them to private loans, particularly when commercial lending involves higher appraisal, monitoring and default risks. Increased government demand for domestic funds can also place upward pressure on interest rates, raise

private borrowing costs and shorten the maturities that financial institutions are willing to offer. The scale of this effect depends on liquidity, interest rates, savings mobilisation, credit demand and prevailing economic conditions (Bank of Uganda, 2026; IMF, 2025).

The policy challenge is therefore to balance the legitimate financing needs of Government with the need to preserve adequate and affordable credit for productive private investment. Strengthening domestic savings mobilisation and expanding the overall pool of long-term capital would allow public and private borrowers to obtain financing without creating excessive competition for the same resources.

Notably, the financing challenge also concerns the maturity of available credit. Transformative investments require financing periods that correspond to the time needed to construct facilities, install machinery, commence production and generate revenue. Commercial banks, however, largely depend on short- and medium-term deposits and must maintain sufficient liquidity to meet withdrawals. This funding structure can restrict their ability to

provide long-tenor financing for industrial plants, agricultural processing, machinery, energy and infrastructure without creating maturity mismatches (MoFPED, 2022; UBA, 2025).

An enterprise may therefore be commercially viable but unable to obtain financing because its required repayment period exceeds the maturity of conventional bank funding. Addressing this constraint requires a broader range of long-term funding sources that complement, rather than replace, commercial and public financing. This would reduce the risk of crowding out, expand financing for productive investment and allow the Government to concentrate its resources on projects and risks that cannot readily be financed by the private sector.

4.2 Allocation of Credit to Productive Sectors

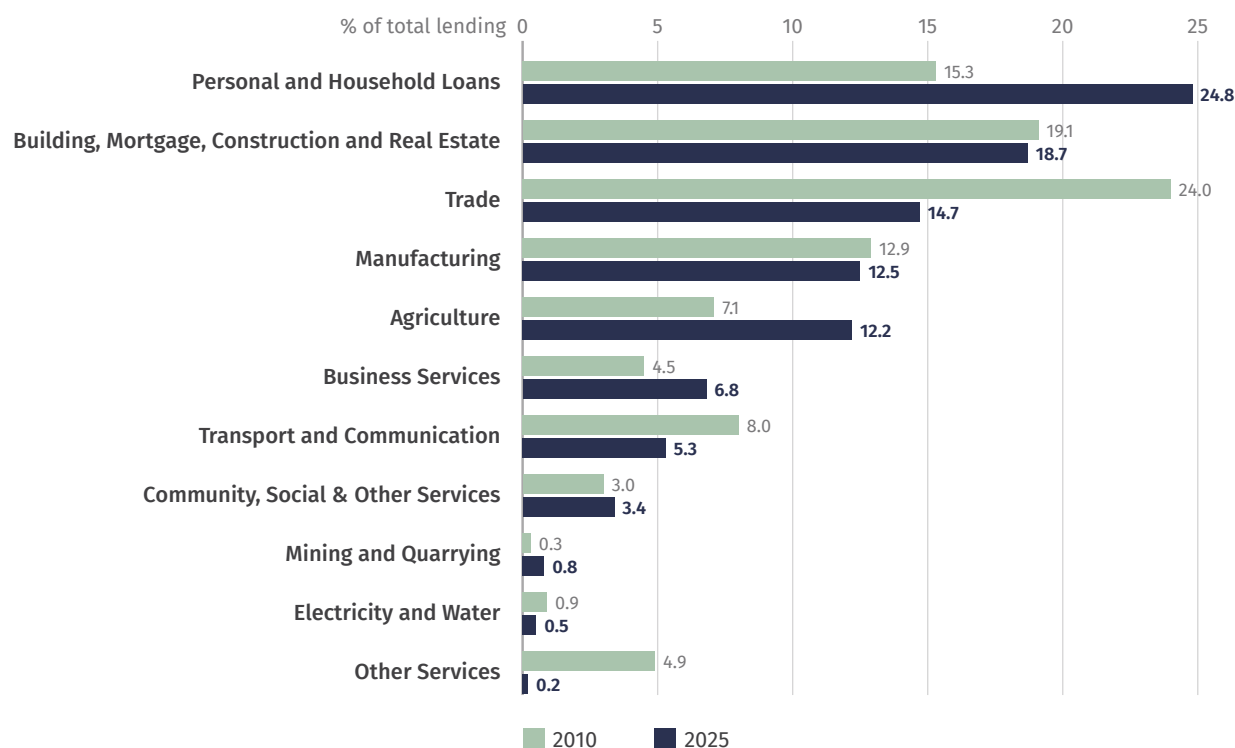
The contribution of credit to structural transformation depends not only on its total volume but also on its allocation, maturity and end use. Credit directed towards agriculture, manufacturing, mining, energy and transport can support productive capacity, value addition and exports (Bank of Uganda, 2026). Uganda's credit

allocation changed considerably between 2010 and 2025. Agriculture's share increased from 7.1 percent to 12.2 percent, a gain of 5.1 percentage points. This improvement is important because agriculture supplies raw materials to agro-processing and remains a major source of employment and export earnings. Manufacturing credit, however, declined slightly from 12.9 percent to 12.5 percent over the same period. Its relatively unchanged share suggests that the expansion of total lending has not substantially shifted the financial system towards industrial investment (Bank of Uganda, 2026)

Several sectors important to enabling infrastructure received small or declining shares. Transport and communication fell from 8.0 percent of total lending in 2010 to 5.3 percent in 2025, while electricity and water declined from 0.9 percent to 0.5 percent. Mining and quarrying increased from 0.3 percent to 0.8 percent but remained the second-smallest credit category. These allocations are modest relative to the Tenfold Growth Strategy's emphasis on minerals, energy, logistics and digital connectivity as foundations for accelerated production and trade (Bank of Uganda, 2026; MoFPED, 2025).



Figure 4: Allocation of Credit by Economic Sector in Uganda, 2010 and 2025 (% of total lending)



Source: Author's computation based on Bank of Uganda data, 2025. Ordered by 2025 share.

Trade credit declined from 24.0 percent in 2010 to 14.7 percent in 2025, while building, construction, mortgages and real estate remained high at 18.7 percent. The most pronounced increase occurred in personal and household loans, whose share rose from 15.3 percent to 24.8 percent, making it the largest lending category in 2025. This does not necessarily mean that all household credit financed consumption because some personal loans may support education, housing or informal businesses. Nevertheless, the largest increase in lending share did not occur in sectors directly associated with expanding tradable productive capacity (Bank of Uganda, 2026).

In 2025, agriculture, mining, manufacturing, transport, electricity and water collectively accounted for approximately 31.3 percent of total lending. Personal and household loans, real estate and trade together accounted for 58.2 percent. The difference indicates that most bank credit was concentrated outside sectors most directly connected to physical production and enabling infrastructure (Bank of Uganda, 2026; Twinomugisha, 2026).

The pattern reveals both an allocation gap and a maturity gap. Productive sectors receive some financing, but its relative distribution and likely tenor remain inconsistent with the scale of investment required for structural transformation. Where private finance does not adequately support long-term productive

activity, pressure increases for Government and public financial institutions to fill the gap (MoFPED, 2022; OECD, 2026).



An operating agro-processing line — the class of productive capacity that depends on long-tenor credit.

4.4 Growth in Financial-Sector Assets and Lending

Uganda's deposit-taking financial institutions recorded significant balance-sheet growth between 2024 and 2025. Their combined assets increased from UGX54.9 trillion to UGX63.6 trillion, representing growth of approximately 15.8 percent. Net loans and advances increased more moderately from UGX22.4 trillion to UGX24.7 trillion, or about 10.3 percent. Consequently, the proportion of total assets allocated to loans declined from 40.8 percent to 38.8 percent (Bank of Uganda, 2026)

Commercial banks accounted for most financial-sector assets and lending. Their total assets increased from UGX53.0 trillion in 2024 to UGX61.5 trillion in 2025, while net loans and advances rose from UGX21.5 trillion to UGX23.6 trillion. However, the share of commercial-bank assets allocated to loans declined from 40.5 percent to 38.4 percent. Therefore, although commercial-bank lending increased by approximately UGX2.1 trillion, asset growth was more rapid than the expansion in loans and advances (Bank of Uganda, 2026).

Table 1: Assets and Lending by Financial Institutions, 2024–2025 (UGX trillion and percent)

Institution	2024			2025		
	Total assets	Net loans & advances	% of assets allocated to loans	Total assets	Net loans & advances	% of assets allocated to loans
Commercial Banks	53.0	21.5	40.5	61.5	23.6	38.4
Credit Institutions	1.5	0.7	46.0	1.7	0.8	45.5
Microfinance Deposit-Taking Institution (MDI)	0.4	0.3	65.5	0.4	0.3	69.4
Grand Total	54.9	22.4	40.8	63.6	24.7	38.8

Source: Author's construct based on Bank of Uganda, 2025.

Credit institutions recorded an increase in assets from UGX1.5 trillion to UGX1.7 trillion and in net loans from UGX0.7 trillion to UGX0.8 trillion. Their loans-to-assets ratio declined slightly from 46.0 percent to 45.5 percent. Microfinance deposit-taking institutions-maintained assets and net loans of approximately UGX0.4 trillion and UGX0.3 trillion, respectively, while their loans-to-assets ratio increased from 65.5 percent to 69.4 percent. However, their comparatively small balance sheets mean that their contribution to total formal-sector lending remained limited (Bank of Uganda, 2026).

The decline in the overall loans-to-assets ratio should not be interpreted as evidence that financial institutions are failing to support the economy. Banks must maintain liquidity, meet prudential requirements and hold diversified assets, including government securities.

Nevertheless, the trend shows that the expansion of financial-sector assets did not translate proportionately into additional lending. Furthermore, net loans include household, trade, real estate and other credit and therefore do not represent long-term productive investment alone.

This evidence reinforces Uganda's financial-intermediation gap. The financial system is expanding, but the share of assets allocated to loans has moderated, while private-sector credit remains at only 14.3 percent of GDP. At the same time, rising government demand for domestic finance provides financial institutions with relatively secure investment opportunities. This may limit the amount, maturity and affordability of financing available for enterprises undertaking long-term transformative investments (Bank of Uganda, 2026).



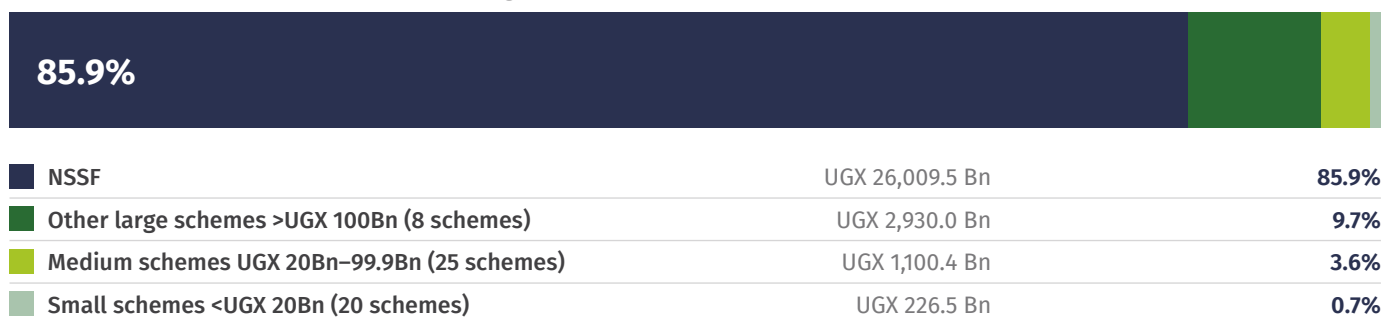
5.0 Domestic Institutional Savings and the Long-Term Financing Gap

Uganda has accumulated substantial long-term savings through retirement-benefit schemes, insurance companies and collective investment arrangements. Retirement savings are particularly suited to long-term investment because contributions are accumulated over extended periods before benefits become payable. However, the existence of these assets does not automatically translate into finance for infrastructure and productive enterprises. Institutional investors must protect members' funds, maintain liquidity and invest only in instruments with acceptable risk, return, governance and disclosure standards (URBRA, 2025; OECD, 2026).

The 55 retirement schemes reported for FY2024/25 held approximately UGX30.3 trillion in assets under management. The National Social Security Fund accounted for UGX26.0 trillion, equivalent to about 85.9 percent of the total. The remaining 54 schemes collectively managed only UGX4.3 trillion. The next-largest schemes were the Bank of Uganda Staff Retirement Benefits Scheme with UGX839.8 billion, the Parliamentary Pension Scheme with UGX599.6 billion and the Makerere University Retirement Benefits Scheme with UGX482.4 billion (URBRA, 2025)

Figure 5: Concentration of Retirement-Scheme Assets in Uganda, FY2024/25 (UGX billion)

Share of total retirement-scheme assets under management, FY2024/25



Source: Computation based on URBRA data, 2025. Total assets under management: UGX30.3 trillion across 55 schemes.

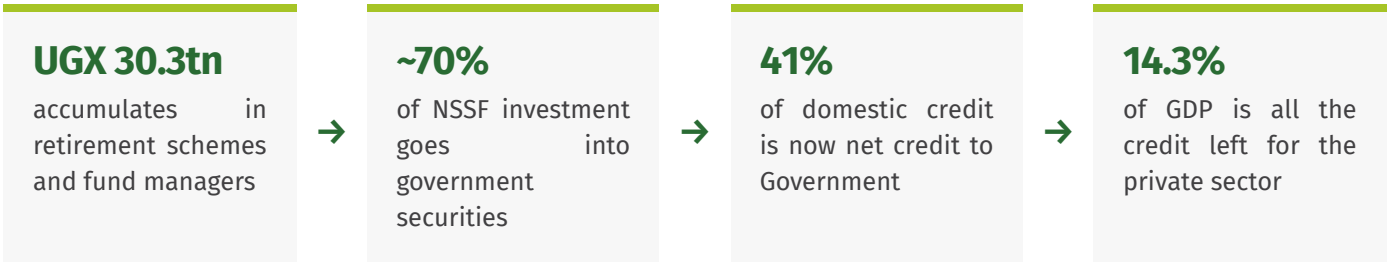
The high concentration of retirement assets in NSSF has two implications. First, Uganda possesses a sizeable pool of domestic long-term savings that could potentially support national investment. Second, the retirement market's capacity to finance large projects depends heavily on the investment decisions and risk limits of a single institution. Most other schemes

are too small to independently assess or finance major infrastructure and industrial projects, particularly where such projects lack standardised investment instruments, credible credit ratings and reliable secondary markets (URBRA, 2025; MoFPED, 2022).

A significant share of institutional savings is held in government securities because they provide predictable returns, marketable instruments and comparatively low credit risk. The Tenfold Growth Strategy indicates that the government bond market absorbed more than 50 percent of domestic savings during the NDP III period, including approximately 70 percent of NSSF investments. While government securities provide important assets for pension portfolios, their dominance means that domestic savings frequently finance the sovereign budget rather than being channelled directly into productive private enterprises and commercially viable infrastructure (MoFPED, 2025).

This pattern creates a circular financing constraint. Government borrows from domestic institutional investors to meet budgetary requirements, increasing domestic debt and future interest obligations. At the same time, firms and projects struggle to obtain long-term capital because relatively few investable instruments connect them to retirement savings. Consequently, the presence of more than UGX30 trillion in retirement assets coexists with private-sector credit of only 14.3 percent of GDP and gross capital formation of 22.4 percent of GDP in 2024 (URBRA, 2025; World Bank, 2025).

Framework 2: The Circular Financing Constraint



🔄 Fewer bankable instruments means savings return to the sovereign, and the cycle repeats.

The institutional-financing gap therefore does not arise from an absence of domestic savings alone. It reflects the shortage of bankable projects and financial instruments capable of meeting institutional investors’ legal and commercial requirements. This prevents domestic savings from contributing fully to

factories, energy, transport, housing, agro-processing and other long-term assets. It also reinforces dependence on sovereign borrowing because government securities remain the most established channel through which institutional savings enter the domestic financial system (MoFPED, 2022; OECD, 2026).



6.0 The Emerging Role of Capital Markets in Long-Term Financing

Capital markets complement government financing and short term commercial lending by mobilising long-term capital through equity, corporate bonds, sustainability and social bonds, infrastructure bonds and investment funds. These instruments are particularly relevant to infrastructure and industrial investments because their financing periods can be aligned with the time required for projects to generate returns. Uganda has established the legal, regulatory and institutional foundations for capital-market financing, although its contribution to transformative public and private investment remains below the scale required under the Tenfold Growth Strategy (CMA, 2024).

The size of the financing requirement illustrates the expected importance of this market. The Uganda Bankers Association estimates that private-sector credit must increase from approximately UGX26 trillion to UGX490 trillion by 2040, while capital markets would need to mobilise an additional UGX440 trillion. Combined financing through these two channels would therefore amount to approximately UGX930 trillion. Capital markets are expected to provide about 47 percent of this amount, demonstrating that they are not a secondary source of funding but an important component of Uganda's future development-financing system (UBA, 2025)



47%

of the UGX 930 trillion Uganda needs by 2040 is expected to come from capital markets — roughly UGX 440 trillion that banks and the budget are not positioned to provide.

Uganda's capital market has nevertheless provided fewer financing opportunities than the banking system and government-securities market. Many private enterprises remain dependent on retained earnings and commercial-bank credit, while retirement schemes and other institutional investors hold significant proportions of their portfolios in government securities. This reflects structural constraints and the maturity of the government-securities market and the relatively limited supply of corporate securities and other

investable domestic assets offering suitable combinations of return, liquidity and risk (MoFPED, 2025; CMA, 2025).

The limited use of market-based finance also reflects conditions affecting potential issuers. Many enterprises lack the audited financial statements, governance arrangements, credit ratings and disclosure systems required to issue securities. Legal, advisory and compliance costs can also be high relative to the financing sought. Infrastructure projects face additional difficulties where feasibility studies, revenue models, approvals and risk-allocation arrangements are

incomplete. These factors reduce the number of enterprises and projects able to attract institutional and international investors despite the availability of domestic savings (Global Infrastructure Hub, 2023; IFC, 2024).

The resulting gap affects both public and private investment. Enterprises that cannot raise equity or issue corporate debt remain dependent on commercial banks, whose deposit-based funding limits the maturity of available credit. Similarly, infrastructure projects that cannot meet capital-market requirements are more likely to depend on the national budget, sovereign borrowing or government guarantees. Therefore, the limited scale and range of market-based investment opportunities restrict the direct flow of private capital into productive assets and transfer a

larger share of development financing requirements to the public balance sheet (World Bank, 2024; OECD, 2026).

The evidence indicates that Uganda possesses both growing institutional savings and an operational capital-market framework. The principal gap lies in connecting these resources to a larger pipeline of investable public and private projects. Unless this connection expands substantially, the projected UGX440 trillion contribution from capital markets will remain difficult to achieve, while sovereign debt and conventional bank lending will continue carrying a disproportionate share of Uganda's transformation financing needs (UBA, 2025; MoFPED, 2022).



7.0 Market-Based Instruments to mobilise capital for productive investment

The existing financial market limitations and structural constraints to private capital mobilization explain why the government largely relies on sovereign and domestic debt to finance key infrastructure investments and development projects. Technical capacity must be built to structure bankable projects, and financial instruments such as blended finance, co-financing and syndication, as well as different bond issuances must be employed to mobilize private capital both locally and internationally.

7.1 Project Readiness and Private-Capital Mobilisation

Domestic and international investors require projects with credible feasibility studies, clear revenue models, appropriate governance arrangements and risks that can be identified and allocated. Uganda's financing gap therefore reflects not only limited capital but also the number of public and private projects that are sufficiently prepared to attract long-term finance (MoFPED, 2022; UDB, 2024)

Project-preparation weaknesses can arise from incomplete technical studies, uncertain demand estimates, unresolved land and regulatory requirements, limited financial records and unclear procurement arrangements. These gaps increase uncertainty over construction costs, implementation periods and expected returns. Investors may consequently delay participation, require higher returns or avoid projects that might otherwise produce substantial economic benefits (World Bank, 2024; IFC, 2024).

The problem affects public and private investment differently. Public infrastructure may generate broad economic benefits such as lower transport costs or improved electricity access without producing sufficient direct revenue to attract purely commercial finance. Private projects may have clearer revenue streams but remain unable to secure funding because of limited collateral, short operating histories or perceived market risks. Distinguishing between these project types is necessary because their financing requirements and appropriate allocation of risk differ (OECD, 2024; Gill & Ruiz-Ortega, 2024). There is thus need for capacity to prepare and develop projects such as special purpose vehicles (SPVs) and other project finance structures that can attract different forms of capital.

The project-readiness gap increases dependence on sovereign debt because projects that cannot attract private finance often return to Government for direct funding, guarantees or borrowing support. Conversely, well-prepared projects with credible cash flows and clearly allocated risks can draw finance from several institutions without placing the entire obligation on the public balance sheet. Project preparation and risk allocation therefore form an important connection between Uganda's available savings, private capital and the financing required for transformative investment (Global Infrastructure Hub, 2023; OECD, 2025)





7.2 Blended finance

Blended finance has emerged internationally as one mechanism for connecting economically important projects to private capital. It combines public or concessional resources with commercial finance to address specific risks or financing constraints. The public component may take the form of project-preparation funding, subordinated capital or a partial guarantee, while private investors provide debt or equity. The purpose is to improve the project’s financing structure and mobilise capital that would not otherwise participate under the prevailing conditions (OECD, 2025).

However, blended finance does not remove project risk but rather distributes that risk among participating institutions. Where public support is poorly defined or covers most commercial exposure, the arrangement can create contingent liabilities and reproduce

sovereign-debt risks outside the conventional debt stock. Its fiscal significance therefore depends on the value and probability of government obligations, whether or not they are recorded as direct borrowing at the start of the projec (IMF, 2025; World Bank, 2024).

7.3 Bond instruments and Investment funds

The development of a pipeline of bankable projects enables the country to mobilize resources domestically and internationally through bond instruments such as sukuk, sustainability and green bonds. In addition, well-structured projects with high return on investments can crowd in financing from other private financiers such as pension funds, and fund managers, among others. Quality projects pipelines, combined with blended finance instruments can improve projects risk-return profiles and unlock financing from commercial sources such as commercial banks.

Sukuk Asset-backed issuance for investors outside conventional debt markets	Green and sustainability bonds Long-tenor capital tied to verified environmental and social outcomes	Infrastructure bonds Repayment periods matched to construction and revenue timelines	Investment funds A route for pension schemes and fund managers to co-invest at scale
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10.0 Conclusion and Policy Options

This policy paper indicates that financing the Tenfold Growth Strategy predominantly through sovereign borrowing would be fiscally unsustainable. Public debt and interest payments are rising, increased government domestic borrowing is crowding out private-sector credit, and external finance has become less predictable and more expensive. At the same time, substantial institutional savings remain concentrated in government securities, while productive enterprises and infrastructure projects continue to face shortages of suitable long-term finance. Addressing these constraints requires an integrated approach that mobilises additional capital, channels domestic savings into productive investment and limits excessive risk to the public balance sheet (IMF, 2025; MoFPED, 2026).

Against this background, the following four policy options provide practical pathways for directing long-term capital towards productive investment while reducing pressure on sovereign borrowing and protecting fiscal sustainability.

01 Strengthen Project Preparation and Investment Coordination

Government should strengthen the preparation and coordination of priority public and private investments before presenting them to financiers. Feasibility studies, demand assessments, environmental and social reviews, revenue models, regulatory approvals and risk-allocation plans should be completed at an early stage. A coordinated pipeline of investment-ready projects would reduce implementation delays and enable commercially viable projects to attract private debt and equity instead of depending primarily on sovereign borrowing.

Projects should also be classified according to the most suitable financing source. Essential public investments with broad social and economic benefits may require budgetary or concessional financing, while commercially viable projects should primarily use private debt and equity. External borrowing should be aligned with projects that generate foreign-exchange earnings, reduce significant imports, raise fiscal revenue or provide essential services that cannot be commercially financed.



02 Expand Market-Based Financing Instruments

Uganda should broaden the range of instruments connecting institutional savings to productive investment. Corporate bonds, infrastructure bonds, green bonds, investment funds, asset-backed securities and listed equity could provide long-term alternatives to commercial-bank credit and government securities. These instruments should have appropriate disclosure, governance, credit-assessment and investor-protection arrangements to meet the investment requirements of retirement schemes, insurers and collective investment funds.

Expanding these instruments would provide institutional investors with a wider range of suitable assets, reduce the concentration of savings in government securities and increase financing for enterprises and infrastructure. This should be supported by sustainable government domestic borrowing, stronger revenue mobilisation and improved expenditure efficiency to reduce competition between Government and the private sector for domestic financial resources.

03 Increase the Catalytic Role of Development Finance Institutions

Development finance institutions should continue financing strategic investments while increasing the capital mobilised from other financiers. Syndicated lending, co-financing, partial guarantees and partnerships with commercial banks, retirement schemes and development partners would allow DFI resources to support a larger volume of productive investment.

04 Use Public Resources and Risk-Sharing Instruments Strategically

Blended finance, partial guarantees and other risk-sharing arrangements can help viable and strategically important projects overcome specific financing constraints. Government has a broad role in creating an enabling investment environment, preparing projects, addressing market failures and sharing risks where this can mobilise additional private capital.



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