

Banks must step up or Uganda's infrastructure dream will stall



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For years, I have been in the construction and infrastructure space, and one thing has remained constant: Ugandan contractors are not falling short because they lack ability. They are falling short because the financial system was simply not designed with them in mind.

Walk into most banks in Uganda today looking for a loan to execute an infrastructure project, and the first question you will face is about collateral. Not your experience. Not your track record. Not whether the project itself stacks up. Just collateral. And yet infrastructure is not built on collateral. It is built on capacity, planning, and execution. That is where the disconnect begins.

The current model is rigid in all the wrong places. High interest rates. Short repayment windows. Approval processes that drag on for months. In practice, this kind of lending tends to favour established players who already have the assets and the relationships, while emerging local contractors get shown the door before they even begin. The same names win project after project. Local firms hover on the margins. And we are supposed to accept this as how things work.

I don't think we should.

The case for a different kind of lending

What Uganda's construction sector actually needs is what I would call a shift from collateral banking to project banking. Instead of asking what a contractor owns, a bank should be asking what a contractor can deliver.

The formula is not complicated. Banks, engineering graduates, and local contractors, working within a system that is actually designed to support them.

Engineered loans, financing structured around the strength and viability of a project rather than assets on paper, offer a practical way forward. Repayment can be aligned with project timelines. Risk can be assessed based on execution history and technical capacity. Loan tenures can reflect how construction cash flows actually work, not how a standard personal loan works.

Most importantly, this kind of financing would give local contractors a genuine foothold.

This is not an untested idea. Other countries have been doing it for years, and the evidence is clear.

WHAT MUST ACTUALLY CHANGE

The first thing that needs to change is how banks design their products. Infrastructure loan products should carry longer tenures, more realistic interest rates, and repayment structures that reflect the realities of construction cycles.

Second, contractors should be evaluated based on their project track record, their technical team, and the viability of what they are proposing to build.

Third, faster approvals and more efficient disbursement are not small things in a sector where financing delays translate directly into stalled projects and cost overruns.

Fourth, banks need genuine partnerships with engineers, contractors, and industry bodies.

And then there is financial literacy, which too often gets treated as an afterthought.

THE ROLE GOVERNMENT MUST PLAY

Banks alone will not move fast enough without a clear policy signal from government.

A dedicated infrastructure lending framework could require banks to allocate a portion of their portfolios to infrastructure financing. Interest rate guidelines for contractor loans would improve affordability across the sector. And guarantee schemes, backed by government or the Bank of Uganda, could reduce the perceived risk on large projects enough to unlock private bank participation.

These are practical, implementable steps. Other jurisdictions have used them with measurable results.

If we continue as we are, Ugandan contractors will remain subcontractors in their own country. Our engineers will keep looking for opportunities that the market does not yet offer them. And our infrastructure will continue to be financed, built, and in many ways controlled by others.

But if we get this right, the impact runs deep. Capacity is built. Skills are retained. Local firms grow. And the country starts to own its own development in a meaningful way.

The formula is not complicated. Banks, engineering graduates, and local contractors, working within a system that is actually designed to support them.

That system does not yet exist. But there is no good reason it cannot.

The author is an infrastructure contractor.