

The Executive Director, Alliance for Financial Inclusion

The Secretary to the Treasury

Permanent Secretaries (*Min of ICT and National Guidance, Min of Education,
Min of Gender, Labour and Social Development*)

Heads of Government Departments and Agencies

Heads of Private Sector Institutions

Development Partners

**Members of the Steering Committee & Inter-Institutional Committee on
Financial Inclusion and the respective Working Groups**

Colleagues from Bank of Uganda

Distinguished Invited Guests, Members of the Press

Ladies and Gentlemen

Good morning to you all,

On behalf of Bank of Uganda, it is my honor and privilege to welcome you to this inaugural Annual Financial Inclusion and Financial Literacy Forum. I thank you all for honoring our invitation.

I will start my remarks by providing some context on the genesis of this forum. Ladies and Gentlemen, in October 2017, the Bank of Uganda and Ministry of Finance, Planning and Economic Development launched the first National Financial Inclusion Strategy (2017–2022), supported by the Alliance

for Financial Inclusion. The strategy provided for the convening of an annual financial inclusion forum as an avenue to share knowledge, discuss policy interventions and obtain stakeholder feedback on financial inclusion developments. In addition, the first Strategy for Financial Literacy was successfully implemented between 2013 and 2017, Bank of Uganda and Ministry of Finance, Planning and Economic Development launched a second strategy in 2019. This too, provided for an annual stakeholder engagement forum on financial literacy. Today's inaugural Financial Inclusion and Financial Literacy forum therefore brings together these two critical engagements as prescribed within the strategic documents.

The two pillars of 'Financial Inclusion' and 'Financial Literacy' are very related yet different at the same time, akin to *fraternal twins*. The National Financial Inclusion Strategy defines financial inclusion as *'having access to and using a broad range of quality and affordable financial services, which help ensure a person's financial security'*. In contrast, the Strategy for Financial Literacy defines financial literacy as *'having the knowledge, skills and confidence to manage money well, taking into account one's economic and social circumstances.'* Therefore, while financial inclusion acts from the supply side, providing the financial products and services that people demand, financial literacy makes people aware of what financial services they can demand.

Our theme for today ***“Enhancing Financial Inclusion through Digital Financial Literacy”*** adjoins the two pillars, while rightly recognizing the progressive role of digitalization in this changing environment. It has been said, though, that the Fourth Industrial Revolution – Industry 4.0 is not only

about technology-driven change; but is also an opportunity to help everyone including leaders, policymakers and people from all income groups and nations, to harness converging technologies to create an inclusive, human-centered future.

Our approach to *'The Future of Things'* should begin with addressing issues to do with inclusion and the theme today stimulates this thinking. How can we leverage advancements in digitalization to kindle the demand for financial services by people at the bottom of the pyramid, and thus increase access to and usage of quality and affordable financial products?

The discussion of these critical issues cannot be timelier. Data has shown that about 75 percent of Uganda's workforce remains in the informal sector, with the youth and women overrepresented. Youth and women are, indeed, focus groups identified within the financial literacy strategy and the focus of today's sessions. How can technology supplement/enable our efforts to propel the youth, women, micro, small and medium enterprises into the formal financial sectors. These are some of the issues that we hope to unpack in our discussions today.

Ladies and gentlemen, on a cautionary note though, the deployment of technology and acceleration of digitalization of financial services has stoked cybersecurity risks and digital fraud. It has enabled hackers to infiltrate IT systems, disrupt services for ransom and steal funds/intellectual property among others. Whilst fostering digitalization, we should all be cognizant of

our roles in the mitigation of such risks, to ensure that financial inclusion efforts are not derailed.

I would also like to draw our attention to issues that threaten the sustainability of our environment and social well-being. This is important because it touches the heart of the activities of those engaged in the informal sector. We recently saw the impact of extreme weather events like floods and drought on communities in Eastern Uganda and on food security in the Karamoja region, respectively. Also, food inflation has soared over the past few months, from 0.7 percent in February 2022 to 16.4 percent in July 2022, because of dry weather conditions across the country. This adversely affects the bottom of the pyramid in society who are mainly engaged in informal activities and spend a large proportion of their incomes on food. Their ability to adapt to these challenges is not helped by the fact that most of them are financially excluded.

As we embrace the adoption of digitalisation to kindle the demand for financial services, and access to quality and affordable financial products by people at the bottom of the pyramid, I urge us all to remain cognizant of the effects of our innovations on environmental sustainability, social well-being, and governance.

Indeed, Bank of Uganda remains conscious of all these technological developments and emerging issues that could be critical for enhancing financial inclusion. As a result, in its recently launched Strategic Plan 2022-2027, the bank will pursue the following initiatives:

- a) Develop the capacity of its staff to take advantage of emerging technologies like artificial intelligence, big data analytics, machine learning, cloud computing and cybersecurity to enhance its role in fostering price stability, financial system soundness, as well as financial system and payments system development.
- b) Implement the adoption of supervisory technology (Suptech), which will enhance regulatory oversight of the supervised financial institutions. These institutions should also brace for the deployment of regulatory technology (Regtech) to enhance regulatory compliance.
- c) The supervised financial institutions will also be encouraged to observe the minimum environmental, social and governance standards by extending their business models to include sustainability concerns and their impact on society, especially on those at the bottom of the pyramid.

We expect that current and emerging FinTechs will also play a major role in fulfilling our strategic initiatives and we welcome their views on how we can go about formulating and implementing policies to achieve the objectives of financial inclusion and literacy, in a sustainable manner.

As I conclude my remarks, I would like to challenge my team at the Central Bank, and all stakeholders present today, to take heed of and leverage the discussions in this forum as part of our review for the National Financial

Inclusion Strategy, which comes to an end in September 2022. Let us reflect on where we have come from, how much has been achieved, challenges faced, what needs to be adjusted in our strategy and what policy actions need to be taken going forward to promote financial literacy and enhance financial inclusion in Uganda. In the words of Charles Caleb Colton, an English cleric and writer, **“Be real and adjust your strategy according to honest results.”**

Once again, I thank you all for coming to participate in this forum and I wish you successful deliberations.

Its now my honor to invite the PS/ST to give his remarks.

God Bless You All

Michael Atingi-Ego

Deputy Governor