

# BANK OF UGANDA



Closing Remarks  
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Deputy Governor, Bank of Uganda

At the Welcome Session of Pride  
Microfinance Ltd. into the Sustainability  
Standards and Certification  
Initiative

September 14, 2022

**The Minister of Finance, Planning and Economic Development,  
Hon. Matia Kasaija,  
The Chairman, International Council of Sustainability Standards  
and CEO, European Organisation for Sustainable Development  
The Chairperson, Uganda Bankers Association  
The Board of Directors, Pride Microfinance Limited  
Senior Management and Staff of Pride Microfinance Limited  
Distinguished Invited Guests, Members of the Press  
Ladies and Gentlemen**

Good afternoon to you all,

It is my honour and privilege to be at this momentous occasion, where one of our own Supervised Financial Institutions is being welcomed into the Sustainability Standards and Certification Initiative. Congratulations to you the Directors, Management and Staff of Pride Microfinance Ltd for this achievement.

By taking this step, you have demonstrated industry leadership in the commitment to create sustainable value for your shareholders, customers and the nation at large; and I salute you. Moreover, the initiative is reflective of and complements your Vision, which is *'to be the leading provider of customer centric inclusive financial solutions for the social and economic development of all in Uganda'*.

I would also like to thank the European Organisation for Sustainable Development (EOSD) for extending its efforts into Uganda and heeding Pride's request for sustainability certification. This certification process refines an institution's governance and management structures to entrench sustainability principles in the policy framework, subsequently providing direction for all other relevant components including technology, business models, operations, products, stakeholder relations and human capital. In our view, sustainability certification also provides for the integration of environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large.

The efforts to promote sustainability are increasingly becoming globalized, particularly when we consider environmental sustainability issues like the fight against climate change. As a financing agent for economic activity, the financial sector is uniquely positioned to champion such efforts. Having *poked the bear*, allow me to briefly talk about climate change. This is in no way a new topic of discussion, but the echoes in the corridors have certainly become louder. As we are all aware, the effects of climate change do not only impact the environment we live in, but also threaten our socio-economic livelihoods in terms of health (particularly for the vulnerable population) and physical damage to both public and private infrastructure among others. From a central bank perspective, climate change has a direct impact on our price stability mandate through its

effects on inflation. During the year, we have witnessed the impact of drought which has pushed up food crop inflation from the lows of 0.7 percent in February 2022 to 18.8 percent in August 2022.

The financial sector has a major role to play in this fight. The Minister of Finance, Planning and Economic Development, Hon. Matia Kasaija, in his opening address on December 2, 2021 at the World Development Forum stated that, *“...no government can finance sustainable growth through the national budget alone.... we need financial institutions, **but only those financial institutions that can do business in a responsible manner.**”* Looking forward, we expect increased financing to the oil and gas sector, and to the manufacturing sector in support of value addition for export promotion and import substitution in Uganda. Given the likely increased contribution to greenhouse gas emissions from these sectors, this financing ought to be counterbalanced with increased financing to environmentally and socially sustainable activities. Such linkages demonstrate the importance for the financial sector players to pro-actively adjust their business models and craft financing instruments that are aimed at promoting minimum ESG standards; thus meeting the Minister’s call for conducting business in a responsible manner.

As the regulatory authority, therefore, we are sharpening our focus in this area. Through our recently launched strategic plan 2022-2027, Bank of Uganda (BoU) is embarking on initiatives to address ESG standards in the financial sector, particularly the impact of climate

change risks. Among these, we shall work with Supervised Financial Institutions to issue guidelines on climate change risk management in the sector and also incorporate climate change effects to our macroprudential and stress testing frameworks. In order to promote wider adoption, BoU is already engaging the Uganda Bankers Association in this respect; and is also part of the National Climate Change Taskforce, constituted to effect policy and regulatory considerations in line with the National Climate Change Act, 2021.

Aside from climate change issues, the past few years have demonstrated that we live in a highly dynamic environment, *the age of disruption and digitalization*. These times necessitate new thinking, new mind-sets, and new rules in order to remain economically and financially viable. Financial Technology (FinTech), for example, is reshaping financial services in Africa through providing us with infinite possibilities to achieve shared and inclusive growth that can drive socio-economic transformation. During the pandemic, the adoption of technology enabled us to continue accessing financial services and empowered initiatives like *'working at home'* for sustained activity, particularly in the services sector. Additionally, despite the devastating social effect, this period saw the global greenhouse gas emissions cut by an estimated 7%, the sharpest annual fall ever recorded, resultant from the seizure of transport services and reduced congestion in cities. The additive impact from the simple use of technologies to bring financial services to the palm of our hands or to limit the need to move to and fro the workplace all year round cannot

be underestimated; and such efforts to increase technological solutions should continuously be promoted in this disruptive environment especially in our business processes. As the central bank, we have embraced this new age, and plan to adopt technologies in all core regulatory services while remaining mindful of the associated risks. Among other initiatives, we shall complement our supervisory capacity with SupTech, build capacity in big data analytics for policy decision making and issue regulatory guidelines for emerging issues such as cloud computing and cyber security.

We therefore pledge to offer Pride Microfinance Ltd, and all other financial institutions, the necessary support to achieve SSCI certification, and conduct business in a sustainable manner on a continuous basis. Based on our benchmarking initiatives in this area, we see the following direct benefits to this certification:

- a) It enables financial institutions to align their operations and sustainability principles in a structured manner.
- b) It broadens the institution's scope and understanding of sustainability issues in the overall financial services sector.
- c) It provides the institution with visibility on the international sustainability scene, which opens access to financing channels from climate smart funds for example.

We encourage other Supervised Financial Institutions to emulate Pride's actions towards incorporating sustainability principles in their

core businesses, as this is our intent for the entire financial sector. I, however, would like to caution financial institutions against piecemeal adoption of sustainability principles that results in greenwashing. As a regulator, we will be very mindful about supporting institutions that only adopt a holistic approach to sustainability. In this same regard, we note that the process requires institution-wide buy-in, commitment, capacity building at all levels and should be fully championed by the Board and management to reap the benefits.

Honourable Minister, we thank you for consistently supporting and guiding the financial sector on the need for sustainable and inclusive growth to drive prosperity. We have heard your call and we are making slow but tangible strides to move in the right direction.

To the EOSD, we will continue to look to you for certification of our financial institutions and we request that you do not tire of our calls for consultation on sustainability issues, especially as we implement and learn. We are appreciative of the work you are doing in this area and thank you once again.

Finally, to the Directors and Management of Pride Microfinance Ltd; this is by no means intended to pressure you, but we expect that your choice of high impact goals shall align and contribute to the country's broad aspirations set out in the Vision 2040, National Development Plan III and to the attainment of the respective Sustainable Development Goals (SDGs) and Central Bank strategic plan objectives.

I once again strongly commend you for taking this transformative step in your journey.

In the book of Romans 12:2 (New International version), St. Paul says: *'Do not conform to the pattern of this world, but be transformed by the renewing of your mind. Then you will be able to test and approve what God's will is – his good, pleasing and perfect will.'* Colleagues, the world and society has patterns that can be difficult to transform. But through renewing our minds, we can change the way we think to create a more sustainable life for ourselves and the people we serve.

Thank you for listening to me and God Bless you all.

Michael Atingi-Ego

**Deputy Governor**