



Remarks

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Bank of Uganda's Role in Socio-economic Transformation

Town Hall Meeting

Mbarara City

Friday, 15 March 2024

Distinguished leaders, esteemed guests, and valued members of Mbarara City and Ankore – good morning to you all.

Mureire mutta ba ssebo na ba nyabo? (*Good morning, ladies and gentlemen?*)

The Bank of Uganda (BoU) is grateful to the leaders and residents of Mbarara and Ankore for the warm welcome and participation in today's town hall meeting. We thank all those who joined us yesterday as we explained the role of the BoU and our approach to fulfilling our mandate.

Town hall meetings are vital for informing our stakeholders about the central bank's work and impact, addressing queries about the BoU, and actively engaging with your valuable feedback.

Mary Therese Winifred Robinson, the first female president of Ireland, wisely said, "To make progress, we have to build a multi-stakeholder process, harnessing the appropriate energies."

Similarly, we believe in multi-stakeholder solutions, leveraging diverse perspectives and the collective energy of individuals and groups to drive progress.

Therefore, your questions, comments, and opinions are essential in improving our performance in serving all Ugandans. And so, we are eager to engage in an open and candid discussion about the BoU with you today.

James Quinn Wilson, an American public administration authority, once said, "Agencies differ in two main respects: Can the activities of their operators be observed? Can the results of those activities be observed?"

At the BoU, we approach these questions with transparency and accountability as we carry out our mandate. Transparently communicating the central bank's governance, policies, outcomes, and official relations fosters clarity, reduces uncertainty, and improves policy outcomes.

This approach aims to secure public support, preserve operational independence, and enhance policy effectiveness.

We recognise that central bank independence hinges on transparency, emphasising the importance of ensuring public understanding of our policies and actions.

We are pleased to note that the BoU stands among the few central banks reviewed under the new voluntary Central Bank Transparency Code by the International Monetary Fund.

The IMF's findings commended the BoU's robust Communications Policy and Strategy, recognising our commitment to transparent communication and active public engagement.

Let me provide an overview of the BoU's work to set the stage for the open discussion. Our mission is to ensure price stability and a healthy financial system supporting Uganda's socio-economic transformation. It aligns with the national Vision 2040: 'A Transformed Ugandan Society from Peasant to Modern and Prosperous Country'.

Our central responsibility is to uphold and enhance the stability of the Uganda shilling's value. We strive to protect the purchasing power of money, aiming for consistency in the prices, especially for non-food and non-energy commodities. When a rapid price increase is due to heightened demand for goods or services, we manage the money flow and borrowing costs, thus aligning demand with available goods and services to stabilise prices.

Price stability enables individuals to plan and sustain their living standards. This encourages savings and Investment, hence economic growth. When this is spread to benefit the *mwanainchi*, socio-economic transformation (*a process In which an increasing proportion of economic output and employment are generated by sectors other than agriculture*) is generated. Also, high Inflation (the rate at which prices change) hurts people with low incomes more because they are less diversified In terms of assets.

We oversee the licensing, regulation, and supervision of commercial banks, credit institutions, and micro-deposit-taking institutions. We ensure their safe operations, foster customer trust, and uphold ethical business standards. We aim to curb financial crimes, enforce consumer protection (*laws made to protect consumers from fraudulent business practices, defective products and dangerous goods and services*), and encourage fair treatment of customers by these institutions.

The BoU supervises the banking sector, ensuring that only adequately capitalised and professionally managed banks obtain and maintain operating licenses.

Our commitment lies in enhancing the management of financial institutions for accountability and mainly protecting the interests of depositors. In instances of failure, we prioritise safeguarding depositors' funds and the stability of other financial entities.

The BoU is responsible for ensuring the safety and stability of the country's payment systems, including the growing reliance on mobile money transactions.

The surge in mobile money usage, which accelerated during the social distancing days of the Covid-19 pandemic, has expanded financial access to more people nationwide.

However, we stress the importance of user caution due to associated risks like fraud and cyber (*computer-generated or crimes committed by cyber attackers via the internet*) threats. We actively promote digital financial literacy and aim to shield users from IT and cybersecurity risks.

We urge collaboration among stakeholders to mitigate IT threats and cyber security risks, enhancing the resilience and effectiveness of electronic financial services.

Secure and efficient electronic financial services allow us to decrease dependence on physical currency notes and coins, which entail substantial production, transportation, and security costs.

As the sole authority to issue the national currency, the BoU upholds a clean note policy and ensures widespread access to money. However, producing hard cash is resource-intensive and costly.

We advocate for increased mobile money usage and discourage excessive 'cashing out' to minimise these expenses. This strategy benefits the environment and supports the growth of digital financial services.

Embracing these services enhances financial inclusion by encouraging broader participation in the monetary economy.

Recall that in November 2023, the BoU and stakeholders launched the second National Financial Inclusion Strategy (2023-2028), envisioning universal access to and usage of diverse, quality, and affordable formal financial services delivered responsibly and sustainably.

The second National Financial Inclusion Strategy has five key pillars to achieve its vision:

1. Reduce exclusion and improve access to formal financial services.
2. Increase the usage of quality, affordable formal financial products.
3. Strengthen financial consumer protection and promote financial literacy.
4. Develop an inclusive green finance market.
5. Promote gender-inclusive finance.

Adapting to the ever-changing operating environment, our mission now expands beyond macroeconomic stability to focus on the tangible impact of our actions on people's lives and livelihoods.

In addition to securing price stability, reinforcing the financial system, and fostering financial market growth, we now work to incorporate environmental, social, and governance (ESG) principles and sustainability within the financial sector.

We advocate for establishing ESG and sustainability principles within the central bank and the banking sector, emphasising the need for collaborative efforts among stakeholders, including the Uganda Bankers Association.

In March 2023, the BoU officially launched its sustainability certification process under the Sustainability Standards and Certification Initiative (SSCI) by the European Organisation for Sustainable Development (EOSD).

We are progressing on our sustainability certification journey, pursuing ESG standards across our organisation, policies, and operations.

The BoU has prioritised integrating ESG principles and sustainability into the operations of the supervised financial institutions by raising awareness among these institutions, establishing a robust climate risk policy, and pursuing and promoting sustainability certification.

Together, we aim to innovate and devise new strategies to uplift marginalised communities, bolster industries, and establish policies that prioritise value creation, particularly for those at the economic base.

The BoU is dedicated to mitigating risks linked with development financing, advocating for environmental sustainability, and cultivating inclusive growth.

We contribute to this agenda by administering initiatives like the Agricultural Credit Facility (ACF) and the Small Business Recovery Fund (SBRF), aimed at bolstering agricultural value addition and aiding pandemic-affected small businesses.

Launched in 2009, the ACF aims to promote value addition in the agricultural sector by providing affordable medium- and long-term loans. The ACF has achieved significant success, with cumulative disbursements reaching UGX 860 billion by 31 December 2023. Western Uganda is the second largest beneficiary of ACF loans, taking a share of 23%, following the central region, which takes 54%.

Notably, 62% of these loans were granted to micro and small farmers under the Block Allocation arrangement, demonstrating the ACF's potential to enhance financial inclusion. The Block Allocation arrangement under the ACF caters to smaller players, accepting alternative forms of collateral such as movable property, inventories, and even credit history.

Despite its achievements, the ACF faces challenges that limit its full potential. These include limited financial literacy, inadequate sensitisation of credit officers and beneficiaries, and insufficient public awareness of the facility.

To address these challenges, the BoU reviews the ACF's operations and implements strategies to improve uptake. These include engaging with PFIs to revise their lending policies, ensuring wider access to ACF financing, and enhancing public communication about the facility.

Established in 2021, the SBRF targets small businesses affected by the Covid-19 pandemic. Similar to the ACF, the SBRF provides loans through supervised financial institutions. As of 30 December 2023, the SBRF had disbursed UGX 18.4 billion to 1,500 SMEs.

The SBRF's uptake has increased due to amendments to the Memorandum of Agreement (MoA) and continuous BoU engagement with stakeholders. The western region is the second largest beneficiary of the SBRF, with UGX 2.9 billion extended to 219 SMEs. Only the central region, has taken up more funding at UGX 13.5 billion.

Given the prominence of agriculture in Mbarara and Ankore, the BoU urges the area leaders to champion agricultural modernisation and value-addition projects by taking advantage of the ACF and SBRF.

These schemes will help to uplift communities from subsistence farming to a thriving money economy.

The BoU's administration of the ACF and SBRF demonstrates its commitment to fostering agricultural modernisation and small business growth. By addressing the identified challenges and encouraging uptake in Ankore, these initiatives can potentially transform the region's economy and improve livelihoods.

Ladies and gentlemen, addressing climate change is crucial, particularly in the context of the BoU's role. Climate-related changes like altered rainfall patterns, flooding, and rising temperatures significantly impact Uganda's agriculture, water resources, and public health. It has implications for price stability, soundness of the financial sector and our external sector (exchange rate stability).

The vulnerability of Ankore, reliant on agriculture, is evident in the River Rwizi, one of the longest rivers in Uganda and a lifeblood for Ugandan communities, which now chokes on pollution. As this once majestic river suffers from pollution, it serves as a wake-up call for us to urgently safeguard our precious ecosystems and water sources. Neglect nature and we all suffer.

The threat to food security, price shocks, and welfare due to climate change is pressing. Urgent action is needed. Supporting initiatives such as eliminating pollution and reforestation, developing drought-resistant crops, and enhancing water management practices is essential to mitigate and adapt to these impacts.

The BoU actively advances the ESG and sustainability agenda through corporate social responsibility (CSR) initiatives to offer accessible, high-quality healthcare to mothers and newborns.

Our revamping of the Bwizibwera Health Centre IV in 2019 advanced this agenda. This commitment aligns with the vital role of healthcare services as a cornerstone in the national socio-economic transformation.

Ladies and gentlemen, a lot today has been shared here since yesterday, but the conversation does not end here. Let us keep the dialogue going! Visit our Mbarara branch and website, talk to your local bank, and be a part of building a stronger financial future for Mbarara.

I know economics and finance can sometimes feel complicated, but that is why we are here! Do not hesitate to ask your questions – no matter how big or small. After all, a financially informed Mbarara is a powerful Mbarara!

Let me pause here to reiterate Mary Therese Winifred Robinson's belief in collective problem-solving. "To make progress, we have to build a multi-stakeholder process, harnessing the appropriate energies."

Please feel free to ask us anything about the BoU and our mandate.

Mwebare munonga! (*Thank you very much*). God bless!