

## **Emmanuel Tumusiime-Mutebile: Plans for a common platform integrating East African financial markets**

Speech by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the opening of the stakeholders' workshop on developing the 5-year Financial Markets Development Plan, Kampala, 15 August 2007.

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Ladies and Gentlemen, I would like to thank you for finding time in your busy schedules to participate in this one day's stakeholders workshop.

Earlier this year the 10th EAC meeting of the Monetary Affairs Committee (MAC) approved a Financial Markets Development framework which includes involving stakeholders in the development of a 5-year Financial Markets Development Plan in all the entire member states of the East African Community. The harmonized regional plans are intended to form a common platform for integration of the East African Financial Markets. The Bank of Uganda was requested to take the lead and co-ordinate these efforts and the Executive Director Operations chairs the Financial Markets Development Committee for the region.

The original three East African countries have completed situational analysis for their financial markets in line with agreed parameters and have identified issues to be addressed in the various fields such as banking and capital markets reforms, the pension sector reforms, strategies for financial markets development in the areas of rural finance, leasing and additional financial products which should facilitate improved access to finance.

This financial sector development plan represents a new approach to trying to address the current limitations in the Ugandan financial markets. The small size of the Ugandan financial sector is an obstacle to the development of financial systems, resulting in systems that are in place tending to be limited in scope, more expensive and of poor quality. The Ugandan financial market has scope to become larger because the economy is fully liberalized and open to the flow of capital to and from foreign markets, participation of foreign financial intermediaries and now the integration efforts with the East African sister countries.

You, as stakeholders, must join hands with the Bank of Uganda not only to help in the integration process of the East African financial markets but also to do your part in developing deepening and widening the financial markets as a way of accelerating economic development in Uganda and the East African region as a whole.

There are several challenges that have to be confronted:

- As capital flows freely in and out of the country, the challenge that arises is the maintenance of financial markets stability.
- Increased diversity of financial services and products requires a financially literate consumers who can make informed choices. The consumers ought to be equipped with the proper information to make informed choices and with proper regulatory and legal tools to guide operations and provide redress in case of disputes.
- The Bank of Uganda exercises transparency in its conduct of monetary policy in order to promote investor confidence in the economy. Indeed, this has resulted in investors developing confidence in the economy as evidenced by the recent surge in inflows from offshore investors as well as a surge in remittances from Ugandans in the Diaspora. However, some instability was experienced recently in the forex market, which tended to disrupt the conduct of monetary policy. I would like to assure you that the Bank of Uganda will continue to pursue its objectives of price stability and financial sector soundness rigorously in a transparent manner but will deal firmly with destabilizing speculative tendencies that could derail the

achievements already made in the Ugandan economy. This will be done with due regard to internationally accepted sound practices.

We have, therefore, invited you the stakeholders to provide your input in the 5-year strategic financial markets development plan for Uganda, which involves a step by step plan for implementing the suggested reforms to remove the impediments that have constrained the development of the financial markets. This effort is part of and in line with Bank of Uganda's continuous dialogue with financial sector stakeholders. Similar activities are going on in all the other member countries of the East African community.

I wish you all fruitful deliberations and I declare this workshop open.