

Emmanuel Tumusiime-Mutebile: Bank of Uganda's 5-Year Financial Markets Development Plan

Speech by Prof. Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the launch of the 5-Year Financial Markets Development Plan, Kampala, 9 September 2008.

* * *

Your Excellencies, Honourable Members of Parliament, CEOs, Invited Guests, Ladies and Gentlemen, I would like to thank you for honouring my invitation to attend the launch of the 5-Year Financial Markets Development Plan. The decision to prepare this Plan was made in 2005 at a meeting of the Monetary Affairs Committee (MAC) of the East African Community, which at that time consisted of the three Central bank Governors of the Bank of Uganda, the Bank of Tanzania and the Central Bank of Kenya. I am glad to add that the MAC has since been expanded to include the Governors of the Central Banks of Rwanda and Burundi, after their countries became members of the East African Community in 2007.

The process of developing the 5-Year Financial Markets Development Plan took some time, as the Central Banks had to come up with a harmonised common planning framework with the active participation of the various stakeholders in the financial sector in all the five countries. Therefore, this plan has been developed through an extensive consultative process involving stakeholders in Uganda and the rest of the East African Region.

At the 2005 MAC meeting, it was noted that the Governments of the East African countries had made significant progress in promoting the development of financial sector, in areas of regulation and supervision; monetary and fiscal policies; infrastructure development such as payments and settlement systems, and trading platforms. The above efforts were aimed at fostering price stability and sound and competitive financial systems.

While macroeconomic stability had been achieved, deepening the financial sector and increasing the efficiency in the financial markets remained a challenge. To address these deficiencies, the MAC decided to adopt a strategy of formulating a comprehensive five-year Financial Markets Development Plan for East Africa.

To spearhead the development of the Plan in Uganda, the Bank of Uganda established the Financial Markets Development Committee (FMDC) and its dedicated Secretariat, and Sub-committees comprising various stakeholders from the financial sector. I would like to thank the members of these committees for a job well done. Without their commitment and dedication, we would not be here to launch this framework that is mapping out a grand programme for transformation of financial markets in Uganda. I would also like to thank our development partners, GTZ/Sida, for their assistance in the process of formulating the 5-Year Financial Markets Development Plan, as well as the consultants who facilitated the process.

The major goals that the Plan will seek to achieve are; harmonisation of regulatory frameworks in the financial sector, infrastructure development, increase in investor base, deepening the financial market, capacity building, supporting regional integration, promotion of cost effective financial intermediation and promoting market information dissemination.

The specific areas of emphasis will include; to bring the unregulated market participants into the regulatory ambit. This will involve reforms in legal and regulatory frameworks as well as liberalisation of the pension sector, to foster competitive, long term financing. Another challenging area that the Plan is expected to address is extending financial infrastructure beyond the urban areas, so that the rural areas can also enjoy the benefits that financial markets offer. Extending financial outreach will be enhanced by the introduction of new institutions, products, services and payment systems in the rural areas, to ensure that the rural population is enabled to save and to participate in investments in the financial markets.

The Bank of Uganda is already contributing to this effort by licensing new banks, in order to introduce greater competition, with the hope that this will encourage the banks to extend their presence to the unbanked rural areas. I expect many other non-banking financial institutions such as insurance companies, microfinance institutions, securities exchange, etc. to follow suit. Government will also be encouraged to divest its interests in the remaining parastatals in which it maintains ownership through public offerings in the stock exchange in order to widen the ownership of these institutions to the majority of Ugandans.

The other crucial aspect which the 5-Year Financial Markets Development Plan is expected to address, is financial literacy. It will be difficult to see through the various initiatives proposed in this Plan, if the population remains financially illiterate. The FMDC, through its sub-committees, is expected to educate and sensitise the public about the various financial markets programmes, in order to make the Ugandan financial market vibrant, so that Ugandans can benefit from regional and global integration.

In order to realise the objective of transforming and modernising the Ugandan financial markets, I urge the FMDC and its subcommittees to rededicate and commit themselves to the achievement of the objectives enshrined in this Plan. I realise that what lies ahead of us is no mean task, however, since we have already taken a positive step in the right direction, what remains to be done is to mobilise the support of all the stakeholders for the successful implementation of this programme. I am confident that this Public Private Partnership approach that we have adopted for developing our financial markets will bear fruit.

The 5-Year Financial Markets Development Plan brings in a well coordinated approach towards developing the financial markets in Uganda. This is devoid of the fragmented approaches of the past. This programme will ensure that efforts are not be duplicated, hence, avoiding wastage of both financial and human resources. The financing arrangements are progressing very well, with prospects from the World Bank and GTZ/Sida being the most promising. Some of the activities such as designing and development of new products and services shall also be funded by the implementing institutions themselves.

I believe that we are firmly on course towards bringing the desired changes in the transformation of financial markets in Uganda. I request all of you to take up the challenge and play your part.

I hereby launch the 5-Year Financial Markets Development Plan.