Michael Atingi-Ego: The role of central banking in unlocking pension-led economic growth

Speech by Mr Michael Atingi-Ego, Governor of the Bank of Uganda, at the All-Africa Pension Summit, Kigo, 7 November 2025.

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Your Excellency, the President of the Republic of Uganda, the Right Honourable Prime Minister, Ministers and Members of Parliament present, Your Excellencies Ambassadors and High Commissioners, distinguished delegates, ladies and gentlemen, good morning.

First-stability.

The conversation around pension-led growth goes to the very heart of macroeconomic stewardship. For Uganda -and indeed for Africa -the success of pension mobilisation rests on three pillars: stability, confidence, and innovation.

Let me be direct: A nation's pension framework is one of its most powerful yet often untapped engines for development. When structured effectively, pension systems become immense pools of domestic capital, capable of mobilising national savings, deepening local capital markets, and financing the long-term investments essential for sustainable growth.

At the Bank of Uganda (BoU), our foremost duty is to preserve price stability and the long-term value of our currency. A stable shilling protects the purchasing power of pensioners and gives fund managers predictability when investing in long-term instruments. This is not technocratic rigidity-it is the bedrock of pension security.

Consider the corrosive power of inflation: when it runs high-as we have seen in years past-a pension contribution made today steadily loses its purchasing power over time. This is not abstract macroeconomics; it is the difference between dignity and destitution in retirement.

Our monetary policy-anchored in an inflation-targeting framework and implemented through the central bank rate-aims to maintain inflation around 5% over the medium term. It operates in concert with a disciplined fiscal environment to foster deep, credible, and attractive capital markets that can attract long-term investors, such as the National Social Security Fund. Indeed, NSSF's continued investment in government bonds and equities demonstrates how domestic pension capital can finance national priorities while providing savers with secure returns.

The evidence is clear: economies that sustain monetary discipline are those whose pension systems mature fastest. We remain committed to low and stable inflation, a credible exchange-rate regime, and a sound financial system that inspires long-term confidence.

Second-confidence through domestic capital formation.

Our fiscal space is narrowing, and external financing conditions are tightening, yet our ambitions for transformation remain high. This reality calls for a deliberate shift from external borrowing toward mobilising domestic savings.

Here lies a fundamental truth, starkly illuminated by recent evidence: The 2025 Absa Africa Financial Markets Index ranks Uganda 3rd overall among 29 African economies, with a score of 66. Yet in Pillar 4-pension fund development-we rank 11th with a score of just 26. This gap between our overall financial market sophistication and our pension sector development represents not failure, but untapped potential of extraordinary magnitude.

The numbers tell a compelling story. Pension fund assets per working-age person in Uganda stand at approximately $118. Compare this to Botswana at $6,289, Namibia at $5,746, or Eswatini at $5,067. These are not accidents of geography-they are the results of deliberate policy choices, sustained reforms, and institutional commitment.

More striking still: of Uganda's estimated labour force of 15.9 million, only 18% are covered under an existing retirement saving arrangement. Our National Financial Inclusion Strategy 2023-2028 sets a target of 25% coverage by 2028-ambitious, yet modest when measured against what pension-led growth could deliver.

The transition from Pay-As-You-Go models to funded pension schemes represents more than administrative reform-it is economic transformation. A PAYG system operates on intergenerational transfers, creating no new pool of capital. As dependency ratios rise-and rise they will across our continent- such systems become fiscally untenable.

But funded systems are capital accumulation vehicles. They compel what economists call "involuntary private sector saving," creating vast, tangible pools of national capital. The economic logic is compelling: while PAYG offers returns equivalent to wage base growth, funded systems generate returns determined by market interest rates. Theory and evidence both suggest that, over the long run, real interest rates exceed economic growth rates-providing funded systems with a significant structural advantage.

Yet here is our challenge: Uganda's pension coverage of the elderly population stands at 3.9%. The median across Sub-Saharan Africa is 7.3%.

While these figures may seem discouraging, they point to a vast, untapped reservoir of potential capital that, if effectively mobilised, could transform our economy.

Through the Uganda Fixed Income Markets Committee-a multi-institutional platform chaired by the Bank of Uganda and established by the Ministry of Finance-we are advancing reforms to deepen the market, with a strong focus on the pension sector. This work sits within the governance architecture of our National Financial Inclusion Strategy, which is overseen by a Steering Committee and is driven by dedicated working groups.

Working closely with the Uganda Retirement Benefits Regulatory Authority, we recognise that pension reform is not only about retirement security but also about mobilising patient capital for long-term growth.

Key priorities include:

Expanding informal sector inclusion through micro-pensions. With 88% of total employment in the informal sector, traditional contributory models leave most Ugandans uncovered. But we have proof of concept: in 2021, URBRA licensed the Mazima Voluntary Individual Retirement Benefits Scheme and the KACITA Uganda Provident Fund Scheme-both designed for low-income informal workers.

These schemes allow individuals to use mobile money services to make contributions, giving members autonomy to decide contribution amounts and timing. This is the model that must scale.

Redesigning private pension schemes to strengthen longevity protection, portability, and predictable taxation-removing barriers that discourage voluntary participation.

Implementing the Public Service Pension Act, 2025, under a contributory model to enhance sustainability and reduce the fiscal burden of unfunded liabilities.

Enhanced regulatory oversight, guided by revised International Organisation of Pension Supervisors principles, to improve governance and transparency across the sector.

These reforms are fully aligned with Uganda's Tenfold Growth Strategy and NDP IV, aiming to unlock domestic savings for high-impact investments in our priority sectors: Agro-industrialisation, Tourism Development, Mineral-based Industrialisation, and Science, Technology, and Innovation.

The symbiotic relationship is this: pension funds require deep markets to invest, and deep markets require the patient capital of pension funds to develop. Our Financial Markets Index, as reflected in the Absa AFMI, remains relatively low-signalling significant potential to deepen our markets and broaden the range of available financial products.

Through sound regulation and transparent market operations, the BoU - working in partnership with URBRA, the Capital Markets Authority, and the Ministry of Finance-remains committed to ensuring that investment instruments are efficient, credible, and accessible.

Third-innovation and inclusion.

Coverage expansion is central to financial deepening. Every new saver strengthens our financial ecosystem. Technology is the bridge.

Our National Financial Inclusion Strategy documents this progress: Uganda's formal financial inclusion stands at 66%, with a target of 75% by 2028. Our Financial Inclusion Index stands at 75%, and our E-Payments Index has reached 46%. These achievements reflect deliberate policy interventions. Yet the pension sector has not kept pace-and herein lies both our challenge and our opportunity.

The infrastructure exists; the innovation is underway. Through the Bank of Uganda Innovation Sandbox, we continue to test and support digital finance solutions. We have licensed 121 FinTechs operating across payments, insurance, credit, and investment management-13% focused on lending, 41% on payments. This ecosystem can deliver micro-pension products at scale.

Mobile money dominates Uganda's financial landscape: 54% of adults own mobile money accounts, with 82% of domestic money transfers conducted via this channel. Yet mobile money-enabled pension contributions remain nascent. This is the arbitrage opportunity-proven infrastructure, proven user behaviour, untapped pension potential.

The success of Kenya's Mbao Pension Plan and Haba Haba initiative demonstrates that technology-driven solutions can dramatically expand coverage, mobilising vast pools of domestic savings. Uganda's mobile money agent network-468,476 agents, or 2,297 per 100,000 adults-far exceeds our formal banking infrastructure of 703 branches. When prudently regulated, this network becomes the delivery channel through which millions secure their retirement.

But infrastructure alone is insufficient. Let me be candid about the preconditions for success, drawing lessons from international experience and our own diagnostic work.

Four non-negotiable foundations:

First, digital identity infrastructure. Currently, 70% of Uganda's eligible population has a National Identification Number-leaving 30% automatically excluded from formal financial services. Our NFIS prioritises accelerating national ID registration, upgrading NIRA's capacity, and expanding API access to financial service providers. The Bank of Uganda directive requiring National Identification Numbers for credit reporting from January 2023 creates urgency-but also highlights the gap that must be closed.

Second, minimum fixed-income market development. We have made progress: adoption of the Global Master Repurchase Agreement across commercial banks, a score of 90 in the AFMI's legal standards pillar reflecting enforceability of netting and collateral provisions, and approval of Uganda's first licensed domestic credit rating agency (ICRA Credit Rating Agency) in June 2025. But market depth remains the binding constraint-our modest standing on this pillar underscores how far we still have to go.

Third, affordable and accessible infrastructure. Our NFIS diagnostic reveals stark challenges: only 16% smartphone penetration (versus 30% Sub-Saharan Africa average), 29% internet penetration (versus 53% in Kenya), and persistent rural-urban divides. The National Payment Switch project-now under development-will be transformative, enabling interoperability that reduces transaction costs and expands access.

Fourth, governance that insulates pension capital from political interference. This is where institutional lessons become paramount. Chile's pension reform accelerated financial development by creating professionally managed funds with clear fiduciary duties. Poland's Open Pension Funds, with 82% of portfolios in domestic equities, became cornerstones of capital market development.

But cautionary tales abound. Namibia's initial Development Capital Portfolio failed due to governance challenges and political interference. The solution was institutional innovation: Regulation 29 mandated that development investments flow through professionally managed Special Purpose Vehicles, insulating decisions from political pressure and ensuring merit-based capital allocation.

These lessons crystallise a critical principle: the central bank's focus must remain on systemic risk, macroeconomic stability, and market development, while pension regulators remain independent and empowered, overseeing the prudential conduct of individual pension funds. This separation is not a bureaucratic nicety-it is the foundation of credibility.

Let me conclude by reaffirming our commitment to the spirit of this All-Africa Pension Summit-a continent financing its own development through disciplined savings, credible institutions, and innovative markets.

The BoU's contribution to pension-led growth, embedded in both our Strategic Plan 2022-2027 and the National Financial Inclusion Strategy 2023-2028, rests on four strategic pillars:

One: Maintaining macroeconomic stability. Our High Impact Goal of ensuring low and stable inflation-targeted at 5% plus or minus 3%-creates the predictable economic landscape that protects the real value of pension savings. A stable shilling, low inflation, and credible monetary policy are the bedrock upon which all pension promises rest. This is our contribution as a central bank, and we will not waver.

Two: Fostering capital market development. We target deepening capital markets and financial inclusion, with NFIS aiming to increase formal savings from 16% to 25% of adults by 2028. We will continue developing the government bond market to serve as a risk-free benchmark, establishing efficient trading and settlement systems through initiatives like the National Payment Switch and ISO 20022 migration, and supporting the emergence of diverse investment instruments, including green bonds and infrastructure financing vehicles.

Three: Upholding financial system soundness and resilience. Through our supervisory mandate and Strategic Objective to Enhance Financial System Soundness and Resilience, we ensure that the financial ecosystem can safely absorb and deploy pension capital. Our targets are precise: 100% compliance with capital adequacy requirements, a Systemic Risk Index mean of 11.7%, and continuous strengthening of risk management across all regulated financial service providers. A pension system is only as sound as the financial system that houses it.

Four: Driving innovation for inclusion. Our Strategic Plan commits us to exploring emerging technologies through the Innovation Sandbox, with 121 licensed FinTechs already operating. The NFIS details specific initiatives: mobile money-enabled micro-pensions, adult-supervised accounts for economically active youth aged 16-17 (within constitutional bounds), and linkages between Village Savings and Loan Associations and formal institutions. These are not aspirations-they are active projects with clear timelines and responsible institutions.

Whatever it takes-a phrase born in crisis elsewhere-applies equally to our developmental mission. But let me be candid: the central bank cannot unlock pension-led growth alone. This requires true partnership across the entire ecosystem.

To government: Pension reform must be a fiscal priority, not a fiscal afterthought. The amendments to pension legislation, the strengthening of URBRA's capacity and independence, and the expansion of coverage must be enacted and implemented with urgency. We must safeguard pension funds for their long-term purpose, not short-term spending needs. The fiscal transition costs are real-moving from PAYG to funded systems creates a "double burden" as current workers fund both current retirees and their own future. But these costs, if managed through credible fiscal adjustment rather than debt accumulation, yield long-term dividends.

To URBRA and our regulatory partners: You are stewards of this transformation. The regulatory frameworks you design-drawing on the revised IOPS principles referenced in our NFIS-the standards you enforce, and the capacity you build will determine whether Uganda's pension sector becomes a catalyst for development or remains untapped potential.

The governance structure matters: our National Financial Inclusion Steering Committee provides political backing. The Inter-Institutional Committee on Financial Inclusion, with representation across financial sector regulators, ensures coordination. The dedicated Working Group on Pension Fund Development provides technical focus. This architecture exists-it must now deliver.

To pension fund trustees: You bear fiduciary responsibility for workers' futures. This demands sophisticated investment capabilities, governance that puts beneficiaries first, and the courage to move beyond passive investment in government paper toward active asset allocation that balances security with return. The NFIS target of increasing pension coverage from 18% to 25% by 2028 means your client base will expand rapidly-particularly among informal workers new to financial services. You must meet them where they are.

To the private sector: You should develop investment opportunities worthy of pension capital-transparently governed, properly structured, and genuinely productive. Pension funds need bankable projects in infrastructure, agribusiness, manufacturing, and services. The Agricultural Credit Facility's "block allocation" model provides a template: financing secured by alternative collateral-cash flows, banking history, character, chattel mortgages-rather than registered land alone. This same flexibility in structuring investments can unlock pension capital deployment. Create the pipeline of viable, long-term projects that pension funds can evaluate and finance.

To pension funds and insurance firms: You are stewards of workers' futures, but you should think beyond traditional approaches. Move beyond the comfort of government paper. The regulatory framework permits diversification-use it. Develop sophisticated analytical capacity to evaluate infrastructure projects, corporate bonds, real estate investment trusts, and private equity opportunities. The Agricultural Credit Facility demonstrates that alternative risk assessment works-cash flow-based analysis, operational track records, and structured guarantees can substitute for registered collateral. Apply this same innovative thinking to your investment mandates. The partnership between pension capital and productive enterprise should be symbiotic, not extractive-you provide patient capital, you demand transparency and governance, you earn returns that serve your members.

To our development partners: The NFIS acknowledges your critical role as observers and technical assistance providers. The Financial Sector Deepening Uganda, UNCDF, World Bank, and others have supported the diagnostic work that informs our strategy. Sustaining this partnership-particularly in building capacity for micro-pension product development and gender-inclusive pension design-will accelerate implementation.

The demographic dividend is not a gift-it is an opportunity that demands action. Uganda's population profile is stark: 52.6% under age 18, 75% under 30, with the labour force projected to grow from 15.9 million today to well over 20 million by 2030. A 25-year-old entering Uganda's workforce today will retire around 2060. What pension will greet them?

That answer depends on choices we make now-the regulatory frameworks we establish, the investment culture we build, the financial literacy we instil (NFIS targets 70% financial literacy by 2028, up from 50%), the markets we deepen, the infrastructure we deploy.

If we act decisively, we create a virtuous cycle: pension funds deepen capital markets, deeper markets attract more pension investment, this investment finances infrastructure and enterprise, growth generates employment and wages, higher wages produce larger pension contributions, and the cycle strengthens. Our NFIS targets formal financial inclusion of 75% by 2028, savings at formal institutions reaching 25%, and insurance usage climbing to 15%, creating the ecosystem in which pensions thrive.

If we delay, we face the twin crisis witnessed elsewhere: an ageing population with inadequate retirement security and an economy starved of long-term investment capital.

The Absa Africa Financial Markets Index shows us where we stand relative to our peers. Our overall 3rd place ranking demonstrates financial market sophistication. Our 11th-place pension ranking shows unrealised potential. This 8-place gap is not a rebuke-it is a roadmap. It tells us precisely where the arbitrage opportunity lies.

By linking pension reform to broader market development-as articulated in our Strategic Plan 2022-2027, operationalised through the National Financial Inclusion Strategy 2023-2028, and governed through the multi-stakeholder architecture we have established-Uganda is positioning domestic savings as a key driver of transformation.

As these reforms take hold, they will provide a stable and predictable source of long-term financing to support sustainable growth. The governance is in place: Steering Committee for strategic direction, Inter-Institutional Committee for coordination, Working Groups for implementation, NFIS Secretariat for monitoring. The targets are clear: 25% pension coverage by 2028, 75% financial inclusion, and 25% using formal savings. The infrastructure is emerging: National Payment Switch, expanded mobile money agent networks, 121 licensed FinTechs, improved digital ID coverage.

What remains is execution-sustained, disciplined, measured execution. A stable shilling, an innovative financial system, and an inclusive regulatory approach remain our contribution to pension-led growth and Africa's shared prosperity.

The future we seek will not happen by accident. It will not emerge from incrementalism. It requires vision, courage, and action commensurate with our aspirations.

Our vision is captured in the NFIS statement: "universal access and usage of a broad range of quality and affordable formal financial products and services, delivered in a responsible and sustainable manner." Pensions sit at the heart of this vision-the ultimate long-term financial service, the ultimate test of whether our financial system serves citizens across their entire life cycle.

Let us begin that work today-together.

Thank you for listening to me. God bless!