



Remarks by
Michael Atingi-Ego
Deputy Governor

Soroti Town Hall Meeting

May 2023

Members of Parliament

Religious leaders

Cultural leaders

Peter Pex Paark, Resident City Commissioner, Soroti City

Salim Komakech, Resident District Commissioner, Soroti District

Edoru Simon Peter Ekuu, Chairman – LC V, Soroti District

Joshua Edogu, Mayor, Soroti City

Distinguished participants

Ladies and gentlemen

Good morning and thank you for joining us here today in Soroti.

We, the Bank of Uganda (BoU), are honoured to be here and grateful for the warm welcome from the leaders and people of the Teso sub-region today.

Personally, this is a homecoming. As surely as the sun rises from the east, so am I a native son of Eastern Uganda. **Ateker Ayogan!**

I am privileged to represent Soroti beyond the Teso subregion as the deputy governor at the BoU. I am humbled to be among the numerous ambassadors of Teso.

I pay homage to all of Teso's illustrious sons and daughters from pre-colonial times to date, on whose shoulders we stand to serve our nation, our people and humanity.

Kudos to Dr Patrick Engeu Ogwang, our professor and researcher whose "Covidex" herbal remedy, which came from the plants growing in the soil of this region, helped many patients to cope with the symptoms and improve recovery from infection by the Covid-19 virus.

I also pay tribute to the many leaders, especially in the political and public service spheres, who put Teso's talents to work through patriotic service to our country.

Today, I stand here as part of a solid and diverse team from the BoU. Ladies and gentlemen, it is a pleasure to serve you alongside the strong team of central bankers here and across the country wherever the BoU has a presence.

As your central bank, we have a duty to engage directly with the people we serve. And this is why we are here today.

This town hall meeting is an opportunity for the BoU to communicate about our work and its impact. We are also here to listen to and gather feedback from you.

As stakeholders, your views help us improve our performance against our legal mandate.

And so, we invite you to consider our delivery of the central bank's functions, pose questions, and offer comments, even constructive criticism, that will help us maintain loyalty to serving the interests of all Ugandans.

James Quinn Wilson, an American who was a public administration authority, 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 in delivering our mandate.

Being transparent and accountable about the central bank's governance, policies, outcomes, and official relations through effective communication with our stakeholders reduces uncertainty and contributes to better policy outcomes.

In this way, we seek to maintain public support, safeguard operational independence, and enhance policy effectiveness.

Being inward-looking, talking in complicated technical language, and remaining in air-conditioned offices in Kampala, are not options for us.

As Stefan Ingves, former governor of the Swedish central bank, said, "**[Central bank] independence demands transparency. If you're independent, it's vital that people can understand what you are doing. If you are independent and you tell the general public, 'It's none of your business', independence will be taken away from you, sooner or later.**"

On this note, we can report that the BoU is one of less than ten central banks that recently had their transparency practices reviewed through a new voluntary Central Bank Transparency Code by the International Monetary Fund.

We are using the review findings to strengthen the effectiveness of our communications, such as through a new communication policy and strategy.

And in the spirit of transparency and accountability, let me highlight some of the BoU's work as a background to the open discussion ahead.

Our job, like a three-legged stool, stands on three key pillars, i.e., promoting the stability of prices of goods and services in the markets, overseeing the safety and strength of the supervised financial institutions such as banks and micro deposit-taking institutions, and ensuring a reliable and helpful payment system ranging from currency notes and coins to mobile money.

It is the BoU's job to promote and maintain the stability of the value of the Uganda shilling. We preserve the purchasing power of money by ensuring that the rate at which prices of the things that families buy, e.g., maize flour or school fees, do not jump up and down from time to time.

If prices keep jumping up and down, it becomes hard for people to tell how much money to carry to the shops and markets tomorrow, next week, or next year.

Also, if the amount of money required to buy things keeps going higher and higher from one day to another (or from morning to afternoon to evening); the poor, those with little money, and fixed-income earners will soon fail to afford a living.

Price stability is crucial, as it helps people to plan for the future and maintain their standard of living.

Fortunately, by pursuing sound policies, the BoU successfully kept prices stable from the 1990s to date, except for a few periods when circumstances beyond our control led to price spikes. For example, the recent Covid-19 pandemic lockdowns and social distancing restricted the production and supply of goods and services, resulting in shortages.

The Russia-Ukraine war worsened the shortages by disturbing the global fuel and food supply. Also, a severe drought constrained food production.

These factors caused prices to jump up unexpectedly, e.g., the price of a bar of soap shot up from around UGX 2,500 to around UGX 10,000 not far back.

In response, the BoU restricted the ease with which money flowed into people's hands and accounts in the banks or phones. The BoU adjusts the availability of cash in peoples' hands and the cost of borrowing from financial institutions to reasonably match the available goods and services in the shops and markets.

As a result, the rate at which prices increase has reduced. Also, removing lockdowns and social distancing restored calmness in the markets. In April 2023, the Uganda Bureau of Statistics reported that overall inflation had reduced to 8.0% from the temporary hike to a high of 10.7% in October 2022.

And we are doing everything within our power to ensure that inflation returns to 5% by the end of 2023.

The BoU will keep working hard to ensure that any price increases are low and stable. Healthy price increases are those that reflect the actual value created or improvements in the economy. Unhealthy price increases result from too much money chasing too few goods.

However, there are episodes, such as during the pandemic, the Russia-Ukraine war, or extreme weather, when price increases are beyond the BoU's control. Typically, such times arise from the shortage of supplies to markets and require interventions from other stakeholders. Therefore, it takes the combined efforts of several players to restore low and stable prices when challenges from abroad or drought or floods hit the economy.

It is also the BoU's primary responsibility to license, regulate and supervise financial institutions such as commercial banks, credit institutions, and micro deposit-taking institutions. We perform this role by guiding, controlling, and disciplining the supervised financial institutions (SFIs) so that they conduct their business safely.

Ideally, every SFI should make reasonable earnings without engaging in excessive risk-taking. Imprudent risk-taking endangers customer deposits or jeopardises the stability of the other financial institutions with which each SFI transacts and maintains working relationships.

The BoU regulates and supervises the SFIs so that customers have confidence and trust that they can withdraw some or all of their deposits or savings without hardship.

In addition, we strive to maintain the integrity of the banking sector, reduce financial crimes, and enforce consumer protection. In this way, we ensure that SFIs treat customers fairly and respectfully.

On that note, we encourage all clients with reasonable complaints to demand appropriate treatment from the respective SFIs. But do not suffer in silence. And, if you are not happy with the solutions offered by the SFIs, please tell us here and now or relay the complaints to BoU's Communications Department.

The BoU oversees the banking sector to ensure only the banks with sufficient resources as well as qualified and professional teams, receive and maintain licenses to operate.

After licensing, we monitor the banks' operations to ensure they conduct themselves well. When necessary, we direct them to take prompt corrective measures if they fall short of the required standard.

In unfortunate cases of failure, depositors' money and the rest of the healthy banks must be protected from contamination by the sick bank (s). The few institutions that fail must not bring down the whole banking system or cause the loss of people's deposits.

Where some institutions are unfit for regular operation, the BoU takes several steps to ensure that weaklings are weeded out in an orderly and contained manner.

The BoU is improving the handling of failed financial institutions, including timely, open and professional accountability for the interests of all stakeholders.

As a result of the prudent regulatory oversight, we can report that today, our banking sector is strong and healthy.

Following the enactment of the National Payment Systems Act 2020, the BoU was further tasked with ensuring the safety and soundness of the country's payment systems. The payment systems are the plumbing through which money changes hands to facilitate transactions between buyers and sellers, e.g., mobile money.

Accordingly, the BoU is now required to operate, supervise, regulate, and oversee Uganda's various payment service providers and payment systems operators for sustainable safety, efficiency, and soundness.

Recent data show that the growth of mobile money transactions accelerated during the Covid-19 pandemic and kept increasing in volume and value. As a result, mobile money is democratising access to financial services, including payments, saving, loans, micro-insurance, and investment products.

Today, even the smallest and remotest customers can access savings and loan products such as MoKash, health insurance through ClinicPesa, online payments with a virtual MTN MoMo Card, insurance via Ayo Micro Insurance, and saving and investments solutions through Xeno Uganda.

These products, accessible to the bottom-of-the-pyramid customer, are provided through partnerships among FinTech firms, payment service providers, and SFIs, under regulatory oversight by the BoU and Insurance Regulatory Authority, working with Uganda Communications Commission.

However, we strongly urge all institutions, agents, and clients to be mindful of the risks associated with electronic financial services, including equipment failure, fraud, and hacking.

The BoU is working with stakeholders to promote digital financial literacy, empower users of electronic financial services, and protect people and systems from avoidable losses resulting from IT and cyber security threats.

We urge all stakeholders to work together to minimise or eliminate or manage IT threats and cyber security risks so that vital platforms like mobile money can reach all the corners of the country, providing the financial services needed to emancipate those at the bottom of the economic pyramid.

I must caution that no institution, or agent, or individual can single-handedly insulate themselves against IT threats and cyber security risks because digital financial services use interconnected and interdependent technologies. As you know, a chain is only as strong as its weakest link.

Let us heed Ecclesiastes 4:12, which says, "**A person standing alone can be attacked and defeated, but two can stand back-to-back and conquer. Three**

are even better, for a triple-braided cord is not easily broken". Therefore, let every player secure themselves and take an interest in the risk management measures of its partners, for each user will be safest when all users are safe.

With safe, efficient, and robust electronic financial services, Uganda can minimise the use of currency notes and coins, which are costly.

Ladies and gentlemen, you are aware that the BoU has the sole right to issue the national currency by law. Accordingly, we maintain a clean note policy, an optimal denomination mix, and nationwide availability of money to facilitate payments conveniently.

However, hard cash is costly to produce, transport, and secure. Moreover, it consumes resources that could be used for better purposes, such as the construction of health centres. Consequently, we strongly urge everyone to use mobile money, preferably without "cashing out" of the system.

We also pray that all stakeholders should give digital financial services, like mobile money, a chance to grow, develop, and mature into a robust industry. Any sand thrown in the wheels of digital financial services will stunt growth and retard financial inclusion.

Ladies and gentlemen, while the central bank's functions are set in law, our means and methods keep changing to match the dynamic operating environment. And so, last year, the BoU launched a new Strategic Plan for 2022 to 2027 to maintain organisational relevance and effectiveness in a changing world.

The BoU has updated its mission statement to read, **"To Promote Price Stability and a Sound Financial System in Support of Socio-economic Transformation in Uganda."**

Our mission now goes beyond the outputs of our work, e.g., average annual inflation of 5%, to prioritise the intended impact on the lives and livelihoods of our people. This is because, to paraphrase the words of Dr Patrick Njoroge, Governor of the Central Bank of Kenya, **"no one eats macroeconomic stability or economic growth or price stability"**.

In pursuing our mission, the BoU will undertake several strategic initiatives to deliver our roles. Let me highlight one, which is the institutionalisation of

environmental, social and governance (ESG) sustainability across our operations and the financial sector.

The BoU promotes preserving the natural environment and creating social value beyond profit maximisation for the shareholder. Accordingly, we encourage all the SFIs and stakeholders to re-channel business models and strategies to uplift the population stuck in subsistence peasantry agriculture outside the money economy. This can be achieved in various ways, including innovation and harnessing technology for scalable and affordable financial services while preserving the environment.

On our part, subject to securing our core functions of price and financial stability, the BoU will continue to promote social value by administering the Agricultural Credit Facility (ACF) and the Small Business Recovery Fund (SBRF). The ACF and SBRF are virtuous partnerships between the Government and SFIs to provide affordable long-term funding for eligible purposes.

The ACF provides affordable medium-to-long-term loans to projects or farmers engaged in agricultural value addition, such as agro-processing and grain trade.

To enhance financial inclusion, the ACF now provides loans to women, youths, and those lacking land titles or collateral, by using non-traditional security, such as the borrowers' character and movable property. In addition, to achieve the bankable or financially meaningful size, the underserved individual borrowers are grouped to enable them to access loans under block allocation.

Similarly, the SBRF supports micro, small and medium-scale enterprises that were hit negatively by the Covid-19 pandemic.

The BoU, Ministry of Finance, Planning and Economic Development, as well as participating SFIs, are working with all stakeholders to ease access to the SBRF so that its structure fits and serves its purpose. Hopefully, the reforms will motivate greater uptake and exploitation of the SBRF, which has so far undershot expectations.

Unfortunately, we gather that some PFIs do not offer ACF and SBRF loans to potential customers nationwide. This goes against the spirit of promoting fair, accessible and equitable financial services to all deserving clients across Uganda.

It is immoral and against the African spirit of Ubuntu to selectively deny some parts of the country access to these transformative funds. And so we call upon all the PFIs to offer the ACF and SBRF loans equitably across the country.

Further, we urge the PFIs and stakeholders to support the borrowers with the needed financial literacy, mentoring, and information to aid the sustainability of borrowers' projects and successful loan repayment.

Successful pursuit of socio-economic transformation as per the national Vision 2040 requires all stakeholders to work together to innovate new methods and approaches for uplifting the underprivileged, spurring industry, and evolving policies for holistic mission-driven co-creation.

This is why the BoU is going beyond ensuring an enabling environment of macroeconomic stability to aid financial sector development by helping to de-risk financing for development.

We will help to reduce existing or potential risks to ensure that the benefits of projects, investments, and transactions outweigh the costs associated with development financing. This may be attained through enhanced due diligence and risk assessment, as well as the adoption of stricter compliance measures for the initiatives such as ACF, SBRF, and others in the pipeline that the BoU administers or will help implement.

By de-risking development financing, the BoU aims to catalyse the needed funding from stakeholders, including development partners and impact investors. We will leverage the central bank's credibility and expertise in fund administration to spur transformative projects and activities.

Ladies and gentlemen, let me conclude by reiterating that achieving sustainable socio-economic transformation requires the consistent participation of all stakeholders in a multi-sectoral national endeavour mindful of environmental sustainability.

As you are no doubt aware, climate change – with increased temperatures and changing rainfall patterns – is causing more frequent and severe droughts, floods, and landslides in Eastern Uganda, like elsewhere. This compromises the region's agriculture, water resources and public health, thereby threatening crop yields and livestock productivity, leading to food shortages and increased prices.

In addition, our lives and livelihoods are endangered because most of the population is engaged in subsistence agriculture.

At this point, let me invite everyone to sing and ponder the third stanza of Uganda's national anthem.

Oh, Uganda! the land that feeds us,

By sun and fertile soil grown;

For our own dear land, we shall always stand,

The Pearl of Africa's Crown.

Like other parts of Uganda, Soroti is truly gifted by nature, with fertile soil and abundant rainfall for growing crops like maize, millet, cassava, fruits that feed the Soroti Fruit Factory, and livestock rearing, and the scenic beauty of Eastern Uganda with rolling hills, lush vegetation, and attractions like Kumi Hills, Lake Opeta, and Soroti Rock.

The climate crisis threatens to destroy our natural bounty and steal our crown as the Pearl of Africa if we do not return Mother Nature's favour through urgent mitigation and adaptation strategies, such as reducing deforestation while planting trees, developing drought-resistant crop varieties and improving water management practices. I call upon everyone here to appreciate the harmful impact of climate change and take action to mitigate and adapt to these impacts.

Let me pause here, hoping I have provided sufficient motivation for the question-and-answer session.

I thank you all for listening to me.

God bless!