

BANK OF UGANDA



**Remarks by Dr. Louis Kasekende,
Deputy Governor, Bank of Uganda,**

At the Bank of Uganda Townhall Meeting

Masaka, Uganda

June 27, 2019

Hon Ministers

The Members of Parliament

The Masaka District Leadership and leaders of other districts in Greater Masaka

The Mayor Masaka Municipality

Members of the Board of Directors and Senior Management of Bank of Uganda

All leaders in your respective capacities

The Media fraternity

Distinguished Ladies and Gentlemen

Good morning!

I am pleased to be here in Masaka to represent the Governor, Prof. Emmanuel Tumusiime-Mutebile, who is unable to join us due to other equally important engagements outside Uganda. I want to thank you all for honouring our invitation to this townhall meeting, that we hope can further strengthen the mutually beneficial relationship between the Bank of Uganda and the leadership and people of the greater Masaka area.

I want to thank the leadership of Masaka for the continuous support extended to the Bank of Uganda staff that are serving at the centre here. In a special way, I express gratitude on behalf of the Board of Directors, Management and staff, to the Masaka Municipality leadership led by Mr. Kayemba, for the unwavering support extended to the Bank of Uganda in its quest to build a new currency centre. This magnificent new currency centre shall have the requisite capacity to serve the increasing and future demands of this economic hub. I also believe, the new currency centre building adds to the skyline of this historic town and is befitting of a modern city, as Masaka Municipality aspires and duly deserves.

Let me take this opportunity to announce that the construction of that new currency centre is complete and its awaiting official opening by H.E. President Yoweri Kaguta Museveni, which we hope can take place within the financial year beginning July 2019.

As you have heard from the Bank Secretary, this week's engagements in Masaka mark the last leg of this round of townhall meetings that have been held across the country since 2016 and in all the major towns that host the Bank of Uganda currency centres or branches. This is not to say that this is the end of these townhall meetings. To the contrary and with finances permitting, the Bank of Uganda intends to add these public engagements to its annual calendar and shall seek to engage the various stakeholders in all corners of our country.

Many of you are asking why the Bank of Uganda is seeking to engage the public more? Our agenda is three fold. First is to establish and strengthen communication channels to enable fast resolution of any challenges that each of us may be having in executing our respective mandates. Second and related to the first, is that those communication avenues should also enable quick feedback from the population and area leadership. The third objective is to allow the Bank of Uganda to directly explain its mandate and account to the public for its policies. We believe this should help moderate the misrepresentation of the Bank of Uganda which often may be a result of lack of information. These engagements are part of a broder agenda to strengthen the Bank of Uganda's communication practises, which have been sometimes inadequate, especially for the upcountry stakeholders.

Therefore in my remarks today, I will respond to some of the most frequent issues or questions that the population and area leadership have raised with the staff or management. The other pertinent issues shall be handled during the question and answer session.

First, I wish to update you on the operationalisation of the Islamic banking model that was permitted by the enactment of the Financial Institutions (Amendment) Act, 2016. Bank of Uganda is currently processing three applications that it has so far received from entities seeking to offer Islamic banking services. One of these applicants, that currently offers traditional banking services in Uganda, seeks to open up an Islamic finance window; while the other two applicants that are entities outside Uganda are interested in acquiring Islamic banking licenses. The Bank of Uganda is also finalising consultations with the various stakeholders to establish the necessary Shariáh Advisory Council that shall oversee regulation and supervision of this Islamic banking segment of our financial sector. As part of the Bank of Uganda's effort to increase public awareness of the Islamic banking model, I have asked one of my staff to prepare a presentation for you that details the key features of the Islamic banking model, which business activities are permissible or not under Islamic banking, and what will be required of you as customers, the financial institutions that seek to offer this service, and the Bank of Uganda as a regulator.

The second inquiry relates to the Gross Domestic Product (GDP) growth figures and what some of you have called “the disconnect of the rosy picture painted by these figures from the common man's reality”. Let me state from the onset that the compilation and publication of official national statistics like GDP is the core responsibility of Uganda Bureau of Statistics (UBOS). Therefore, the figures often cited by the Bank of Uganda in its reports or press statements are sourced or based

on statistics from UBOS. Why should you care about the GDP figures? These GDP figures to an extent reveal the economic activities that are fastest growing or generating income and where you should look to participate and take advantage of the opportunities therein to earn a decent living. GDP information also reveals why some sections of the population might not be experiencing higher incomes relative to others. Such information can be deduced from sectoral breakdown of the GDP and other critical statistics like population growth rates and the employment patterns.

For instance, while the economy as a whole has registered an average of 5.2 percent growth per annum over the last five financial years (FY 2014/15 to FY 2018/19), this growth has not been uniform across sectors. Services sector that among others includes trade, education, recreation, banking and telecommunications, and accounts for about half of our country's GDP is growing at an annual average of 6.3 percent over the past five financial years. Industry is a close second with an average growth rate of 5.5 percent while agriculture that employs the vast majority of Ugandans, is only growing at an average of about 2.9 percent per annum over the same period.

It means that the people working in the services sector shall take most of the increase in the country's income and those in subsistence agriculture shall lag behind. This is why we must all heed the President's call to support all our country men and women to transit to commercial agriculture and also industrialise. On our part as Bank of Uganda; we remain steadfast in ensuring an enabling environment for you to plan, save and invest in commercial enterprises. This is through preserving the purchasing power of the Uganda shilling by controlling inflation and ensuring gradual moderate changes in the exchange rate.

In addition, we are undertaking financial literacy and also administering the Agricultural Credit Facility (ACF), a government of Uganda facility that you can utilise to commercialise agriculture and engage in value addition processes that yield higher incomes. A specific presentation on the ACF has been prepared for this townhall meeting.

Third, is the issue of supervision of financial institutions and the management of complaints by the customers of these supervised institutions. Let me clarify that Bank of Uganda does not regulate or supervise all financial institutions. At the moment, Bank of Uganda supervises Commercial banks, Credit Institutions and the Micro-deposit taking institutions. In addition, we regulate the foreign exchange bureaus, money remittance services and consider an application by commercial bank that seeks to partner with a telecommunications entity to provide mobile money services. All these regulated institutions prominently display their licenses in their premises and the public should always look out for the authenticity of these licenses. Let me also state clearly that the online cryptocurrency businesses are not regulated at the moment and therefore carry significant risk of loss of savings, with no recourse to protection or insurance by government, like is the case with regulated financial institutions such as commercial banks.

With respect to where and how you may have your complaint regarding your dealings with supervised financial institutions handled, we have set up a dedicated office within the Bank of Uganda to receive, follow up with respective offices within and outside of BOU, and coordinate the resolution of these complaints within set timelines.

Finally, many of you have asked for clarification from the Bank of Uganda on the ongoing investigations by the Uganda Police and sister investigative agencies regarding the recent shipment of Uganda currency consignment. Unfortunately, the matter has progressed to court and any detailed discussion on the specific merits of the issue might be construed to be contempt of court processes. However, permit me to say the following. Currency printing like many of the work processes in the Bank of Uganda, is subject to very rigorous processes with inbuilt controls for checks and balances. Those deliberate checks at various levels including the Currency Policy Committee headed by Governor himself, coupled with a strong and independent audit function, have overtime been robust enough to maintain the integrity of our currency operations.

That notwithstanding, Bank of Uganda Management re-affirms its commitment to cooperate with all arms of the state to fully investigate any breach of its operating procedures, either by the staff or procured partners. The outcomes of these investigations shall be used to re-assess and further buttress our processes whose unquestionable integrity is central to the successful pursuit of BOU's core mandate. Let me also reiterate Governor Mutebile's message, that there was no extra currency printed outside the amounts that he approved through the requisite processes.

This townhall meeting is organised to receive feedback from you – our stakeholders and discuss ways of improving the services we render to this country. Permit therefore to conclude my remarks by thanking you all for attending this event and I look forward to a candid and constructive discussion.