OPENING REMARKS

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Good morning everyone! Welcome.

The Chairman, Board of Directors, Chief Executive Officer Capital Markets Authority, representatives from Financial Sector Deepening Africa, invited guests in your respective capacities, ladies and gentlemen.

It is a pleasure to join everyone this morning to open up the discussion and as you peer review of the draft ten year capital markets development master plan for Uganda.

I wish thank all those who have placed considerable time and effort to the drafting of this master plan – the Consultants, Cadogan Financial who have compiled the draft master plan before us today, the Capital Markets Authority and Financial Sector Deepening Africa for their oversight and sponsorship of this project and to all stakeholders whose feedback and participation would not have made this event possible.

I was always taught that good reports didn't need reading in full because of the quality of their executive summary. And even better reports don't even need an executive summary because the title says it all.

My talk is the role of Uganda's capital market and its potential contribution to economic policy. Directly or indirectly the capital in our capital markets comes from our savings or those of people like us around the world. There is a strong, positive relationship between financial market development and economic growth. Well-functioning capital markets are particularly important to a country's long-term financing needs as they help mobilize resources and direct the flow of savings and investment inside an economy in a manner that facilitates the accumulation of capital and the production of goods and services.

Deep and liquid capital markets not only help provide finance for government but also increase access to patient capital by corporations seeking financing. The combination of well-developed financial markets and institutions as well as a diverse array of financial products and investments, suits the needs of borrowers and lenders and therefore the overall economy, spurring economic growth.

It is this broad objective that has driven the initiative to develop a ten year capital markets development master plan for Uganda. The plan recommends a number of activities that would remove the barriers to enhanced capital market development, inter alia;

(a) Increasing the supply of securities and other products by making a wider range of financing options both possible, easier and cheaper;
(b) Widening the demand for securities by broadening the investor base and making investment products more accessible;
(c) Improving the quality of intermediation by building intermediaries' skills and business development capacity, notably in corporate finance;
(d) Improving the capacity of market infrastructure to cost effectively service users;
(e) Simplifying the legal, fiscal, regulatory and institutional framework to make it more attractive to create a wide range of securities, special products and intermediary institutions

These activities will take time and need the sustained effort and support from all parties including government, the regulator (Capital Markets Authority), key market players and other stakeholders with a vision for capital markets development.

Recent growth figures for the Ugandan capital market have been rather disappointing. As at October 2015, the market capitalization as a percentage of GDP for Uganda stood at 5.5% for equity while that for debt was 0.27%. In comparison, countries like Kenya's stock exchange market capitalization to GDP ratio is 41% while Mauritius' ratio is 62%. Furthermore, every 1% addition to GDP equates to about UGX 300 billion of funding. This is a clear indication that Uganda needs to diversify its source of government revenue through improving the performance of the stock market which will in turn foster economic growth.

Another indicator of low growth levels is the activity on the Uganda Securities Exchange. Since inception, 8 Uganda companies have been able to raise UShs 581 billion through floating of shares, with another 9 organizations (Kakira Sugar, Standard Chartered Bank, Stanbic Bank, Housing Finance Bank, PTA Bank, East African Development Bank, Uganda Telecom, MTN and African Development Bank) raising UShs 293 billion from issuing corporate bonds. The total value of the 8 listed companies is UGX 4.1 trillion, 26% of which is owned by about 40,000 individual and institutional shareholders from within East Africa and the rest of the world. However, individuals are not the most active traders in securities; of the 1-5% of investors who represent 80% of market trading in 2013-2014, less than 2% of such trade was accounted for by local investors. There is therefore a need to grow the retail investor base.

Ladies and gentlemen,

This master plan has come at an ideal time. It is expected to chart a course for the development of Uganda's capital markets over the next ten years. It is a tool that will be used to hold the Authority and key stakeholders accountable to the recommendations contained within the plan. The master plan is being developed to address key challenges within Uganda's capital markets such as limited institutional investors, a narrow retail investor base, inadequately diversified financial products, uncompetitive transaction costs, low investor awareness and inconsistent usage of the capital markets by domestic and regional entities for capital mobilization.

The report is therefore aimed at raising awareness of the potential benefits of developing capital markets and to build a consensus on the role that they should play in Uganda. This will lay the foundation for the development of market infrastructure, the modernization of legal and regulatory frameworks, the integration into regional markets, the education of local investors and the creation of additional securities in the market.

In closing, I would like to say that the initiative should be a collective effort of various stakeholders. Development of Uganda's capital market should also take into account the developments in EAC. I wish to emphasize that it is not enough to put this strategy on paper- the activities recommended should be evaluated and implemented in an orderly and timely manner. I am therefore pleased that a Steering Committee was appointed to conduct oversight of the implementation activities for this plan.

I would like to pledge the support of Ministry of Finance to this initiative and reiterate the Ministry's policy and financial support in enabling CMA to implement the recommendations contained within the master plan once adopted as they will impact on increasing Uganda's private sector access to patient capital and deepening domestic savings.

Thank you for your attention. I wish you fruitful deliberations.