



CSBAG BUDGET NEWS BRIEF



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Advocating for a People Centered Budget that Dignifies Humanity



UPCOMING EVENTS

Gov't raises deposit insurance cover to sh10m

Government has raised protection cover for bank depositors from sh3m to sh10m, a move that financial experts said is a relief to individuals holding account balances in times of bank or other financial institution's collapse.

During a press conference at Uganda Media Centre on September 10th 2019, the Finance Minister Matia Kasaija said revision of insurance cover is aimed at increasing public confidence in financial sector.

He said the mandate of the Fund is to act as a deposit insurance scheme for customers of contributing institutions.

"The mandate of the Fund is to act as a deposit insurance scheme for customers of contributing institutions. As such, the Fund contributes to enhanced public confidence in the financial sector by ensuring that depositors are paid their protected deposits in time, in the unlikely event that a contributing institution is closed," he said.

Kasaija added: "Government of Uganda is committed to ensuring that the banking sector remains safe and sound. This is demonstrated by the decision to increase the deposit insurance limit substantially. The public is hereby encouraged to place their savings in the formal financial sector."

What is deposit protection cover?

Deposit protection cover is the maximum amount of money provided by the government for compensation of depositors who hold cash in closed banks or other financial institutions.

The current sh3m deposit protection ceiling was introduced in the 1990s under the repealed Financial Institutions Statute of 1993.

According to Deposit Protection Fund (DPF) Chief Executive Officer Julia Claire Oyet, the up-ward revision of the cover was informed by significant microeconomic changes, growth in deposits among other things that the country has experienced in the last occurred 20 years.

For instance, by June 2018 there were 33 contributing financial institutions enlisted, comprising 24 commercial banks, four credit institutions and five micro deposit-taking institutions.



Finance Minister Matia Kasaija unveils DPF logo as Kagoro (extreme left) and Oyet(second left) look on. This was at Uganda Media Centre on Tuesday September 10th 2019 @CSBAG.

"In case of where a bank is closed for outright liquidation, we use some of this money up to a limit of sh10m. But I want to say that this is a last resort because Central Bank has other ways it exits financial institutions and this has been tested in the last few years," said Oyet.

Who finances DPF?

According to her, financial institutions contribute 0.2% of the funds kept in previous calendar year. She said every year, the contributing institutions bring this money to DPF, which is invested in bonds and treasury bills.

"You can wonder why we invest in that area; our priority is to ensure that this money is kept safe and liquid and that drives decisions and policy of DPF," she said.

Oyet told journalists that the beneficiaries are customers of contributing institutions, customers aren't allowed to pay extra money in order to be paid, when the bank collapses," said Oyet.

Is DPF autonomous body?

Prior to amendment of Finance Institutions Act 2004, DPF was under statutory was under management of Bank of Uganda. However, when the act was amended in 2016, the fund was separated and is now a legal entity free from Uganda. By May 31st 2017, the market value of the Fund stood at sh465b.

Ben Patrick Kagoro, the DPF board chairperson said: "At the insurance limit of sh10m, approximately 98 percent of all the bank accounts in the sector will be fully insured."

He noted that the current role of DPF is relatively narrow.

However, Kagoro said Government is committed to putting in place policies which will expand the mandate of the fund to contribute to more financial sector stability of this country.

The FY 2020/21 budget consultations start

The FY 2020/21 Local Government Budget Consultative (LGBC) meetings are kicking off on Monday September 16th, 2019.

They will end on October 4th, 2019.

These meetings are organised in accordance with Section 9(1) of the Public Finance Management Act (PFMA, 2015) as amended.

Civil Society Organizations (CSOs) are among the stakeholders to be consulted. To this effect CSOs under the umbrella Civil Society Budget Advocacy Group (CSBAG) have been given platform to present their issue papers during the different regional LGBCs for the FY 2020/21.

The papers reflect the budget performances and service delivery performance/gaps in the districts of the respective sub regions.

The participants will comprise Local Government Political and Technical Heads among others.

The first 8 meetings are scheduled as follows:

Host	Venue	Dates
Jinja	Sunset Hotel	16 th -17 th Sept
Lira	Margarita Hotel	19 th -20 th Sept
Masaka 1	Brovad Hotel	16 th – 17 th Sept
Masaka 2	Brovad Hotel	19 th -20 th Sept
Hoima	Hoima Resort	16 th -17 th Sept
Fort Portal	Mountains of Moon	19 th - 20 th
Arua 1	Breeze Desert Hotel	16 th – 17 th Sept
Arua 2	Breeze Desert Hotel	19 th – 20 th Sept