

NEWS RELEASE

President to meet Kampala City Traders on Saturday 14th January 2012

President Yoweri Museveni will meet Kampala City traders on Saturday this week.

The President's decision was in response to the request by KACITA leaders who feared the wrath of their members if they went back empty-handed. Mr. Godfrey Kirumira and Mr. Kayondo as well as Mr. Issa Sekitto told the President that if they went back as losers against the banks, they would face the wrath of their members. They requested the President to address the traders and explain to them why their demands of reducing the bank interest rates could not be looked at.

This followed a six-hour meeting at State House Nakasero. The meeting was attended by members of the Kampala City Traders' Association (KACITA) executive, Trade and Industry Minister, Mrs. Amelia Kyambadde and State Minister for Finance (General Duties), Mr. Fred Omach. It was also attended by leaders of the Association of Uganda Bankers.

President Museveni asked KACITA members to open the shops and stop the practice of resorting to strikes. He said that it was a bad practice which sends alarming messages to tourists and other investors. He, therefore, urged Ugandans to understand the root cause of the inflation that has risen to 30%.

“Accept our problems and find a way of coming out of them”, he said; adding that they were created by the political class who sabotaged power generation, road and railway construction which have increased the cost of production leading to 30% inflation. He also criticized teachers who have undermined the Universal Primary (UPE) and Secondary Education (USE) programmes thereby forcing their children to study in expensive schools instead of being in Government free education schools where they are teaching and as such teachers have resorted to acquiring bank loans to educate their children.”

“If the two programs were handled properly by the teachers, their children would be getting education free,” he pointed out.

“We must accept the consequences of our mistakes. The elite and political class have created problems for the ordinary people,” he said.

President Museveni compared KACITA leaders to a cattle keeper who boycotts his cows thinking that he is punishing other people whereas he is playing with his wealth. The President agreed with the Governor of the Bank of Uganda, Prof. Emanuel Tumusiime Mutebile, who asked for one week to study the implications of compound and simple interest rates.

KACITA members had demanded that banks should not charge new rates on old loans; that these should apply to new mortgages.

The Governor explained that KACITA's demand requires time to evaluate its effects. The Bankers' Association defended themselves saying that the money loaned to their customers comes with compound rates from the Bank of Uganda, which they extend to their customers.

They stressed that commercial banks want their customers to pay back their loans because failure to do so leads to losses while banks want to make profits. They asked for dialogue between KACITA and their members. They also explained that the changes in interest rates, affect only those accounts with changing variables but not those with fixed interest rates.

President Museveni advised banks to come out with fair formulas that can cushion the salaried workers from hardships. In addition, the President added, banks should allow their customers long payment periods but which are affordable and said that they should use indigenous languages on FM radio stations to educate their customers before acquiring loans.

The Minister of Trade and Industry, Mrs. Amelia Kyambadde, urged banks to introduce customer friendly packages that are suitable to Uganda's environment. She pointed out that although banks operate on similar principles, different countries have unique situations which must be addressed accordingly.

On his part, State Minister for Finance, Mr. Fred Omach, said that some changes could be carried out without harming the economy but agreed that there was need for more time.

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