Uganda ranks third in Absa Africa financial markets competitiveness

Financial marekts. |

MARTIN LUTHER OKETCH

Uganda has been ranked third in the Absa Africa Financial Markets Index (AFMI) 2025, largely due to the adoption and integration of Environmental, Social, and Governance (ESG) standards by financial regulators and institutions.

The Absa AFMI assesses financial market development across Africa through transparency, accessibility, and openness. Now in its ninth year, the index serves as a benchmark for market infrastructure and offers policy-makers an opportunity to learn from best practices across the continent.

The index indicates that Uganda scored 66, from 64 in 2024, an improvement driven by integration of ESG compliance into supervisory processes.

Although global momentum on ESG has slowed due to shifts in US policy priorities, the index notes that many African economies remain committed to climate-focused policies and products.

Early last year, Bank of Uganda launched a banking sector ESG framework to guide financial institutions in adopting sustainable practices aligned with Sustainable Development Goals.

Under pillar one, which assesses market depth, Uganda recorded a score of 45, representing a seven-point improvement from 2024, due to gains in market structure, while under pillar two, which evaluates foreign exchange markets, with focus on ease with which international investors can deploy and repatriate capital, the country scored 70, up from 67 in 2024, supported by improvements in reserve adequacy, foreign exchange liquidity, exchange rate arrangements and reporting standards.

Under pillar three, which focuses on market transparency and regulation, Uganda scored 71, a five-point decline, however, from the previous year, while pillar four, which assesses pension fund development and its contribution to local capital markets, the country ranked 26th, a seven place improvement.

While pension fund assets remain relatively small compared to domestically listed securities, Uganda benefited from broader regional trends such as increased digital access to domestic financial assets, noting that while scores improved in eight countries, they declined in 19 due to reduced pension assets.

Under pillar five, which considers macroeconomic opportunity, Uganda scored 85, representing a three-point decline, but remained among the strongest performers on the continent, while pillar six, which evaluates alignment with international legal and contractual standards for financial markets, the score improved from 80 to 90 after expanding the use of the Global Master Repurchase Agreement and advancing draft legislation on close-out netting.