

David Opiokello: Overview of economic achievements in Uganda

Farewell speech by Mr David Opiokello, Acting Deputy Governor of the Bank of Uganda, in honour of Mr Peter Allum, IMF Senior Resident Representative in Uganda, Kampala, 5 July 2006.

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Mr. Peter Allum, the Outgoing IMF Senior Resident Representative in Uganda
Distinguished Guests
Staff of the Bank of Uganda
Ladies and Gentlemen

On behalf of the Governor, the Board, management and staff of the Bank of Uganda, it is my pleasure to welcome you all to this function. This occasion was organised to pay special tribute to Mr Peter Allum as he prepares to return to Washington. As you may be aware the Bank of Uganda has had the privilege of working very closely with him over the last three years or so.

Before making specific remarks about Mr. Allum's contribution towards Uganda's recent economic developments, let me first reflect and remind ourselves of some of the important economic achievements made in the past several years. As you all know, with the support of Development partners, Uganda undertook a major economic reform program aimed at creating sustainable economic stability, growth, and prosperity for all through poverty eradication in the late 80s and nineties. In these first round of reforms, which occurred between 1987 and 1999, the country underwent numerous adjustment measures.

These measures included:

- The restoration of monetary and fiscal discipline intended to establish macroeconomic stability;
- Deregulation of prices designed to induce efficient allocation of resources;
- A gradual liberalisation process of the Uganda's foreign exchange markets intended to promote Uganda's competitiveness.

Further reforms were undertaken to transform public and private enterprise activities, and the domestic financial system, in order to meet national objectives of improved productive efficiency and increased resource mobilisation. The combination of the above measures effectively set the foundation for further successes that have been recorded. These successes included:-

- Growth in the size of the economy from about US\$ 3 billion in the early 1990s to over US\$ 9 billion now;
- Increased real domestic investment. Increases in the private sector foreign exchange inflows into the Ugandan economy have supported the expansion in domestic investment. For instance, private transfers grew from US\$256.5 million in the fiscal year 2000/1 to US\$650.44 million in 2005/6, while Foreign Direct Investment (FDI) increased from US\$133.4 million to US\$263.83 million over the same period;
- Sustained price stability. Low and stable inflation rates have reduced uncertainty in the economy which has in turn led to an increase in the levels of private sector savings and investment generating sustained economic growth. The annual headline and underlying inflation rates have averaged 4.4 and 4.2 percent respectively over the last five years. Private sector gross domestic savings (GDS) increased from 9.4 percent of gross domestic product (GDP) in 2000/1 to 16.7 percent in 2004/5. Private sector investment increased as well from 12.8 percent of GDP in 2000/1 to 18 percent in 2004/5.
- The external sector continued to flourish as a result of improved competitiveness and gains from liberalised current and capital accounts in the country. Significant pressure on Uganda's external sector obligations were lifted by the debt relief under HIPC and the Multilateral Debt Relief Initiative (MDRI) Programmes. The resource savings arising from these programmes have contributed in strengthening the country's external reserves position and Uganda's fight against poverty as well as efforts towards attaining its Millennium Development Goals (MDGs).

The second generation reforms were designed to sustain the macroeconomic stability, strengthen financial sector development and enhance productivity and poverty eradication. The transition of Uganda from the Poverty Reduction and Growth Facility (PRGF) to the Policy Support Instrument (PSI) framework undoubtedly marks an important turning point in macroeconomic management in Uganda.

It is perhaps in the context of the transition from the PRGF to the PSI that the contributions of Mr. Peter Allum to this country ought to be recognised and appreciated.

Mr Allum has served well as a reliable and important link between our national institutions and the multilateral organisations, while at the same time helping to promote a commendable level of cooperation between the official teams of these institutions. One of his remarkable attributes has certainly been his keen interest in providing timely advice on critical monetary and economic policy issues in general, but more particularly in assisting Bank of Uganda with capacity building efforts.

On behalf of the Board, management and staff of the Bank of Uganda, I wish to express our sincere and heartfelt gratitude to you Mr Peter Allum for the manner in which you have discharged your responsibilities during your tenure in Uganda as the IMF Resident Representative.

We sincerely would like to wish you and your family every success in your future endeavours.

Thank you and May God bless you.