

Louis Kasekende: Citation for outstanding leadership

Citation by Dr Louis Kasekende, Deputy Governor of the Bank of Uganda, at the farewell party for the 2010 retired staff, Kampala, 17 December 2010.

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Prof. Emmanuel Tumusiime-Mutebile has led the Bank of Uganda for almost 10 years. It has been a decade of remarkable achievements; achievements which were made possible both by the Governor's strategic leadership of the Bank and by his ability to inspire and motivate its staff. His stewardship of the Bank has been notable, not just because it has embodied the highest standards of professional expertise, but also because he has never shied away from taking difficult decisions or of speaking the truth about economic realities, however unpopular this may have been in some quarters.

The Bank of Uganda's core mandates are to deliver macroeconomic stability and to regulate the banking system. In terms of both objectives, the Bank has been very successful. The Bank's monetary policy has faced many challenges during the course of the last 10 years: from the difficulties of sterilising large aid inflows in the first half of the decade; from the supply side shocks to international fuel prices and food prices which pushed up inflation temporarily in 2008 and 2009; and then from the consequences of the global financial crisis for the balance of payments and aggregate demand. Under Prof. Tumusiime-Mutebile's leadership, the Bank's monetary policy was able to steer the economy through the turbulence created by the external shocks and keep it on an even keel. In particular, the Bank has delivered low inflation; the primary policy objective of its monetary policy. Headline inflation over the course of the last decade has averaged only 6.5 percent per annum. In turn, price stability has enabled the economy to attract increasing amounts of private investment and grow rapidly at an average of 7.4 percent per annum in real terms over the course of the decade. Sound macroeconomic management ensured that our economy was able to withstand the external shocks from the global economic crisis and avoid recession.

Prof. Tumusiime-Mutebile's leadership of the Bank of Uganda in its role as banking regulator has been equally successful. He assumed the stewardship of the Bank at a time when parts of the banking system in Uganda were experiencing distress. Several banks had failed towards the end of the 1990s, and the largest bank, Uganda Commercial Bank, was under the statutory management of the Bank of Uganda as a result of its insolvency. The Governor's decision to resolve Uganda Commercial Bank by selling it to a reputable international bank, in the teeth of widespread scepticism and in some cases outright opposition, proved to be one of the most prescient ever taken in the history of banking in this country. UCB was sold to Stanbic Bank, a sale which preserved the nationwide branch network of UCB, and protected its deposits. Since acquiring UCB, Stanbic has been in the forefront of the dynamic expansion of the Ugandan banking system which has occurred in the 2000s, which has included very rapid growth of bank lending to the private sector.

The Governor also spearheaded major legislative reforms to financial regulation which were essential to strengthen the legal framework governing the financial sector in Uganda. The 2003 Micro-finance Deposit Taking Act brought, for the first time in Uganda, deposit taking microfinance institutions under the regulatory aegis of the Bank of Uganda. In the following year, the Financial Institutions Act was enacted, which upgraded banking legislation in Uganda and incorporated important elements of international best practise, such as prompt corrective action provisions for resolving distressed banks. The success of financial regulation in Uganda over the last decade is indisputable. Despite the shocks emanating from the global financial crisis, Uganda's banking system has remained in a markedly robust financial condition, with average capital adequacy levels comfortably in excess of statutory minimum levels, low levels of non performing loans and impressive profitability.

Prof. Tumusiime-Mutebile was recently appointed to a third five year term as Governor. The Bank will face new challenges in the years ahead. The emergence of Uganda as a “frontier market” will make effective financial regulation, including macro-prudential regulation, even more critical to the stability of our economy. We must upgrade our monetary policy framework to embrace inflation targeting. And we must prepare the Bank for the transition to East African monetary union. We should not be afraid of these challenges, for we are led by a Governor of unique vision, courage and wisdom.

Mr. Governor, please accept this plaque from the Board and staff of Bank of Uganda in recognition of your exemplary stewardship of this institution. You can count on our support. We wish success in your new term.