

## **Emmanuel Tumusiime-Mutebile: The national commemoration of the Bank of Uganda's 50th anniversary**

Opening remarks by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the national commemoration of the Bank of Uganda's 50th anniversary, Kampala, 3 August 2016.

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Your Excellency the President

Honourable Ministers

Honourable Members of Parliament

Former Governors of the Bank of Uganda

Governors and Deputy Governors of our fellow Central Banks in the region

Members of the Diplomatic Corps

Distinguished Guests

Ladies and Gentlemen,

I would like to thank all of you for taking the time to be with us this morning, on the occasion of the Bank of Uganda's 50th anniversary.

I would especially like to express my gratitude to his Excellency the President for gracing this occasion with his presence and showing his support for the Bank of Uganda.

The history of the Bank of Uganda over the last fifty years reflects, in many respects, the history of independent Uganda. Like our country, the Bank has experienced both good times and bad.

During the 1970s and 1980s the Bank suffered, along with the rest of Ugandan society, from political and economic turbulence and the breakdown of governance.

Our first Governor, Dr. Joseph Mary Mubiru, was abducted and murdered in 1971, a fate he shared with tens of thousands of his fellow citizens. We honour his memory every year with the Joseph Mubiru Memorial Lecture.

During the years of turbulence, many staff of the Bank of Uganda strove bravely and tirelessly, against numerous obstacles, to keep the Bank functioning properly for the welfare of all Ugandans.

The second half of the Bank's 50 years of existence has undoubtedly been more propitious than the first. Over the course of the last three decades, the Bank of Uganda has played its part, first in putting the economy back on its feet and then supporting a sustained recovery of real growth in the economy.

Economic recovery would not have been possible, of course, without the restoration of peace and security in the country and the rebuilding of the institutions of government.

I would like to highlight two areas where the Bank of Uganda has made a crucial contribution to the recovery of the Ugandan economy.

The first is the control of inflation, which began in the early 1990s. Inflation was brought under control by a combination of fiscal and monetary reforms. The Ministry of Finance curbed domestic borrowing to finance the fiscal deficit and the Bank of Uganda controlled the growth of the money supply.

The results were dramatic. Annual headline inflation had averaged 93 percent from 1981 to 1992. From 1993 to the present day it has averaged 6.9 percent.

As the economy has developed and the financial system has deepened, the Bank has strengthened its monetary policy framework with the introduction of Inflation Targeting. This framework allows for a more sophisticated approach to the proactive control of inflation using a publicly announced policy interest rate, which we call the Central Bank Rate.

The second area where the Bank of Uganda's contribution to the recovery of the economy has been of critical importance is that of bank regulation. By the end of the 1980s, the banking system had shrunk, as a result of financial repression and macroeconomic instability, and some of the major banks were suffering chronic financial distress.

During the 1990s, distressed banks were restructured and restored to solvency or closed down. A new banking act was enacted in 1993 and the Bank of Uganda prioritized the prudential regulation of banks, with the safety of customers' deposits being the foremost objective.

Over the last 20 years we have gradually strengthened the prudential regulatory framework, especially with regard to intervention in distressed banks and the introduction of risk based bank supervision.

The result has been a dramatic restoration of public confidence in the banking system. At the end of the 1980s bank deposits amounted to only 4 percent of GDP, whereas today they amount to 16 percent of GDP. The growth of bank deposits has, in turn, made possible a dramatic growth in bank lending to the private sector.

In real terms, after adjusting for inflation, commercial bank lending to the private sector has expanded eighteen fold since 1992.

The foundation for the sustained improvements in macroeconomic management as well as bank regulation and supervision was the changes that were made to the institutional structure of governance in the 1990s.

Of particular importance was the 1996 Constitution, which set out the mandate of the Bank of Uganda and guaranteed its independence to implement its mandate in accordance with the law.

This brought the governance of the Bank of Uganda into line with the evolving best practice for central banks around the world.

I want to conclude by expressing my appreciation and thanks for all those members of staff, past and present, of all ranks, and all of the board members, who have served the Bank of Uganda and devoted their careers to public service during the first 50 years of the Bank's existence.

Without your efforts, the Bank would not have achieved any of its successes. This 50th anniversary celebration is principally a commemoration of the contribution, which staff and board members have made to the Bank and to the country, over the last five decades.

The history of the Bank of Uganda is the history of the people who have served in the bank. Congratulations to you all; you have served the Bank and our nation well.

Thank you for listening to me.