

BANK OF UGANDA



Opening Remarks by:

**Prof. Emmanuel Tumusiime-Mutebile
Governor, Bank of Uganda,**

**At the Hosting of the Parliament of Ghana Finance Committee
Members at a Benchmarking Exercise to Bank of Uganda,**

Board Room, Level 7, Plot 37/45 Kampala Road, Uganda

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Honourable Members of Parliament, Parliament of Uganda;
Honourable Members of Parliament, Parliament of Ghana;
Technical Staff from both Parliaments;
Ladies and Gentlemen,

Good morning,

I would like to welcome you all to the Bank of Uganda. It is a privilege to host our brothers and sisters from Ghana, a country which holds a special status in Africa on account of the pioneering role it has played in many different fields - political, economic and social – and in particular for its pan Africanist approach to foreign policy which has been an inspiration throughout the continent.

Ghana's pioneering role is also of relevance in the field of central banking. The Bank of Ghana was one of the first central banks in sub-Saharan Africa to introduce an inflation targeting monetary policy framework in the mid 2000s, at a time when virtually all other central banks in the region were either implementing monetary targets or targeting the exchange rate. Ghana's experience with inflation targeting was of great value to the Bank of Uganda and influenced its decision to adopt a similar monetary policy framework in 2011; a framework which has proved very successful in controlling inflation.

Given that our guests are all legislators, I would like to say a few words about the relationship between Parliament and the central bank, as this relationship is complex and not always well understood. The 1995 Ugandan Constitution confers independence on the Bank of Uganda. Specifically the Constitution states that: “In performing its functions, the Bank of Uganda shall conform to this Constitution but shall not be subject to the direction or control of any person or authority.”

What does this mean in practice? In essence it means that the Bank of Uganda is free to implement its core policy responsibilities, which are monetary policy and bank regulation, without political interference. For example, the Government cannot give instructions to the Bank of Uganda with regard to setting the policy interest rate. There is a very strong economic rationale for central bank independence, because independence gives monetary policy and bank regulation more credibility with the private sector, which in turn improves incentives for the private sector to act in ways which are consistent with low inflation and financial stability. This is why central bank independence has become an important characteristic of modern central banking around the world.

However, a central bank is a public institution and a public institution must be accountable to the public, through its elected representatives in Parliament.

Consequently, although Parliament cannot give instructions to the central bank on how to implement its responsibilities, it must be able to provide oversight of the operations of the central bank and make criticisms of it where this is warranted.

The main bodies within Parliament which provide oversight of the Bank of Uganda are the specialist committees, in particular the Committee on Commissions, Statutory Authorities, and State Enterprises (COSASE) and the Public Accounts Committee (PAC). The Bank of Uganda's annual report and audited accounts are submitted by the Auditor General to the Speaker of Parliament, who can refer them to a Parliamentary Committee.

Myself and my staff frequently appear before Parliamentary Committees, both to answer questions about our own operations and to explain our views in regard to economic and financial issues.

If a central bank is to maintain the confidence of the public in the independence of its operations, it must be prepared to be fully transparent and explain its actions to legislators and to listen to the views of these legislators, who represent the public.

Together with my staff, I will be pleased to answer any questions you may have and to hear your own views on these matters or any others in which you are interested.

Thank you all for listening.