

Emmanuel Tumusiime-Mutebile: Bank of Uganda's 50th Anniversary

Remarks by Mr Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, at the Launch of the Golden Jubilee Commemoration, Kampala, 7 April 2016.

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The Deputy Governor, Dr. Louis Kasekende,
Members of the Board of Directors,
The Uganda Mission Chief of the IMF Resident in Washington
The Resident Representative of the IMF in Uganda, Ms. Clara Mira,
The Programme Director GIZ, Dr. Dirk Steinwand
Senior Management of the Bank of Uganda
The Chairman and Executive Director, Uganda Bankers' Association
Members of the Press,
Staff of the Bank,
Ladies and Gentlemen

I welcome you all to the official launch of the activities to mark the Bank of Uganda's 50th Anniversary. The Bank was established on August 15, 1966.

The theme for the commemoration of the Bank's Golden Jubilee is *Promoting Financial Stability*.

The milestone of the Golden Jubilee is significant not just for the central bank, but for the whole country. The Central Bank is a symbol of national economic sovereignty. It replaced the colonial monetary management of the **East African Currency Board** that had been set up in 1919 by the British Secretary of State for the Colonies.

In looking back, we recall the opening of a branch of the **National and Grindlays Bank** at Entebbe in 1906. This was the first commercial bank in Uganda and it played the role of banker to the Government from 1913 until 1966 when Bank of Uganda opened and assumed that function.

We also remember the establishment of the **Uganda Credit and Savings Bank** in 1950, which later became **Uganda Commercial Bank** in 1965.

Evolving along with the financial system, the Bank of Uganda's roles have grown to respond to the dynamic demands of a developing economy in an increasingly globalized world.

After a period of severe economic difficulties in the 1970s and 1980s, the Bank played a key role in restoring macroeconomic stability in the 1990s; and in rectifying financial distress in the banking industry. Since the turn of the millennium, the Bank has strengthened bank regulation and supervision, and modernised its monetary policy framework, which is now one of the most advanced on the continent.

Along with the Ministry of Finance, Planning and Economic Development, the Bank has pioneered the economic reforms and provided the economic management, which underlies the sustained growth of our economy over the last 25 years or so.

The Golden Jubilee commemoration presents an opportunity to learn lessons from the past and to look forward to, and prepare to face the challenges of the future.

At the core of the Bank's statutory mandate is monetary policy and financial regulation. In the coming decades, our monetary policy will continue to prioritise, above all else, the control of inflation.

This is because low and stable inflation is a precondition for mobilising high levels of savings and investment and for efficient resource allocation, which are essential for sustained economic growth.

Along with other central banks around the world, the Bank of Uganda prioritises the control of inflation because it is the only institution within the country, which has the tools to do this, through its monetary policy.

For most of the last 25 years Uganda has enjoyed relatively low inflation, averaging approximately 6 percent per annum.

That achievement would not have been possible had the Bank not put inflation at the forefront of its monetary policy objectives.

Bank regulation and supervision must constantly evolve to meet new challenges arising from the structure and technology of the financial services industry.

In the coming decades, the financial services industry will be transformed by information technology. This has already started to happen with the advent of mobile money.

It is also likely that cross border banking will become even more important than it is today, especially where institutional arrangements such as the **East African Common Market** enable services to be traded freely across borders.

The priority objectives of our bank supervision will remain the protection of depositors and the preservation of financial system stability.

A key challenge for the Bank will be to ensure that the introduction of new financial products and new ways of delivering financial products, which will be made possible by technological innovations and which offer immense benefits to customers, can be achieved in a manner that is consistent with our key prudential objectives.

In addition, the increasing importance of cross border banking means that effective bank supervision in Uganda will not be possible without close collaboration with our counterparts in other countries.

Economic integration in East Africa is vital for Uganda's long term prospects for development. The **East African Community (EAC)** Partner States have a three-phase programme for economic integration in the region, which involves: first, the Customs Union; second, the Common Market; and, third, the Monetary Union. The Bank has been an active participant in the preparations for **EAC Monetary Union** under the **Monetary Affairs Committee** of the regional central banks.

Monetary Union will be very challenging to implement effectively, and we must study and heed the lessons to be learned from the difficulties faced by other monetary unions, such as the European Monetary Union.

During this Golden Jubilee year, the Bank will organise a range of public events both to enhance public understanding of its role and to encourage public debate about this role and the challenges the Bank will face in the future.

The range of public information engagements and events include:

1. A Golden Jubilee Edition of the annual **Joseph Mubiru Memorial Lecture** in August 2016.
2. **Exhibitions and Town Hall Meetings** in our regional Branches and Currency Centres starting in May 2016;
3. The publication of a **Souvenir handbook** about BoU **Milestones**;
4. A national **essay competition on savings** for primary school pupils starting in the second term;

5. A televised BoU **University Challenge on Financial Stability** featuring participants from 30 universities in August 2016;
6. A **Charity Walk** aimed at raising funds for supporting maternal and child health; and
7. A **tree planting** campaign at our Branches and Currency Centres.

I invite you all to accommodate the scheduled events and activities in your calendars so that we mark the Bank's 50th Anniversary together.

It is with great pleasure that I officially launch the commemoration of the Bank of Uganda Golden Jubilee.

Thank you for listening to me.