

A BOU TRIBUTE

TO PROF. EMMANUEL TUMUSIIME-MUTEBILE



MAY 23RD 2022



PROF. EMMANUEL TUMUSIIME-MUTEBILE

GOVERNOR, BANK OF UGANDA | 2001 - 2022

O' captain! my captain! Our fearful trip is done,
The ship has weather'd every rack, the prize
we sought is won..." Walt Whitman

Rest in Peace



1949 - 2022

Sunday January 23, 2022 will forever be etched in the hearts and minds of many, specifically Bank of Uganda staff. The country woke up to the sad news of the passing of Prof. Tumusiime-Mutebile, the longest serving Governor of Bank of Uganda.

Today, 4 months on, we hold dearly the memories he created, the good he did and the dreams he kept alive. Prof. Tumusiime-Mutebile's legacy lives on through the lives of people that he inspired.

In this 3-part series, we share with you a Bank of Uganda tribute to Prof. Tumusiime-Mutebile in terms of the person that we saw and interacted with. This tribute emanates from lenses of select BoU staff under his stewardship, not simply as a Governor but as an inspirational Governor, and from individuals whose lives were positively impacted by Prof. Tumusiime-Mutebile, the humanitarian.

PART I

PROF. TUMUSIIME-MUTEBILE; THE REVOLUTIONARY ECONOMIST

Documenting Prof. Emmanuel Tumusiime-Mutebile's illustrious public service career and life provides timeless lessons on how his personality and external circumstances shaped his legacy. While there is common agreement on his numerous attributes that include boldness, resilience and compassion, each person who interacted with him experienced them in their own special way. "Governor", as he was fondly known by the staff of Bank of Uganda (BoU), was an enigma, owing to his mastery of economics, as well as an astute appreciation for human nature within the socio-economic context that he encountered them.

His decisiveness, no-holds barred communication, and intellect are some of the secrets to the well-documented achievements that this seasoned economist recorded throughout his career, mainly at the Ministry of Finance, Planning, and Economic Development and later at BoU.

In his eulogy, Prof. Sir Paul Collier, an economist at the University of Oxford and friend to Prof. Tumusiime-Mutebile, attributed Governor's success to personal courage and leadership. The same qualities were noted by author and journalist Sebastian Mallaby, in his book *'The World's Banker'*. Mallaby wrote that there were two secrets to Prof. Tumusiime-Mutebile's achievement besides his intellect. The first was his relationship with President Museveni that had a rough start because Prof. Tumusiime-Mutebile had bluntly told the President, in his first year in office, that his efforts to control the allocation of everything from foreign exchange to salt would backfire, which came to pass.

"Tumusiime's second secret was his lack of racial hang-ups," Mallaby stated. This explains why he welcomed young foreign economists to the Ministry of Finance. He believed it was in the national interest to harness expertise of the hardworking outsiders, whose salaries were paid by the World Bank and other donors. Indeed, in the spirit of national interest, Prof. Tumusiime-Mutebile embarked on training a cadre of technocrats to drive the implementation of development programs that were critical in poverty reduction in Uganda. He fronted several initiatives that facilitated sustained economic growth including the Poverty Eradication Action Plan

As documented severally, it is not possible to mention Uganda's economic reforms without highlighting Prof. Tumusiime-Mutebile's contribution. He spearheaded the design and implementation of the Economic Reform Program that restored Uganda from the economic crises of the 1970s and 1980s to sound economic performance. A distinguished graduate of Durham University and trained economist, Prof. Tumusiime-Mutebile, was appointed to BoU, as Governor and Board chair on January 12, 2001, after remarkable service in the Ministry of Finance. His firm hand and decisive nature were vital attributes required at the time of his appointment.

Governor's appointment coincided with the strengthening and transformation of the central bank, whose autonomy in the management of monetary policy, and enhancement of regulation and supervision of the banking industry had been cemented in the 1995 Constitution as well as in the subordinate laws including the Bank of Uganda Act.

Under his leadership, the BoU exercised operational independence, which gave the Bank room to set the policy interest rate at a level considered optimal, without external or political interference. Prof. Tumusiime-Mutebile was the ultimate defender of central bank operational independence.

Indeed, a notable policy measure that was instituted during his leadership was championing the reform of the BoU monetary policy framework in 2011, which culminated in the introduction of the forward-looking Inflation Targeting Lite (ITL) framework. The framework helps to maintain average annual core inflation at a target level of 5 percent over the medium term (2 – 3 years ahead). This is achieved by managing inflationary pressures through setting an appropriate level of the Central Bank Rate (CBR) every two months.

The Deputy Governor, Mr. Michael Atingi-Ego, recalls that Uganda was one of the first Sub-Saharan countries to adopt the inflation targeting monetary policy framework, at a time when some deemed it too early, due to the prevalence of 'shallow financial markets' and a 'lack of high frequency data'. At a meeting organized by the IMF - African Department, on the side lines of the 2011 Spring Meetings in Washington DC, Prof. Tumusiime-Mutebile argued for the modernizing of monetary policy frameworks in Africa. Mr. Atingi-Ego, who was the event organizer, highlights that the outcomes of that meeting saw the implementation of several IMF supported reforms in Sub-Saharan Africa to deepen financial markets, improve the quality and frequency of data for monetary policy formulation, skilling of central bank staff with economic modeling and forecasting capacity as well as changes in the design of Fund programs to accommodate the evolution of monetary policy.

The tendency for the late Governor to rally behind novel policy measures is echoed by the Executive Director Research (EDR), Dr. Adam Mugume. In 2011, as a new EDR, he was tasked with designing a policy rate for BoU to target, which had to be predictably transmitted to other interest rates. This led to the birth of the CBR. The Governor unwaveringly supported the adoption of the ITL framework in July 2011, despite the limited experience of African countries at a similar level of development that had effectively used it.

Dr. Mugume recounted that academics, in Uganda and even at the IMF, were critical of the ITL framework that the BoU had adopted, but they quickly saw its efficacy when inflation was quickly stabilized from a peak of 24 percent in October 2011 to 4.9 percent in September 2012. Today, the inflation targeting framework for monetary policy management is widely used across the African continent, with Uganda a key exemplar.

Regarding the strengthening of regulation and supervision, Prof. Tumusiime-Mutebile steered the BoU in implementing major reforms for the stability and soundness of the financial system. These efforts resulted into the establishment of the Deposit Protection Fund (DPF), which aims to provide insurance to depositors of BoU supervised financial institutions, and the Credit Reference Bureau (CRB) that gives timely and accurate information to improve lenders' ability to predict default. Various regulations were also introduced in the Banking sector, in line with recommendations by the Basel Committee on Bank Supervision (BCBS) and these enhanced supervised financial institutions' performance by strengthening their capital and liquidity.

Similarly, Prof. Tumusiime-Mutebile is credited with strengthening macro-prudential supervision, including by establishing the Financial Stability Department. Uganda was among the first five countries in Africa to establish such a department. He also aided the resilience of the financial system and the economy during the Covid-19 pandemic through the unconventional Credit Relief Measures (CRMs) and the COVID-19 Liquidity Assistance Program (CLAP).



Prof. Tumusiime-Mutebile argued for the modernizing of monetary policy frameworks in Africa.

According to Dr. Tumubweinee Twinemanzi, the Executive Director Supervision (EDS), Governor provided policy direction as financial institutions navigated emerging disruptions. “As a corporate body, BoU has governance and operational structures complete with policies, processes, and people, that supported and provided the evidence-based foundation upon which Prof. Tumusiime-Mutebile’s policy direction and standards thereto were made. The inbuilt resilience and continuity of these governance and operational structures ensure that BoU remains well positioned and committed to continue helping the financial sector manage the downside risks of emerging technologies,” he noted.

Further, the Governor championed the enhancement of financial inclusion through reforms such as agency banking, bancassurance, and Islamic banking. He also promoted the modernization of the payments system through the implementation of the National Payments Systems Act.

Prof. Tumusiime-Mutebile helped maintain the stability of the Uganda shilling, particularly during the global financial crisis of 2008. Mr. Atingi-Ego recalls that as the EDR then, the Bank grappled with an episode of rapid shilling depreciation at a time when the Bank lacked reliable data to help underpin the underlying causes. That statistical gap drove the BoU to seek for technical assistance from the IMF, which led to an overhaul of the balance of payments statistics and associated legal reforms including the adoption of the Foreign Exchange Act through its implementation by introducing the Foreign Exchange Regulations of 2006. To date, Uganda has comprehensive balance of payments statistics as well as high frequency financial market indicators that inform the conduct of open market operations.

The Executive Director Operations, Dr. Charles Abuka, highlights that the Governor always emphasized three important prices in the economy i.e., the exchange rate, inflation, and the price of money, which is the interest rate. “Prof. Tumusiime-Mutebile stressed the need to get the exchange rate right in order to attract investors into the country. He also noted that as a country, we are too small to defend an exchange rate, so it does not make sense to fix it. He further underscored the need to get domestic prices of goods right,” Dr. Abuka stated.



Another key development during the tenure of the late Governor was the introduction of the 2010 series of banknotes that replaced the 1987 series, which had been in circulation for over 23 years. The 2010 series harnessed new currency security features and harmonized the design of the banknotes. Notably, the UGX 50,000 denomination was recognized as the Best Banknote of the Year 2010 by the International Banknote Society. Similarly, the new currency note family was voted the ‘Best Banknote Series of 2011’ at the International Currency Conference in Singapore in 2011



Prof. Tumusiime-Mutebile also oversaw the administration of the Government of Uganda's Agricultural Credit Facility (ACF) that was set up in 2009 to bridge the financing gap in agricultural lending and improve the value-addition capacity of farmers and agro-processors. The ACF has enhanced the financial sector's lending to the agricultural sector and registered low non-performing loans. The ACF model has been leveraged to administer the Small Business Recovery Fund that was recently launched by the Government.

On the regional front, the East African Community central bank governors applauded Prof. Tumusiime-Mutebile for his outstanding contribution in fostering regional economic co-operation and integration in preparation for the envisaged East African Monetary Union. He boldly championed transformative monetary and financial stability reforms, guided discussions, and worked with his fellow central bank governors to harmonize policies, particularly as the chairperson of the Monetary Affairs Community in 2017 and 2018.

In implementing the key reforms and policies, Prof. Tumusiime-Mutebile relied on his *“foot soldiers”*. Some staff members, who worked very closely with him in a professional setting with a personal touch provided an account of Prof. Tumusiime-Mutebile, the Governor, the boss, but also the person some grew to call a friend and parent.

In the next part of the tribute, we share memorable moments and a first-hand account by select BoU Staff who worked closely with Prof. Tumusiime-Mutebile, including his chauffeur, bodyguards, and Personal Assistant, among others. TO BE CONTINUED...

He boldly championed transformative monetary and financial stability reforms



BOU SELECT MILESTONES UNDER GOVERNOR PROF. EMMANUEL TUMUSIIME-MUTEBILE

2002

- Electronic Clearing System implemented

2003

- The Micro-finance Deposit Taking Institutions (MDIs) Act is enacted in 2003
- Implementation of Payments system oversight begins in October.
- Electronic Funds Transfer (EFT) system is implemented; the system provides fast, convenient, reliable and secure domestic payment and collection of funds.

2004

- Financial Institutions Act (FIA) 2004
- The Foreign Exchange Act 2004

2006

- The Constitution of the Republic of Uganda is amended with Omnibus bill but Articles 161 and 162 remain re-affirming Bank of Uganda as the country's Central Bank

2009

- BoU establishes a Financial Stability Department to monitor stability of entire financial sector, following the global Financial crisis.
- Local clearing of items denominated in foreign currency implemented. Consequently, local clearing of cheques and Electronic Funds Transfers are also capped to the equivalent of UGX 20 Million to minimize fraud
- The Agricultural Credit Facility (ACF) is established to promote commercialization and modernization of agriculture through provision of medium to long-term loans for Agric and agro processing.
- Mobile money services introduced.

2005

- The Real Time Gross Settlement System (RTGS) is introduced to facilitate safe, secure and real-time transmission of high value funds between accounts in different financial institutions.

2008

- The COMESA REPS payment system established to facilitate faster cross border trade payments among COMESA states and to enhance trade among them.

2010

- A new series of currency banknotes is introduced, with a coherent aesthetic, showcasing Uganda's natural and historical attractions.

2011

- Inflation Targeting Lite (ITL) monetary policy framework introduced. Under the ITL monetary policy framework, BoU sets a policy interest rate, Central Bank Rate (CBR), which is intended to guide short-term inter-bank lending rates.

2012

- BoU introduces Financial Inclusion Project as a Strategic Initiative in the revised Strategic Plan to improve access, usage and quality of financial services in Uganda.

2016

- Financial Institutions Act (Amendment) Bill 2015 is passed, paving the way for introduction of Islamic Banking, Bancassurance, and Agent Banking
- The Tier 4 Micro Finance Institutions and Money Lenders Act, 2016

2020

- Credit Relief Measures (CRM) & Covid-19 Liquidity Assistance Program (CLAP) implemented to safeguard against the impact of the Covid-19 pandemic

2012

- BoU launches five-year strategic plan (2012-2017) using the Balanced Scorecard.
- A USh.1,000 coin introduced in commemoration of Uganda's 50th independence anniversary.

2013

- The East African Cross Border Payment System (EAPS) goes live in Kenya, Rwanda, Tanzania and Uganda for easier and faster (real time) means of funds transfer across the EAC borders.
- Central Securities Depository (CSD) implemented
- The Anti Money Laundering Act, 2013 enacted

2019

- The National Payment Systems Act 2020 passed





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