



**Economic Recovery and Resilience in a Post Covid-19  
World: The role of Higher Education Institutions**

*The Legacy of Prof Emmanuel Tumusiime-Mutebile*

**KEYNOTE ADDRESS**

**PRESENTED AT MAKERERE UNIVERSITY (MAK@100) TO MARK  
THE TUMUSIIME-MUTEBILE ANNUAL PUBLIC LECTURE**

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## Protocols

### Distinguished Ladies and Gentlemen

1. Good morning. What an immense pleasure to return to this intellectual powerhouse to honour one of the greatest economists and reformers of our time, and also to talk about economic recovery efforts.
2. On behalf of the Ministry of Finance, Planning and Economic Development, and specifically the hundreds of fellow alumni of this great institution working in the Ministry, I am delighted to congratulate Makerere upon reaching 100 years of *Building for the Future*.
3. Makerere is one of the world's most prestigious universities. Its alumni include world leaders, top notch intellectuals, leading business executives, and many of other impactful human beings, both living and dead.
4. I thank you for inviting me and enabling me to return to Makerere for the first time as the Secretary to the Treasury of the Republic of Uganda. I started my journey of training as an economist here.
5. There are a number of things I'm scheduled to do, but I honestly can't think of one that would make me happier and proud, than one for the promotion of economics.
6. Until recently, my life's work (*my teaching, my research, my public writing, my community work, and even my twitter and Facebook posts*) has been all about trying to demonstrate to fellow Ugandans what I learnt while in the gates of Makerere – that economics is not common sense per se.
7. This Public Lecture is about three related areas:

- i) the main challenges we are currently addressing to recover the economy from the impact of Covid-19 pandemic and other shocks;
  - ii) the roles that institutions of higher learning may play to catalyse this recovery; and most importantly,
  - iii) the gigantic legacy of the late Emmanuel Tumusiime-Mutebile, arguably the grandfather of the economy we have today.
8. I will not belabour to explain the extent to which Covid-19 has impacted us. In any case the entire world has been a laboratory and us all the specimen for its torment.
9. From the anguish of losing our loved ones (a world total of 6.23 million souls – and still counting; of whom 3,597 were Ugandans) to a disrupted recovery and higher inflation, the pandemic has plagued the human race at unprecedented scale.
10. At its peak the global economic growth declined to *minus* 3.1 percent in 2020, from 2.9 percent in 2019. In Uganda’s case, economic activity was cut by more than half. The services sector was most affected, in particular education, transport, hospitality and entertainment activities.
11. The size of the labour force declined with many workers moving from modern and semi-modern sectors into subsistence agriculture. The share of working persons in subsistence agriculture increased from 41% to 52% before and after the outbreak of the pandemic. As we talk now, 6.8 million people (housed in 3.5 million homes) are in subsistence economy.
12. We have also experienced revenue shortfalls in the past two years yet expenditure needs increased to finance the fight against Covid-19, enforcement of Covid-19 SOPs to keep Ugandans alive.

## **Commodity prices**

13. Economists know that it takes time for external shock to manifest themselves. In this case, they have started with prices of essential items, particularly laundry bar soap, fuel, cooking oil, building materials like cement and steel, some food items, and education services. These have significantly increased in recent months. As a result, inflation has risen to 3.7% in March 2022. I will later elaborate why the current events (with Ugandans feeling that the inflation of 3.7% is unbearable) is perhaps one of the key ingredients in the late Mutebile's monumental legacy.
14. The causes are largely external and supply-side related, key of which is the effect of Covid-19 restrictions which disrupted supply-chains worldwide leading to higher transport costs, shortage of shipping containers, shortage of raw materials, and higher fuel prices. This cocktail has curtailed smooth manufacturing/production and movement of goods and services leading to increased commodity prices.
15. In addition, the full opening of economies globally after Covid had lessened has led to a swift rise in aggregate demand for a number of goods and services such as fuel, transport, education etc. This has further increased prices.
16. Since crises are like taxis; another one is often the way as one leaves the stage, the Russia-Ukraine conflict emerged as Covid left the stage and has further disrupted supply of goods such as oil, wheat, maize, and sunflower oil, as well as raw materials. The two countries are major producers and exporters of these commodities.

## **What is Government doing?**

17. Please note that the causes of the current spike in prices are:  
1. *Supply related*. 2. *External*. 3. *Global*. Government policy response, therefore, must focus on addressing the supply constraints most of which are external and affecting the entire world. Anything else implemented would be a wrong medicine to a known ailment.
18. Therefore, as GoU we are concentrating on the following:
- a) Ensuring that we maintain a competitive environment to support a continuous supply of the goods and services whose stream is currently constrained – that is, fuel, soap, cooking oil, cement, steel, etc.- and avoid creating more shortages. We cannot afford to make demand outstrip supply. Most of the things some people want us to do are good common sense but very bad economics.
  - b) Supporting farmers to grow more food to ensure we do not suffer food shortages. Food is the main driver of Uganda’s inflation.
  - c) We are also facilitating more exports to take advantage of the shocks, earn more foreign exchange to pay for the now expensive imports.

### **What would Mutebile have done?**

19. This now brings me to the gigantic legacy of the late Emmanuel Tumusiime-Mutebile whom I have severally referred to as the grandfather of the economy we have today.
20. Let me summarise it this way: **“Mutebile liberated Uganda from the ‘control model’”**—the practice of using administrative controls to keep the prices low and revaluing the shilling to make imports cheap.

21. Beginning in 1966 the State of Uganda had assumed a lead in all the major economic activities. The leaders then and the people they led thought this was the best way of ensuring making the economy work for everyone.
22. In 1969, in the bid to enable indigenous Ugandans to “*have a say in the economic affairs of their country,*” which at the time was dominated by Asians and British immigrants, and “*for the realisation of the real meaning of Independence*”, President Obote announced a “*Move to the Left*”, culminating into the infamous 1970 Common Man’s Charter. This was the beginning of the control model in Uganda.
23. When Idi Amin took power in 1971, economics was replaced by flawed common sense. As we heard in the numerous eulogies by his contemporaries, Prof Mutebile took the risk to remind the brash and unapprised Amin how economics works, and paid a huge price. Yet many Ugandans then considered him a nationalist.
24. Even today, many Ugandans silently support Amin’s expulsion and expropriation of Asian property, price and foreign exchange controls and many other economic distortions. Generations of my students, none of whom was born by 1972 when Amin executed the economic war, as well as various groups of people I have taught Uganda’s economic history during my, often expressed support and silent admiration of Amin’s ‘nationalist credentials’.
25. A young Mutebile was conscious enough to comprehend Amin’s economic distortions and human rights violations, and risked to oppose them. Yet, like many budding economists of the time, Mutebile started as a socialist. He quickly mutated into a

liberal thinker and went on to help Uganda to get rid of economic distortions.

**The economic distortions Mutebile helped Uganda get rid of:**

26. First, **Mutebile helped this country to get rid of price control.** It had resulted into emergency of black markets (*magendo*) involving hoarding of basic groceries and other essential commodities.
27. Secondly, **Mutebile kicked smuggling out Uganda.** Due to economic mismanagement, the past governments were unable to collect enough tax revenue to finance government expenditures. To deal with this challenge, the governments resorted to levying exorbitant import tariffs to raise revenue. The high tariffs forced traders to engage in smuggling.
28. Thirdly, **Mutebile helped Uganda to stop printing money to finance budget deficits.** Bank of Uganda had been turned into a printing press for money. Consequently, inflation had galloped into triple digits.
29. **Mutebile also saved Uganda from black markets.** These used to emerge as a result of fixed exchange rates. For example, the official exchange rate in 1986 was fixed at Ushs 14 and Ushs 50 per U.S. dollar for essential and non-essential imports respectively. Fixing of the exchange rate led to shortage of foreign exchange and emergence of black markets (the *Kibanda* market) for foreign currencies. International trade was severely affected leading to a shortage of imported goods and services.
30. In addition, **Mutebile helped Uganda to restore fiscal discipline.** He re-established the discipline of government maintaining a fiscal position that is consistent with macroeconomic stability and sustained economic growth.

Government avoided excessive borrowing and debt accumulation; committed more spending of the national budget on productive activities in the economy.

31. It was Mutebile who masterminded the **merger of Ministry of Finance (MoF) with Ministry of Planning and Economic Development (MoPED)** in March 1992. This improved coordination of macroeconomic management. Within one fiscal year, inflation reduced from 54.5% in 1992/93 to 5.1% in 1993/94.
32. As pioneer PS/ST, Mutebile implemented three basic principles:
  - i) **Prudence:** ensuring that expenditure by government was in line with revenue, and limiting borrowing strictly to necessary needs;
  - ii) **Sustainability:** no expenditure commitments that couldn't be sustained over the medium and long term; and
  - iii) **Consistency:** all expenditures in line with the government's long-term goal of building an independent, integrated and self-sustaining economy.
33. **Mutebile jealously defended the independence and authority of BoU** over monetary policy (BoU Act); regulation and supervision of banks (FIA); and performance of its functions without subjecting it to the direction or control of any person or authority (Constitution). This transformed the bank into credible institution with the prime objective of maintaining price stability.
34. **Mutebile led the crusade of private sector development** to reduce government and its inefficiencies in doing business.
35. All these reforms enabled Uganda recover and sustain growth at an impressive average annual rate of over 6.5% per year;



maintained single-digit inflation averaging 5% for much of the period Mutebile was in charge at the Treasury and BoU; and facilitated poverty reduction from 56% in 1992 to 19.7% in 2014.

### **The unfinished business Mutebile would want us to address**

36. We are now focused on the *unfinished business* not only to maintain Mutebile's legacy but to propel Uganda to the level he and all of us want it to get to. In the medium term our efforts and resources will be concentrated on addressing the following:

- i) A large subsistence economy that has crippled household incomes and the purchasing power of the population.
- ii) High unemployment and underemployment of the young people.
- iii) High cost of credit, electricity and transport, which lower competitiveness of Ugandan products in regional and international markets.
- iv) Low investment in scientific research and development (R&D) to inform innovation and policy.
- v) Low level of industrialisation.
- vi) Land ownership and security, land use and land fragmentation.
- vii) High levels of corruption in government and private sector.
- viii) Limited export markets.
- ix) Quality of healthcare and education services.

37. Ladies and gentlemen, we may not remember everything I've talked about, but let's remember Mutebile for one thing: he taught us that through free exchange difference becomes a blessing not a curse. As a young man, Mutebile grew up at a time when mercantilism (*an economic practice by which governments used their economies to augment*

*state power at the expense of other countries*) and protectionism were the norm as opposed to exception. Mutebile knew that exchange is mutually beneficial. Nothing symbolizes this better than the “*double thank-you*” at the marketplace.

38. Often when we conclude an exchange, both parties say “thank you.” That’s symbolic of the mutual benefit, cooperation, and interdependency that markets create. In the market, we are genuinely thanking each other for having made each of us better off.

**So, what role could higher education institutions play?**

39. Apart from promoting greater productivity and work efficiency, education is primary opportunity equalizer.
40. Probably the key to economic recovery is in the ability of our universities to generate the kind of human resource that ultimately will translate into entrepreneurship and innovations. During the pandemic Makerere set up a University Scientific Advisory Committee.
41. Universities need to relax a bit on the requirements – both academic and financial – to take on more students and reduce the dropout rate, one of the effects of the pandemic. Please do everything possible not to leave any student behind, particularly those who belong to the most vulnerable socioeconomic backgrounds. Remember, families are going through a very difficult time. So, develop timely, student-centric responses.
42. Universities should also play a key role in economic and social planning. Enterprise incubators and start-up support should be upscaled to boost local job creation and competitiveness of small businesses.

43. As hosts for the country's young generations, universities should think about practical ways of averting the growing boomerang generation—young adults who return to their parents' home after university because they've failed to live on their own.
44. As government, we commit to continue enhancing funding for universities to support the transformation of higher education in the face of tectonic, long-term shifts in demographics, technology and competition. We shall invest more in online, hybrid and competency-based learning, improved infrastructure, student sponsorship, and most importantly research and innovation.

## **Conclusion**

In conclusion, the past two years may have been a pain to each of us. The current increase in prices of essential goods at a time when we are emerging from a pandemic of unprecedented proportions may be posing real threat to our survival. But on the horizon, the future looks bright. These shocks are temporary. The situation will soon normalize. Let's not listen to alarmists and those who bend the truth to turn flawed common-sense into economics. Support the ongoing reforms to create an economy that works for everyone.

*Those who here be; Seek ye the Truth. Build for the Future; the Great Makerere that has moulded us all into who are today. May the soul of Prof Mutebile continue to rest in eternal peace.*

Thank you for listening.