129 961 2245 L

The politics of central banking and implications for regulatory reform in sub-Saharan Africa

The cases of Kenya, Nigeria and Uganda

Florence Dafe

This Discussion Paper is part of a wider study on the political economy of financial reforms within the research project "Making Finance Work for Africa" commissioned by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The views expressed in this paper are those of the author alone and do not necessarily represent the views of GIZ.

Contents

Abbreviations

Bibliography

1	Introduction	1
2	Research design and methodology	2
3	Striking a balance between stabilization and transformation: central bank policy trajectories in Nigeria, Uganda and Kenya	6
3.1	Continuity in the transformative mandate: the Central Bank of Nigeria	6
3.2	Transformation towards stabilisation: the Bank of Uganda	12
3.3	In search of a balance between stabilization and transformation: the Central Bank of Kenya	17
4	Challenging reformers: the power of groups with an interest in the status quo	20
4.1	Financial needs and central bank behaviour	21
4.2	Financial needs and incentives for regulatory capture	24
5	Supporting reforms of financial regulation in contexts of capture	27
5.1	Making information available	28
5.2	Promoting central bank transparency and openness	29
5.3	Strengthening the engagement of interest groups with a stake in change	30
5.4	Using political economy analysis in programme design	32
6	Conclusion	33

35