

Composition and Decision making Process of the Monetary Policy Committee (MPC)

Composition of the MPC;

Office	Role on Committee
1 Governor	Chairperson
2 Deputy Governor	Member/Alternate Chairperson
3 Executive Director Research & Policy	Member
4 Executive Director Operations	Member
5 Executive Director Supervision	Member
6 Economic Advisor to Governor	Member
7 Director Financial Markets	Member
8 Director, Commercial Banking	Member
9 Director Financial Stability	Member
10 Director Communications	Member
11 Director Statistics	Member
12 Executive Director – PAG	Ex-official
13 Director Economic Research	Secretary

The decision-making process of the MPC

The MPC, makes monetary policy decisions for the BoU with a view to achieving price and financial stability, and supporting socio-economic transformation economic growth. The MPC mainly makes decisions on the key policy rate, the Central Bank Rate (CBR), which is the main monetary policy instrument.

The MPC takes a transparent approach to monetary policy and takes and communicates decisions according to the published schedule of MPC meetings on monetary policy issues which are held six times a year- February, April, June, August and December. The date of the next meeting is published ahead of time on the BoU website. The interest rate decision (CBR) is announced at a press conference, at which the Monetary Policy statement (MPS) is read and also published on the BoU website and other social media platforms.

In times of economic crisis, the MPC may convene outside this schedule, as it did in 2022, when it met 8 times; 7 of which were to decide on the policy rate, and 1 to discuss issues on Monetary Policy Communication. Special meetings such as the latter, are not announced and decisions there in are not published as they decide on other matters other than the interest rate decision. In 2023, the MPC also met 7 times, 6 for the scheduled interest rate decision meetings and once in September 2023 to Discuss the Primary Dealer Market Maker System.

The MPC can also make decisions related to required reserves, foreign exchange interventions, administrative restrictions in the FX market if any, and other monetary policy instrument including BoU Bills (formerly Deposit Auctions), standing Lending Facility etc.

The composition and name of this Committee was revised in July 2011 when the BoU transitioned into the Inflation Targeting Regime. Previously, the Committee was known as Monetary and Credit Policy Committee (MCPC).

The choice of these officials is the prerogative of the Board of Directors, which within its mandate, is required to set up various Board committees, including the MPC, in its oversight role of the Bank. These appointments are ex-officio and are therefore automatically related to the specific position/ office with in the BoU. The decision on membership focused on the contribution that office makes to the monetary policy decision-making process.

The Monetary policy decision-making process at the Bank of Uganda comprises five key stages:

1. Stage I. Issues Meeting: Preparation of issues, data and review of the previous decisions by the BoU staff

3-4 weeks prior to the meeting of the MPC, a working meeting of the modelling and forecasting team involved in designing forecasts is convened. This meeting is called the issues meeting. At this meeting, the participants, who may include members outside the forecasting team, outline any issues that may have arisen since the last monetary policy decision and should to be included in the upcoming agenda of the meetings of the MPC. Issues vary from the domestic to the global economic environment. The team also identifies necessary analytical materials and any new data that shall be used as an input for monetary policy decision-making. It's worth noting that the data and information gathering by the team is an ongoing iterative process and the team uses all possible and available information at the time of the meeting to kickstart the decision-making process.

2. Stage II. Initial Conditions Meeting

The initial conditions meeting is convened 1-2 weeks after the issues meeting and includes members of the Economic Research Department, Communications and Statistics departments. At this meeting, the team delivers a presentation materials/report with details the broad assessment of the global and domestic economic situation, monetary indicators, identification of possible risks to inflation and growth, as well as contain the macroeconomic forecast and its underlying assumptions. 3 reports, the Global Developments, Domestic Developments, and the Inflation Report are presented. These reports are discussed and improvements made to be presented to the MPC -Technical Meeting.

3. Stage III. MPC- Technical Meeting

The MPC-Technical meeting takes place 48-72 hours before the main MPC meeting and is attended by MPC members other than the Governor and Deputy Governor. The meetings are also attended by the other members of staff of the departments involved in the monetary policy decision making process.

At this meeting, a decision is not made. However, representatives from member departments receive technical contributions prepared by the staff for the 3 reports mentioned earlier. The

meeting then generates comments on and views on risks around the baseline forecast. The comments are then incorporated in the baseline scenario, while alternative scenarios are constructed in view of the risks. This discussion also forms the final forecast, which shall be presented to the main MPC meeting, together with a policy recommendation.

The relevant departments in attendance Economic Research, Statistics, Financial Markets, Financial Stability, Commercial Banking, Communications, as well as the Directorate Heads in which these Departments lie, *viz*; Research & Policy, Operations, and Supervision. The Economic Advisor to Governor may also attend this meeting.

4. Stage IV. MPC- Main Meeting

The MPC meeting take places in accordance with a pre-announced schedule (meeting is scheduled from 10:30 a.m. to 1:00 p.m.). At the meeting, the members contemplate proposals from the technical meeting staff on the need to modify the stance, framework, and any other decision that may affect the overall objective of inflation. This meeting is a continuation of the technical meeting and receives a summary of the 3 reports presented earlier, with the views of the technical meeting incorporated. The detailed and revised individual reports are also re-circulated. At the MPC meeting, the members also discuss and decide on the key policy rate and strategic direction policy needs to take. The meeting also discusses in detail the Monetary Policy Statement (MPS) that shall be released after the meeting.

Decision is by consensus. As such there is no voting record as members, although provide individual opinions/ comments on the policy rate, do not cast individual votes on the policy decision/direction.

5. Stage V. MP Communication of the Policy Decision

- a) An important part of accountability is the communication of the decision. We do this in various ways. Within one hour after the MPC meeting, the Governor/Deputy Governor gives a press briefing to announce and explain the policy decision made by the MPC. At the same time, the BoU publishes on its official website a press release (monetary policy statement) which starts off by announcing the policy rate decision (CBR) followed by the inflation outturn. The MPS also tells the public how the BoU views the state of the global and domestic economies, how those situations impact on the outlook for inflation, and an assessment of the risks to both future inflation and growth. At the end of the statement, the policy rate decision is re-emphasized, as well as some qualitative forward guidance that hints on future stance of monetary policy. This decision regarding interest rates remains of significant importance to the economy in general, and it affects all agents, either directly or indirectly.
- b) The statement is also shared on other social media platforms¹, communicated to staff via email/ intranet. The press release is broadcast live via the Bank's YouTube channel, as well as a shared virtual meeting interface via MS Teams or Zoom. Some members of the MPC are

¹ X (formerly Twitter), YouTube, LinkedIn

in attendance of the press event to respond to questions from the press and other analysts who dial in.

- c) It should be noted the BoU does not do publish the transcripts/minutes of the MPC meetings. The experience of some jurisdictions has shown that publishing the transcripts of committee deliberations could stifle future debate and could result in needless reliance on predetermined statements/positions from the members, which works against the spirit of open debate.
- d) Post meeting, the Communication department organizes for several talk shows, usually the evening of, or the morning after the meeting. At these talk shows, the policy decision is explained in detail.
- e) Within 72 hours, the BoU also releases a layered (mainly graphic) statement -Titled “***MPS at a Glance***”, that offers a simplified version of the decision and relies heavily on illustrations to drive the point home. Both versions of the MPS are found here;

<https://www.bou.or.ug/bouwebsite/MonetaryPolicy/mpstatements.html>

https://www.bou.or.ug/bouwebsite/MonetaryPolicy/At_a_Glance.html

Both of these statements are also published in any one of the leading daily newspapers.

- f) With in the same period, the BoU also releases Frequently Asked Questions (FAQs) about the monetary policy decision, providing answers to a set of questions about the policy decision from the stakeholders perspective. These are posted on the BoU website and may also be run in one of the leading daily newspapers.
- g) The BoU also releases a detailed Monetary Policy Report within 20 calendar days from the meeting. The report provides a detailed developments inflation forecast and the policy rate decision. The reports are posted on a dedicated page on the BoU website; See link below;
<https://www.bou.or.ug/bouwebsite/MonetaryPolicy/mpreports.html>
- h) Accountability and transparency are further supported by the Monetary Policy Forum (MPF) which avails an opportunity for MPC members on panel to engage with interested stakeholders at a predetermined event outside the BoU. The bank also holds other events “Regional Town Hall Meetings” at which a member of the MPC must be present to respond to the public’s concerns around monetary policy.
- i) Starting October 2022, the BoU established a dedicated virtual call to all commercial bank treasurers / dealing room & global market traders, normally scheduled 2 days after the MPC, that seeks explain in detail the policy decision to this specialised audience that is instrumental in the monetary policy implementation process. This call usually lasts 1- 2 hours and is

chaired by a member of the MPC, usually the Executive Director for Operations or Research & Policy.

- j) The BoU also engages the Uganda Bankers' Association (UBA), a monthly round table meeting in which CEOs of commercial banks meet with the Governor. In the months specific to the MPC meeting, the BoU prepares a presentation to the UBA and holds further discussion on the policy decision.
- k) In a bid to order to improve the understanding of the public's consumption of economic news, and to ensure accurate coverage, the BoU meets with editors and senior business journalists from the main publications and broadcasting outlets at least once a year. In September 2023, the BoU organised a dedicated session for financial journalists at which various aspects of the policy decision and economic data dissemination by the BoU were discussed.
- l) The BoU is also accountable to the legislature and is required to appear before relevant committees of parliament at least once a year. At these sessions, the BoU addresses specific issues regarding the conduct of monetary policy as well as financial stability.

MPC Composition Summary

Decision-making body	Monetary Policy Committee (MPC)
Number of members	12
Composition of the decision-making body	The Governor + 1 Deputy Governor + 4 Executive Directors + 6 Directors
Who has the right to vote	All 12 members of the MPC
Reaching a decision	Consensus
Disclosure of voting	No
Quorum	Two thirds
Frequency	Bi-monthly ie 6 times a year; Feb, Apr, Jun, Aug, Oct & Dec