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Uganda's domestic airlines raise fares

Uganda's domestic airlines are set to impose an industry-wide fuel surcharge from May 1, as supply disruptions linked to the Middle East conflict push up oil prices and drive a sharp rise in operating costs. The surcharge, ranging from $25 (Shs92,000) to $50 (Shs184,000) per flight leg, is expected to hit high-end tourism.

Sovereignty Bill could choke credit, drive investors away

Credit. |

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The Uganda Bankers' Association (UBA) has warned the government that the draft Protection of Sovereignty Bill 2026 could disrupt lending, delay remittances, and scare off the foreign capital Uganda needs for its tenfold Gross Domestic Product growth plan.

In a letter dated April 13th to the Attorney General, UBA executive director Wilbrod Humphreys Owor said parts of the Bill "work directly against the banking industry's response plan" to mobilise funding and expand private sector credit under the ATMS strategy.

"We are not opposed to safeguarding national sovereignty," Owor wrote. "But the Government should seriously consider the implications of this Bill to the Investment Climate for Uganda."

UBA's biggest worry is the definition of an "agent of foreigner" as anyone supervised, controlled, financed, or subsidised by a foreigner. Owor said that could sweep in foreign-owned banks, institutions with correspondent banking ties, and local banks that intermediate development finance to SMEs.

"Virtually every bank in Uganda has foreign shareholders, borrows offshore, or channels development finance," he noted. "If routine banking triggers this label, compliance and reputational risk rise overnight."

The Bill also bars foreign financial support above 20,000 currency points — about Shs400m or $107,000 — in 12 months without Ministerial approval. UBA called the threshold "very low relative to typical bank transactions," saying lines of credit, Eurobonds, and syndicated loans that fund businesses are often 100 times that size. Unapproved funds can be forfeited.

A customer counts US dollars in a banking hall. The Bill also bars foreign financial support above 20,000 currency points – about Shs400m or $107,000 – in 12 months without Ministerial approval. PHOTO/MICHAEL KAKUMIRIZI

"This provision alone could freeze routine wholesale funding," Owor warned. "Waiting for case-by-case clearance introduces delay and uncertainty that lenders will price in, or avoid."

Banks handling cross-border transfers would become "reporting agents" required to verify source of funds and secure Ministerial approval before payout, plus file monthly reports. Breaches attract fines up to Shs4 billion. UBA said this duplicates the Anti-Money Laundering Act (AML)/Financial Intelligence Authority (FIA) rules and risks slowing remittances, which topped $1.4 billion (Shs5.18 trillion) last year.

A separate clause compels "agents of foreigners" to declare foreign funding sources to the Minister, with false declarations punishable by up to five years in jail. Owor said this overlaps with Know Your Customer (KYC) but raises confidentiality concerns and personal liability for bank staff.

The Bill's "economic sabotage" offence, which criminalises acts or publications that "weaken or damage" the economic system, also alarmed bankers.

"You cannot grow private credit if banks fear criminal sanction for telling the market what they see," Owor wrote. "Transparency is a pillar of financial stability."

UBA is asking government to make four changes: carve-out Bank of Uganda (BoU) /Capital Markets Authority (CMA) -licensed institutions and Development Finance Institutions (DFIs) from the foreign-agent definition; affirm Bank of Uganda's regulatory primacy; align foreign funding oversight with existing AML/FIA frameworks; and set a far higher threshold or exempt normal banking activity.

Owor said the fixes would protect the Bill's sovereignty aims without choking the credit system Uganda needs to finance oil, agriculture, and infrastructure.

The Attorney General's Chambers had not responded by press time. The letter was also copied to the Governor of the Bank of Uganda, the Permanent Secretary and Secretary to the Treasury (PSST), Minister for Justice & Constitutional Affairs, and the Speaker. Parliament is expected to debate the draft Bill after stakeholder input.

WHAT BANKERS WANT CHANGED

1. Carve-out: Exempt Bank of Uganda/Capital Markets Authority-licensed financial institutions and Development Finance Institutions (DFIs) from "agent of foreigner" definition.

2. Regulatory primacy. Clause confirming Bank of Uganda, backed by Financial Intelligence Authority (FIA), governs banking.

3. No parallel regime. Align foreign funding oversight with existing AML/FIA rules.

4. Higher threshold. Raise the Shs400m cap or grant blanket exemption for normal regulated banking.

What the Bill proposes

"Agent of foreigner" Anyone supervised, controlled, financed, or subsidized by a foreigner. It could include foreign-owned banks, correspondent banking links, and banks channeling development finance.

Foreign funding cap: No support above 20,000 currency points — Shs400m / $107,000 — in 12 months without Ministerial approval. Funds can be forfeited if unapproved.

Remittance controls: Entities handling cross-border transfers must verify source of funds and get Ministerial sign-off before payout. Monthly reports to the Minister. Fine up to Shs4bn for breach.

Funding declarations: "Agents of foreigners" must declare source of foreign funds to the Minister. False declaration: up to five years jail.

Economic sabotage: Criminalises acts/publications that "weaken or damage" Uganda's economic system. Broadly worded.