THE SOVEREIGNTY BILL: ARE WE TREADING CAREFULLY?

SHILLINGS & CENTS



By Paul Busharizi

PHOTO BY MARIA WAMALA



Front row: the Governor of the Bank of Uganda, Michael Atingi-Ego (centre), his deputy Professor Augustus Nuwagaba (left) and executive director for Supervision Dr Tumubweine Twinemanzi (right), appearing before Parliament on issues of the Sovereignty Bill, on April 28

Believe it or not, there was a time when foreign aid accounted for as much as 70% of Uganda's national budget.

It is a statistic that sounds almost implausible today. Yet for those who lived through the late 1980s and early 1990s, it was the lived reality of a country on its knees; fiscally constrained, policy-dependent and negotiating its priorities as much as defining them.

That reality has been decisively reversed. And it did not happen by accident.

It happened because Uganda made a series of bold, often unpopular, decisions to liberalise its economy — opening up to foreign direct investment, incentivising production and, perhaps most importantly, unleashing the initiative of its own citizens. The shift from state control to market orientation was not an ideological fashion; it was an economic necessity.

OUR STRUCTURAL TRANSFORMATION

In the early 1990s, donor support financed roughly half of Uganda's national budget. In some sectors, particularly recurrent expenditure and debt servicing, dependence was even more acute.

Fast forward to the 2024/25 financial year, and total external support has fallen to about 15.2% of the sh72.1 trillion budget. Direct budget support accounts for just 1.9% (about sh1.39 trillion), while project support contributes another 13.3% (about sh 9.58 trillion). Domestic revenue now finances 44.3% of the budget, with the balance coming from domestic borrowing and refinancing.

That is not just a statistical shift. It is a structural transformation. And it is the context within which the current debate on the sovereignty bill must be understood. As Mwesigwa Rukutana, who served as State Minister for Finance during those years of peak dependency, reflected last week, Uganda's policy autonomy was once severely constrained. Budgets and development plans were subject to approval by institutions, such as the World Bank and the International Monetary Fund. The path out required not just compliance, but conviction: increase production, expand exports, manage inflation and fully liberalise capital flows.

UGANDA CHOSE THAT PATH

And we were fortunate in the calibre of minds that guided it. The steadying hands and intellectual conviction of Emmanuel Tumusiime-Mutebile, Chris Kassami and Keith Muhakanizi were central to the reforms that brought us to this point. They were not just technocrats; they were custodians of discipline in a period when indiscipline would have been politically easier.

BETWEEN THE LINES

Some clauses therein may appear politically appealing. But economically, they risk undermining the very foundations of Uganda's liberalised economy.

We miss them. And perhaps more importantly, we have begun to take what they built for granted.

There was, at the time, a chorus of dissent. Armchair socialists warned against "kowtowing" to Bretton Woods institutions, advocating instead for a more insular, state-controlled model. In hindsight, that would have been a grave mistake. Had Uganda chosen that route, we would likely still be grappling with shortages, rationing essentials and navigating an economy where access depended more on connections than on markets. The indignity of needing a minister's chit to access basic goods would not be a distant memory—it would be current affairs. That was not sovereignty. That was stagnation.

SOVEREIGNTY IS EARNED, NOT DECLARED

The growth of the last four decades — exports rising from about $711m in the mid-1990s to over $13b today, inflation largely stabilised and a vibrant private sector taking root- was neither inevitable nor accidental. It was earned.

Which is why the Sovereignty Bill should give us pause. Because what has been built is not irreversible.

And because some of the signals emerging from this debate suggest that its framers may not fully appreciate the journey that got us here. It is difficult to avoid the conclusion that they do not know, rather than have forgotten, what it took to pull Uganda back from the abyss. It is the only explanation for why we would contemplate legislation that risks incinerating decades of progress without a clear appreciation of the consequences.

Take the concerns raised by central bank governor Michael Atingi-Ego in his presentation to Parliament last week: His warning was not ideological; it was technical—pointing to the risk that broadly framed provisions could disrupt financial flows, unsettle investor confidence and complicate macroeconomic management.

The danger lies in the detail.

Clauses that seek to tightly control or pre-approve foreign funding, impose sweeping disclosure requirements, or grant wide discretionary powers to restrict external partnerships may appear politically appealing. But economically, they risk undermining the very foundations of Uganda's liberalised economy.

This economy runs on predictability.

Foreign direct investment, portfolio flows and development financing all depend on a regulatory environment that is transparent and consistent. Introduce uncertainty, whether through discretionary approvals or ambiguous restrictions, and capital responds accordingly. It hesitates. It retreats. It demands higher returns to compensate for higher risk.

The consequences are not abstract: a weaker shilling, higher borrowing costs, reduced investment and ultimately slower growth.

Money, as they say, goes where it is treated best and stays where it is predictable. Disrupt that, and you undermine not just foreign inflows, but domestic confidence as well.

As Rukutana cautioned, the transition to self-reliance must be gradual and deliberate. Not a shock. Not a statement. But a strategy. Uganda's success has been built on balance, opening where necessary, regulating where prudent and learning from its mistakes. The Sovereignty Bill must be approached in that same spirit.

Because if the last 40 years have taught us anything, it is this: sovereignty is not declared. It is earned.

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