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Unlocking the Potential of Remittances in Uganda: Legal and Regulatory Frameworks in Focus

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Working Paper Series

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Executive Summary

Remittances are a crucial non-debt financial inflow for Uganda, significantly impacting poverty reduction, household welfare, and macroeconomic stability. As Ugandans abroad send money home, these funds enhance healthcare, education, entrepreneurship, and community development. To fully leverage the potential of remittances, Uganda needs a strong legal and regulatory environment. This paper analyzes the current regulatory landscape, examining the roles of banks, fintech firms, mobile money platforms, and international money transfer operators. It evaluates whether existing policies promote secure, efficient, and inclusive remittance channels while addressing consumer protection, anti-money laundering, and financial integrity. By drawing on global best practices, the paper identifies opportunities to strengthen Uganda's regulations to increase remittance flows and their impact on sustainable development and financial inclusion, advocating for a coordinated national strategy that aligns innovation with user needs.

1.0 Uganda's Legal and Regulatory Framework

The legal and regulatory framework governing remittances is anchored in several laws, with the **Bank of Uganda Act (2000)** establishing the **Bank of Uganda** as the central authority responsible for regulating and supervising financial institutions, including those engaged in remittance services. The **Financial Institutions Act, 2004 (as amended)** governs the operations of commercial banks and credit institutions, providing the legal basis for their involvement in receiving and disbursing remittances, often through partnerships with international money transfer operators. The **Microfinance Deposit-Taking Institutions (MDI) Act, 2003** regulates MDIs, enabling them to offer financial services, including remittances, to underserved and rural populations. The **Tier 4 Microfinance Institutions and Money Lenders**

Act, 2016 (as amended) oversees non-deposit-taking institutions like SACCOs, village savings groups, and money lenders, setting standards for governance and consumer protection. Cross-border remittance services are regulated under the **Foreign Exchange Act, 2004** and the **Forex Bureaus and Money Remittance Regulations, 2006**, which govern licensing and operations of forex bureaus and remittance service providers. The **National Payment Systems Act, 2020** further strengthens oversight of payment service providers, including those facilitating remittances. Additionally, the **Anti-Money Laundering Act, 2013** mandates all remittance operators, including mobile money providers, to perform due diligence, maintain transaction records, and report suspicious activities.

2.0 Roles of sector regulators

Bank of Uganda regulates both banks and non-bank financial institutions involved in the remittance sector. Regulatory approval and supervision ensure that players adhere to all legal requirements, including transaction reporting and consumer protection measures. The Uganda Communications Commission plays a key enabling role in Uganda's remittance ecosystem by regulating and overseeing the communications infrastructure that supports mobile money and digital remittance services. The Financial Intelligence Authority (FIA) plays a critical role in safeguarding Uganda's remittance ecosystem by ensuring that all remittance flows comply with anti-money laundering and combating the financing of terrorism requirements.

3.0 Structural and Regulatory Barriers to Remittance Growth in Uganda

Despite forming the regulatory backbone of Uganda's financial sector, key laws have been slow to keep pace with rapid advancements in digital financial services and cross-border remittances. The persistence of complex licensing procedures and outdated regulatory provisions has created barriers to entry for innovative service providers, limiting competition and efficiency. As a result, many Ugandans, particularly those in rural and underserved areas, are pushed toward informal remittance channels that lack oversight and consumer protection. Whereas mobile money platforms have become essential in facilitating digital remittances, the fragmented regulatory environment continues to obstruct interoperability and slow technological advancement.

Best Practices



A. Nigeria

Nigeria implemented a series of robust legal and regulatory reforms that significantly enhanced the volume and transparency of remittance inflows. In 2024, remittances reached \$20.93 billion, representing an 8.9% increase from the previous year, a growth largely driven by targeted policies introduced by the Central Bank of Nigeria. In addition to financial incentives, Nigeria undertook structural reforms in its foreign exchange market to promote regulatory compliance and transparency. These included the unification of exchange rate windows, the deployment of the Electronic Foreign Exchange Matching System (EFEMS) in December 2024, and the issuance of a Foreign Exchange Market Conduct Code in January 2025. These measures have created a standardized and legally transparent framework for foreign exchange transactions, including remittances. Furthermore, the introduction of diaspora-targeted banking products, such as the Non-Resident Nigerian Ordinary Account and the Non-Resident Nigerian Investment Account has provided clear and legally recognized channels for Nigerians abroad to remit funds and invest in the domestic economy.



B. Egypt

Egypt has experienced a significant increase in remittance inflows due to legal and regulatory reforms by the Central Bank of Egypt (CBE). In March 2024, the CBE liberalized the Egyptian pound's exchange rate, restoring confidence in the financial system. As a result, remittances surged to \$7.5 billion in Q2 2024, up 63% from \$4.6 billion the previous year. By October 2024, total remittances reached \$23.7 billion, a 45.3% increase year-on-year. The CBE also introduced high-yield savings certificates and the "Tomorrow's Pension" scheme to attract diaspora funds. Additional incentives, like customs duty exemptions, were linked to remittances. Furthermore, CBE expanded digital remittance infrastructure, leading to a 13% rise in digital remittance value and the creation of 250,000 new digital accounts.

4.0 Recommendations

The Government of Uganda should focus on regulatory reforms to boost competition and innovation in the financial services sector, enhancing financial inclusion and maximizing the benefits of remittances. Access to business advisory services will encourage diaspora investment and support returning migrants' ventures. Swift implementation of the National Diaspora Policy will create a framework for increased diaspora involvement in investment, remittances, and skills transfer, contributing to sustainable socio-economic development.

Additionally, targeted skills development programs for migrants are essential to increase the volume and impact of remittances. By fostering specialized skills aligned with global market demands, Uganda can position its workforce for higher-paying jobs abroad. This requires a shift towards a more structured national training framework, expanding vocational training and certification programs, which will enable more Ugandans to enter high-income professions.

Regulators must balance anti-money laundering (AML) and counter-terrorism financing (CFT) measures with accessible remittance transfers. They should also ensure compliance with consumer protection standards to promote transparency and accountability. This balance is vital for building trust in formal channels, enhancing financial inclusion, and ensuring the integrity of the remittance system.

5.0 Conclusion

Remittances play a crucial role in Uganda's economic development, supporting household welfare, financial inclusion, and foreign exchange stability. However, their full potential remains untapped due to outdated regulations, high compliance and transaction costs, fragmented oversight, and low financial literacy. To address these barriers, Uganda must modernize its legal and regulatory frameworks, promote innovation in digital finance, and strengthen consumer protection. A coordinated, inclusive national strategy is essential to harness remittances as a driver of sustainable development and long-term economic resilience.



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