



ONYANGO & COMPANY

ADVOCATES, TAX & LEGAL CONSULTANTS



LEGAL ALERT

THE PROTECTION OF SOVEREIGNTY ACT, 2026

Understanding key legal and regulatory
considerations

May 2026

1. Background

The Protection of Sovereignty Act, 2026 (the "Act") was passed by Uganda's Parliament on 5th May 2026 and received Presidential Assent on 17th May 2026, days after the President was sworn in for his seventh presidential term, making it the last piece of legislation enacted by the 11th Parliament and the first law assented to by the President in his seventh term. The Act creates a new regulatory regime for persons acting on behalf of foreign governments, organisations, and individuals within Uganda. Its stated constitutional basis is Article 1(1) of the Constitution, which vests all sovereign power in the people of Uganda.

The Act underwent significant amendment during its passage. A Joint Committee on Defence and Internal Affairs, and Legal and Parliamentary Affairs, received comments from a wide range of stakeholders including government institutions, civil society organisations (CSOs), international organisations, private sector bodies, financial institutions, religious bodies, and academic institutions, most of whom were opposed to the Act ("Bill" then) in its original form.

The stakeholder comments pushed the Attorney General to suggest modifications which narrowed the Act's scope, subsequently adopted by the Committee and recommended for passing to Parliament. The most material changes included: unlisting of Ugandans residing abroad as foreigners, a shift from a prior ministerial approval model for foreign funding to a declaration regime; the introduction of criminal intent requirements for key offences; the insertion of judicial safeguards for inspections; and the express addition of exemptions for commercial, humanitarian, and investment activities.

The Act will take effect upon being gazetted and the appointment of a commencement date. Critically, the Act contains no transitional provisions hence placing no grace period once commencement is declared.

2. KEY PROVISIONS

2.1. Core Definitions

a. Agent of a Foreigner

As passed, the definition is activity-based rather than identity-based. A person qualifies as an "agent of a foreigner" if they engage in any of the activities listed in Section 2(2) while: (a) acting as an agent, representative or employee of a foreigner; (b) acting on the order, request, supervision or under the direction or control of a foreigner; or (c) being financed or subsidised by a foreigner.

The regulated activities under Section 2(2) include: (a) engaging in political activities in Uganda to further the interests of a foreigner; (b) soliciting, collecting, disbursing or dispensing contributions, loans or money for financing or sponsoring political

activities to further the interests of a foreigner; (c) representing the interests of a foreigner before any Government agency for the purposes of engaging in political activities in Uganda; (d) recruiting, contracting or engaging any person in Uganda to promote the interests of a foreigner for the purposes of engaging in political activities; (e) agreeing or purporting to promote the interests of a foreigner against the interests of Ugandans; (f) influencing the development of the policy of Government; (g) influencing the public to oppose the policy of Government; or (h) funding political parties, organisations or any person contesting for an election.

b. Foreigner

The definition of "foreigner" covers: (a) a non-Ugandan citizen; (b) a foreign government, consulate, high commission, embassy or other diplomatic mission; (c) a corporation, company, NGO or other legal entity incorporated, unincorporated or registered outside Uganda; or (d) an international or multinational organisation.

Notably, the original Bill included Ugandan citizens residing outside Uganda as "foreigners" but that inclusion was deleted. Similarly, the original provision empowering the Minister to designate additional persons as foreigners by statutory instrument was removed.

c. Political Activities

Defined broadly in Section 1 to include any activity aimed at influencing the enactment of legislation, the formulation of policy, or the decision-making of Government or of the people of Uganda. The definition expressly covers: (a) fundraising, sponsoring, registering, nominating, supporting or campaigning for a candidate in an election; (b) registering, funding and campaigning for a political party; (c) any activity aimed at influencing the outcome of an election; (d) any activity aimed at influencing the will and consent of the people of Uganda on governance; and (e) **any activities aimed at influencing, imposing or normalising ideologies which are inconsistent with the Constitution or which conflict with any culture, customs or norms of any community listed in the Third Schedule to the Constitution.**

d. Disruptive Activities

This includes: acts prejudicial to or threatening the security of Uganda; threats of violence against any person or property; engaging or participating in a riot or unlawful demonstration or assembly; and disrupting or interfering with the lawful activities, business operations, peace or human rights of any person.

e. "Interests of a Foreigner" and "Interests of Uganda"

The original draft had not provided for definitions of these terms. Under the Act, "Interest of a foreigner" means interests of a foreigner that are not aligned with the policies and laws developed and adopted by the Government. "Interests of Uganda" means national interests based on the principles of national interest and common good enshrined in the national objectives and directive principles of state policy as provided for in the Constitution, the laws of Uganda and Government policy.

2.2. Substantive Prohibitions

Part II of the Act creates the following core offences:

Sovereignty of the People (Section 5)	An agent of a foreigner who intentionally promotes the interests of a foreigner against the interests of Uganda. Offending agents who act intentionally are liable to fines of up to UGX 2 Billion for individuals, or UGX 4 Billion for legal entities, together with up to 20 years imprisonment for individuals or both.
Government Functions (Section 6)	An agent of a foreigner who exercises the functions specified in the Sixth Schedule to the Constitution (functions reserved for Government) without the approval of the relevant Government agency and Cabinet commits an offence with penalties mirroring those in Section 5.
Policy Development (Section 7)	An agent of a foreigner who knowingly develops and implements a policy in Uganda without Cabinet approval commits an offence with equivalent penalties.
Policy Implementation (Section 8)	An agent of a foreigner shall not hinder, frustrate or disrupt the implementation of a Government policy, or carry out activities relating to the implementation of Government policy without the approval of the relevant Government ministry, department or agency. Notably, this section does not prescribe a specific penalty.
Promotion of foreign policy (Section 10)	An agent of a foreigner who engages in any activity, solicits, receives or obtains any assistance from a foreigner to sponsor or organize a meeting or any function with the aim of promoting foreign policy in Uganda that has not been adopted by Cabinet as Government policy commits an offence. The penalty is equivalent to those under Section 5.
Electoral Interference, Government Inference & Economic Sabotage (Section 11, 12 & 13)	The Act prohibits intentional influence on electoral processes, soliciting foreign assistance to interfere with Government operations and creates a specific offence of economic sabotage for agents who knowingly publish false information or participate in disruptive activities that weaken or damage the economic system of Uganda.

3. SIGNIFICANT CHANGES FROM THE ORIGINAL BILL

The Joint Committee adopted revisions proposed by the Attorney General which substantially narrowed the Act's scope and addressed some of the concerns raised by the different stakeholders. The table below summarises five most material changes.

Issue	Original Bill	Act as Passed
Definition of "Agent of Foreigner"	This was broad including any person acting under the direction, control, financing, supervision or influence of a foreigner, regardless of activity."	Narrowed to activity-based test: only persons engaging in regulated political or disruptive activities on behalf of or funded by a foreigner.
Definition of "Foreigner"	Included Ugandan citizens residing abroad. The Minister also could declare any person a "foreigner" by statutory instrument.	Ugandan citizens abroad are excluded. Ministerial power to declare foreigners deleted.
Funding Approval	Prior written ministerial approval required before receiving any foreign funds above UGX 400 million within 12 months.	Prior approval replaced by a declaration/reporting regime. Agents are now required to declare funds with no prior approval needed.
Penalties	Up to 20 years imprisonment for individuals; legal entities up to 200,000 currency points (UGX 4 billion).	Reduced maximum penalties for most offences to 10 years and 100,000 currency points. 20-year maximum retained only for most serious offences.
Inspection of Premises	Authorised persons could inspect premises without a court order.	A court order is now required before any inspection of premises.
Registration Refusal & Revocation	No natural justice requirement; no written reasons required within set timelines.	Natural justice compliance mandatory. Written reasons for refusal required within 14 days of decision.

Issue	Original Bill	Act as Passed
Exemptions for Commercial/Aid Flows	No explicit exclusion; created uncertainty over whether foreign capital, loans, grants, and aid required approval.	Express exclusions added for FDI, portfolio investment, diaspora remittances, commercial loans, humanitarian/development/technical assistance, and other lawful foreign exchange inflows.

4. WHO DOES THE ACT APPLY TO?

The Act applies to any person who qualifies as an "agent of a foreigner" as defined in the Act and who engages in one or more of the regulated activities listed in Section 2(2). Notably, the regulated activities in Section 2(2) include influencing the development of government policy and influencing the public to oppose Government policy. This may potentially expose various CSOs, trade unions and professional associations, among others to the applicability of the Act.

Section 2(4) exempts the Act's applicability to funds from a foreigner by:

- a. A supervised financial institution or any other institution regulated by a regulatory body under an Act of Parliament for purposes of meeting its regulatory requirements or for undertaking its commercial licensed and permitted activity. Other institutions may include entities such as insurance companies, law firms, investment firm or even NGOs.
- b. A health or medical facility for purposes of performing a permitted activity by the facility
- c. An academic or research institution for purposes of funding research and innovation or any other permitted academic activity
- d. A person for commercial, domestic or family use
- e. Faith based organisations for activities that are connected with the mission of the faith-based organisation

Additionally, the exemption further extends to lawful foreign direct investment, portfolio investment, diaspora remittances, export proceeds, trade finance, commercial loans, humanitarian assistance, technical assistance, grants, concessional financing, development assistance, or any other lawful foreign exchange inflow and related activities.

While the exclusions are broad, their protection is strongest where an organisation can clearly demonstrate that funds are connected to lawful commercial, investment, development, or institutional purposes and not to political or disruptive activity.

5. OBLIGATIONS UNDER THE ACT

Three core obligations apply automatically to every person who qualifies as an agent of a foreigner. These obligations arise on commencement of the Act and are not conditional on being investigated or prosecuted.

a. Registration

Every agent of a foreigner must apply for and obtain a certificate of registration from the Minister of Internal Affairs before operating as an agent. Operating without registration is a criminal offence. The application has to be considered within a total of 40 days where the applicant is expected to have received feedback on whether the application has been granted or not and where it has been denied reasons have to be provided.

b. Declaration of foreign funding

The prior ministerial approval requirement has been removed. In its place, a declaration-based regime has been introduced, requiring every agent of a foreigner receiving any foreign funding to declare the source of funds to the Minister, subject to the Anti-Money Laundering Act, Cap. 118. Specifically, any foreign-sourced funds received by an agent of a foreigner in excess of UGX 400 million within a period of 12 months must be declared to the Minister.

Declarations are available for public inspection at the offices of the Minister and the Department, upon payment of a prescribed fee and making a false or misleading statement in a declaration is a criminal offence.

c. Submission of Returns

Agents of foreigners must file periodic returns with the Minister detailing the amounts of funds received and the purposes for which those funds were used. The form and frequency of returns will be prescribed by the Minister in regulations. Failure to file returns is a criminal offence.

d. Obligations of supervised financial institutions

Institutions licensed to facilitate cross border money transfers are not allowed to pay out any money to an agent of a foreigner without the agent declaring the source of funds; and submitting proof of declaration, where the declaration requirement applies. In addition, they must submit a monthly report to the Minister in relation to funds transferred to agents of a foreigner through that institution.

A supervised institution that pays out money without the required declaration and proof commits a civil penalty offence of UGX 4 billion.

Please Note: that the Act contains no transitional or savings provisions. There is no grace period for existing agents to register. This means on the day the Act commences, every person who operates as an unregistered agent of a foreigner is immediately in breach.

6. GREY AREAS AND INTERPRETIVE RISKS

Despite the significant improvements made during the Committee Stage, several provisions in the Act as passed carry substantial interpretive uncertainty or risk. Organisations with exposure to these areas should seek specific legal advice.

a. Political Activities Definition

Subparagraph (f) states that "...influencing, imposing or normalising ideologies which are inconsistent with the Constitution or which conflict with any culture, customs or norms of any of the communities listed in the Third Schedule to the Constitution." This provision is problematic as it is not limited to political processes or elections. In its current form, it could potentially be applied to:

- i. Public health campaigns that challenge traditional health-seeking behaviour;
- ii. Gender equality and women's rights programming;
- iii. Legal aid work that advocates for legal reform;
- iv. Environmental advocacy that conflicts with extractive industry practices embedded in local economic norms;
- v. Any advocacy that a regulator characterises as inconsistent with the customs or norms of any listed community.

There is no measurable legal standard as terms like "normalising ideologies" and "culture, customs or norms" are inherently subjective. The absence of a defined standard creates significant risk of arbitrary or selective application.

b. Influencing Government Policy

Section 2(2)(f) regulates an agent of a foreigner who "influences the development of the policy of Government." Section 7(3) requires any agent who wishes to influence or propose amendments to Government policy to submit proposals to the relevant ministry, department or agency for consideration. The interaction between the right to engage in legitimate policy dialogue and the obligation to register and declare funding is unclear.

Organisations engaged in policy development, technical assistance to government ministries, or programme implementation touching government service delivery face genuine uncertainty about whether Cabinet approval is required before their activities commence, or whether submitting proposals to the relevant ministry is sufficient.

It is also important to note that some organisations whose activities involve policy development have been licensed to perform these activities under existing law. This provision therefore creates a potential conflict between the Act and other legislation, most notably the NGO Act.

c. Interests of Uganda

The prohibitions in Section 5 turn on whether an agent promotes the "interests of a foreigner against the interests of Uganda." The definition of "interests of Uganda"

refers to the national objectives and directive principles of state policy as provided for in the Constitution, the laws of Uganda and Government policy.

The phrase "Government policy" is itself a potentially shifting standard: it is defined as a statement, decision or action of government on how a sector is regulated or governed. This means that an activity lawful today could become a regulated activity if Government policy changes tomorrow. Organisations should not assume that current compliance eliminates future risk.

d. Absence of Transitional Provisions

The Act contains no transitional or savings provisions. There is no grace period for existing agents to register, no grandfather clause for existing funding arrangements, and no lead time between commencement and criminal liability.

In practical terms: on the day the Act commences, every person who operates as an unregistered agent of a foreigner is in breach of Clause 14. Organisations that may fall within scope must begin compliance preparations before commencement.

e. Interference with Government Operations

Section 12 prohibits a person or an agent of a foreigner from soliciting or obtaining any assistance from a foreigner to sponsor or organise a meeting or any function with the aim of interfering with the operations of Government. Unlike Sections 5, 7, and 11, which were amended to include an "intentionally" or "knowingly" element, Section 12 does not include an explicit intent requirement in its drafting. This means that even inadvertent organisation of a meeting that is later characterized as aimed at interfering with Government operations could theoretically attract liability.

f. Influencing the Public to Oppose Government Policy

Section 2(2)(g) of the Act makes the Act applicable to a foreign agent who influences the public to oppose government policy. Organisations that rely on foreign funding and run community empowerment programmes face a particular risk: if the communities they work with subsequently oppose government policy at any level, the organisation itself could be characterised as having facilitated that opposition. Critically, after an empowerment programme concludes, the organisation has no control over the independent decisions of those communities yet it may still bear legal exposure under this provision.

g. Engagement in Political Activities

Ugandans have the right to engage in political activities, including supporting candidates of their choice. These same individuals may be employees of organisations that receive foreign funding. The Act does not address situations where an employee's political support is a personal, individual act that is entirely separate from their employer's activities. As currently drafted, organisations whose senior or mid-level staff are personally involved in politics risk being characterised as engaging in political activities, which could expose the organisation to liability and may also

have a chilling effect on Ugandans who wish to participate in politics in their personal capacity.

h. Economic Sabotage

Section 13 of the Act makes it an offence for an agent of a foreigner to knowingly publish false information that weakens, undermines, or damages the economic system or viability of Uganda, or that causes economic disruption or instability. This provision carries significant risk for organisations that regularly publish reports on government performance, poverty levels, fiscal management, or other economic indicators, a common and widely accepted practice in development and civil society work.

The core difficulty is that the determination of whether information is "false" is inherently contested. Government officials routinely dispute such reports, including those produced using credible and verifiable methodologies. Whether a report is characterised as "false" may therefore depend less on its accuracy and more on whether its conclusions are unfavourable to the Government. The Act provides no objective standard for what constitutes "weakening," "undermining," or "damaging" the economic system, nor does it define "economic disruption" or "instability." These are broad, undefined thresholds.

For organisations that receive foreign funding and produce such reports, the risk is compounded: the same report that attracts a falsity claim could simultaneously serve as the basis for characterising the publishing organisation as an agent of a foreigner. In practice, this creates a chilling effect since organisations may self-censor or soften findings to avoid regulatory exposure, which ultimately undermines the quality of public information available on matters of national economic concern.

7. RECOMMENDATIONS

The following recommendations are a general way forward to potentially affected entities:

- a. Conduct an internal "agent of a foreigner" risk assessment. Map all staff, partner organisations, local implementing agencies, sub-grantees, and consultants against the activity-based definition in Sections 1 and 2(2). The test is not about identity (who funds you) but about activity (what you do with those funds on behalf of or under the direction of a foreign funder). This should be coupled with legal advice and a review of grant and partnership agreements with foreign donors, if any.
- b. Map all foreign funding flows. Identify all inflows from foreign sources and determine whether each exceeds UGX 400 million within any 12-month period. Establish a system to track these flows and generate declaration-ready records.
- c. Engage your board and senior management. Ensure that governance-level

decision-makers understand the organisation's potential exposure under the Act and are empowered to make the necessary compliance decisions.

- d. Registration process may not start until the Regulations activating the Act are published by the Minister. Nevertheless, once your assessment concludes that you fall in the category of agent of a foreigner , organize all the registration requirements and be ready for registration.
- e. Maintain robust source-of-funds documentation for all foreign funding flows. Even where the exemption clearly applies, demonstrating the commercial nature of the flows is important in reducing the risk of regulatory scrutiny.
- f. Conduct training for senior and midlevel staff to understand the Act's provisions and available risks to the organisation.
- g. For supervised financial institutions;
 - i. Establish a customer classification process to identify clients that qualify, or may qualify, as agents of foreigners. Under Section 25, banks must confirm that an agent of a foreigner has properly declared funds before making those funds available.
 - ii. Update onboarding and KYC processes to capture information relevant to a customer's potential agent-of-foreigner status.

Conclusion

Even with the significant revisions made before the Act was passed by Parliament, and the various exemptions that were introduced, a number of provisions remain broadly drafted and subject to wide interpretation at the discretion of enforcement authorities. How the Act operates in practice will depend heavily on how it is applied at the enforcement level. Entities are therefore advised to remain vigilant and take proactive precautions to avoid being caught in early enforcement actions. The above recommendations are general and precautionary in nature; entities are strongly advised to seek tailored legal advice based on their specific programmes and funding arrangements.

Disclaimer

This alert is provided for general information purposes only and does not constitute legal advice. For specialized advice in relation to your individual circumstances, please us on info@onyangoadvocates.com

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