

BANK OF UGANDA & THE ENFORCEMENT OF A CASHLESS (DIGITAL) ECONOMY

*Understanding Uganda's Financial Digital Transition,
Its Implications, and the Questions Citizens Must Ask*

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Tech Should Serve Not Control

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Executive Summary

Uganda's financial system is undergoing a significant shift from physical cash to digital payments. In a recent circular issued on 4 June 2026, the Bank of Uganda (BOU) introduced structured policy measures — most notably, over-the-counter (OTC) cash withdrawal limits effective 1 January 2027.

Daily and weekly withdrawal caps apply to all accounts at supervised financial institutions:¹

- Individual accounts: UGX 50 million daily / UGX 250 million weekly
- Corporate accounts: UGX 500 million daily / UGX 2.5 billion weekly

The stated objectives are to strengthen payment system efficiency, reduce cash-handling dependence, enhance transaction traceability, and expand electronic financial infrastructure.

This policy marks a structural shift in how liquidity is accessed and managed — touching on financial inclusion, digital infrastructure resilience, transaction privacy, and the long-term role of cash in Uganda's economy. Uganda is not alone: governments worldwide are exploring cashless systems and Central Bank Digital Currencies (CBDCs), sparking debate over surveillance, cybersecurity, exclusion of vulnerable populations, and the concentration of financial power.

This Information Pack examines Uganda's payment system evolution within global digitalisation trends. The goal is not to oppose innovation, but to ensure that Uganda's digital transition remains inclusive, transparent, resilient, and grounded in public consultation.

The shift will unevenly affect churches and faith organisations (anonymous giving), businesses and traders (fees and inconveniences), agriculture (rural connectivity gaps), youth (surveillance risks), NGOs (transaction scrutiny), while benefiting banking and Fintech—though with greater cybersecurity and ethical responsibilities.

Key Concerns and the Questions Citizens Must Ask include; the future of cash as legal tender, privacy safeguards, data ownership, network outage resilience, political abuse risks, rural adaptation, potential compulsory participation, oversight mechanisms, constitutional protections, financial programmability, and the roles of Parliament and public consultation.

Some of the recommendations are; Preserve cash as legal tender; hold broad national consultations; establish digital rights and privacy protections; ensure transparency; create independent oversight; guarantee offline financial resilience; protect rural and vulnerable groups; require parliamentary review for major digitisation policies; strengthen cybersecurity; and balance innovation with constitutional freedoms.

¹ Bank of Uganda. (2026, June 4). *Introducing over-the-counter cash withdrawal limits*. https://bou.or.ug/uploads/Introducing_Over_the_Counter_Cash-Withdrawal_Limits_2c8cb9a420.pdf

SECTION 2

How Uganda Is Implementing This Agenda

Since the COVID-19 pandemic, Uganda has steadily intensified its push toward a cashless economy through a series of incremental policy steps.

Step 1 — Cheque Limit Reductions (2021)

The BOU halved cheque limits to nudge consumers toward digital transfers:

- UGX: 20 million → 10 million
- USD: 5,500 → 2,750
- Euro: 4,500 → 2,250
- GBP: 4,400 → 2,200
- KES: 600,000 → 300,000²

Step 2 — Further Reductions (Effective 2027)

Citing the behaviour change it engineered in 2021, the BOU is now lowering OTC withdrawal thresholds and halving cheque limits again:

- UGX: 10 million → 5 million
- USD: 2,750 → 1,375
- Euro: 2,250 → 1,125
- GBP: 2,200 → 1,100
- KES: 300,000 → 150,000³

The Broader Context

These measures sit within an expanding ecosystem of mobile money, Fintech platforms, digital tax administration, and anti-money laundering frameworks. Officially, the goals are to improve efficiency, reduce cash-handling risks, combat illicit financial flows, and modernise infrastructure.

However, the cumulative effect is to gradually reduce citizens' practical ability to freely use physical cash — a concern that is not merely technological, but constitutional, economic, and societal.

² NCBA Bank Uganda. (2021, December 15). *New cheque limits*. <https://ug.ncbagroup.com/new-cheque-limits/>

³ Bank of Uganda. (2026, June 04). *Lowering interbank cheque value limits*. https://bou.or.ug/uploads/Lowering_Interbank_Cheque_Value_Limits_03b7ed2b24.pdf

SECTION 3

Understanding the Cashless Economy

A cashless economy is one where physical cash transactions are significantly reduced or replaced by digital methods — including bank transfers, mobile money, debit/credit cards, QR-code payments, digital wallets, and eventually Central Bank Digital Currencies (CBDCs).

The Case For

Supporters point to convenience, speed, reduced handling costs, better tax collection, lower theft risk, and greater transparency. In many countries, digital payments already dominate urban and formal economies.

The Case For Caution

Unlike physical cash, digital transactions depend entirely on electricity, internet, telecoms, banking networks, software, and regulatory permissions. This introduces new vulnerabilities:

- **Resilience:** What happens to access to money during outages, internet shutdowns, or system failures?
- **Control & programmability:** Could digital money enable conditional access or programmable restrictions? Isn't this a path toward programmable financial controls and the introduction of a CBDC, or a **digital shilling** in Uganda's context?
- **Privacy & governance:** Who controls transaction data, and what does full traceability mean long-term?
- **Inclusion & safeguards:** How are rural communities protected, what about cyber risks, and does cash remain viable?

Physical cash works offline, allows peer-to-peer exchange without third-party permission, and provides a degree of privacy and autonomy. The central question is whether digital transformation can occur without eliminating these freedoms.

Digital ID completes the cashless agenda

Digital ID is what *locks in* the cashless policy.

NIN for SIM cards and mobile money. NIN for Bank accounts and Fintechs. The NIN has also become the Tax Identification Number (TIN) and the gateway to services.

At the same time, after the year 2020 (the Covid-19 era), the National Identification and Registration Authority (NIRA) is aggressively registering everybody, including children, while making the NIN more biometric through advanced data collection such as iris scans.

A cashless economy cannot work without a Digital ID. This is why, as Bank of Uganda enforces digital payments, NIRA is intensifying the implementation of a biometric ID system, and access to services requires the NIN as the primary gateway.

SECTION 4

What Is a CBDC?

A Central Bank Digital Currency (CBDC) is a digital form of national currency issued and controlled directly by a central bank — not a private cryptocurrency, but state-issued legal tender in digital form. Unlike existing mobile money, a CBDC represents direct central bank money.

Stated Benefits

Improved payment efficiency, Greater financial inclusion, Reduced transaction costs and Stronger monetary policy implementation.

Core Concern: Programmability

CBDCs and generally digital transactions can be designed with conditions attached to their use. Theoretically, this could include:

- transaction limits
- expiration dates
- restrictions on certain purchases
- geographic limitations and
- automated compliance triggers.

The government gains full visibility into how, why, where, and when you spend — and holds the button that switches on and off that very ability to spend.

With programmable money, dissent is not criminalised. Instead, it is punished silently through compliance. Programmable money enforces conformity

Even where safeguards exist initially, the technological architecture of programmable money creates capabilities for financial oversight and control that have never existed before. Citizens and lawmakers must evaluate this carefully.

Global, Regional & Local Trends⁴

The global Cashless and CBDC transition is uneven — some countries are deploying, others are piloting cautiously, and a growing number are slowing or resisting due to concerns over privacy, sovereignty, and financial freedom.

Advanced Implementation

- **China — Digital Yuan (e-CNY):** Integrated into transport, retail, and public services across multiple cities. Critics warn of extensive state-linked financial monitoring.
- **Sweden —** One of the world's most cashless societies (no formal CBDC yet), but concerns persist around elderly exclusion, cyber vulnerabilities, and system resilience.

Piloting

- **Nigeria, the Bahamas, and Jamaica** launched live retail CBDC systems in 2023. Nigeria's eNaira—Africa's most visible CBDC experiment—was introduced during a period of cash shortages and government-imposed withdrawal limits, triggering widespread public anger.
- **Ghana — e-Cedi:** Focused on financial inclusion for unbanked and rural populations with offline capability. Infrastructure readiness remains a concern.
- **United Kingdom —** Exploring a Digital Pound with deliberate caution. No launch decision made; privacy fears and low public trust have slowed momentum.

Active Resistance

- **European Union —** Digital Euro continues to face strong institutional and civil society resistance over privacy, surveillance, and sovereignty concerns. A contested policy battleground.
- **United States —** Politically divided. During his 2024 campaign, President Trump publicly opposed a CBDC on financial privacy grounds, favouring private digital assets instead.

Non-Committal

- **Kenya —** Cautious approach via the Central Bank of Kenya. Evaluating CBDCs primarily for cross-border payments, but policy focus remains on strengthening M-Pesa. No confirmed rollout timeline.

Uganda

Since October 2025, the BOU has been testing a Digital Shilling on a permissioned blockchain in partnership with the Global Settlement Network (GSN) and Diacente Group — anchoring a \$5.5 billion tokenisation initiative in the Karamoja GISEZ. In March 2026, the BOU issued a call for consultants to conduct a formal CBDC feasibility study.⁵

⁴ Model Diplomat. (2026). *Atlantic Council CBDC Tracker*. <https://modeldiplomat.com/learn/glossary/atlantic-council-cbdc-tracker>

⁵ Nelson, O. (2025, October 9). *Uganda launches CBDC pilot in \$5.5 billion tokenization drive*. Mariblock. Web address: <https://www.mariblock.com/stories/uganda-launches-cbdc-pilot-in-5-5-billion-tokenization-drive>

Who is Engineering the Cashless Agenda & CBDCs?⁶

The push for a Cashless Agenda and Central Bank Digital Currencies (CBDCs) is coordinated globally by a powerful network of international financial institutions, national governments, central banks, and private technology monopolies.

Global Intergovernmental and Standards Bodies

These organisations do not issue currency themselves, but they design the frameworks, research, and technical rules that accelerate the global shift away from cash:

- **Bank for International Settlements (BIS):** Known as the "central bank of central banks," the BIS coordinates international CBDC research through its BIS Innovation Hub, actively testing multi-CBDC cross-border payment networks.
- **International Monetary Fund (IMF):** Actively provides technical assistance to developing nations to build CBDC infrastructure, arguing it will streamline tax collection and stabilize monetary policy.
- **World Economic Forum (WEF):** Operates the *Digital Currency Governance Consortium*, which directly aligns public policymakers with private tech giants to pilot cashless environments.
- **The Better Than Cash Alliance:** A UN-hosted partnership (including governments like the US and India, alongside corporations) specifically dedicated to transitioning governments and companies from cash to digital payments.
- **World Bank:** Pushes developing nations toward digital infrastructure and CBDCs through targeted programs, such as; **Bali Fintech Agenda** replaces cash with private Fintech and mobile money. **G2Px Initiative** digitises benefits, salaries, and tax collection. **CBDC Advisory Services** supply legal and technical blueprints for retail digital currencies. **ID4D** funds biometric national ID systems as the security backbone for electronic transactions.

Central Banks

Over 130 countries representing more than 98% of global GDP are actively exploring or deploying CBDCs: The leading ones are The People's Bank of China (PBOC), The European Central Bank and Bank of England. Early adopters are Nigeria, Bahamas and Jamaica.

Bank of Uganda (BoU) is aggressively accelerating the transition via a strict "**e-payments strategy**".⁷

Private Financial Institutions and Payment Networks

Visa and Mastercard, Fintech and Telecom Giants. Super-apps like China's Alipay and WeChat Pay, alongside massive African mobile money systems; M-Pesa, MTN Mobile Money and Airtel Money.

⁶ Further Research Areas

IMF and Bank for International Settlements (BIS) papers on CBDCs | African Fintech transformation studies | Digital identity and cyber-security risk assessments | Financial inclusion reports for Sub-Saharan Africa | Atlantic Council. (n.d.). Digital currencies. <https://www.atlanticcouncil.org/issue/digital-currencies/>

⁷ Bank of Uganda. (2021). *Uganda national e-payments strategy 2021–2026*. <https://bouuganda.com/bouwebsite/bouwebsitecontent/PaymentSystems/Uganda-National-E-Payments-Strategy-2021-2026.pdf>

Risks, Concerns & National Implications

Financial Exclusion

Large portions of Uganda's economy remain informal and cash-dependent. Rural populations, elderly citizens, small-scale traders, and technologically disadvantaged communities risk being left behind if digital systems become mandatory.

Infrastructure Vulnerability

Digital finance depends on electricity, telecoms, and internet connectivity. National outages, cyber-attacks, or infrastructure failures could sever access to funds entirely.

Surveillance & Privacy

Digital transactions create extensive data trails. Key questions: Who stores financial data? How long is it retained? Who can access it? Do citizens retain meaningful financial privacy?

Centralisation of Financial Power

As systems digitise, greater control shifts toward centralised institutions and technology platforms — raising governance questions about accountability, abuse prevention, and democratic oversight.

Programmable Financial Controls

The architecture of digital finance could eventually enable systems where access to money is conditional, monitored, or restricted. Even where safeguards exist today, the long-term implications of this capability demand public debate.

Cultural & Societal Transformation

Cash is embedded in informal markets, community exchange, religious giving, cultural ceremonies, and local economic traditions. A rapid transition away from cash may fundamentally reshape social and economic life.

SECTION 8

Sector-by-Sector Impact

The transition will affect different groups in different ways:

- **Churches & Religious Institutions** — Anonymous giving, rural ministry operations, and financial independence may all be affected.
- **Small Businesses & Informal Traders** — Market vendors, kiosks, and boda riders face transaction fees, greater tax visibility, technology barriers, and operational disruptions.
- **Agriculture** — Farmers and rural cooperatives in low-connectivity environments are particularly disadvantaged by digital-only systems.
- **Youth & Students** — Fast adapters, but increasingly exposed to digital surveillance, financial profiling, and algorithmic control systems.
- **Civil Society & NGOs** — More vulnerable to transaction monitoring, financial restrictions, or scrutiny within centralised digital ecosystems.
- **Banking & Fintech** — Stand to benefit from expanded digital transactions and data flows, but carry greater responsibility for cyber-security, ethical data management, and consumer protection.

SECTION 9

Questions Ugandans Must Ask

These are not anti-progress questions. They are necessary in any democratic society navigating large-scale financial transformation.

- Will physical cash remain protected as legal tender?
- What safeguards protect financial privacy?
- Who owns citizens' transaction data?
- What happens during network outages or cyber-attacks?
- Can digital financial systems be abused politically?
- How will rural populations adapt?
- Will participation in digital systems eventually become compulsory?
- What independent oversight mechanisms exist?
- How are constitutional freedoms protected within digital economies?
- What limits exist on financial programmability?
- What public consultations have been conducted?
- What role should Parliament play?
- How can innovation be balanced with liberty?
- How does a cashless economy affect each Sector?

Recommendations

The following are the proposals for national consideration:

1. Preserve physical cash as protected legal tender.
2. Conduct broad national consultations involving Parliament, religious leaders, civil society, traders, universities, economists, and technology experts.
3. Establish clear digital rights and privacy protections before expanding digital financial enforcement.
4. Ensure all future cashless policy discussions remain transparent and publicly accessible.
5. Create independent oversight frameworks for digital financial systems.
6. Guarantee offline financial resilience during outages and emergencies.
7. Protect rural and vulnerable populations from exclusion.
8. Require parliamentary review for major financial digitisation policies.
9. Strengthen cyber-security infrastructure before deeper digitisation.
10. Promote balanced innovation that preserves both technological advancement and constitutional freedoms.

Key Themes for National Discussion

- Financial sovereignty and constitutional freedoms
- Privacy and data ownership in digital systems
- Technology governance and public accountability
- Ethical digital transformation

Uganda's financial future must remain citizen-centred, transparent, resilient, and accountable.

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