

Promoting **digital remittances** through **postal networks** in Uganda

Implemented by



Project overview

DURATION



PROJECT GOAL

To enhance the financial resilience and economic empowerment of Ugandan remittance families through innovative, cheaper, inclusive and replicable remittance solutions from the European Union (EU).

IMPLEMENTING PARTNERS

Eurogiro is a part of **Inpay A/S**, a Danish financial technology (fintech) company serving over 40 postal operators, postbanks, money transfer operators (MTOs) and financial institutions worldwide.

- **PostBank Uganda (PBU)** is the fourth largest commercial bank in Uganda and active in the international remittance business. PBU has a network of 50 branches, 14 mobile branches and over 1,000 agents. It enables Ugandans abroad and refugees in Uganda to open bank accounts.
- **Posta Uganda (PU)** has 155 post offices in the country, with more than 140 outside Greater Kampala Metropolitan Area. PU is licensed as a super-agent for payments and agency banking, and 26 post offices are licensed to channel international remittances. PU is also a non-exclusive agent for PBU, as well as several other banks and mobile network operators.

BUDGET

Total: **EUR 540,000**
IFAD: **EUR 370,000**
Eurogiro: **EUR 170,000**

SECTOR

☒ **Private** ☐ Public

GEOGRAPHIC TARGET

Rural Uganda and the remittance corridors with the Netherlands and Sweden

TARGET GROUP

7,000 remittance recipients in rural Uganda and 3,500 Ugandan migrants in EU countries

PROJECT OBJECTIVES



COST REDUCTION

Implement a unique private–public partnership through Eurogiro’s PostalPay branded app, which allows senders to remit to Uganda conveniently. A multi-MTO cashier solution will ease cash-out operations in the last mile and will also contribute to enhance competition and price transparency.



DIGITALIZATION

Provide innovative solutions and financial literacy to send and receive remittances.



FINANCIAL INCLUSION

Link remittances with basic financial services for recipient families in rural areas of Uganda.



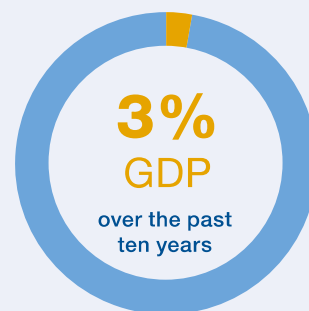
FORMALIZATION

Expand formal channels for international remittances by using the existing physical and digital postal infrastructure, with a potential for replication in other postal networks across sub-Saharan Africa.

Remittance context in Uganda

- In 2019, Uganda's population was 44.3 million. According to estimates,¹ around 875,000 Ugandans, equal to 2 per cent of the population, reside outside the country.
- 64 per cent of the Ugandan diaspora lives in Kenya, South Sudan and Rwanda. Other top destinations are the United Kingdom, the United States, Canada, Sweden and Germany (UN DESA, 2019).
- Uganda is host to one of the largest refugee populations in the world and the largest in Africa.
- In 2021, international remittance flows to Uganda reached US\$1.08 billion, representing 3 per cent of its gross domestic product (GDP) for the past decade.
- Uganda ranks in the top 10 of remittance recipient countries in sub-Saharan Africa.

REMITTANCES



Source: MobileRemit Africa 2022.

Main challenges and market barriers

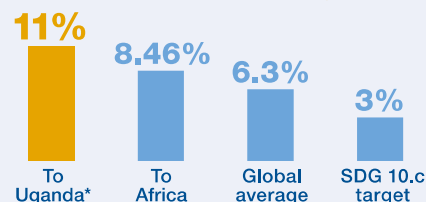
SENDING REMITTANCES TO UGANDA IS STILL EXPENSIVE



Despite recent improvements, the cost of sending remittances to Uganda is high by both global and African standards. The average cost of sending a US\$200 remittance in 2021 was 11.3 per cent. This is significantly higher than the global average of 6.3 per cent for Q3 2022 and the African average of 8.46 per cent.

FAST FACTS

AVERAGE COST TO SEND US\$200



*Source: RemitSCOPE 2021.
Source: World Bank Q3 2022.

GAPS IN FINANCIAL INCLUSION AND DIGITALIZATION REMAIN DESPITE HIGH MOBILE UPTAKE



Uptake of digital means of sending and receiving money is hindered by the lack of financial and digital literacy, as well as the lack of trust in digital payment methods.

Mobile money and digital financial services have driven Uganda's financial inclusion rate to 78 per cent, the second highest in East Africa (FinScope, 2018). However, 43 per cent of adults still use cash for making payments, with a substantial gap between urban (24 per cent) and rural areas (49 per cent). This proportion is lower for remittance recipients who are more financially included than the rest of the population and, to a certain extent, less cash-based.

Considering that informal in-cash methods account for 10 per cent of the total value, increasing the use of digital remittances, payments and financial literacy is a priority.

4 OUT OF 5 ADULTS



FINANCIALLY INCLUDED

Source: FinScope 2018.

THE LOW NUMBER OF REMITTANCE ACCESS POINTS IN RURAL AREAS CREATES AN URBAN BIAS



Although 75 per cent of Ugandans live in rural areas (Worldometers, 2020), 85 per cent of remittances terminate in urban areas, according to BoU data. This urban bias is due to a higher concentration of remittance access points therein. Aside from such gap, the overall number of remittance access points per inhabitant at national level is low, at 2 per 100,000 people, as compared to the 7 in neighbouring Kenya.

MobileRemit INDEX SCORE

84

UGANDA IS IN THE TOP DECILE OF COUNTRIES WITH A FAVOURABLE OPERATING ENVIRONMENT FOR MOBILE REMITTANCES

IFAD's MobileRemit index measures the potential for mobile remittances in a given country

Source: MobileRemit Africa 2022.

^{1/} United Nations Department of Economic and Social Affairs (UN DESA, 2019) and German Agency for International Cooperation (GIZ, 2020).

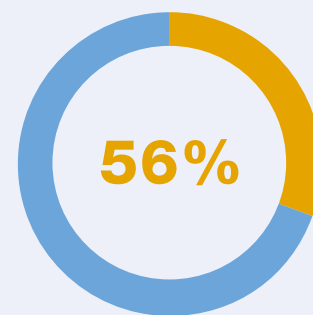
THERE IS STILL A HIGH PERCENTAGE OF INFORMALITY TO SEND MONEY HOME



The 2018 Bank of Uganda Annual Personal Transfer Survey reports that 27 per cent of people use informal channels, resulting in 10 per cent of total remittance flows to Uganda. Comparatively, for remittances sent to neighbouring countries, the prevalence of informal methods is estimated to be much higher due to the high transfer costs and the accessibility of land borders.

As stated above, the lack of access points in rural areas bolsters informal patterns to distribute money at the last mile, with urban dwellers receiving remittances from abroad on behalf of their rural relatives and re-sending them or carrying cash in hand to the final recipient.

MOBILE MONEY



**OF ADULT POPULATION
HAS ADOPTED MOBILE MONEY**

Source: Finscope 2018.

Project description

IFAD is partnering with Eurogiro under the PRIME Africa initiative to promote digital remittances through PostBank Uganda and Posta Uganda in rural areas of the country. The project leverages Eurogiro's PostalPay app for sending international remittances into PBU accounts and to PBU and PU branches for cash payouts. PostalPay promotes both a physical and a digital method to pursue financial inclusion at the last mile.

Project activities include:

1. MARKET RESEARCH

To assess the needs of Ugandan senders in the Netherlands and Sweden, as well as recipients in rural Uganda, a market research will be carried out to adapt Eurogiro's forthcoming digital remittance solutions.

2. TECHNOLOGICAL INNOVATIONS

Senders in the Netherlands and Sweden will have access to Eurogiro's PostalPay app. In parallel, recipients will be able to choose their preferred way of receiving money and notify their relatives abroad. Furthermore, the project supports the integration of Eurogiro's "Financial Supermarket" in PBU and PU, allowing it to engage with additional MTOs while promoting greater market competition.



3. COMMUNITY OUTREACH

Marketing among senders, digital financial literacy and product awareness training for remittance recipients will enable broader project outreach. Supported by PBU staff – including tellers and agents – training will focus on the use and benefits of digital financial products and services leveraged by remittances (such as mobile money accounts, savings or loans).

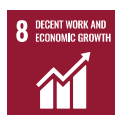
Expected results

A SHIFT TO INCLUSIVE, END-TO-END DIGITAL REMITTANCES AT A LOWER COST

- ➔ At least 6,000 Ugandan remittance senders and recipients will start using the PostalPay app, Eurogiro's digital remittance channel;
- ➔ Remittance costs through Eurogiro's PostalPay app will be reduced to 2,5 per cent of the sent amount, in line with SDG target 10.c;
- ➔ More than 30,000 people in Uganda will benefit from increased financial education and awareness of digital remittances; and
- ➔ Media and communications about digital remittances will benefit over 250,000 adults in Uganda.

RELEVANCE FOR THE DEVELOPMENT AGENDA

SUPPORTING SUSTAINABLE DEVELOPMENT GOALS



Global Compact
FOR Migration
OBJECTIVE 20



GPII

Global Partnership
for Financial Inclusion



2015
VALLETTA
SUMMIT ON MIGRATION

LINKS AND REFERENCES



IFAD's
Financing
Facility for
Remittances



The PRIME
Africa
initiative



RemitSCOPE
– Uganda
country
diagnostic



Press release
announcing
project launch



International Fund for Agricultural Development
Financing Facility for Remittances
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The International Fund for Agricultural Development (IFAD) is a specialized agency of the United Nations and an international financial institution, with the mandate to invest in rural people to eradicate poverty in low- and middle-income countries.

IFAD's US\$65 million multi-donor Financing Facility for Remittances (FFR) aims at maximizing the impact of remittances on development and promoting diaspora engagement in migrants' countries of origin.

The Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME) is a EUR 15 million initiative funded by the European Union and implemented by IFAD's FFR, aimed at improving the management of remittances and their use for development impact in selected African countries.

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