

# 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

Accelerate the use of digital products and strengthen the digital payments ecosystem to facilitate international remittance transfers to Uganda.



### FINANCIAL INCLUSION

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



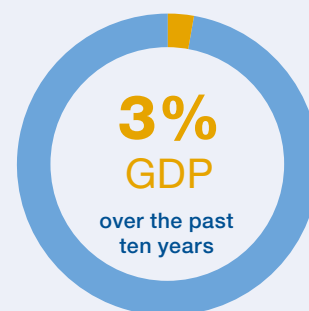
### FORMALIZATION

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,<sup>1</sup> around 875,000 Ugandans (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 2022, international remittance flows to Uganda reached US\$1.2 billion. These flows have represented 3 per cent of its yearly gross domestic product (GDP) during the past decade.
- Uganda is among the top 10 remittance recipient countries in sub-Saharan Africa.

### REMITTANCES



Source: MobileRemit Africa 2022.

## Main challenges and market barriers

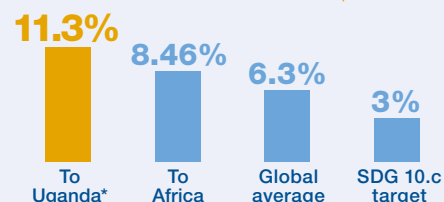
### SENDING REMITTANCES TO UGANDA IS STILL EXPENSIVE



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.

### 4 OUT OF 5 ADULTS



FINANCIALLY INCLUDED

Source: FinScope 2018.

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



According to Bank of Uganda data, although 75 per cent of Ugandans live in rural areas (Worldometers, 2020), 85 per cent of remittances terminate in urban areas. 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

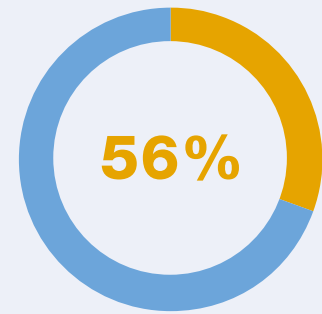


The 2018 Bank of Uganda Annual Personal Transfer Survey reports that 10 per cent of total remittance flows to Uganda (US\$ 98 million) are received via informal channels, corresponding to 27 per cent of households receiving money informally. Such phenomenon is explained by the lack of cost transparency, especially in remote transactions such as mobile-to-mobile and cross-border remittances, lack of financial literacy and lack of access points.

Informal remittance outflows to neighbouring countries are estimated to be much higher, due to the high costs and relative proximity with many people travelling over land.

The lack of access points in rural areas bolsters informal methods to send money to 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 (PBU) and Posta Uganda (PU) 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. The PostalPay app 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 means of receiving money and notify their relatives abroad. Greater competition in the market will be sought through the integration of Eurogiro's "Financial Supermarket" in PBU and PU, as additional MTOs will be engaged.



### 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



GPFI  
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

Via Paolo di Dono, 44 – 00142 Rome, Italy

Tel: +39 06 54592012 – Fax: +39 06 5043463

Email: [ifad@ifad.org](mailto:ifad@ifad.org)

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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.

For more information please contact [remittances@ifad.org](mailto:remittances@ifad.org)

[remittances.uganda@ifad.org](mailto:remittances.uganda@ifad.org)

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