Promoting affordable digital remittances in rural Uganda

**Expected results**

- At least 1,500 senders (in Kenya and Sweden) use the FlexiPay e-wallet to send remittances and 4,500 use it to receive them (1,500 from Kenya and Sweden, and 3,000 receivers from other corridors).
- Remittance costs through the FlexiPay app are reduced on average to 2.8 per cent of the sent amount for the Sweden-to-Uganda corridor and to 1.7 per cent for the Kenya-to-Uganda corridor.
- 1,800 SACCO members receive financial literacy training.
- 600 SACCO members increase their savings by 10 per cent, compared to the initial baseline.

**Project overview**

**DURATION**

- **2022** Launch
- **2023** Mid-term
- **2024** Completion

**PROJECT GOAL**

Enhance the financial resilience of Ugandan receiving families through cost-effective digital channelling of remittance flows and financial literacy training.

**IMPLEMENTING PARTNERS**

Stanbic Bank Uganda (SBU) is the largest commercial bank in the country, with a strong access network covering rural and peri-urban areas. A large percentage of all remittances received in Uganda are managed by SBU.

**GEOGRAPHIC TARGET**

All regions of rural Uganda and its corridors with Kenya and Sweden.

**PROJECT OBJECTIVES**

- **COST REDUCTION**
  - Reduce the cost of sending and receiving remittances in Uganda through simplified onboarding procedures needing only a national ID and a phone number.
- **DIGITALIZATION**
  - Accelerate digitalization of international remittances in Uganda.
- **FINANCIAL INCLUSION**
  - Leverage remittances to deepen financial inclusion through financial literacy training and product awareness on domestic and international payments to selected SACCO members.
- **FORMALIZATION**
  - Promote greater access and use of formal international remittance transfers to Uganda.

**RELEVANCE FOR THE DEVELOPMENT AGENDA**

**SUPPORTING SUSTAINABLE DEVELOPMENT GOALS**

**OBJECTIVE 20**

**BUDGET**

- **Total:** EUR 785,000
- **IFAD:** EUR 335,000
- **Stanbic Bank:** EUR 450,000

**TARGET GROUP**

4,500 remittance recipients in Uganda; 1,500 remittance senders from Kenya and Sweden; and 1,800 savings and credit cooperative (SACCO) members.

**LINKS AND REFERENCES**

- IFAD’s Financing Facility for Remittances
- The PRIME Africa initiative
- RemitSCOPE – Uganda country diagnostic

**FOR MORE INFORMATION PLEASE CONTACT**

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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 USD$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 co-financed 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
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Remittance context in Uganda

- In 2019, Uganda’s population was 44.3 million. According to estimates, about 875,000 Ugandans (2% of the population) reside outside the country.

- Sixty-four 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 (1.4 million people).

- In 2022, international remittance flows to Uganda reached US$1.2 billion. For the past decade, these flows have represented 3 per cent of the country’s yearly gross domestic product (GDP).

- Uganda is among the top 10 remittance recipient countries in sub-Saharan Africa.

Main challenges and market barriers

**SENDING REMITTANCES TO UGANDA IS STILL EXPENSIVE**

Despite recent improvements, the cost of sending remittances to Uganda is among the highest 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.

**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.

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

According to the Bank of Uganda data, although 75 per cent of Ugandans live in rural areas (Worldometers, 2020), 65 per cent of remittances terminate in urban areas. This urban bias is due to a higher concentration of remittance access points therein. Aside from this 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 seven in neighbouring Kenya.

**FAST FACTS**

- **AVG. COST TO SEND US$200**
  - To Uganda: 8.8% GDP
  - To Africa: 6.3% GDP
  - Global average: 3% GDP
  - SDG 10 c target: 6.3%

- **4 OUT OF 5 ADULTS FINANCIALLY INCLUDED**

**INDEX SCORE**

- **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.

**MOBILE MONEY**

- **44% OF THE ADULT POPULATION HAS ADOPTED MOBILE MONEY**

- Source: FinScope 2018.

**PROJECT DESCRIPTION**

IFAD is partnering with SBU under the PRIME Africa initiative to promote affordable digital remittances in rural Uganda. In 2021, SBU launched a new e-wallet called FlexiPay, with a simplified onboarding process that facilitates underbanked clients. By leveraging on this new product, the IFAD project will enable the integration of cross-border remittances into the FlexiPay e-wallet at a cost below the market average for the Kenya-to-Uganda and Sweden-to-Uganda remittance corridors. In order to drive the adoption of the e-wallet among rural remittance recipients, the project will advance SBU’s strategy with rural SACCOs. In addition, Stanbic Bank Incubator will offer digital and financial literacy to SACCOs’ staff, who will in turn train SACCO customers.

Project activities include:

1. **TECHNOLOGICAL IMPROVEMENTS**
   - to SBU’s FlexiPay app to include remittance transactions.

2. **STRATEGIC PARTNERSHIPS**
   - with at least five remittance service providers to extend affordable digital remittance services from Kenya and Sweden to Uganda.

3. **CUSTOMER AWARENESS**
   - of the FlexiPay app digital services through marketing campaigns in Kenya, Sweden and Uganda, including sponsored diaspora events. In addition, every SBU branch in Uganda will contract local community women and youth as branch foot sellers to onboard new customers in rural Uganda.

4. **DIGITAL AND FINANCIAL LITERACY TRAINING FOR SACCOs.**
   - In partnership with the Stanbic Bank Incubator, SBU will conduct training-of-trainers’ sessions for SACCO staff, to in turn train SACCO members on digital payments (domestic and international remittances) and basic financial skills (budgeting, savings and financial tools).