



## Uganda



➔ Digital payment systems reduce risk of fraud and theft and improve safety and efficiency of transactions.

# Digitizing Payments for Beneficiaries in Uganda

**Cross-Cutting Focus Area:**  
Financial Services and Agriculture

**Service Provided:**

- ▶ Strategic Needs Assessment
- ▶ Implementation Strategies and Planning
- ▶ Solution Development and Deployment
- ▶ Scaling and Diffusion

**Partners:**

- ▶ Bill & Melinda Gates Foundation
- ▶ Financial Sector Deepening Uganda (FSDU)
- ▶ Ugandan mobile payment providers
- ▶ United States Agency for International Development (USAID)
- ▶ United Nations Capital Development Fund (UNCDF)
- ▶ International Finance Corporation (IFC)

### Challenge

Uganda is a compelling environment for applying information and communication technologies to development (ICT4D). While not as far along as neighboring Kenya in terms of mobile infrastructure and services, there is a strong government commitment to technology-enhanced solutions. In addition, the lack of existing digital systems makes it a green field for ICT4D initiatives, which can be easier than integrating with legacy systems. Uganda is also the youngest country in the world, with over 50 percent of its population under 18 years old. If solutions are rapidly adopted by young users, there is an opportunity to address a wide range of social and economic issues within a generation.

Uganda is one of the top aid recipients in the world, and much of this aid goes to training and capacity building. In 2012, for example, USAID partners distributed \$43 million for training stipends and per diems for their program participants. Nearly all of these disbursements were made in cash. This is problematic, as cash is subject to theft and fraud and expensive to manage. Shrinkage, transport time, lost productivity, drivers and security guards, and onsite accounting staff all add to the cost of using cash.



→ *Transitioning to bulk digital payments saves time, increases security, limits staff liability, and makes accounting more accurate and transparent.*

**Small-scale implementations (i.e., “pilot projects”) demonstrate proof-of-concept and can be a critical first step in scaling solutions.**

**Bulk payments are scalable in rural areas but require effort and investment.**

## Resources

- [Bulk Payments Implementation Toolkit](#)
- [Impact Story From the Field](#)
- [Overview of the Digital Bulk Payments Landscape in Uganda](#)

### Solution

In 2013, the USAID mission in Uganda began looking for a way to transition from cash to digital bulk payments. Vital Wave was commissioned to develop a strategy for USAID partners to make bulk payments through mobile phones to their program beneficiaries. For the next nine months, Vital Wave conceived and managed a proof-of-concept bulk payment pilot for beneficiaries and staff in six USAID partner organizations in Uganda. The company worked closely with aggregators and mobile network operators (MNOs) to establish the tools and processes required for a smooth, reliable bulk payment system.

This proof-of-concept identified a number of technical and operational challenges that needed to be addressed in order to scale bulk payments in Uganda. Aggregators, who managed payments and ensured technical interoperability between MNOs, customers, and banks were undercapitalized and lacked skilled staff. MNOs had rigid pricing, processes, and risk management policies. As a result, an additional two-year engagement followed the proof-of-concept to address these challenges and onboard additional rural-based bulk payers.

Over three years, Vital Wave worked closely with mobile payment service providers to improve their policies and operations and to secure funding for aggregators to develop innovative new features and functions. The firm instituted risk management practices and supported the development of Uganda’s first tiered Know-Your-Customer (KYC) process. The effort also included the onboarding of four large rural agricultural bulk payers and two NGOs to transition from cash to digital payments.

### Results

The project was very successful. Bulk payers continue to use digital payments for beneficiaries and staff, and assert they will not return to using cash. The ability to make bulk digital payments saves time, increases security, limits staff liability, and makes accounting more accurate and transparent. Though concerns remain around agent liquidity, particularly in rural areas, program beneficiaries generally prefer digital payments because they are safer than traveling with large amounts of cash.

Though some development workers and government officials complain of “pilot fatigue,” the proof-of-concept project demonstrated why small-scale implementations can be a critical first step in scaling sustainable solutions. If the bulk payments solution had been launched at scale from the onset, it likely would have overwhelmed service providers and fostered mistrust and aggravation among implementing partners and their beneficiaries. The pilot shed light on underlying weaknesses in Uganda’s mobile money ecosystem, providing direction for future development activities.

The ecosystem is now growing organically. Over the last two years, the number of bulk payment clients has grown from 58 to 144 just among the top three aggregators Vital Wave worked with. The number of transactions made (meaning, the number of people paid) per month has gone from 15K to 113K and the volume transacted has increased 840 percent to over \$6.5 million USD per month. Bulk payer operations have also improved, nearly eliminating the number of wrong numbers from 25 percent to 1 percent as a result of improved aggregator processes and best practices.