Regional Harmonization of Remittance Policies in the Intergovernmental Authority on Development (IGAD)

Uganda

Data and analysis in this report reflect the period up to November 2023

304 E 45th Street,
New York, United States

Email: info@uncdf.org

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ABOUT THIS REPORT

This is a diagnostic report for Uganda as part of a wider project on harmonizing remittance policies in the Intergovernmental Authority on Development (IGAD) region, prepared by the United Nations Capital Development Fund (UNCDF) and the IGAD Secretariat, with the objective of improving the IGAD countries' current and ongoing policy and regulatory framework development and other initiatives relating to remittances.

The United Nations Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers last-mile finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's digital agenda for migration and remittances falls within the organization's broader corporate strategy, set forth in 2019, of Leaving No One Behind in the Digital Era. On the other hand, the Intergovernmental Authority on Development (IGAD) is a regional economic community (REC) created by its Member States—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—to enhance regional cooperation in three priority areas of food security and environmental protection, economic cooperation, regional integration, and social development peace and security. The founding leaders of IGAD were motivated by a vision where the people of the region would develop a regional identity, live in peace, and enjoy a safe environment alleviating poverty through appropriate and effective sustainable development programmes.

Remittances can act as a catalyst for sustainable development at the individual, household, community and national levels as a source of greater disposable income for migrant families that can lead to increased consumption and investment. The size and scale of global remittances create the possibility of harnessing these flows through digital channels toward productive investment in health, education and local businesses, thus contributing to the long-term development of countries around the world. An effective policy and regulatory framework that balances innovation and risk will be critical to this transition from cash to digital.

This diagnostic report has been prepared through a desk research review of relevant policies, laws, and regulations followed by extensive stakeholder consultations and benchmarking with relevant countries' initiatives, policies, and regulatory frameworks. The authors of this report have prepared a roadmap with a country-level mapping of possible enablers, inhibitors, and policy options. It is recognized that implementation of the roadmap requires further engagements with the regulatory and policymaking bodies to determine what options can be taken up.

ACRONYMS

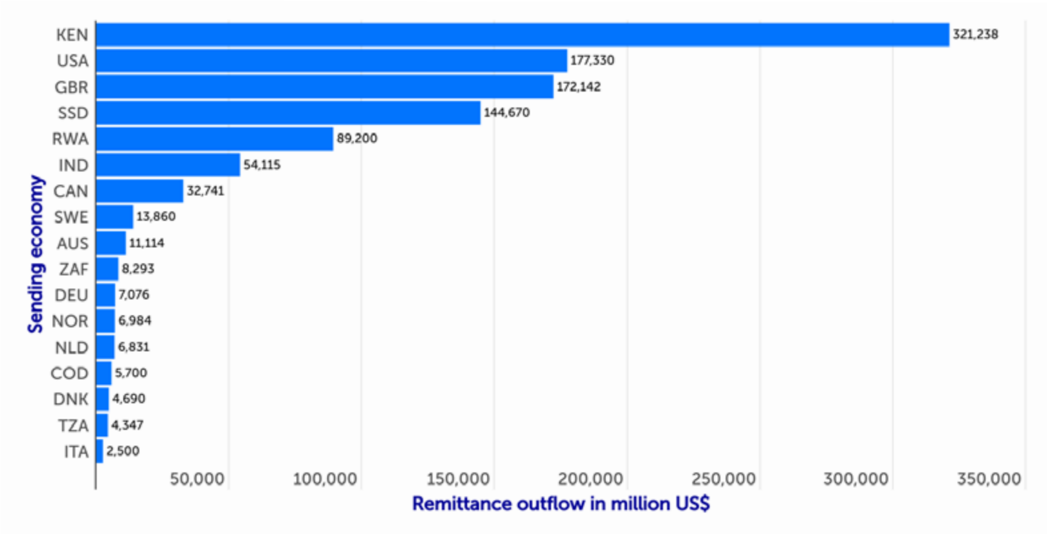
ACH	automated clearing house
AfCFTA	African Continental Free Trade Area
AML/CFT	anti-money laundering/combating the financing of terrorism
API	application programming interface
ATM	automated teller machine
BLA	bilateral labour agreement
BOU	Bank of Uganda
BNPS	Bank of Uganda National Payments Switch
CDD	customer due diligence
COMESA	Common Market for Eastern and Southern Africa
CSD	central securities depository
DSD	Diaspora Service Department
EAC	East Africa Community
EFT	electronic funds transfer
EFTPOS	electronic funds transfer at point of sale
e-KYC	electronic know your customer
GDP	gross domestic product
IEC	International Electrotechnical Commission
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
IPI	Issuers of Payment Instruments
ISO	International Organization for Standardization
MDI	microfinance deposit-taking institution
MFI	microfinance institution
MFS	mobile financial services
MMO	mobile money operator

MNO	mobile network operator
NID	national identification
NIRA	National Identification and Registration Authority
NITA	National Information Technology Agency
NPS	National Payment System
NISS	National Intelligence and Security System
POS	point of sale
PSP	payment system provider
QR code	quick response code
RSP	remittance service provider
RTGS	real-time gross settlement system
SAB	shared agent banking
SIM	subscriber identity module
UGX	Ugandan shilling
UIA	Uganda Investment Authority
UNCDF	United Nations Capital Development Fund
USSD	unstructured supplementary service data

COUNTRY CONTEXT

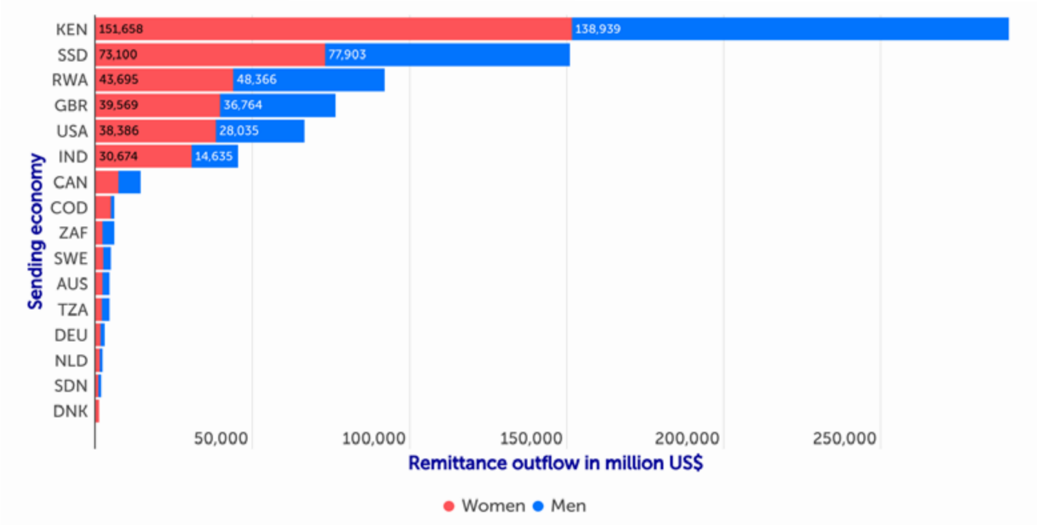
Remittances are money transfers sent by migrants to their family members or other loved ones back in their country of origin.[1] In 2021, global inbound formal remittances to Uganda amounted to US$1,077.28 million, which is 2.5 percent of the country's gross domestic product (GDP).[2] The outsourcing number of migrants is 0.78 million, which is 2 percent of the total population. Most remittances come from Kenya ($321.24 million), the USA ($177.33 million), the United Kingdom ($172.14 million), South Sudan ($144.67 million). Large numbers of migrants are in the neighbouring countries of Kenya (41 percent), South Sudan (20 percent), and Rwanda (13 percent).

Figure 1: Remittance outflow by sending economy, 2021



Source: *KNOMAD, Remittances Data.* *https://www.knomad.org/data/remittances (accessed on 25 September 2023).*

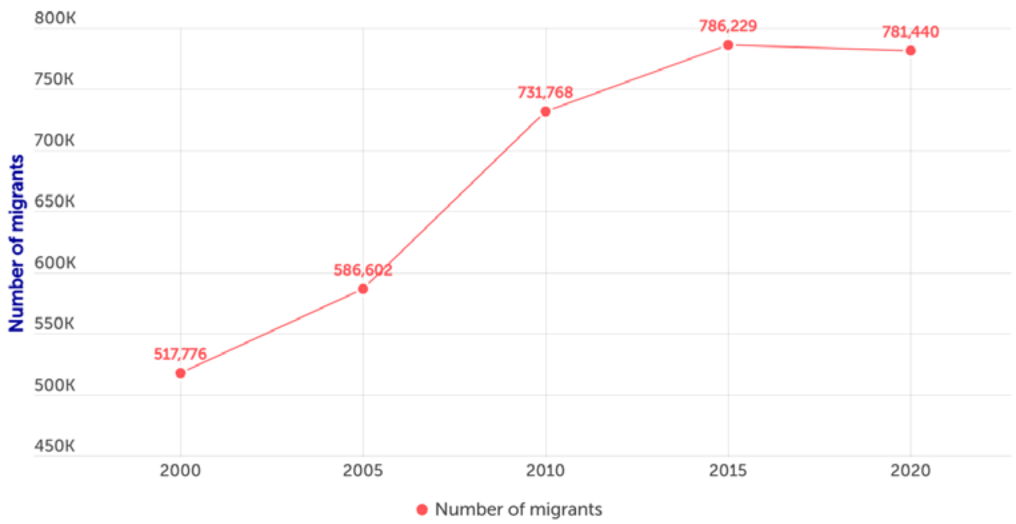
Figure 2a: Migrant stock in destination economy, 2021



1 https://migrantmoney.uncdf.org/resources/tools/frequently-asked-questions-faqs-for-the-reporting-and-analysis-of-remittances/ (accessed on 27 April 2022).
2 KNOMAD, *Remittances Data*. https://www.knomad.org/data/remittances (accesses on 18 September 2022).

Ugandans have also emigrated to Europe and North America. Moreover, Ugandans travel to Afghanistan, Iraq, Qatar, Saudi Arabia, and the United Arab Emirates.

Figure 2b: Migrant stock over time, 2021



Source: *UN DESA, International Migrant Stock Data (accessed on 25 September 2023).*

As a stable economy within Africa, Uganda also attracts migrants and refugees. An analysis of data on work permits issued in Uganda from 2012 indicates that 62.7 percent were issued to persons from Asia, with Indians accounting for 38.6 percent of all work permits, followed by Chinese (14.9 percent), Americans (6.1 percent) and Kenyans (5.5 percent).[3] Uganda has experienced an increase in regular migrants in recent years, which the government attributes to the free movement regime within the East Africa Community (EAC). The number of international migrants whose destination is Uganda increased by 73 percent from 2010 to 2015 and 102 percent from 2015 to 2020.[4]

Uganda is the third-largest destination country in the world for forcibly displaced people, with such migrants coming from neighbouring countries migrating owing to conflict and natural and health disasters. As of 31 August 2023, there were 1,513,856 refugees in the country.[5] Uganda`s progressive policies to support the integration of forcibly displaced people include the Refugees Act, which ensures freedom of movement for refugees within Uganda and access to social services.

3 International Labour Organization, (2020), *An Assessment of Labour Migration and Mobility Governance in the IGAD Region: Country report for Uganda*, https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743324.pdf.

4 UN DESA, *International migrant stock: Destination*, https://www.un.org/development/desa/pd/content/international-migrant-stock (accessed on 27 April 2022).

5 UNHCR, *Uganda Comprehensive Refugee Response Portal*, https://data2.unhcr.org/en/country/uga (accessed on 25 September 2023).

Political economy

The contribution of remittances to the national income is recognized in the Diaspora Policy. The Diaspora Policy recognizes that remittance income is higher than any single Ugandan export income. Currently, remitted money is primarily used for household consumption, education, business, and health expenditures. Nevertheless, the average transaction cost remains high, at 11 percent for $200 transactions.[6]

The Ministry of Foreign Affairs provides protocol and consular services and ensures the protection of Ugandan citizens abroad. To this end, it negotiates bilateral labour agreements (BLAs) with destination countries. The Ugandan Government lifted the ban on labour migration for domestic work on 1 April 2017. The government has concluded BLAs with Jordan and Saudi Arabia to support safe labour migration to the Middle East.[7]

Remittance landscape

MARKET

Banks: As of 30 June 2023, licensed commercial banks were 25.[8] The total number of branches of commercial banks was 619. The total assets held by banks was UGX 44.6 trillion, as of 30 June 2022.[9]

Microfinance institutions: As of 31 July2023, there were four credit microfinance institutions (MFIs) and four MDIs.[10] The total assets held by MDIs was UGX 753.4 billion, while that of credit institutions was UGX 445.3 billion as of 30 June 2022.[11]

Mobile money operators: Uganda has six licensed mobile money operators (MMOs), namely MTN, Airtel, Uganda Telecom, M-Cash, EzeeMoney, and Micropay. As of 30 June 2021, the value of mobile transactions was UGX 113.38 trillion, and the volume was 3.89 billion. The number of active mobile money users increased by 21.03 percent to 21.18 million in 2021, compared to 17.5 million in 2020.[12]

Non-bank remittance service providers: As of 30 June 2022, the foreign exchange bureau and money remittance subsector comprised 230 foreign exchange bureaus with a total of 352 outlets. The money remitters were 92, with a total of 272 outlets, including 3 MDIs (Pride, FINCA, and UGAFODE) also licensed to engage in money remittance business under the

6 World Bank, (2020), https://data.worldbank.org/indicator/SI.RMT.COST.IB.ZS?locations=UG (accessed on 21 September 2023).
7 International Labour Organization, (2020), *An Assessment of Labour Migration and Mobility Governance in the IGAD Region: Country report for Uganda*, https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743324.pdf.
8 Bank of Uganda, https://bou.or.ug/bouwebsite/bouwebsitecontent/Supervision/Supervised_Institutions/Supervision/financial_institutions/2023/LICENSED-COMMERCIAL-BANKS-AS-AT-MARCH-31-2023-1.pdf (accessed on 21 September 2023).
9 Bank of Uganda, *Annual Report 2022*, https://bou.or.ug/bouwebsite/bouwebsitecontent/publications/Annual_Reports/All/Annual-Report-2022.pdf (accessed on 27 September 2023).
10 Bank of Uganda, https://bou.or.ug/bouwebsite/bouwebsitecontent/Supervision/Supervised_Institutions/Supervision/financial_institutions/2023/LICENSED-COMMERCIAL-BANKS-AS-AT-MARCH-31-2023-1.pdf (accessed on 21 September 2023).
11 Bank of Uganda, *Annual Report 2022*. https://bou.or.ug/bouwebsite/bouwebsitecontent/publications/Annual_Reports/All/Annual-Report-2022.pdf (accessed on 21 September 2023).
12 Bank of Uganda, *Annual Report 2021*, https://bou.or.ug/bouwebsite/bouwebsitecontent/publications/Annual_Reports/All/Annual-Report-2021-for-upload-on-website-1.pdf.

Foreign Exchange Act, 2004.[13]

Payment systems operators and payment service providers: As of 30 June 2022, 15 licences have been issued to payment system providers and operators. There is one issuer of payment instruments (IPIs).

Agents: Financial Institutions (Amendment) Act 2016 allows licensed financial institutions to carry out business through agents. The law is silent on exclusivity conditions. At the end of 2021, there were 22 commercial banks with 20,108 agents enrolled on the agent banking platform.[14]

PAYMENT INFRASTRUCTURE

Payment system: The payment systems in Uganda are classified into three broad areas:

a. Systems operated by the BOU: They include
   (i) the real-time gross settlement system (RTGS) – high value and time-critical payment transactions are processed by the Uganda National Interbank Settlement System (UNISS);
   (ii) the Kampala automated clearing house (K-ACH) system – a batch processing system in which participants present transactions in batches for processing in the morning and afternoon sessions. The ACH processes electronic funds transfers (EFTs), debits, credits, and cheques in five currencies, namely Ugandan shilling (UGX), US dollar (US$), Euro (EUR), Great Britain pound sterling (GBP) and Kenyan shilling (KES); and
   (iii) the central securities depository (CSD) – a system that electronically handles transactions related to government securities. The RTGS is also part of integrated regional initiatives like the East African Payment System (EAPS) and the Regional Payment and Settlement System (REPSS), whose objectives are to facilitate cross-border payment and settlement within the EAC and COMESA regions, respectively.

b. The BOU is in early stages of implementing its National Retail Payment Switch Infrastructure. The Bank of Uganda National Payments Switch (BNPS) will support the domestic interbank network, and payment systems providers, including mobile money operators.[15]

c. Commercial banks also provide a diverse range of digital products including internet banking, mobile wallets for peer-to-peer (P2P) transfers, business-to-business (B2B) digital banking solutions, online merchant payment services for e-commerce, and access to ATMS and POS devices.

d. The Securities Central Depository (SCD), is the second depository in Uganda serving the Uganda Securities Exchange. This is different from the Central Securities Depository hosted at the BOU.

e. The private sector provides retail payments infrastructure They include private switch operators such as Interswitch (U) Ltd, part of Interswitch East Africa, payments infrastructure serving banking institutions in Uganda and across the border with other countries such as Kenya, the Gambia, and Nigeria. The private sector also operates mobile financial services or e-money providers such as mobile money telecommunication companies, single-purpose stored value cards, e-commerce, and aggregators/integrators.

Mobile network operators: The dominant mobile network operators are MTN and Airtel. Other MNOs include Uganda Telecom, Smile Telecom, K2 Telecom, and Lycamobile Uganda.

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13 Bank of Uganda, *Annual Report 2022*. https://bou.or.ug/bouwebsite/bouwebsitecontent/publications/Annual_Reports/All/Annual-Report-2022.pdf (accessed on 21 September 2023)
14 Bank of Uganda, *Annual Report 2022*. https://bou.or.ug/bouwebsite/bouwebsitecontent/publications/Annual_Reports/All/Annual-Report-2022.pdf (accessed on 21 September 2023)
15 https://www.bou.or.ug/bouwebsite/Procurement/index.html (accessed on 15 September 2023).

Shared agent-banking platform: Uganda has a shared agent banking (SAB) platform, where agents operate with only one terminal. The SAB platform is a shared interoperable technology platform and agent network management framework. It enables deposits, withdrawals, account openings, and payments to be made conveniently. However, not all players have activated all functionalities on the SAB platform, which means that the agents still have to operate with more than one gadget.

National identification: The National Identification and Registration Authority (NIRA) is the government organization responsible for issuing national identification cards (NID). It also has the mandate for registration of births, and deaths. The NIDs have a secure card without a chip, containing a photo, signature and basic biographic details, a bar code on the front, and a machine-readable zone on the back. The infrastructure provided by NIRA includes a centralized database, and RSPs are able to access it via APIs, internet browsers, mobile applications and USSD, depending on the service. RSPs such as fintechs, MNOs, and PSPs have access to the NIRA database for purposes of KYC automation. However, e-KYC is not yet in place in Uganda.

Automated teller machines: As of 31 December 2021, Uganda had more than 980 ATMs, primarily located in major towns.

Point of sale terminals and cards: During the year ending June 2021, some 213,613 financial cards were issued, increasing the cumulative number of cards to 2,082,034.[16]

PRODUCTS

A few banks in Uganda have developed products targeted at Ugandans living abroad. Other than money transfer services, there are mortgage products, and transactional savings and investment accounts such as fixed deposits. 11 percent of adults in Uganda are estimated to have a bank account.[17] [18]

The Uganda Investment Authority (UIA) promotes investment opportunities for Ugandans abroad and engages with them through home is best summits, providing them with information on investment opportunities in Uganda. The UIA encourages migrants to direct remittances from consumption spending toward productive economic investments. It has put together a compendium of investment opportunities for them in collaboration with the Diaspora Services Department (DSD).[19]

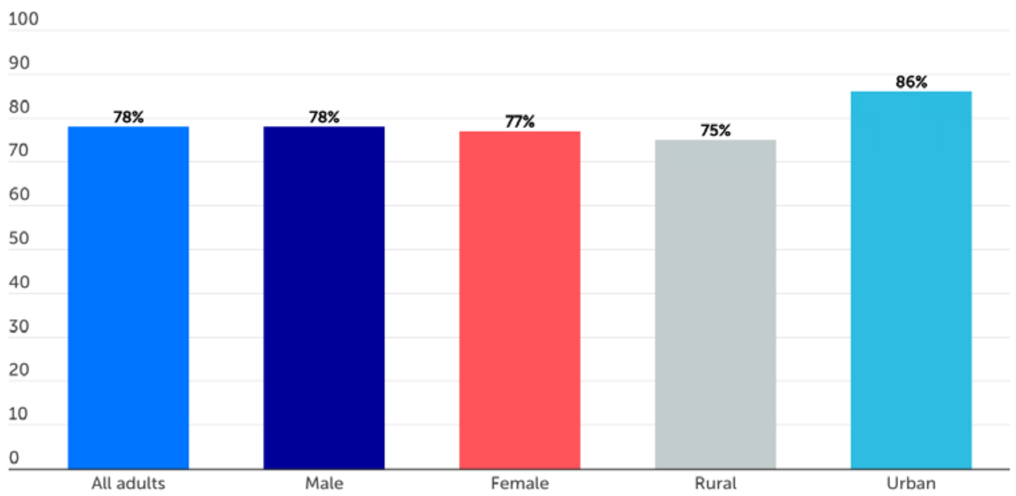
Mobile money, and the blend of formal and semi-formal financial services, have driven up Uganda's financial inclusion rate to 78 percent, the second highest in East Africa after Kenya (83 percent). This means that digital channels have high opportunities to send and receive remittances. Men are more likely to use formal services than women, with a 9 percent gender

16 Bank of Uganda. *Annual Report*, https://bou.or.ug/bouwebsite/bouwebsitecontent/publications/Annual_Reports/All/Annual-Report-2021-for-upload-on-website-1.pdf (accessed on 27 April 2022).
17 Remitscope Africa, *Uganda* (2021), https://remitscope.org/africa/uganda (accessed on 18 September 2022).
18 FSD Uganda, *FINSCOPE 2018*, https://fsduganda.or.ug/wp-content/uploads/2018/10/FinScope-Uganda-Survey-Report-2018.pdf (accessed on 28 April 2022).
19 International Labour Organization, (2020), *An Assessment of Labour Migration and Mobility Governance in the IGAD Region: Country report for Uganda*, https://www.ilo.org/wcmsp5/groups/public/---africa/---ro-abidjan/---sro-addis_ababa/documents/publication/wcms_743324.pdf.

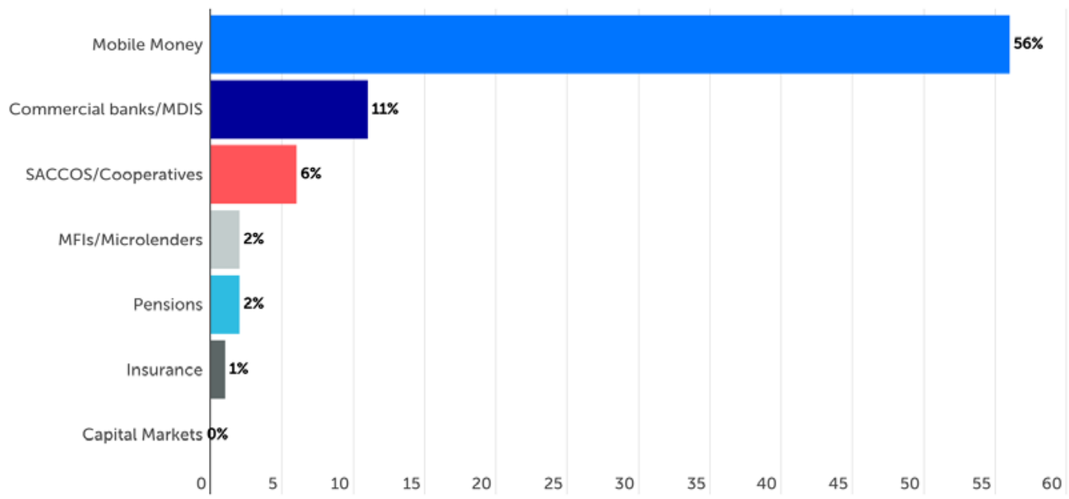
gap.[20]

While the lack of access to formal financial services remains a challenge, especially in rural areas, for instance, with only 16 million Ugandans having bank accounts, more than 20 million Ugandans use mobile money to conduct basic financial transactions. The increasing use of mobile money has made it easier to send/receive remittances. This has also been boosted by the launch of agency banking, and the shared interoperable agency banking network model that allows agents to carry out deposits, withdrawals, bill payments, first-level account opening for member banks, balance inquiries, providing mini statements, and remitting school fees payments.

Financial Inclusion in Uganda (Percentage adults included)



Uptake of Formal Services per Service Provider (Percentage of Adults)



20 FSD Uganda, *FINSCOPE 2018*, https://fsduganda.or.ug/wp-content/uploads/2018/10/FinScope-Uganda-Survey-Report-2018.pdf (accessed on 28 April 2022).

ROADMAP

The assessment and stakeholders' consultations have resulted in developing remittance-related enablers, inhibitors, and recommendations for reform. Enablers are factors that contribute to the enhancement of remittance flows, while inhibitors are factors that restrict efficient remittance flows. Recommendations are options to improve the current enabling policy, regulatory, and payment infrastructure environment to increase remittance flows. All of these have been categorized under five key areas:

i. **Legal and regulatory framework**: This includes options for reform relating to authorities, roles, responsibilities, and mechanisms for coordination, including legal and regulatory factors that support cross-border remittances.

ii. **Financial and payment system infrastructure**: This includes options for reforming policies, standards and rules related to national payment systems, improving the network of access points, promoting access to interoperable systems and platforms, and establishing national ID systems that support e-ID and ID requirements adjusted on a risk basis.

iii. **Market practices**: This includes options for reforms supporting cross-border remittances, especially on a foreign exchange regime that provides clear guidance and mechanisms to capture remittance-related data at the transaction level, as well as data analysis and sharing.

iv. **Consumer protection**: This includes options for reforms related to data protection, privacy and confidentiality for remittance-related data and relevant components of consumer protection laws that guide consumer protection and complaints resolution mechanisms for financial services, including cross-border remittances.

v. **Cooperation and collaboration**: This includes recommendations on establishing mechanisms and processes to foster coordination between different stakeholders, including through memoranda of understanding and bilateral (or multilateral) agreements; public-private collaboration mechanisms on matters related to the development and implementation of cross-border remittance policies; harmonization of laws and regulations; and establishment of regional bodies to coordinate regional initiatives, and mechanisms for coordinating and implementing policy issues at the regional level. This includes leverage and consistency with other regional and subregional instruments and institutions.

Tables (a)-(e) present enablers, inhibitors, and recommendations for reform across the five key areas listed above.

(a) Legal and regulatory framework

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Uganda has an NPS policy that seeks to put in place a framework to facilitate the enactment of the NPS law, specify the roles and responsibilities of all the payment systems stakeholders, ensure the safety of all payment systems in the country, foster consumer protection, enable increased access to electronic payment systems to reduce cash-based payments, and foster innovation. In addition, Uganda has a National Payment Systems Act (NPS Act) that was passed by the parliament on 29 May 2020 and gazetted on 4 September 2020. The NPS Act applies to operators of payment systems, payment service providers (PSPs) and issuers of payment instruments and to any system or technology that enables the electronic transfer of money, including electronic payments and remittances, EFTs, MMOs, card-based payments, aggregators, payment gateways, online PSPs, and electronic payments. It aims to ensure their safety and efficiency. Moreover, the NPS Regulations 2021 mandate all payment systems to comply with international payment system standards.	• The inability of non-bank financial service providers to participate in the payment systems provided by the BOU means that they are reliant on banks or e-money issuers to settle their payments, despite holding a large share of customers' liquidity. The private non-banking sector comprises e-money providers such as mobile money telecommunication companies, single-purpose stored value cards, e-commerce, aggregators/integrators, and remittance companies. • The criteria for admitting applicants into the payment systems operated by the BOU are stringent and are such that all of them must be met. This has led to the inability of non-bank RSPs to meet all of them, and there have been requests from the market players to widen the space and scope for participants to join. For example, the current charge to access the clearing house is UGX 15 million per year, apart from the transaction charges. • The non-bank RSPs, thus, remain as indirect participants supported by commercial banks. • Uganda has no national payment switch that could facilitate interoperability and provide an efficient clearing and settlement platform of digital financial service transactions for all payment service providers, with less cost. • The payment and settlement systems have limitations in terms of operating hours. This does not support the target for 24/7 operations and is, thus, more challenging when customers from different time zones are involved.	• The criteria for admitting non-bank RSPs in the BOU's payment systems can be amended to allow non-bank RSPs to participate directly. Allowing non-banks to access payment systems can improve the efficiency of the retail payments system by increasing competition that can lower fees and broaden the set of alternatives open to end-users. In other situations, non-banks can contribute expertise that the incumbents lack, and cooperate with banks to provide innovative services such as mobile payments. • Establishing a national switch can help non-bank RSPs access the payment systems through the switch. • The BOU can undertake policy changes in operating procedures and improve existing payment arrangements to support the requirements of the cross-border payments market aiming at attaining 24/7 operations across systems.	Short-term: expected to be implemented in the next year

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Uganda has the Micro-Finance Deposit-Taking Institutions Act of 2003 for Tier 3 MFIs and the Tier 4 Microfinance Institutions and Money Lenders Act of 2016. The regulations made under these Acts provide for the licensing, regulation, and supervision of microfinance businesses in Uganda.	• To deal with remittances (cross-border migrant money), an MFI under tier 3 must obtain a separate license and adhere to the Foreign Exchange (Forex Bureaux and Money Remittance) Regulations and Guidelines for the Licensing and Operation of Forex Bureaux and Money Remittance Companies. MFIs can be sub-agents. But even sub-agents must obtain a license from the BOU. • The need for an additional license may discourage MFIs from engaging in terminating remittances (cross-border migrant money).	• To maximize the uptake of migrant financial products, the BOU may consider allowing tier 3 MFIs to become agents of RSPs for terminating the remittances as long as they already have a microfinance license without the need to obtain an additional and separate money remittance (cross-border migrant money) license. • This will leverage their existing distribution networks while taking advantage of the existing payment infrastructure to extend networks into and across rural and peri-urban areas for enhanced distribution channels for inward remittances.	Short-term: expected to be implemented in the next year

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Uganda has an Anti-Money Laundering Act to provide for the prohibition and prevention of money laundering; to provide for the establishment of a Financial Intelligence Authority to combat money laundering activities; to impose specific duties on institutions and other persons, businesses and professions that might be used for money laundering purposes; to make orders concerning proceeds of crime and properties of offenders; to provide for international cooperation in investigations, prosecution and other legal processes of prohibiting and preventing money laundering; and to designate money laundering as an extraditable offence. The law calls for enhanced due diligence for higher risk categories and, in certain circumstances, where there are low risks, may apply reduced or simplified measures. Customers in the diaspora can send their copies of national IDs and passports via email if they can indemnify them.	• Uganda has no comprehensive guidelines for customer due diligence (CDD). • Uganda is not practicing risk-based CDD/KYC. • The Registration of Persons Act, 2015, section 66(2)(b), requires a national ID to be produced for account opening purposes. Consequently, the NIRA assumes a role in the account-opening process, and online account opening is limited for persons outside Uganda with no access to national IDs. Moreover, the deposit insurance fund's procedures link compensation with a national ID for Ugandans. • Supply-side stakeholders feel that the information required from the senders/recipients to be able to conduct a remittance transaction is quite high. Customers struggle even if it is USSD. One can even get timed out.	• The BOU can review the existing guidelines for proportionate CDD to implement the existing AML/CFT laws on customer due diligence so that the market players do not impose an unwarranted burden on lower-risk RSPs. Consider guidelines that will clarify that compliance with AML/CFT obligations in the law does not require financial institutions to refuse, or terminate, business relationships with entire categories of customers that might present a higher overall money laundering/terrorist-financing risk. • BOU can consider putting deliberate efforts toward rolling out the e-KYC functionality to all banking and non-banking institutions in the remittances space. Putting in place guidelines for e-KYC can be one way to help women and men migrants and their families open bank accounts remotely in their country of origin. • The BOU can introduce guidelines for conducting outreach and education for risks covered under AML/CFT regulatory frameworks. The guidelines can provide for outreach and educational programmes to raise awareness between the entities and the wider community of the risks associated with money laundering and the financing of terrorism and proliferation, and to avoid the prohibitive implementation of some legal clauses. • Capacity-building programmes would improve the oversight capabilities of the BOU and Financial Intelligence Authority to improve their ability to carry out investigative and supervisory functions, and collect and analyse primary financial intelligence data. • The accounts opening procedures, including the requirements thereof, can be solely vested under the BOU as the regulator of the financial sector in the country to avoid possible inconsistencies. The BOU can, from time to time, consider other means of identification for different persons for conducting different financial transactions.	Short-term: expected to be implemented in the next year

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Non-bank remittance service providers (RSPs) regulations: There are several pieces of legislation that are relevant to the regulation of non-bank RSPs. They include the Bank of Uganda Act of 2000; the Financial Institutions Act of 2004; the NPS Act of 2020; the Foreign Exchange Act of 2004; the Foreign Exchange (Forex Bureaux and Money Remittance) Regulations of 2006; the Guidelines for the Licensing and Operation of Forex Bureaus and Money Remittance Companies of 2018; the Electronic Transactions Act of 2011, which governs the use, security, facilitation and regulation of electronic communications and transactions; the Computer Misuse Act of 2011, which makes provision for the safety and security of electronic transactions and information systems to prevent unlawful access, abuse or misuse; the Contracts Act of 2010; the Electronic Signatures Act of 2011; and the Anti-Money Laundering Act of 2013; the Bank of Uganda Financial Consumer Protection Guidelines of 2011; and the Communications Act of 2013.	• These various pieces of legislation give some protection, licensing requirements and operations procedures but do not address constraints or future development of the non-bank RSPs. For example, branches of RSPs are not allowed. • The operations of money remittance providers in Uganda are governed under the Foreign Exchange (Forex Bureaux) and Money Remittance Regulations. The regulations assume a one-size-fits-all approach. An application for a forex bureau license shall be accompanied by a non-refundable fee of 20 currency points payable to the Bank of Uganda. A forex bureau shall pay an annual license fee of 50 currency points. • Forex bureau operators are required to pay for two licenses. A license to operate the forex bureau and one to engage in remittance services should they choose to engage in the business. For a Class A—International Money Transfer Agency Licence—the applicant has a minimum paid-up share capital of 2,500 currency points: (approximately $14,285). • Those who operate forex bureaux and offer remittance services are expected to pay for two licenses: the forex bureau operations license and a license for money remitters. Market players believe this is unfair compared to banks that offer more products and services and yet pay for only one license. • The regulations allow the use of agents but are silent on exclusivity conditions. Contract law guides the relationship between the principal and the agent. A willing contract can set exclusivity conditions mainly when financially stronger RSPs are determined to do so.	• The BOU may consider amending the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations to introduce proportionality/risk-based requirements for licensing or procedures to obtain registration or approval for conducting remittance business, capital, mode and scope of operations. The regulations can provide consumer protection and dispute resolution mechanisms, market conduct, adequate disclosure, transparency, reporting requirements, handling of AML/CFT issues, etc., on the understanding that non-deposit-taking RSPs usually provide only a minority of a sender's overall payment needs and thus do not require the application of heavy prudential requirements as a failure of an RSP is unlikely to cause systemic risk. • The BOU can consider introducing mutual recognition[21] criteria in the regulatory frameworks. A certain level of confidence may be placed on the REC Member States' regulatory regimes such that minimum requirements are placed on establishing branches/subsidiaries from the Member States. Mutual recognition means a practice whereby the other partner states' authorities recognize a licence issued by an authority in one of the Member States. The central bank may provide minimum criteria for mutual recognition, and licences issued by an authority in one country may be recognized by the authorities of other partner states subject to partner states' laws. Uganda may have already reached trade/financial liberalization commitments in this regard in the context of the Common Market for Eastern and Southern Africa (COMESA), the EAC and the African Continental Free Trade Area (AfCFTA), which can be built on at the Intergovernmental Authority on Development (IGAD) level.	Short-term: expected to be implemented in the next year

21 This offers prospects of deepening financial markets, making monetary policy more effective, reducing costs of supervision and implementation, and enhancing access to remittance services to a larger population and, thereby, promoting economic growth. Moreover, it leads to better policy and oversight, growing provision of interconnected financial services, and the proliferation of new technology as cross-border RSPs transfer know-how to other countries in which they operate or have established subsidiaries or branches. Experience from other regions in Africa suggests that in countries where regional cross-border financial entities account for a significant share of market transactions, they improve the interbank and foreign exchange markets, create competition, and reach the population that previously had no or limited access to financial services. In addition to the benefits of economies of scale, other advantages include the availability of a broader range of formal remittance services and products suitable for a more diversified clientele, including unbanked women and men migrants and the low-income segment of the population, particularly in rural areas, because of more efficient and affordable access to digitized remittance services. Moreover, this will create far-reaching opportunities for regional financial market development. Small RSPs could benefit the most from regional harmonization due to reduced investment costs and the opening of new markets for them, which in turn allows them to build viable business models. Lastly, allowing RSPs to operate at the regional level has the potential to drive down prices and enhance competition.

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Under the Communications Act, MNOs can provide value-added services, including digital financial services. The law gives power to the UCC to ensure competition, and fair practices, making rules open to all.	• Non-bank RSPs believe that it is expensive to pay UGX 2 million per annum for a sub-agent or to be able to offer remittance services per month per branch. For example, one non-bank RSP has 27 branches, so it must pay UGX 54 million and, in addition, must share the commission with the sub-agent.	• The 2006 Foreign Exchange (Forex Bureaux and Money Remittance) Regulations can be amended to discourage exclusivity conditions explicitly. A principal should be explicitly discouraged from restricting its agents to offer other remittance services to allow wider choices and eliminate monopolies where financial infrastructure may be relatively underdeveloped, particularly in rural areas. Agent networks are critical in linking providers and customers. There should be room for a universal agent model for bank and mobile money users through an interoperable agent network platform.	
Uganda has regulations for licensing and supervising electronic money issuers' activities.	• The available regulations lack standardized and transparent licensing criteria for international mobile money transfers—inward and outward—and the criteria for securing approval to connect new corridors. • Differences in balance and transaction limits for mobile wallets for international and domestic transactions may be an issue. • The regulations lack risk-based transaction limits. Non-bank market players believe that the transaction limits are very restrictive. Customers are unable to send more than UGX 5 million in one transaction. So, if they have UGX 20 million, they must break it down into batches. They, therefore, opt to send through a bank where they can do the transaction in one go.	• The central bank can review the electronic money transfer regulations to introduce standardized and transparent licensing criteria for international mobile money transfers—inward and outward—to enhance the process for securing approval to connect new corridors and revise and align daily and aggregate transaction limits. The regulations can be drafted to allow providers to receive general approval for the use of a transaction hub/platform, enabling them to save time when adding new remittance corridors by notifying the regulator of this intention without the need for a separate approval process for each new corridor. Where necessary, coherence between licensing/market access for mobile money operators under financial services commitments made in trade agreements such as the African Continental Free Trade Area or the EAC can be built on as needed. • The central bank can consider amending electronic money regulations to introduce eligibility requirements for e-money issuers to allow tiered KYC requirements and associated transaction limits based on the associated risk. • The central bank can consider amending electronic money regulations to allow international fund transfers directly to mobile wallets and to allow international partnership agreements to set transaction and balance limits on a case-by-case basis subject to regulatory approval.	Short-term: expected to be implemented in the next year

(b) Infrastructure

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
BOU granted Electronic Money Issuer licenses to six entities as Mobile Money Operators (MMO). These are MTN Mobile Money, Airtel Commerce, Uganda Telecom, M-Cash, EzeeMoney, and Micropay. The two dominant MMOs, Airtel Commerce and MTN MOMO, are interoperable and provide users with P2P transfer functionality. MMOs' wallets are also interoperable with other DFS provided by banks and MFIs for P2P, P2B, and P2G. MMOs also provide other services such as merchant services for utility and bill payments. Uganda is in the early process of implementing the Bank of Uganda National Payment Switch. The Switch infrastructure will establish domestic interoperability between stakeholders in the retail payments ecosystem. The switch will also connect the interbank network with ATMs and POS, the agent banking network, and interoperable devices. Moreover, Clause 8(2) of the 2020 NPS Act requires a payment system to be interoperable with other systems, domestically and internationally.	• Although interoperability has been achieved between mobile money operators, it is via several complex bilateral agreements. This might not lower the price of cross network transactions, and hence keep the cost of mobile money high. • Furthermore, uptake of remittances using digital channels is low as remitters prefer cashing out to leaving the funds in the payment ecosystem. • BNPS domestic interoperability is still disjointed with several players playing different roles. There are privately owned switches, e-channels developed by banking institutions, mobile money operators, aggregators, digital payment platforms, etc. The result is a complex ecosystem with limited interoperability. An example of a privately operated switch is the Interswitch infrastructure which operates an interbank network that supports ATMs and POS. However, Interswitch does not serve all commercial banks. • In terms of access points, 40 percent of ATMs, for example, are in Kampala, the capital city, leaving the rural areas underserved. • Partial interoperability has been achieved with the Shared Agent Banking (SAB) platform, as not all the functionalities available for shared banking are being utilized, and not all banks are members of SAB. As a result, agents must operate with more than one device for different banking networks.	• Although BOU has commenced the project to implement the National Retail Payments Switch infrastructure, its successful completion remains prioritized as a recommendation. Implementing a national retail payment switch will be transformative for both domestic and cross-border payments. It is envisaged that the implementation of the BNPS will resolve the challenge of having several bilateral agreements between mobile money providers. The several players in the payments ecosystem need to be sensitized to develop several use cases, including remittances that can be accessed via the national switch. BOU can design this awareness programme as the implementation progresses. Onboarding mobile money operators on the national switch will reduce the complexity presented by having several bilateral agreements. • Regarding the few access points available in rural areas, BOU can work with the private sector banks, the Agent Banking Network, and mobile money operators to extend the network supporting access points such as ATMs, POS, and agent devices to rural areas. Specifically, BOU can incentivize PSPs engaged in cross-border remittances to establish presence in rural areas. RSPs that operate cross-border remittances in rural areas should also consider adopting shared infrastructure to reduce operational costs. Examples are the interoperable POS devices. BOU can find ways to incentivize RSPs to serve in rural areas.	Medium- to long-term

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Uganda has a National Payment System (NPS) comprising the Uganda National Interbank Settlement System (UNISS), which is the real-time gross settlement system (RTGS), and the Kampala Automated Clearing House (KLA ACH) for EFTs, debits, credits, and clearing cheques. The UNISS / RTGS is integrated with other cross-border RTGS planforms as part of regional initiatives such as the East African Payment System (EAPS) and the Regional Payment and Settlement System (REPSS), whose objectives are to facilitate cross-border payment and settlement within the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) regions, respectively.	Non-banks are not restricted from participating in the NPS; however, they are required to be participants in UNISS. Currently, participants in UNISS are required to fulfil a set criterion, including acquiring a BIC code and having an account at the BOU, among others. The practice is for non-banks to partner with licensed banking institutions that already have these in place.	BOU can create a category for non-banks to directly access the NPS for settlement purposes without having fulfilled some requirements that are specific to banking institutions. Some non-banks such as mobile money operators and large MFIs transact relatively high volumes and can be considered on a case-by-case basis. This will encourage non-banks to access the NPS directly, especially those with high-volume turnover.	Long-term: can be implemented within a period of 3 years or longer
The Registration of Persons Act 2015 establishes the National Identification and Registration Authority (NIRA), which issues citizens' identification cards (NIDs). Opening a bank and/or mobile money account using national IDs is possible.	• NIRA does not have the facilities and resources to issue national IDs outside the country. Ugandan consulates could be used, but the law requires only NIRA staff to undertake that task. • Digital Financial Service providers can access the NID database to carry out KYC verifications for account opening. There are several ways that have been implemented, including via APIs, internet browsers, mobile applications, USSD, among others. However, the infrastructure does not support e-KYC where a bank or mobile account can be opened online without the need to interact with a representative.	BOU can work with NIRA, the private sector, and credit-scoring agencies to implement digital ID, e-KYC, and credit-scoring infrastructures to speed up the digitalization of remittance services. E-KYC can help automate the account opening procedure which can be used, for example, by migrants in the diaspora to access digital financial services back home.	Long-term: can be implemented within a period of 3 years or longer

(c) Market aspects

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Authorities in Uganda consider financial/digital literacy as a key to the financial inclusion agenda, and various financial literacy programmes have been set up. The Ministry of Foreign Affairs (MFA) has a diaspora services department whose mission is to coordinate with the diaspora. This department assists, to some extent, in providing pre-departure seminars and securing jobs abroad, especially for domestic workers and guards. RSPs have partnered with a few labour export companies to offer digital literacy to migrants, especially those in the UAE. However, they would like to do this for all the migrants as long as they get reliable data on which countries they are going to.	• Low financial and digital literacy levels, especially among women, affect consumers' ability to use digital payments. This is further exacerbated by complex and non-intuitive steps to effect payments, thereby inhibiting the use of digital payment services. (The overall literacy rate in Uganda is 77 percent, with literacy levels among men and women being 83 percent and 71 percent, respectively.[22]) • The diaspora services department provides education to migrants but not related to digital or financial literacy. • Telecom players switch off the phone numbers of migrants after three months of inactivity. In this case, digitization becomes a challenge, yet some migrants lack the digital skills to keep their lines active by buying airtime via mobile banking. • Some migrants lack the knowledge of appropriate identification methods to access certain services, especially when they do not have the relevant documents. • It isn't easy to open accounts abroad. Migrants use next-of-kin accounts, but there have been incidences of losing their money due to unfaithful family members. • Migrants also lack the financial literacy to identify and compare alternative remittance services, significantly limiting their accessibility to remittance services, even if the market is potentially competitive. • RSPs lack knowledge about the market, such as the market size in key corridors. With little knowledge, they regard remittances as unattractive because senders typically have relatively low incomes. Therefore, senders find some services (such as those based on bank accounts) not readily available. • The MFA does not have complete and reliable statistics of migrants from Uganda, e.g., countries where most men and women migrants go, number of men and women migrants, trends within a given period of time, marital status, education, skills, occupation or sector, gender, etc. • Migrants lack knowledge of suitable investments available in Uganda. The main priority of most migrants is to buy real estate.	• The diaspora services department can play a bigger role in updating, communicating, and relaying with the associations of women and men migrants on the one hand and the administrations involved in the promotion of investment in the country on the other hand. They may also liaise with RSPs of interest in their country to disseminate financial literacy courses. • The diaspora services department can prepare public education and awareness programmes, particularly for women and men migrants. The education seminars should cover mapping customer journeys, such as the steps involved in sending remittances, the pre-departure opening of a bank account and/or mobile wallet to be used by the receiver of the remittances, electronic card security and liability features, including safety, practicality and ease of use of the available financial products. The education and awareness initiative should involve the central bank providing information on how various payment mechanisms and products can easily be accessed. • The diaspora services department can collaborate with remittance service providers in these efforts. • The diaspora services department can coordinate with embassies and consulates in developing databases, including names, jobs and contacts. Online communication and virtual meetings can be organized to strengthen relationships with migrants and better understand their concerns and expectations. Networking with non-governmental organizations and associations of women and men migrants abroad will ensure a better channelling of remittances to projects in their country of origin. • The diaspora services department can also develop online tools. This makes it possible to network migrant skills abroad to mobilize them for advice, expertise and remittances to their country of origin.	Medium-term: expected to be implemented in the next 2–3 years

22 https://data.worldbank.org/indicator/SE.ADT.LITR.MA.ZS?locations=UG&view=chart.

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
	• Migrants tend to shy away from embassies and consulate authorities for various social and political reasons. For example, migrants in the type of jobs they would consider unworthy or indecent based on cultural settings in their country of origin, do not cooperate with relevant authorities in Uganda, and there is hesitance in sharing data, their whereabouts and information, including those required for KYC and statistical purposes. • Market players feel that too much information is collected from the sender and recipient during international mobile money/remittance transactions, making the process lengthy and difficult for the digitally challenged to follow through.	• Moreover, the diaspora services department can encourage the integration of new operators into the remittance space. One of the easiest ways to lower transaction costs is to encourage the entry of new legitimate operators in a given corridor and to inform migrants about their ability to choose among existing remittance-transfer mechanisms, thereby supporting competition among RSPs, improving efficiency, and lowering costs. • The diaspora services department can better understand its target audience in different corridors to develop effective communication materials and messages. It is essential to contextualize messages and branding depending on the audience. For example, what speaks to urban users/recipients may not necessarily trigger the intended response from a user/recipient in a peri-urban or rural setting. • The diaspora services department can provide awareness of the available investment opportunities in Uganda for a smooth and safe return. • Education on cultural issues can also be provided to the migrants for smooth integration and cooperation with Uganda consulates.	

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Uganda has the SAB platform trying to address the issue of outreach. Efforts are being made to onboard savings and credit co-operative societies and MFIs, which mainly deal with the people in rural areas so that the services can be extended to them. Postal Union Uganda has recently begun to offer remittance services across its vast branch network in partnership with Eurogira, a postal service for remittances that offers five remittance products.	• Different payment streams and channels provide viable choices, but these tend to be costly and out of reach for most consumers. For example, off-US ATM pricing is very high for most banks. In addition, consumers cannot migrate their payment history from one payment provider to another. Individuals are bound to incumbent providers—even when cheaper options exist—as the cost of building a new history with another payment service provider is costly and time-consuming. • There is limited competition for merchant acceptance in the mobile money space. This is also due to the limited acceptance of competitor payment instruments.	• The BOU can consider encouraging institutions with extensive branch and agent networks or de facto local monopolies (e.g., major retailers) to apply for licences to offer multiple services, including remittance services. • The government can promote e-payments to reduce transactional costs to consumers of financial services. Government ministries, departments and agencies can also encourage citizens to electronically pay their taxes, social security contributions, loans, health insurance contributions, and licences (driving licences, business licences, etc.). This has the potential to introduce and sustain the unbanked in mainstream banking or regulated systems. This may also build a culture of using digital channels for potential migrants. The use of digital payment channels may also drive down operational costs to operators and, ultimately, reduce transactional costs to consumers of financial services, including women and men migrants. • The BOU can consider maintaining information on its website that compares the transaction costs charged by various RSPs to increase transparency and competition. The BOU involvement and support will increase migrants' trust in the formal channels.	Short-term: expected to be implemented in the next year

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Existence of consulates in major remittance-sending corridors.	• Women and men migrants generally have difficulty accessing many financial services in their destination countries as they do not necessarily have the documentation that RSPs require.	• The ministries responsible for foreign affairs can consider issuing consular identity cards to women and men migrants, especially those who do not necessarily have the documentation that RSPs require, to use formal remittance channels. Such cards may encourage women and men migrants (regardless of immigration status) to use formal remittance services and open bank accounts. In this endeavour, cooperation with the destination government is critical so that banks and government offices may accept the cards. • The BOU can allow bank accounts to be opened online using consular cards. At the outset, women and men migrants could be given consular identity cards issued by the Ministry of Foreign Affairs, approved by the central bank, and deemed compliant with national rules and regulations. The BOU may require that each migrant opens a domestic bank account, which facilitates the monitoring of financial practices and the prevention of illegal activities. Opening a bank account online can be allowed using these consular cards without any additional ID. • Consulates can be used to establish KYC for migrants for financial service purposes. These consulates have the infrastructure for issuing passports and can be used for KYC purposes.	Medium-term: expected to be implemented in the next 2–3 years

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Partnership arrangements between banks and international money remittance agents help to boost the inflow of remittances. Several migrant involvement opportunities and investment/ trade areas have been identified in the National Development Plans II and III. National Development Plan III, for instance, proposes using diaspora bonds and online treasury bills and also seeks to operationalize the National Diaspora Policy and develop a National Diaspora Investment Strategy. Some RSPs have several products and services that migrants and their families can access. For example, digital credit and savings, bill payments, diaspora accounts with zero maintenance fees where customers are only charged when they transact, mortgage products, insurance services for their loved ones in their country of origin, and investment opportunities such as bills and bonds.	• There is a lack of migrant-centric products in Uganda, i.e., attractive products to women and men migrants to motivate them to send money to their country of origin. The lack of migrant-centric products results in low uptake and usage of digital remittance services. • As remarked by a Western Union sub-agent, *"Previously, in addition to providing excellent customer care, we used to attract and retain our customers by distributing pens, t-shirts, badges, books, and diaries. These were supplied by Western Union. However, post-COVID, we have not received any items to give our customers."*	• Governments, philanthropists and the private sector, including fintech, can adopt a broader view of how to tap financing for development through remittances by designing products that will attract women and men migrants. Women and men migrants' direct investment is potentially valuable. • Financial institutions should also develop a broader range of investment products targeting migrant investors, such as basic low-cost payment accounts and services for retail clients, migrant micro-savings bonds, endowment accounts, pension schemes, and insurance policies, which could then be used for remittances. It would be useful to centre migrant financial products around the identified areas in the national development plans as well as the needs of migrants.	Short-term: expected to be implemented in the next year

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
The existence of market-determined foreign exchange rate.	The legislation is silent on disclosure of applicable exchange rates used by RSPs.	The industry could be encouraged to agree on a common reference exchange rate (e.g., the interbank market rate at a given time of day) to be used as a basis for calculating the price of the remittance service. The cost of sending money could then be quoted as a total price that includes both the explicit fees/costs and the effect of any difference between the reference exchange rate and the actual exchange rate applied by the RSP. This would make it easier for senders to compare services.	Short-term: expected to be implemented in the next year
The BOU publishes an annual Personal Transfers Survey that sheds more light on the profile of remittance senders and receivers, channels used to send money and remittances. There is a standard return that reporting entities are supposed to populate and submit to the central bank every month. This data is used to compile the Balance of Payment (BOP).	• The data collection mechanisms/systems on remittances cannot capture transaction-level or disaggregated data on remittances. The data is aggregated and has no details, such as who sent it, the size, gender, etc. • The survey is carried out annually and aims to collect insights on remittances. • Market players have noted their biggest frustration as the lack of reliable remittance data on the volumes, value, where it comes from, whether the migrants are skilled or unskilled, and the population in the diaspora. This makes decision-making hard.	• The BOU can consider developing a remittance transaction reporting system for remittance data collection, analysis, monitoring, and use. This will involve assessing the existing central bank data collection systems and developing a platform to define appropriate remittance data architecture, data collection and repository systems, and processes for data measurement, analytics, monitoring, and use. • An example of a system that central banks can use is the International Transaction Reporting System (ITRS). This comprehensive institutional data collection framework can be useful for capturing and monitoring the balance of payments statistics. • Reliable data on remittances is key to enhancing the accuracy and completeness of balance of payment data to effectively manage issues related to AML/CFT compliance, as well as to understanding the true impact of remittances on the economy and to form more effective policies for managing remittances, including policies to incentivize their contributions to the economy. Remittance data collection, analysis, monitoring, and use are essential for decision-making processes relating to remittance services. • Consider disaggregating the data further by gender to ensure that the unique needs of women and men migrants are considered during decision-making.	Short-term: expected to be implemented in the next year

(d) Consumer protection

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Uganda has the Financial Consumer Protection Guidelines of 2011. These guidelines apply to (i) all financial service providers regulated by the BOU in respect to the business they transact in Uganda, and (ii) the agents of all financial service providers regulated by the BOU in respect to the business the agent transacts in Uganda. A remittance service providers' association also manages a code of conduct, which all RSPs are expected to abide by.	• There is a lack of adequate transparency in tariff-setting practices among RSPs. This affects customers' willingness to use formal remittance service channels. The RSPs do not disclose the total price, speed of the service, and exchange rates to be used. In most cases, remittance transfers involve a foreign exchange transaction and a margin as a percentage. To know the total price of the transfer, the sender needs to know the exchange rate to be used and how to calculate the margin correctly. The practice at the moment is that different RSPs use different exchange rates, which also vary from day to day. • Some RSPs do not convey the truth about the speed of services, or customers are not informed when delays occur. Overall speed depends on the speed of both messaging and settlement (there is no liquidity provision to the disbursing agent so that pay-out can take place before a settlement is complete). • Some intermediary banks hold onto the funds for a period before forwarding them to benefit from the resulting float. • The availability of some payment instruments is limited. For example, EFT or RTGS is not available over the weekend, while initiation speeds vary even with near real-time instruments such as mobile money and QR codes. This does not support the target for 24-hour operations and instant payments and, thus, is more challenging when customers from different time zones are involved.	The BOU, in collaboration with the Communications Authority, can improve the Consumer Protection Guidelines and develop a strategy to enforce them. These guidelines, which would apply to all RSPs licensed, registered, and supervised by the BOU, would protect and empower senders and recipients of remittances, especially in the key areas of (i) cybersecurity; (ii) data protection and privacy; (iii) complaints management; (iv) transparency and disclosure; (v) float and agent liquidity management; and (vi) financial education and customer awareness. **i) Cybersecurity:** Cybersecurity policies will protect users and data, enabling users to enjoy frictionless and safe money transactions. **ii) Data protection and privacy:** Legal frameworks can clarify and strengthen data protection regulations, especially from financial and payment data perspectives. This should include how financial, payments and other digital payment data are collected, held, stored, accessed and shared, as well as pertaining to ownership and intellectual property rights, if any, and consumer consent and protections. The overall objective should ensure that payment data are used safely and securely to enhance users' privacy and customer-centricity. **iii) Complaints management:** The guidelines can provide for complaint handling mechanisms and refund procedures. Guidelines should require RSPs to develop a complaints management plan, including the establishment of (i) a separate unit responsible for digital finance and remittance payments, (ii) a manual of operations that clearly explains how consumer complaints are addressed and reported, with clear responsibilities for each step of the process, and (iii) appropriate communication channels to address inquiries and complaints from digital finance and remittance consumers. If the complaint is not resolved to the customer's satisfaction, an out-of-court alternative dispute resolution (ADR) mechanism can provide further options for recourse. **iv) Transparency and disclosure:** The guidelines could require proper disclosure at the advertising, shopping, pre-contractual, and contractual stages (and upon request), in line with Principle 3 of the G-20 High-Level Principles on Financial Consumer Protection, which states "all financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers". Guidelines should also require RSPs to provide information about any other relevant aspects of their service, such as: (i) the ability, if any, of the sender to revoke the transfer after it has been paid for; (ii) whether the RSP will inform the receiver when the funds are available; (iii) information about the rights of the consumer in the event of any problems (e.g., dispute or error resolution); (iv) the customer's ability to transfer products or services to another provider with reasonable notice; and (v) contact information. **v) Float and agent liquidity management:** The guidelines can also consider introducing a code of conduct on float management because this is an implicit charge. Its effect is that the remittance service is slower, and the intermediary entity earns interest income from the funds. **vi) Financial education and customer awareness:** RSPs could establish financial education programmes for remittance consumers to raise awareness of basic information about remittance products and services, including charges and fees. Ensure that the BOU is responsible for financial consumer protection, has clear mandates, sufficient capacity and expertise, and effective mechanisms for coordination and collaboration with internal and external stakeholders.	Medium-term: expected to be implemented in the next 2–3 years

(e) Cooperation and collaboration

Enabler(s)	Inhibitor(s)	Recommendation(s) for reform	Timeframe
Membership in various regional and international fora, including memberships to IGAD, the EAC and COMESA, SADC, and the Eastern and Southern Africa Anti-Money Laundering Group. Uganda is also a member of the East African Payment System (EAPS) and the COMESA Regional Payment and Settlement System (REPSS).	• Lack of cooperation on AML/CFT measures on cross-border remittance flows among the Member States in the region, including sharing information. For example, an identification repository system could allow cross-border movements and KYC for financial transactions. • Un-harmonized policies and regulations related to cross-border remittance across regional blocks.	• The BOU can consider harmonizing remittance policies and regulations within the IGAD region and other corridors. It can be challenging to use regional payment systems if the regulation in each participating system is not harmonized or if operating standards are different. • Trade arrangements and financial liberalization commitments, especially those linked to the operation and licensing of financial entities, including RSPs, can be built upon. • Ugandan ministries, departments, and agencies can evaluate actions to collaborate in connecting or enhancing domestic and cross-border cooperation. This could be done by assessing the existing arrangements and challenges, creating the building blocks of a response to improve the current regional cross-border remittance arrangements, and establishing a roadmap of practical steps (with timeframes) needed to harmonize policies. The intended outcomes are increased efficiency, affordability, and security of intraregional and cross-border fund transfers.	Short-term: expected to be implemented in the next year
BOU has a regulatory framework for issuing licenses and supervising RSPs in Uganda. MNOs are allowed to provide value-added services. The definition of value-added services includes digital financial services	There is a multiplicity of permits/licenses. For example, if the BOU issues an RSP license, then local authorities have to issue another license/permit, and sometimes the Ministry of Trade also issues a business license, likewise, telecommunication authorities for MNOs. At all points, there are fees to be paid apart from taxes.	• Authorities and ministries may consider having a one-stop centre at the BOU to license and issue necessary permits for RSPs. This can be achieved by collaborating with the ministries of finance and trade, local authorities, and the BOU. • Consider improving partnerships and collaborations among relevant authorities within the country and the region. This includes inter-ministerial/agency cooperation.	Medium-term: expected to be implemented in the next 2–3 years

KEY TAKEAWAYS AND NEXT STEPS

UNCDF and the IGAD Secretariat conducted this diagnostic review and consultations with the specific and essential purpose of optimizing migrant remittances. We recognize that the recommendations also require various levels of effort and timeframes to implement.

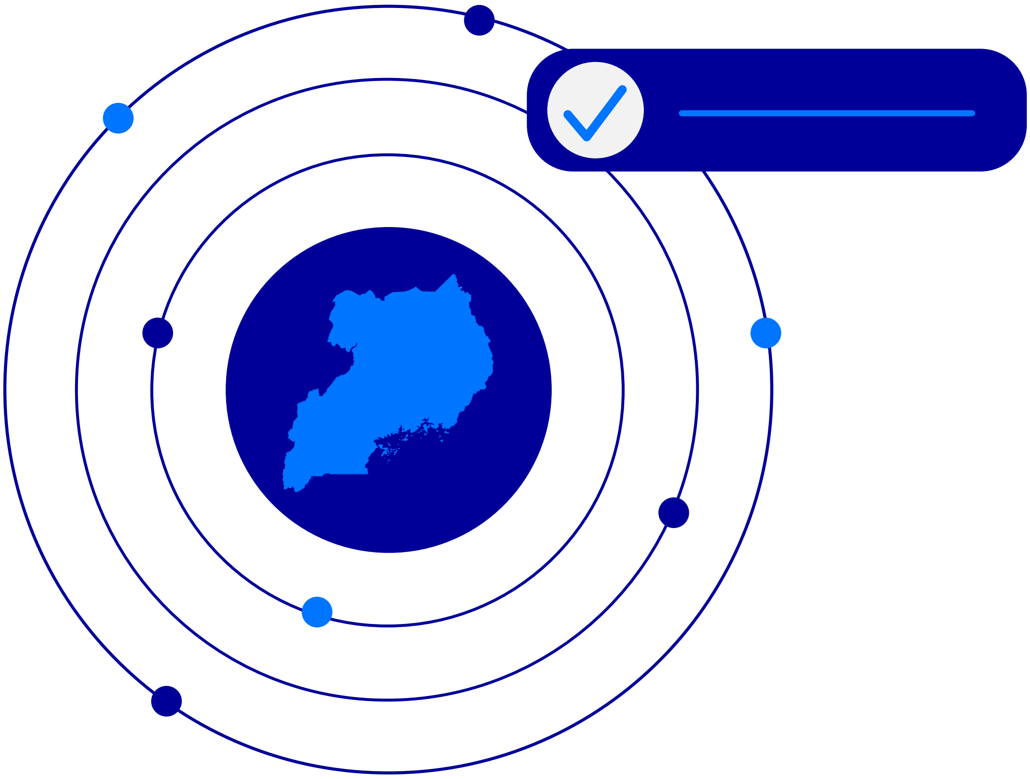
We look forward to reviewing this report in detail with key BOU and Government stakeholders and accordingly identifying opportunities where UNCDF can provide specific support going forward. Along with consultations to review this report's contents, UNCDF and the IGAD Secretariat will keep Ugandan stakeholders updated about the comprehensive work we will be pursuing around migration and remittances. That work includes:

- **Demand-side research**: Despite digital solutions' great potential to improve the lives of migrants and their families, both access and uptake remain a challenge. Many migrants may lack practical access to a digital transaction account (such as a mobile wallet), whether because such services are simply unavailable in the locale where the migrant is working or because the migrant lacks the necessary documentation to open such an account, or due to some other external factor. Where access is available, the migrant may lack the necessary digital literacy to know how to register for such an account. Finally, some migrants, even those digitally adept, may not see digital solutions as better than cash-based solutions, which is perhaps not surprising since the use cases for digital remittance channels remain limited to date. Unless human-centred financial product development, focused on the financial needs and mobility considerations of migrants, is responsively designed and supported by the requisite last-mile delivery infrastructure, commercially viable financial inclusion for migrants and their families will not be achieved. UNCDF's demand-side research thus focuses heavily on human-centred design. We anticipate that the learnings from our human-centred design work will be applicable and valuable to the Ugandan context.

- **Supply-side research**: Access and uptake of digital financial services, including remittances, requires a robust and inclusive digital finance ecosystem. Such an ecosystem must ensure the active participation of traditional and non-traditional financial service providers to support commercially viable digital remittance channels. The supply-side assessment work is aimed at reviewing the constraints faced by the providers—agent networks, liquidity management, business models, products, digital infrastructure, etc.—that currently limit their capacity to advance the usage of digital products.

- **Learning and implementation**: In parallel with the roll-out of the research strategy, UNCDF and the IGAD Secretariat will be pursuing an ambitious capacity-building and learning agenda. We are partnering with leading academic and learning institutions to advance our understanding of shared challenges and opportunities about building enabling ecosystems, pursuing evidence-based decision-making, and designing migrant-centric financial products.

Finally, as we begin collaborating with BOU to review this report, we also look forward to holistically considering the set of recommendations. The holistic approach is important for several reasons. First, all the work with UNCDF will ultimately support the central bank's efforts to improve remittance flows through regulated channels, giving regulators a more accurate picture of the true balance of payments. At the same time, the work will also advance the financial inclusion of migrants and their families, thus advancing the financial inclusion agenda for the country as a whole. UNCDF's recommendations in this report form a system, and changes to any single factor will likely cascade through that system. Tackling the diagnostic recommendations systemically, rather than looking at individual recommendations in isolation, will make their inter-dependencies and linkages more visible, aligning them with the country's monetary, financial inclusion, and digitalization agendas and ultimately creating the best path forward.



ABOUT IGAD

The Intergovernmental Authority on Development (IGAD) is one of the eight regional economic communities (RECs) and building blocks for the African Union. IGAD was established in 1996 to supersede the Intergovernmental Authority on Drought and Development (IGADD), which was founded in 1986. The new and revitalized IGAD was launched during the 5th Summit of IGAD Assembly of Heads of State and Government—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—held on 25-26 November 1996 in Djibouti. The Summit endorsed the decision to enhance regional cooperation in three priority areas of food security and environmental protection, economic cooperation, regional integration and social development peace and security. The founding leaders of IGAD were motivated by a vision where the people of the region would develop a regional identity, live in peace, and enjoy a safe environment alleviating poverty through appropriate and effective sustainable development programmes.

ABOUT UNCDF

UNCDF mobilizes and catalyzes an increase in capital flows for SDG impactful investments to Member States, especially Least Developed Countries, contributing to sustainable economic growth and equitable prosperity.

In partnership with UN entities and development partners, UNCDF delivers scalable, blended finance solutions to drive systemic change, pave the way for commercial finance, and contribute to the SDGs. We support market development by enabling entities to access finance in high-risk environments by deploying financial instruments, mechanisms and advisory.

For more information, please contact:
Eliamringi Mandari
eliamringi.mandari@uncdf.org

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