



# Uganda Case Study: Applying lessons from humanitarian payments to social protection systems

## OVERVIEW OF STUDY

An ECHO-funded technical assistance facility, managed by the World Food Programme (WFP), aimed to explore how social protection systems can be strengthened in fragile and forced displacement contexts, with a view to contributing to the global learning agenda on when and how these can be used to address humanitarian needs in a more cost-effective, efficient and predictable way.

Short-term technical assistance was provided to improve programme design or implementation in nine countries facing protracted crises<sup>1</sup>. Each assignment tackled a priority theme identified collectively by humanitarian and development partners, complementing and catalysing efforts by national governments and their partners to enhance the well-being of chronically poor or vulnerable populations, those affected by crises, those living in conflict situations and/or refugees. The assignments focused on linkages between humanitarian

action and social protection: this included the identification of good practices and recommendations for improved institutional coordination, knowledge transfer, and delivery systems such as information systems or payment mechanisms. Projects were designed and managed in-country by a partnership of WFP, FAO, ECHO, UNICEF, DFID and World Bank representatives, in consultation with the government and other agencies according to the country context. One partner served as the lead in each country.

This briefing note summarises technical assistance in Uganda. We mapped cash-based programmes for refugees, their characteristics and the payment mechanisms they use, and reviewed NGO experiences to identify factors that determine selection of payment mechanisms and benefits and challenges facing implementers and beneficiaries. We then considered potential implications for scaling up use of such payment mechanisms for delivering direct income support at scale to the national Ugandan population.

<sup>1</sup> The nine countries are Afghanistan, Bangladesh, Iraq, Malawi, Mali, Mauritania, Niger, Somalia and Uganda.

## COUNTRY CONTEXT



Poverty and vulnerability in Uganda continue to affect large sections of society. Over 60% of the population are living in poverty<sup>2</sup>, while large numbers of people move in and out of poverty each year<sup>3</sup>. The Government of Uganda recognises the importance of social protection provision in achieving national development goals, and has developed an ambitious and holistic national social protection policy which is prioritising expansion of direct income support to vulnerable groups. To date most progress is seen through the ongoing expansion of the Social Assistance Grants for Empowerment (SAGE) programme's Senior Citizens Grant, which delivers cash transfers through the state-owned Post Bank in some 40 districts. However, the sector as a whole remains underdeveloped and underfunded, meaning most poor and vulnerable households remain unsupported.

Meanwhile instability in neighbouring countries has led to a surge in numbers of refugees in Uganda since 2015. In 2018 there were over 1.15 million refugees and asylum seekers<sup>4</sup>, hosted in urban areas and rural settlements in 11 districts. Uganda offers a supportive refugee protection environment, including freedom of movement and the right to work, to documentation and to access basic services. However, the influx places pressure on host communities, which are some of the poorest districts in the country<sup>5</sup>.

Humanitarian actors are supporting refugees with cash-based assistance<sup>6</sup>. Given the similarities between refugees and poor Ugandan populations, and between implementation processes on the humanitarian cash assistance and social protection schemes, it is hoped that experiences from humanitarian programmes can help to strengthen the social protection system. This study aimed to identify lessons learned from transfer delivery on programmes for refugees, and highlight possible options for developing and strengthening payment mechanisms on the national social protection system.

## RESEARCH METHOD

This assignment was led by WFP. The TORs were developed through a consultative process with agencies supporting social protection in Uganda, including ECHO, UNICEF and the World Bank. Feedback from the cash working group and the government were ensured through WFP's chairing of the CWG and membership of the inter-ministerial Single Registry Sub-Committee.

Work was led by an independent consultant. Work comprised mapping of humanitarian cash transfer programmes of ten organisations and the delivery mechanisms used, followed by interviews with 23 key informants<sup>7</sup> and detailed exploration of two NGO programmes. Activities were coordinated with the cash working group, and analysis also took into account findings of the broader assessments ongoing in the social protection sector.

## FINDINGS

The research identifies lessons from experiences of NGOs delivering transfers to refugees that can inform the direction of payment service provision on social protection programmes targeting citizens or refugees. This includes both best practices and constraints to be aware of.

**The payment services market is evolving rapidly in Uganda, offering a range of benefits to humanitarian and social protection actors:** the payments services market is diversifying, providing a range of options for delivering transfers besides PostBank including through accounts of commercial bank branches, ATMs, Savings and Credit Cooperatives (SACCOs) and mobile money

- 2 Living on less than USD 1.5 a day, in 2016 (Expanding Social Protection Programme). On average, four out of ten Ugandans are unable to meet the required daily dietary intake (Zero Hunger Strategic Review)
- 3 For every three persons moving out of poverty, another 2 persons fall into it (Third Northern Uganda Social Action Fund 2016)
- 4 UNHCR (2018) UGANDA: Refugees and asylum-seekers. 31 October <https://data2.unhcr.org/en/documents/download/66791>
- 5 Recent research confirmed that refugees have similar poverty characteristics to host communities (Taylor *et al* (2017) Economic Impact of Refugee Settlements in Uganda. University of California, Davis.
- 6 According to the Cash Working Group, this comprised 22% of the funded Refugee Response Plan in 2018, with around USD 2.5 million disbursed each month. As of June 2018, 9 organisations reported ongoing cash transfer activities in 11 Settlements, reaching over 319,000 beneficiaries.
- 7 Including government (Expanding Social Protection) donors (ECHO, World Bank), UN (UNICEF, WFP, UNHCR, UNCDF), research and consulting firms (Financial Sector Deepening, Strategic Impact Advisers), NGOs (DCA, Give Directly), and financial service providers (Post Bank, MTN, Yo Uganda, Airtel, Centenary Bank).

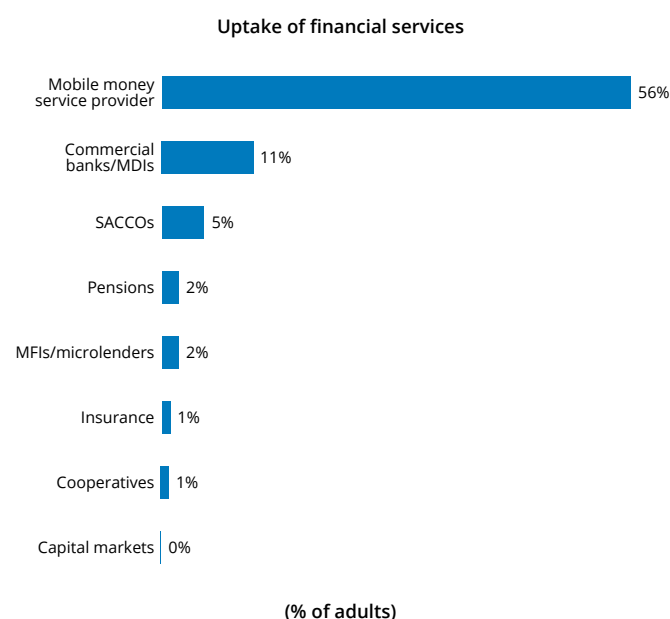
service providers. Humanitarian organisations have used a range of such providers. The availability and quality of service in the target area (or ability to deploy there quickly) remains a decisive factor in selection, since no service has effective national coverage. Other critical factors in selection of providers include security and resilience of services especially in the face of shocks, ease of registration requirements and ease of use for beneficiaries, speed of deployment, ability to offer flexible payments and operate at a large scale. Mobile money services have been most commonly used as they rapidly expand coverage in underserved areas and are generally more accessible than banks<sup>8</sup>. Where service coverage and quality is assured, mobile money was considered by implementers as a more secure and robust payments platform than PostBank as it is fully automated and less prone to error. On the other hand, capacity gaps facing vulnerable groups including limited phone ownership, prior experience with technology or financial literacy will create barriers to use of digital payments among the target group for social protection schemes which must be addressed. Meanwhile, recent developments such as the Agency Banking Law is helping to expand more traditional banking services to rural areas through use of agent networks and POS technology.

**Delays in the regulatory environment creates additional risks to accessing mobile money services:** the regulatory environment has not kept pace with the proliferation of digital financial services. At the time of this research there was no specific regulation for digital payments. This gap in the legal framework contributes to inconsistencies and fluctuations in rules and tariffs imposed upon these service providers, affecting service accessibility. For example, sudden increases in taxation imposed on all mobile money transactions led to a drop of nearly 40% of transactions, while inconsistent application of due diligence procedures and Know-Your-Customer (KYC) requirements has previously limited access to SIM cards for some refugees.

**End user experience must be taken into account in selection (and monitoring) of payment mechanisms:** the various cash delivery mechanisms offer different benefits for and impose different constraints on beneficiaries. There is an apparent trade-off between such things as convenience, proximity of service, liquidity and access to broader financial services. Mobile money agents tend to be easier for programme recipients to access, but often experience liquidity issues. Meanwhile the direct cash distributions of PostBank can be convenient to access, but payment cycles are fixed and inflexible and those that miss a scheduled delivery and do not live close to a Postbank branch may need to wait several months.

**Limitations of e-voucher payment systems for beneficiaries and the wider community:** the use of e-vouchers – which are not a product offered by existing or emerging financial service providers in country but require setting up a parallel, internationally procured system through local merchants – offered strong accountability upwards in terms of controls against fraud but had more limited benefits for beneficiaries. The limited number of merchants where vouchers can be redeemed restricts choice and bargaining power, and there are no additional services. The set up time and training required for merchants, and lack of added value in terms of supporting development or strengthening of local financial services are also limiting factors to consider.

**Challenges of achieving financial inclusion in practice:** financial inclusion refers to the ability of recipients to maintain financial access over time, including the uptake of additional services. While use of bank accounts and mobile money services can expose vulnerable populations to such basic financial services for the first time, the challenge for both humanitarian and social protection actors is in successfully supporting beneficiaries to go beyond the basic ‘cash out’ functions to make use of the wider array of financial services available to them. Making digital payments for goods and services or use of bank-to-wallet features cannot be assumed as inevitable but rather they require investments in financial education as well as an understanding of end user perceptions and requirements for such services. This could potentially be done as part of the on-going humanitarian response or during social care activities.



<sup>8</sup> Payment infrastructure in general is more developed in urban than rural areas and only 22% of the total population is ‘on grid’, with electricity supply shortages affecting network quality. However the telecommunications infrastructure has rapidly developed since 2015 and is now available in over half of Uganda’s districts. There are over 23 million mobile money subscribers across the country, which is nearly 4 times the number of bank accounts. Finscope (2018) reports that 78% of the population has some form of financial access, with a preference for mobile money, driven by the ease of account opening compared to banks that often require a proof of residence, held by only 15% of the adult population.

## RECOMMENDATIONS

The report finishes with key considerations that it recommends agencies seeking to deliver transfers 'at scale' – whether to refugees or Ugandan nationals – should take into account:

- When programming at scale, the best solution at least in the short term may be to partner with more than one service provider according to the value, volume, frequency and geography of payments required, whilst regularly staying abreast of new developments in the market.
- While the payment ecosystem is developing, programmes can reduce issues of agent liquidity by establishing clear advance payment schedules in coordination with each other, opting for fewer, higher value payments, and use of fewer denominations.
- Significant investments in training and sensitisation of beneficiaries are needed to enable effective use of the chosen payment service and, where these exist, all account features besides 'cashing out' (e.g. bank-to-wallet, savings, person-to-person transfers, etc.)
- Where they exist, subsidies will be essential to cover costs of account maintenance and transaction charges for beneficiaries.
- Humanitarian and social protection actors can partner with private sector service providers and support capacity building of their agent networks, particularly in isolated rural areas, to improve effectiveness of the payment mechanisms used on programmes while also contributing to the reach and sustainability of these services. This could include actions to support the establishment and maintenance of technological solutions such as use of biometrics within payment ecosystem.

## NEXT STEPS

This piece of work has been considered as a first technical contribution to the Social Protection sub-sector review. As a follow up, a more in-depth piece of technical research work will be undertaken on delivery mechanisms during 2019, building on this piece of work, as part of the Social Protection sub-sector review process, which is currently under way. This sub-sector review on delivery mechanisms will feed into the development of the National Development Plan III for Uganda, which will include both refugees and host populations.

## LESSONS LEARNED

Experiences have generated lessons for actors seeking to strengthen the nexus between humanitarian cash assistance and social protection payment provision in other similar contexts:

- Given the still emergent and evolving nature of payment services, particularly digital payments, in many countries, it is unlikely that a sole service provider will be able to delivery payments 'at scale' to all beneficiaries, and multiple providers may need to be engaged.
- Where payment environments are dynamic and markets developing rapidly, it is useful to regularly monitor the market and regulatory environment to stay abreast of new services and legislation that will affect the payment ecosystem.

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