Vital Wave Impact Areas

HEALTH

AGRICULTURE

SMBS AND THE INFORMAL ECONOMY

FINANCIAL SERVICES

WOMEN AND DEVELOPMENT

ENERGY AND ENVIRONMENT

EDUCATION

EMERGING CITIES

DATA FOR DECISION MAKING
Africa Presence and Resources

Senior team of international experts with extensive background in global business and development regularly deployed in-country.
Digital Payments in Uganda
What are Digital Bulk Payments?
One-to-many payments made by an organization into the mobile money wallet of its payees

- Bulk Payments are a gateway to digital financial services because they drive account opening and facilitate access to other financial services.

Diagram:
- **BULK PAYER**: The bulk payer transfers funds to its digital bulk payments service provider.
- **SERVICE PROVIDER: MNO OR AGGREGATOR**: The service provider transfers funds into the mobile wallets of the individuals being paid.
- **MOBILE NETWORK INFRASTRUCTURE**: The service provider transfers funds into the mobile wallets of the individuals being paid.
- **PAYEE**: The recipients of the funds.
Why Digital Bulk Payments?
Reduce risk, save time and money and increase economic opportunities

- Reliable, accurate means of payment
- Reduced time, cost and risk
- Access to other financial services
- Eliminates fraud and leakage and security risk for staff traveling with cash
Project Goals

Three year project to reduce friction to facilitate scaling the financial services system through:

1. Strengthen mobile service provider technical and operational capacity

2. Transition Ugandan organizations in the private and public sector from cash to digital payments

3. Improve the availability and reliability of bulk payments in Uganda
Critical Components of Digital Payments

The financial and operational aspects of digitizing payments are as significant as the technical aspects; comprehensive strategies are needed for all three vectors.
Strengthening Provider Capacity

Three years of work with MNOs and payment providers to improve capacity across key components

**Financial**
- MNO pricing for transactions that impact low income users most
- Business case for expanding network infrastructure into rural areas
- Funding for new feature development

**Operational**
- Uganda’s first tiered KYC
- MNO wallet limits for aggregators
- Policies and procedures
- Aggregator middle management skills
- Risk management and customer support

**Technical**
- Platform functionality
- New features in Ugandan market (offline solutions, loan tracking, merchant onboarding)
Bulk Payment Toolkit
A guide to the steps involved in planning and implementing bulk payments

Bulk Payments toolkit:
• Two part document:
  • Word-based templates
  • Excel-based planning and calculating tools
• Available for download on the Vital Wave website

http://vitalwave.com/case-study/bulk-payment-implementation-toolkit/
NGOs and Urban and Peri-Urban

“We will not go back to using cash”

“There is now more assurance that funds reach the final recipients”
Rural Agricultural Payers

“*I’ve never touched a phone but I want to get paid in mobile money*”
## Comparing Payers

Significant differences between payers that scale quickly and those who don’t

<table>
<thead>
<tr>
<th>Issue</th>
<th>Payer 1: Urban NGO</th>
<th>Payer 2: Rural Dairy Cooperative</th>
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</thead>
<tbody>
<tr>
<td><strong>Security</strong></td>
<td>• Significant risk perceived</td>
<td>• Significant risk perceived</td>
</tr>
<tr>
<td><strong>Mandate</strong></td>
<td>• Strong donor push</td>
<td>• Optional adoption</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>• Less sensitive to cost</td>
<td>• Highly sensitive to cost</td>
</tr>
<tr>
<td></td>
<td>• Cash-out fees paid by donors</td>
<td>• Cash-out fees not paid by donor</td>
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<tr>
<td></td>
<td>• Cost effective for providers</td>
<td>• Expensive for providers</td>
</tr>
<tr>
<td><strong>IT Literacy</strong></td>
<td>• High tech literacy among staff members responsible for payments</td>
<td>• Low tech literacy</td>
</tr>
<tr>
<td></td>
<td>• Frequent payments</td>
<td>• Significant training needed, weak value proposition for service providers</td>
</tr>
<tr>
<td><strong>Location of Payment</strong></td>
<td>• Countrywide but payments organized in areas where some facilities exist</td>
<td>• Very localized with some payments far from agents and other facilities</td>
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</tbody>
</table>

Barrier to Adoption: Low, Medium, High
Challenges with Scaling Bulk Payments

Urban and peri-urban bulk payments are sustainable and cost effective; Rural bulk payments require a level of investment in training, infrastructure support and onboarding not yet economically viable for service providers.

Financial
- Greater need for training, education and awareness for both payers and payees increases costs.
- Seasonality of payments impact business case for agents and merchants.
- Incentives required to invest in rural.

Technical
- Lower technology literacy make use of system challenging for users.
- Different functionality required in rural areas not widely available (e.g., offline solutions).

Operational
- Difficult to provide needed customer support.
- Seasonality of payments requires more frequent training.

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### Implications for Expanding DFS in Rural Areas

| Champions | - Starting small with urban and peri-urban payers can build momentum, test the ecosystem, and build provider capacity  
|           | - NGOs are ideal partners and champions to take these risks |
| Infrastructure | - Investment in infrastructure (e.g., cell towers, agent networks) needed to expand DFS to rural  
|           | - Innovative partnerships can help to drive down risk |
| Payment Tools | - Investment in intuitive, easy to use apps needed for users with limited technology literacy (e.g., user logins, data input) |
| Payment Needs | - Not all payments need bulk payments, P2P may work well  
|           | - Payment mapping is important before big investments are made |
| Target Users | - Developing an ecosystem  
|             | - Packaging of tools so that is more beneficial to users (e.g., savings/loans/bill pay/school fees) |
Thank You

Join us and our partners in these sessions:

• Wednesday, May 17, 14:15, http://sched.co/AQ0r Digital scale up guidance toolkit: User testing session