



**Uganda
Bankers'
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Future of Remittances: Stablecoins and Infrastructure Opportunities for Banks.

Stone Atwine

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Working Paper Series

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Executive Summary

Remittances are a crucial source of income and financial resilience for many Ugandan households. In 2023, Uganda received over US\$1.4 billion in remittance inflows—nearly 3% of GDP—supporting basic needs like food, education, and healthcare. However, Uganda and other African countries still face high remittance costs (averaging 8.4% to send \$200), slow transaction speeds, and fragmented payment channels. Stablecoins—blockchain-based digital currencies pegged 1:1 to fiat currencies like the US dollar—offer an unprecedented opportunity to modernize the remittance ecosystem. These tools combine the transparency and speed of blockchain with the stability of traditional money, making cross-border transactions cheaper, faster, and more secure.

1.0 Introduction

This brief outlines how Uganda can harness stablecoin technology and fintech infrastructure to upgrade its remittance system, lower costs, improve financial inclusion, and unlock development benefits aligned with the Sustainable Development Goals (SDGs).

1. The Problem: Expensive and Inefficient Remittance Systems

Despite their scale and importance, remittances in Uganda remain plagued by inefficiencies:

- **High transfer costs:** Africa remains the most expensive region to send money to. Uganda-bound remittances can incur up to 39% in fees via certain corridors.
- **Slow settlement times:** Cross-border transfers often take 3–5 days using traditional banking infrastructure.

- **Limited access:** Rural communities rely on informal channels or physical agents with unfavorable exchange rates and opaque pricing.
- **Regulatory friction:** Fragmented compliance frameworks and lack of real-time monitoring constrain innovation.
- **This inefficiency undermines the development potential of remittances.** If Uganda reduced average fees to the global target of 3%, families could retain tens of millions of dollars more annually.

2. Policy Solution: Stablecoins as a Remittance Infrastructure Layer

Stablecoins represent a new infrastructure layer for cross-border transfers. These digital tokens are:

- Pegged to fiat currencies (e.g., USD, EUR, UGX) to avoid volatility.
- Built on blockchain networks allowing near-instant global settlement.

- Programmable, meaning they can support new financial products and use cases.

Key Benefits for Uganda:

- **Cost reduction:** Transfers via stablecoins can reduce fees to below 1%, freeing up more value for recipients.
- **Speed:** Settlements occur in minutes, not days.
- **Transparency:** Every transaction is traceable on the blockchain, improving compliance.
- **Financial inclusion:** Recipients can receive remittances into mobile wallets or stablecoin accounts, opening access to digital savings, loans, and insurance.

3. Global Momentum and Regulatory Trends

The global regulatory environment is increasingly welcoming stablecoin innovation:

- **USA:** New federal regulations are emerging to govern dollar-backed stablecoins, with major financial institutions like PayPal launching their own.
- **EU:** The Markets in Crypto-Assets (MiCA) regulation formally recognizes and licenses euro-pegged stablecoins as electronic money.
- **UK:** The Financial Services and Markets Act 2023 legally classifies stablecoins as “digital settlement assets.”
- **Others:** Countries like Singapore, UAE, and Nigeria have launched stablecoin frameworks or digital currency pilots.

Uganda can align with these trends to develop a forward-looking regulatory framework that encourages safe, innovative remittance solutions.

4. Role of Banks and Fintech Collaboration

Traditional financial institutions do not need to build blockchain solutions from scratch. Infrastructure fintechs like Eversend offer plug-and-play APIs that banks and mobile money providers can integrate with minimal technical overhead.

Case Example: Eversend’s Platform

- Supports multi-currency wallets (UGX, USD, EUR, USDC, etc.).
- Manages KYC/AML compliance and crypto liquidity.
- Converts stablecoins to local currency and pays out via mobile money or bank accounts.
- Offers potential for a UGX-backed stablecoin, issued under regulatory oversight.

Such platforms can help Uganda build domestic digital currency rails that complement the use of USD- or EUR-backed stablecoins.

5. Use Cases for Stablecoin-Based Remittances

Use Case	Description	Development Impact
Diaspora Investments	Diaspora groups can invest in local businesses or infrastructure using stablecoins.	Unlocks productive capital beyond consumption remittances
Micro-remittances	Low-cost digital rails allow sending \$1–\$5 at a time.	Enables pay-as-you-go utilities, education, or insurance.
Mobile money integration	Stablecoins can be converted to mobile money instantly.	Boosts financial inclusion in rural areas.
Macroeconomic resilience	Stablecoins bring traceable FX inflows.	Helps smooth economic shocks, increases reserves transparency.

6. Policy Recommendations

To realize the full potential of stablecoin-powered remittances, the Government of Uganda, through the Ministry of Finance, Bank of Uganda (BoU), and Uganda Communications Commission (UCC), should pursue the following:

A. Develop a Regulatory Framework for Stablecoins

- Enable licensed issuance of stablecoins pegged to UGX and other fiat currencies.
- Mandate 1:1 reserve backing and transparent audits for all stablecoin issuers.
- Align with FATF Travel Rule for KYC/AML across remittance corridors.

B. Promote Public-Private Collaboration

- Create a regulatory sandbox to allow innovation with fintech partners like Eversend.
- Encourage bank–fintech partnerships to deploy stablecoin infrastructure quickly.

- Support local currency stablecoin pilots with mobile money integration.

C. Reduce Friction in FX and Cross-Border Payments

- Streamline FX conversion for remittances and allow digital currency settlements.
- Explore interoperability standards between mobile money, banks, and stablecoin wallets.
- Digitally onboard diaspora remitters via embassies and consulates abroad.

D. Build Capacity and Consumer Trust

- Invest in public education on digital financial services and remittances.
- Train regulators, banks, and fintechs on blockchain AML/CFT tools.
- Leverage blockchain analytics to monitor flows, enhance transparency, and protect consumers.

7. Conclusion

Stablecoins offer Uganda a pathway to revolutionize remittances—cutting costs, speeding up transfers, and expanding access to formal financial systems. By supporting regulatory innovation, public-private collaboration, and stablecoin integration, Uganda can lead the continent in transforming remittances into a lever for inclusive economic development. The future of money transfers is programmable, digital, and stable—Uganda must seize this opportunity.



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