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Digital Dollars for Online Tea

The Bahamas, Sri Lanka, and Uganda fight the pandemic's disruption with innovation

Steven Dorst

"Never let a serious crisis go to waste." Innovators around the world are taking the saying seriously, responding to the disruption caused by the COVID-19 pandemic with creative digital solutions.

The initiatives we highlight here are markedly diverse: the overnight transformation of Sri Lanka's 125-year-old live tea auction; the world's first central bank digital currency in The Bahamas; and the rapid pivot from a taxi-hailing app in Kampala, Uganda, to a thriving e-commerce platform.

All three share a common characteristic: an innovative, entrepreneurial spirit born of an urgent need. The Bahamas initiative responded to a need to extend financial services to residents of remote islands whose lack of access was exacerbated by extreme weather. In Sri Lanka, the tea industry—fundamental to the economy and employing millions—came to a sudden halt when COVID-19 prohibited the weekly tea auction from convening. And in Uganda, people's ability to get food and medicine and earn an income was severely hampered by the pandemic lockdown.

While the ingredients for success vary in each country, there is one constant: there was an enabling

environment for these initiatives to germinate and quickly become reality. The end result? Innovative, homegrown initiatives that help millions of underserved people be financially included and have a better shot at prosperity.

The Bahamas: first digital currency

In October 2020, The Bahamas leapfrogged into the digital vanguard with the launch of the world's first central bank digital currency—the sand dollar.

Pegged one-to-one to the Bahamian dollar and using a blockchain-backed digital token, the new currency is available to people and businesses to buy and sell goods and services and send money to each other. Sand dollars are issued and regulated by The Bahamas' central bank.

The Bahamas territory is spread out over 700 islands—making it unprofitable for commercial banks to have ATMs or physical branches on remote, sparsely populated islands. Extreme weather events make the cost of maintaining infrastructure even steeper. As a result, the most vulnerable often lack access to financial services.

The need to serve the unbanked and underbanked population, along with a drive to modernize the payment system, spurred the central bank's introduction of the new digital currency.

"We didn't start with the idea of a central bank digital currency," says John Rolle, governor of the Central Bank of The Bahamas. "We focused on eliminating as many obstacles as possible for persons having access to the equivalent of a deposit account or a mobile wallet account to conduct transactions."

Following successful pilots the central bank began distributing sand dollars to Bahamian commercial banks, payment system providers, and money transfer operators. Funds are placed in clients' digital wallets, which allow access to various amounts of money and transaction thresholds.

Anke Weber, IMF mission chief for The Bahamas, attributes the fast rollout and growing interest to the need created by 2019's devastating Hurricane Dorian and the COVID-19 pandemic.

It is still early days, with only \$130,000 worth of sand dollars in circulation compared with \$500 million Bahamian dollars. Customers' initial reaction has been positive.

Those who are using the sand dollar enjoy the ease, faster turnaround, and lower costs.

"When I first heard about the sand dollar, I was extremely excited," says Brandon Kemp, founder of Tin Ferl, a popular pop-up food park in Nassau. "The amazing thing about the sand dollar is that there are no fees or transaction costs. So, if I need to pay one of my staff, I can do it right there in the moment; they receive it literally within seconds, and everybody is happy with that."

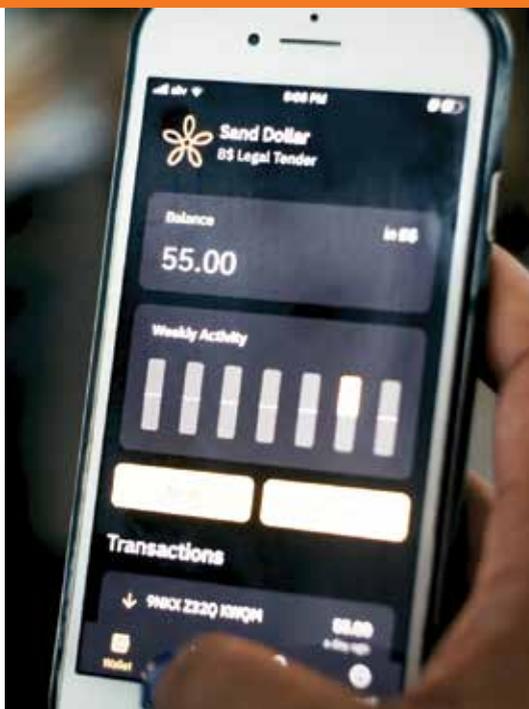
Using the sand dollar doesn't even require a bank account or a mobile phone, although that's how most transactions take place.

And while it wasn't designed with the pandemic in mind, users uniformly cite the safety of a cashless transaction as a key reason for adopting the digital currency. "What convinced me to go with this sand dollar is mainly because of COVID," says Mikia Cooper, an attorney at law firm Twenty Twenty and Associates.

As countries around the world experiment with central bank digital currency, lessons from The Bahamas' experience will no doubt be watched closely.

Sri Lanka: tea auction transformed

For many, Sri Lanka (formerly known as Ceylon) and Ceylon tea are synonymous. The country's economy and society are deeply intertwined with



An early adopter's app-based mobile wallet shows her sand dollar balance and transactions.

the majestic tea leaf. Today, 10 percent of Sri Lankans derive an income from the tea industry, which generated more than \$1.2 billion in export revenues in 2020.

For more than 125 years, the tea industry has depended on a tradition-steeped auction where hundreds have convened twice a week at the Ceylon Chamber of Commerce to buy and sell Sri Lanka's finest leaves.

When COVID hit, the world's oldest tea auction, which had functioned without fail for more than a century, was suddenly unable to bring together buyers and brokers for the weekly bidding. Plantations and factories had nowhere to sell their product, buyers were left in a lurch, and millions were at risk of losing their income.

Sri Lanka's tea auction faced an urgent need to reinvent itself.

"The whole country said, right—now there's 2 million people whose lives depend on this industry . . . we need to look after them," says Anil Cooke, CEO of Asia Siyaka Commodities, who led the task force charged with digitalizing the auction.

With brokers and buyers unable to meet in person, the challenge was not just to find an alternative to the live auction, but to get it up and running and yielding good prices—immediately.

Sri Lanka's tea industry had been mulling a switch to a digital auction for more than 20 years. But the auction's nuanced dynamics—which drew on an innate knowledge of complex tea blends, frenetic in-person competition to draw top bids,

Hand-harvested tea: Sri Lanka's digital auctions had to reimagine all the human and technical variables of live auctions.



and real-time market feedback—had stymied previous attempts.

With the stakes as high as ever, a team comprising the Sri Lanka Tea Board, technical experts, the government, brokers, auctioneers, and others came together to find a solution.

Local IT company CICRA Holdings led technical development, working with brokers trained to interpret the dynamics of in-person bidding and with deep knowledge of tea categories and grades. To succeed, the e-platform would have to reimagine all the human and technical variables of the live auction.

Within days, some 300 people had taken part in simulated training programs, with sessions running up to the night before the launch.

“I am happy to say that within a very short period of time, about seven days, we managed to build a solution . . . [and] made history on April 4, 2020, by having the first digital auction going live,” says Boshan Dayaratne, CEO of CICRA.

Not only is the new system COVID-safe, it's also faster, more strategic, and cost-effective—and even yields higher prices. The online auction has also improved transparency and efficiency and reduced duplication of work.

Benefits are being felt locally as well. D. Gayan, supervisor of the Dessford Tea Estate, says the continuity of sales has enabled them to continue operations and pay workers.

A. Rajakumari, a “plucker” who harvests tea by hand, says that “even though we had a virus last

year, those of us in the estate got our salaries. It's because of this work that, even during the corona problem, I was able to happily run the home and live comfortably with our children.”

Uganda: digital lifeline on wheels

When COVID-19 hit Kampala, Uganda, small businesses were unable to get their goods and services to customers. People were unable to buy food and medicine. And millions faced the prospect of unemployment.

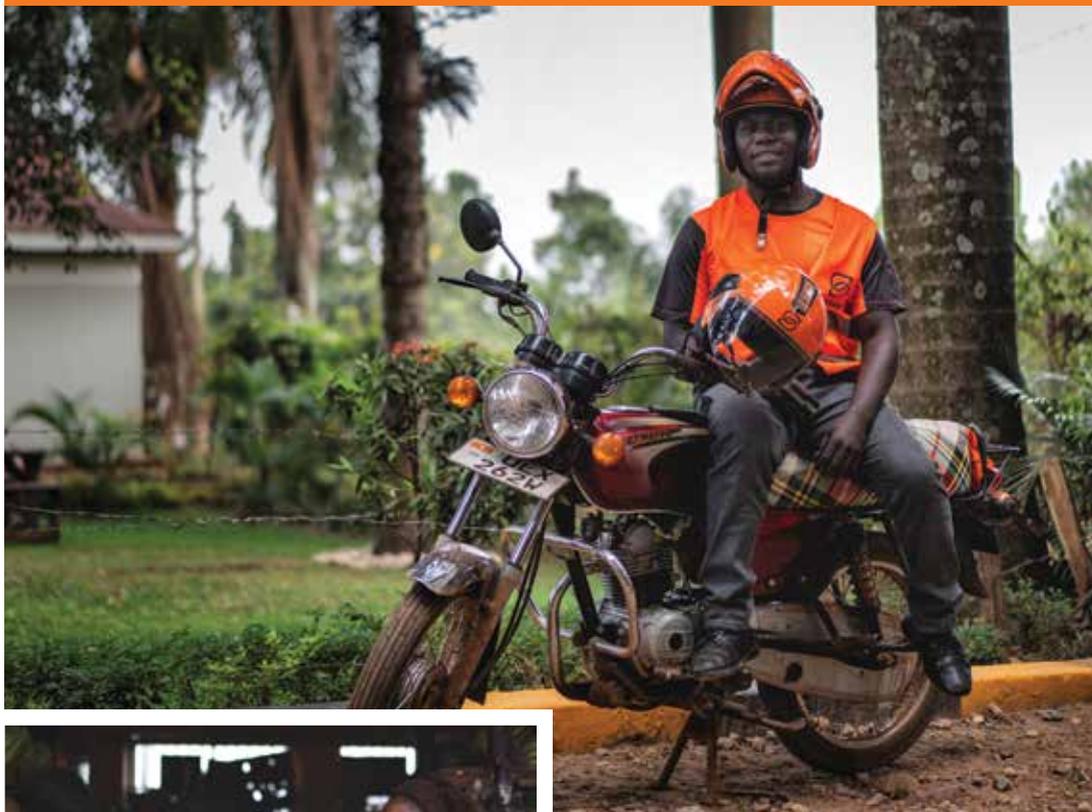
Enter SafeBoda, an innovative homegrown company that swiftly adapted its business model to serve the urgent needs of this capital city of nearly 2 million people.

Drivers of Kampala's motorcycle taxis (known as “boda boda”) are as ubiquitous as they are dangerous. SafeBoda launched in 2015 as an alternative, placing an intense focus on driver and passenger safety. To make ride hailing easier and cheaper, SafeBoda created a mobile app to connect riders with drivers.

The quality of SafeBoda's service stimulated customer demand for more offerings. At the same time, a prolonged problem faced by its drivers was bubbling to the surface—the lack of proof of income affected their ability to qualify for loans.

“Financial inclusion is a big topic here,” says Ricky Rapa Thompson, SafeBoda cofounder and director of operations. “Because [drivers are] from the informal sector, a lot of banks and financial institutions were not that willing to work with them.”

PHOTO: JEEVANI FERNANDO



Daniel Ssemu, SafeBoda driver in Kampala: more money with deliveries; Ruth Tindyebwa, a market vendor.



So in 2017, SafeBoda introduced its wallet, which offers app users and drivers an integrated payment system through mobile service providers. As customers paid through their phones, drivers were able to document their income without a bank account—effectively expanding the universe of financial services available to them.

When COVID-19 hit in March 2020, mobility restrictions were put in place to control the spread of the virus. Vehicles were largely grounded, and commerce came to a near halt. People, many without refrigerators, needed food, and millions of jobs were at risk.

SafeBoda quickly identified and partnered with local restaurants, food vendors, and markets, and—working with the UN Capital Development Fund and digital experts—launched a new digital service, Shop, within two weeks.

Today, the SafeBoda app has more than 1 million downloads, connecting customers to nearly 1,000

food vendors, 350 shops, 16 markets, and 21 United Nations Population Fund (UNFPA) pharmacies through 20,000 moto drivers in Kampala.

By offering a cashless, minimally invasive service, SafeBoda not only helped revitalize the local economy, it also played a role in mitigating exposure to COVID-19.

Ruth Tindyebwa, one of the first market vendors to join the Shop platform, says the sign-up process was fast and that she's earning more than before the pandemic. "I can now pay my rent. I pay school fees for my kids."

SafeBoda driver Daniel Ssemu says that "the shift to e-commerce and delivery of goods, it was quite a good thing. Now we are getting more money . . . because now we are doing both rides and deliveries."

The service has helped mitigate exposure to the pandemic, spur the local economy, and offer inspiration for a new generation of digital innovators in Uganda, and beyond.

"SafeBoda is a good Ugandan story," says CK Japheth, team lead, Innovation Village. "It kick-started the digital economy, and we now see that technology has offered a new competitive landscape of opportunities." **FD**

STEVEN DORST is a documentary filmmaker. This article is based on the accompanying videos produced by Dorst MediaWorks (see www.imf.org/fandd).