Blockchain Technology for Uganda: A Critical Analysis of Its Pros and Cons

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Blockchain technology is a system of distributed ledger that records transactions and data in a secure, transparent, and immutable way. Blockchain technology has the potential to revolutionize various sectors and industries, such as finance, trade, supply chain, agriculture, healthcare, and governance, by enabling trustless, peer-to-peer, and decentralized transactions and data sharing.

However, blockchain technology also poses some challenges and risks that need to be addressed carefully and responsibly. Some of these challenges include the high energy consumption and environmental impact of blockchain networks, the regulatory and legal uncertainties surrounding blockchain applications, the ethical and social issues related to data ownership and privacy, and the digital divide and inequality that may arise from the uneven access and adoption of blockchain technology.

In this regard, I would like to highlight some of the opportunities and challenges that blockchain technology presents for Uganda, a country with a rich and diverse cultural heritage, a vibrant and youthful population, and a promising economic potential.

First, blockchain technology can offer significant opportunities for financial inclusion and economic growth in Uganda. According to the World Bank, only 58% of adults in Uganda have access to formal financial services, while 22% are financially excluded. Blockchain technology can enable more people to access digital financial services, such as mobile banking, digital wallets, remittances, microfinance, and crowdfunding, without intermediaries or high fees. Blockchain technology can also facilitate cross-border trade and e-commerce by reducing transaction costs and enhancing transparency and traceability. For example, the Africa Continental Free Trade Area (AfCFTA), which came into force in 2021, aims to create a single market for goods and services across Africa. Blockchain technology can support the implementation of AfCFTA by enabling seamless and secure trade transactions among African countries.

Second, blockchain technology can also contribute to improving social services and governance in Uganda. Blockchain technology can enable more efficient and accountable delivery of public services, such as education, health care, social protection, and disaster management, by improving data management, verification, and sharing among stakeholders. Blockchain technology can also enhance citizen participation and empowerment by enabling digital identity, voting, and civic engagement platforms that are secure, transparent, and inclusive. For example, a project on secure identity, which aims to provide digital identity solutions based on blockchain technology for refugees and marginalized communities in Uganda.

Third, blockchain technology can also have a positive impact on environmental conservation and sustainability in Uganda. Blockchain technology can enable more effective monitoring and management of natural resources, such as water, land, forests, wildlife, and minerals, by providing reliable and verifiable data on their status and usage. Blockchain technology can also support the implementation of environmental policies and initiatives, such as carbon credits, green bonds, and renewable energy certificates, by facilitating their issuance, trading, and verification.

However, blockchain technology also faces some challenges and risks that need to be addressed carefully and responsibly.

Some of these challenges include

1. The high energy consumption and environmental impact of blockchain networks.

The annual electricity consumption of Bitcoin, the most popular cryptocurrency based on blockchain technology, is estimated to be around 129 terawatt-hours (TWh), which is more than the electricity consumption of countries of many middle income countries.

This raises concerns about the carbon footprint and greenhouse gas emissions of blockchain networks.

Therefore, it is important to explore ways to reduce the energy consumption and environmental impact of blockchain networks, such as adopting more energy-efficient consensus mechanisms, using renewable energy sources, or implementing carbon offsetting schemes.

2. Data ownership and privacy.

It is important to ensure that the data is collected and processed in a fair, transparent, and consensual manner, and that the data is encrypted and stored in a secure and decentralized way. Therefore, it is important to adhere to the principles of data ethics and governance, such as data minimization, purpose limitation, accountability, and user empowerment.

3. The digital divide and inequality that may arise from the uneven access and adoption of blockchain technology.

Blockchain technology requires certain infrastructural and human capabilities, such as internet connectivity, electricity supply, digital literacy, and technical skills, that may not be equally available or affordable for all segments of society. This may create or widen the gap between those who can benefit from blockchain technology and those who cannot. For example, some rural or remote areas in Uganda may lack the necessary infrastructure or resources to access or use blockchain applications, while some urban or affluent areas may have more opportunities and advantages. Therefore, it is important to promote digital inclusion and equity, by ensuring that blockchain technology is accessible, affordable, and adaptable for all people, regardless of their location, income, education, or gender.

In conclusion, blockchain technology is a powerful and promising tool that can bring significant benefits and opportunities for Uganda in various sectors and domains. However, blockchain technology also entails some challenges and risks that need to be addressed carefully and responsibly. Therefore, I urge all stakeholders to engage in an open and informed dialogue on the socio-ecological implications of blockchain technology in the context of Uganda, and to collaborate in developing a responsible and sustainable adoption strategy that maximizes the positive impact and minimizes the negative impact of blockchain technology.