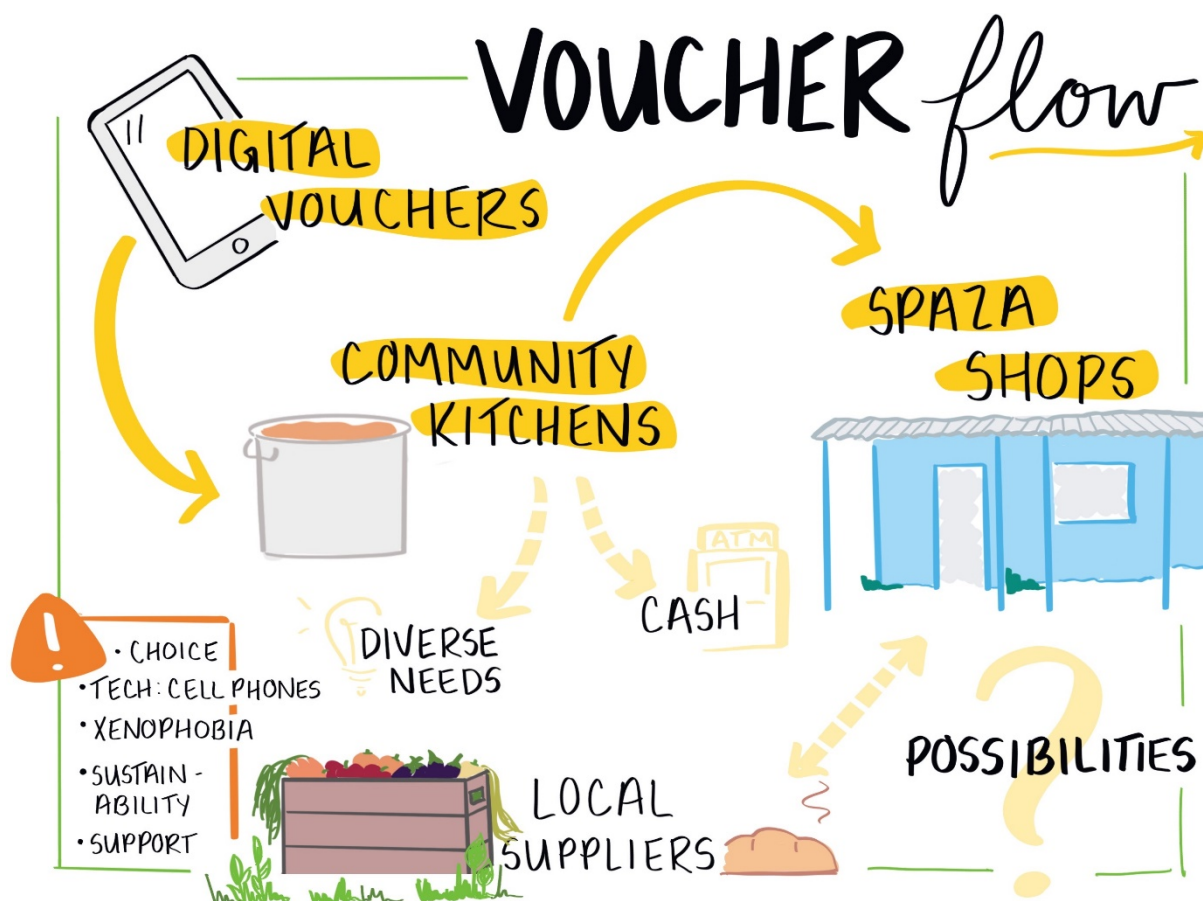


**Digital vouchers:
Learnings from the Covid-19 humanitarian response**

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Graphic: Jenny Soderbergh

Executive summary

As part of the humanitarian response to the Covid-19 crisis in South Africa, there have been numerous experiments in the use of different types of digital vouchers. These vouchers are predominantly being used as part of food relief programmes.

As voucher programmes mature, and opportunities to use them in different ways emerge, there are valuable lessons to be gleaned on the role and efficacy of digital vouchers.

This report, produced by the Western Cape Economic Development Partnership (EDP), reflects the summarised input from individuals and organisations with practical experience in designing and implementing digital voucher systems. It is designed for use by organisations and government departments who envisage using such systems in the future.

The report is divided into the following sections:

1. Decisions influencing the **design of digital voucher schemes** (such as the purpose of the scheme, the technology platform to be used, the criteria determining beneficiaries, etc.)
2. **Essentials for successful programmes.** These include the explicit involvement of local communities in beneficiary selection and familiarisation, verification of beneficiaries, a comprehensive communications plan, etc.
3. **Issues** experienced in existing programmes (for example, limited stocks at retailers that have been selected for a scheme, IT capacity for voucher programmes at retailers, cell phones (if being used for vouchers) being lost, stolen, or upgraded, etc.)
4. **Opportunities.** In the course of analysing digital voucher programmes, a number of longer-term opportunities have arisen, such as alternative use for vouchers, or the development of single-use vouchers redeemable at any retailer or spaza shop.
5. **Principles:** In addition to decisions on the purpose of such programmes, there are core principles that need to be embedded, such as the degree of agency that recipients should have in terms of how to use the assistance provided.
6. **Contacts:** A full list of contributors to the insights generated.

Digital vouchers: learnings and opportunities

Introduction

At the beginning of the Covid-19 crisis food parcels were generally considered to be an effective way of distributing food to vulnerable people. However, in practice it was quickly discovered that the following factors meant that food parcels were *not* the best choice for food relief.

- Safety: There were reports of food parcels being stolen from delivery vehicles, as well as from children as they left school after collecting a food parcel.
- Choice: The parcels sometimes contained food that people would not necessarily have chosen for themselves.
- Distribution fairness: Parcels were allocated to people who had requested help, so there was not equal distribution across a neighbourhood. This led to people wondering why one family received a parcel and their neighbours did not.
- Cost: The logistics costs inflated the cost of a food parcel. It was reported that a food parcel worth R700 was being distributed at a cost of R1100.
- Unit: There was no common understanding of what a food parcel should consist of, how many people it should feed, and for how long.

Compared to food parcels, a digital voucher scheme has the following advantages:

- Safety: The voucher is sent directly to the beneficiary's cell phone and cannot be stolen. The voucher has a period of validity, and if it is lost (due to theft of the cell phone) or not redeemed, it can be re-issued.
- Choice: Within the parameters of the voucher, such as it being limited to being spent on nutritional food, electricity or data, the beneficiary is able to decide how to spend it.
- Distribution fairness: The voucher is sent to a beneficiary's phone, so there is no visible delivery of food.
- Cost: The full amount is received by the beneficiary, with no delivery or logistics costs. This satisfies donors or funders, who want to know that all their funding is reaching the intended recipients.
- Unit: The value of the voucher is pre-determined according to the purpose and budget of the programme.

This report does not suggest that food parcels are not an appropriate response in certain circumstances. Food parcels and vouchers are some of the many ways to support a humanitarian response. This report sets out the lessons from the collective experience of using digital vouchers during the Covid-19 crisis. The operators of digital voucher programmes are constantly learning and adapting; further lessons to this document will be added to the document as experience of these programmes expands.

1. Decisions influencing the design of digital voucher programmes

There are a number of key decisions that need to be taken in the course of designing a digital voucher scheme.

- Digital voucher programmes can have various purposes, and these need to be very clear at the outset. The kinds of decisions that need to be taken can include the following considerations:
 - If aimed solely at humanitarian aid, the scheme should focus on providing reliable funding for credible beneficiaries for as long as possible.
 - If a scheme aims to support local economic activity (by requiring beneficiaries to redeem vouchers at small local shops, for example), this should also be clarified. This approach has different logistical implications to the simple humanitarian assistance as described above.

- Programmes also need to be clear on whether they aim to assist as many beneficiaries as possible (potentially then with smaller amounts per beneficiary), or whether they aim to provide significant support to a lower number of beneficiaries (width vs depth).

There are other decisions that can have a significant influence on the design of a scheme, e.g.:

- Whether to provide very specific support, with little variation envisaged, or to allow recipients a greater degree of latitude in use of the vouchers. Often, for example, data or electricity may be essential for beneficiaries to operate, and limiting voucher redemption to food only may prevent programmes from operating optimally.
- Whether vouchers should be issued to individuals or organisations.
- Which kind of money transfer vehicle should be used – types of voucher, cash exchange, etc.
- The technology platform for transferring value – cell phones, ATMs, etc.
- The level and amount of reporting that beneficiaries will have to provide.
- The criteria determining who the beneficiaries should be.
- The value of the vouchers, and the frequency with which they should be issued.

2. Essentials for successful programmes

While all successful voucher programmes differ, there are a number of key attributes that they share.

- Beneficiary identification is done largely through the local community. Community knowledge, combined with NGO assistance, has been shown to be the most credible method of identifying those most in need of assistance.
 - Any food relief system also needs to allow for changes in beneficiaries, given changes in circumstances within communities. This process also requires community involvement and sign-off to be successful.
- Verification of beneficiaries and their details is also best done in collaboration with communities. Capturing such data, however, is often largely manual, potentially flawed, and time-consuming. For such programmes to succeed at any scale, the process of identifying beneficiaries, and of capturing their data, needs to be streamlined. A protocol for data capture needs to be written at the outset, as this allows for effective database management, and future analysis and mapping of the scheme.
- Preparing the beneficiaries for the implementation of the scheme, and ensuring they have full instructions as well as a source for questions, is essential. It is better to spend time preparing the beneficiaries and ensuring the process of voucher distribution rather than rush to send out vouchers, as inevitably a rush will result in confusion and queries.
- Communication can make or break a digital voucher scheme. It is important that it is:
 - Regular
 - Repeated
 - Clear (in terms of language used)
 - Through channels that are accessible to beneficiaries (and that do not require beneficiaries to have data or airtime at all times, for example)
 - Two-way – programmes should have an easy way for beneficiaries to reach organisers
 - Organisers should also ideally have only one contact point for beneficiaries, to prevent unnecessary confusion. However, a contingency plan should be made so that if the single contact person is ill, goes on leave or their phone or laptop is out of action, then someone else can seamlessly take over their tasks.
 - Also incorporating updates to donors.
- Contingency planning is essential. All digital voucher programmes encounter obstacles, and need to have the capacity to deal with issues while continuing to

operate. Contingency planning, or at least identifying designated trouble-shooters, can keep programmes operational while issues are being resolved.

- Simplicity of implementation of the voucher programme particularly at the point of sale is key. Technology providers need to aim for the simplest possible transaction, and be able to address any issues quickly.
- A good working relationship between the technology provider and the convenor(s) of the programmes is vital. It is suggested that weekly meetings, focused both on trouble-shooting as well as on longer-term strategic issues, should be held.
- Similarly, a good relationship is required between the retail outlets redeeming the vouchers and the organisers of the programmes. Such relationships are vital for resolving IT issues, negotiating discounts, and for helping set up the parameters and requirements of programmes with smaller retailers and spaza shops.
- Voucher programmes most often have a limited budget and have a set duration. Organisers should plan for a measured, clearly identified exit strategy so that beneficiaries are able to plan for the drop in funding.

3. Common issues

While individual voucher programmes can encounter very specific challenges, there are some issues that many programmes face.

- IT capacity at selected retailers can be challenging – even, or perhaps especially, at big-box retailers. Verifying voucher receipts, for example, has been difficult with a number of retailers. Similarly, ensuring that smaller shops and spazas are correctly set up to redeem vouchers can be a problem.
- In some cases, retailers identified for a programme may not stock the items that beneficiaries are looking for, or may have insufficient stock (as seen in some spazas).
- In some instances, there has been push-back to programmes requiring beneficiaries to shop at spazas, stemming from perceptions of high prices, poor quality or xenophobia.
- Spam and phishing attempts are an increasing occurrence. Voucher beneficiaries have been known to delete valid vouchers through a belief that they are phishing attempts.
- If vouchers are issued to cellphone numbers, there are numerous issues that arise. Phones can be lost or stolen, or beneficiaries can change their numbers.
- Voucher programmes in rural areas experience particular challenges.
 - Often beneficiaries are located far from retailers, which means that high taxi fares may prohibit their being able to get to the shop to redeem their vouchers.
 - Retailers in the rural areas are also more likely to carry less stock, or stock of the wrong kind.
- There may be legal issues around the protection of private information as supplied to programmes.
- In general, voucher programmes enable most or all of the value of the vouchers to accrue to the beneficiaries. However, the unseen costs of many of these programmes (beneficiary identification and verification, or the administration associated with cellphone changes, accountability, and reporting) are borne by intermediary organisations. These costs are almost never remunerated, and can be a significant burden for these organisations – many of which were not originally set up to provide food relief.
- Vouchers can be seen as a proxy for cash, and so may lead to the theft of the cellphone on which a voucher is loaded.

4. Emerging opportunities

As voucher programmes mature, a number of opportunities have surfaced.

- Creating one voucher code that could be redeemed anywhere would introduce far greater flexibility for most schemes. This would mean that the decision on where to

shop would rest with beneficiaries at the point of purchase, rather than at the point of issuing the voucher. In rural communities in particular, this could circumvent many of the issues currently being faced; in general, it would also easily allow for additional items such as electricity or airtime to be bought.

- Negotiating with retailers or groups of retailers should be investigated. As voucher programmes increasingly provide ongoing assurance of funds for shopping, programmes should have greater ability to negotiate for bulk discounts for groups of beneficiaries.
 - Similarly, partnering for example with the Somali Shopkeepers' Association, the Traders Association of the Western Cape and the South African Informal Traders Alliance, amongst others should be investigated.
- In the same vein, cellphone network companies should be involved. If there is a role for them to play in simplifying the issues associated with digital vouchers on cell phones, it should be explored.
- Local food chains should be involved in voucher programmes. This is particularly true of rural programmes, where shorter supply chains involving surrounding farms could help diversify the food offered, while simultaneously enabling local economic benefit.
- Retailers associated with digital voucher programmes could be recruited to assist with disseminating information on Covid-19.

5. General principles for consideration

In addition to the detailed decisions that need to be made about the design of a digital voucher programmes, there are some more general principles that need to be considered.

The degree of agency that is being granted to beneficiaries is a core consideration. While programmes with clear aims and specific objectives are fully justifiable, there is a case to be made for transferring agency to the beneficiaries of relief programmes, and allowing them to determine the optimal way to spend aid.

This concept is allied to the concept of implicit trust between beneficiaries and programme convenors (and their donors). This runs counter to any culture of compliance-based accountability and reporting, and presents significant challenges particularly to the public sector. It could be argued, however, that mutual trust should be the cornerstone of efforts to provide relief for the most vulnerable in society, and trust therefore has a valid role in digital voucher programmes that aim to provide this.

Compensation for those involved in voucher programmes is another consideration. As mentioned, many programmes rely heavily on volunteer time and energy, and there is a strong argument to be made that such generosity should not, and cannot, be presumed to be permanent without some form of compensation. This applies both to the volunteers who run community kitchens, for example, as well as to individuals who volunteer in organisations providing the intermediary operational support for voucher programmes.

There are recognised limitations to the extent to which public funding can be applied to undocumented people: logistical issues often prevent aid reaching this sector of the population. Digital voucher programmes, given their general simplicity of implementation, are one way to address the needs of this population, and could be implemented specifically to assist them, for food assistance and other aid.

And finally, the potential exists to expand the scope of digital vouchers well beyond food assistance. Early Childhood Development Centres, for example, are one example of an instance that would benefit significantly from a voucher system that rewarded employees, while yielding substantial social benefits on a broad basis.

6. Contacts

This report was compiled from the learnings of many voucher programme organisations and other individual stakeholders, who were immensely generous with their time and experience. Any of the organisations and individuals below would be able to expand on the points raised in this report if required.

A Better Africa; Beautiful Gate; Cape Town Together; Delft Action Network; Drakenstein Municipality; Flash; Grow Great; Hope Africa; Mustafadin; One Africa; Percept; PLAAS; Respond; Somerset West CAN; Tableview/Blouberg CAN; The Development Action Group; The DG Murray Trust; The Solidarity Fund; The Warehouse; The City of Cape Town; The Western Cape Government; Kate Philip; Marcela Guerrero Casas.

Any other questions related to this report can be directed to Andrew Boraine of the EDP at Andrew@wcedp.co.za.