Technical Brief 3 - Voucher transfers

In this section:

- Voucher transfers in humanitarian interventions.

This section addresses the use of vouchers to provide access to pre-defined commodities or services. Vouchers can be paper or electronic, and are usually exchanged in designated shops or fairs. They may be denominated either in cash, commodity or service value. These are described respectively as value-based, commodity-based, or service-based vouchers. Combined vouchers, for example cash-back options where a beneficiary can exchange a portion of their vouchers for cash, also exist. If the vouchers are not tied to a set of pre-defined commodities or services (i.e. are value-based vouchers), then they will be considered cash transfers.

Vouchers are used where there is a high risk of inflation (thus the agency absorbs the increasing cost of a commodity or service), it is necessary to restrict how a beneficiary uses the transfer they receive (for example for nutrition or shelter programmes) and/ or, particularly in the case of value-based vouchers, where a security and risk analysis concludes that it is not possible to distribute cash. Examples of vouchers include milling vouchers to complement food distributions, NFI vouchers exchanged in NFI fairs and vouchers to procure specific livelihood inputs and assets.

Voucher programmes require a sufficient number of local traders that have:

1. the capacity to increase and/ or maintain a stock sufficient quantity and quality of the necessary commodities to respond to increased demand by beneficiaries,
2. the willingness to cooperate in the scheme and;
3. the capacity to engage in partnership with the implementing organisation.

A fair and transparent way to select the traders must be ensured and a secure and reliable way of paying the traders must be available and agreed to by both the partner and the traders.

Vouchers allow partners to restrict spending and reduce logistics. The systems can be complex however, in that they take time to set up and establish the necessary controls to avoid forgery, although the time necessary to do so can be avoided where systems are established before an emergency. Vouchers tend to limit any positive market impacts to large merchants with the capacity to engage in the approach, and thus may not be appropriate in remote areas unless in a fair context, and share similar risks of inflation as a cash transfer, as they increase demand on local markets.

Vouchers can be distributed as paper vouchers or electronic vouchers and be value or commodity based. In both cases sensitisation to the modality and supporting during distribution and procurement is necessary for both beneficiaries- in particular vulnerable groups such as children and the elderly- and traders. Paper vouchers may be more familiar to beneficiaries but must be printed and distributed with every distribution. They are less likely to be affected by national legislations, for example those that limit the amount of beneficiary information that can be held by an agency but that may be necessary to set up an e-voucher system.

E-vouchers are useful where sufficient infrastructure exists to establish the technology, and there are merchants with shops of sufficient size and diversity of commodities to ensure beneficiary access to quality goods. E-vouchers are usually loaded onto a Smart card (chip or magnetic stripe) and contain data that can be used to verify the beneficiaries' identity. They are discrete, only need to be distributed once thus reducing logistics, and expenditure data can be easily harvested through automatic systems. Where the network coverage and service exists, e-vouchers can also be sent through the mobile phone network in the form of SMS codes.

Vouchers are sometimes used in fairs organised by an agency, where they can be exchanged for goods or services from approved sellers during the fair. Sellers later redeem the vouchers for cash from the issuing agency. Typically fairs use value-based commodities. Fairs take time to establish but are useful where markets do not have the capacity to respond to increased demand, beneficiaries cannot access markets and/ or restricting how a transfer is spent is necessary for the project objectives.

References and useful links:

- "Delivering Money. Cash transfer mechanisms in emergency" June 2010 – CaLP
- Thematic Policy Document n° 3 - Cash and Vouchers: Increasing efficiency and effectiveness across all sectors
- "New technologies in Cash Transfer programming and Humanitarian Aid" - CaLP