

Use of digital vouchers for social relief of distress

IN SUM

Digital vouchers sent via cellphone provide a way to provide social relief of distress without the costs and risks associated with the distribution of food parcels. Although they could still be traded for cash at a discounted price and resold

by the buyer, the risk can be mitigated by transferring smaller amounts more frequently and by signaling the intent of the vouchers to both recipients and traders.

KEY FEATURES OF SYSTEM

- Urgent food relief across SA
- Beneficiaries identified by local NGOs
- Vouchers benefit spaza shops & local store owners
- Demonstration of interoperability

The risk of fraud can be reduced by local identification of beneficiaries using a network of trusted non-government organisations. Ideally, a national voucher for social relief of distress should be redeemable at any shop most convenient to the recipient, but until that is in place, the local economy can be stimulated by the preferential distribution of vouchers redeemable at spaza shops and local general dealers.

Over the past month, and working with two technology companies servicing spaza shops, the DG Murray Trust has allocated 4 300 vouchers of R200 to recipients in six regions across South Africa. This voucher is redeemable for any goods sold in spaza shops, but is strongly associated with communication of the ten 'best buys' of affordable nutritious foods. To date (25 May 2020) 3 344 have been successfully redeemed (typically, purchases seem to be made over weekends). This model is simple, robust and could provide a ready channel for the special Covid grant of R350 and other forms of social relief of distress.

This system can also be extended to provide food support through ECD practitioners (both registered and unregistered) who can pivot their focus towards nutrition support during this critical phase.

THE LOGIC OF FOOD VOUCHERS IN A TIME OF COVID

We are likely to see spike in acute malnutrition in South Africa over the next few months. As incomes decline, household spending shifts from more nutritious foods like eggs and pilchards to cheaper starches, and children stop growing physically and intellectually. The food poverty line – i.e. the cost of food required to provide a minimum of 2 100 calories per person per day – was R561 per month in March 2019¹. But even some supplementation of household income may prevent the family from tipping over the edge into acute malnutrition.

While government has now temporarily increased the child support grant (CSG), there are still many poor families who don't receive any form of social assistance. These include many South Africans who do not have identity documents and foreign nationals who are not permanent residents. The CSG is also not available to pregnant women (a critical time of heightened nutritional need), and with the closure of Home Affairs offices, registration and access to grants for new mothers is further delayed. The Early Childhood Review (2019) found that only 81% of caregivers of children under six accessed the CSG, while a third (36%) of the poorest 40% of infants did not receive the CSG.² The Social Relief of Distress Programme of the Department of Social Development is thus a crucial safety net during this national disaster, especially for children at highest risk.

Getting food to families at this time is critical, but the delivery of food parcels is expensive, logistically complicated and creates risk, both for Covid transmission and crowd control. International evidence is that food vouchers are preferable to food distribution in that they lead to a significant larger nutrient intake per unit cost and larger increases in dietary diversity.³ Food vouchers therefore make more sense, but they can also damage the livelihoods of local shop owners if they are only redeemable at large retailers.

A further challenge is the identification of people in most need. While a central database is required to prevent double-claiming, it is also a blunt instrument for assessment of need. Inevitably, it serves the purpose of a basic income grant more than a targeted strategy for social relief of distress, which really should be available to any family in dire distress regardless of nationality – especially in a time of national crisis.

¹ Statistics South Africa (2019). National Poverty Lines. Statistical Release P0310.1

² Ilifa Labantwana, UCT Children's Institute and the Dept of Planning, Monitoring & Evaluation (2019). South African Early Childhood Review. https://ilifalabantwana.co.za/wp-content/uploads/2019/09/SA-ECR_2019_12_09_2019_online_pages.pdf

³ Hidrobo M, Hoddinott J, Peterman A, Margolies A, Moreira V (2014). Cash, food or vouchers? Evidence from a randomized experiment in Northern Ecuador. *Journal of Development Economics* 107:144-156

What is really required is a system of local identification of people who need the food most, whose details may then be registered of a national database to allow for income transfers. International evidence is that unconditional cash vouchers are most effective in facilitating access to diverse nutritious foodstuffs.⁴ However, our view is that communicating these transfers as food vouchers can signal government intent that they should be used to protect food security, and may also assist women in situations where men in the household might wish to use the money for non-essential items like tobacco and alcohol.

Ideally, the vouchers should be interoperable i.e. redeemable at any store most convenient to the recipient. Unfortunately, the big companies have chosen to issue their own vouchers or only allowed limited interoperability with one or other of their competitors. This has already created problems in some communities, as digital vouchers have been issued that are only redeemable within distance distances.⁵ Until such time as all vouchers are interoperable, it would be sensible to issue vouchers that are redeemable at local spaza shops and general dealers, of which there are at least over 220,000 spaza shops scattered across every town and village in South Africa.

PILOTING A VOUCHER SYSTEM REDEEMABLE AT SPAZA SHOPS AND LOCAL DEALERS

The DG Murray Trust (DGMT) is a foundation committed to developing South Africa's potential. It works closely with national and provincial government. Over the past month, it has worked with a network of non-government organisations (NGOs) in specific areas in seven provinces across the country to identify people most in need and register them locally, so that a voucher of R200 can be sent to their cell phone number (in the form of a USSD string which works on basic feature phones). If they don't have cell numbers, then either a paper voucher may be issued, or the local organisation redeems the voucher and purchases a food parcel. Grow Great, a national campaign focused on nutrition, then sends messages to each

FOOD VOUCHER PILOT AREAS

- **LIMPOPO:** Greater Letaba and Greater Giyani
- **GAUTENG:** Orange Farm
- **MPUMALANGA:** Nkomazi
- **EASTERN CAPE:** Duncan Village, Mdantsane, Mqanduli, Coffee Bay
- **KWAZULU-NATAL:** Gamalakhe, Ezinqoleni, Umzumbane
- **WESTERN CAPE:** Khayelitsha, Delft, Crossroads
- **NORTHERN CAPE:** Kuruman, Danielskuil

⁴ Doocy, S & Tappis H. (2017). Cash-based approaches in humanitarian emergencies: A systematic review. Campbell Collaborations. Accessed via <https://onlinelibrary.wiley.com/doi/pdf/10.4073/csr.2017.17> (May 2020).

⁵ <https://www.iol.co.za/dailynews/news/kwazulu-natal/chatsworth-food-voucher-recipients-angry-about-travelling-to-supermarkets-outside-the-area-48189199>

recipient on the ten 'best buys' for that money – highly nutritious foods at lowest cost. In this way, an association has been created between the Co-Care voucher (effectively an unconditional cash transfer) and its intention of supplementing the food intake of families.

DGMT teamed up with two companies, Flash and Kazang that provide the technology backbone for payment services in spaza shops and local general dealers. Normally, they are competitors, but they have agreed to work together to create an interoperable voucher (called Co-Care) and to offer their services at no cost. Their electronic terminals located in-store facilitate payment for airtime, utilities, and international money transfers, among other things. These terminals are instantly credited to the value to which the voucher is fully or partially redeemed. This credit is then traded out for cash when the next customer purchases airtime or makes any other payment via the terminal. Co-Care vouchers and Grow Great posters of the ten best buy foods are displayed on the outside walls of the stores.

10 'BEST BUY' FOODS

Food	Quantity	Estimated price
Eggs	18	39.00
Speckled Beans	500g	20.00
Pilchards	400g tin	20.00
Fortified Maize	2.5kg	21.50
Full cream Milk Powder	500g	55.00
Soya Mince	250g	23.00
Peanut Butter	400g	25.00
Rice	1kg	22.00
Soup Mix	500g	13.00
aMasi	2L	28.00
Total		R266.50

This basket provides 45% of the energy requirement of a child aged 6 years and 35% of that of an adult.

This system also allows for targeting of specific groups. For example in Coffee Bay and Mqanduli in the Eastern Cape, Philani Health & Nutrition mentor mothers identified all the pregnant women in their community and registered them to receive vouchers. Similarly, Grow Great identified pregnant women through its Flourish network in Nkomazi, Giyani and Greater Letaba. In the Northern Cape and North West, the Kgalakgadi Relief Trust (KRT) has channelled additional income to claimants who have contracted asbestosis-related disease.

To date, close to R8 million has been raised from funders and individual donors to be directed towards food vouchers, and vouchers will continued be distributed until funding is exhausted.

WHAT WE HAVE LEARNT

The system is robust and scalable, but inevitably, there will be some implementation challenges as it is scaled up:

- The use of local NGOs already known and trusted by DGMT provides confidence that the funds will be used as intended, and DGMT conducts a random sample survey of 5% of recipients to verify that they did receive the voucher and that it was used for its intended purpose. Collectively, it is likely that over 2000 NGOs have already been vetted and approved by either DSD or philanthropic foundations, and these organisations can serve as the network for local identification of people in need of social relief of distress.
- To date, spaza shops have been activated through Flash and Kazang regional teams, but as the number of participating shops increases, most of the communication will have to be done through their respective digital platforms. This may lead to teething problems until the system is well-established. National rollout commenced on 25 May 2020 and it is too early to assess its effect.
- While most recipients are able to access their vouchers through the simple unstructured supplementary service data (USSD) technology, some people may struggle and require support. For that reason, these calls will have to be routed to a national call centre.
- A surprisingly large number of rural households in the pilot do not have any cell phone in the home. For that reason, there must be a back system, either of paper vouchers (with a limited number issued to the local NGO, or redemption of a digital voucher to purchase a food parcel, with the onus on the NGO to provide evidence of receipt by the intended beneficiary).
- Some recipients failed to redeem the voucher as they were suspicious that it was a scam. Recipients will become more familiar with the Co-Care brand over time, but at the same time it will be more likely to attract the attention of tricksters. Unless these tricksters have access to the actual cell phone, they will not be able to redeem the voucher.
- The risk of fraud cannot be entirely obviated, but it is mitigated by the role of the local NGO and by the requirement that the cell phone must be presented to the dealer to redeem the voucher.
- While the voucher may be redeemed for any goods available in a spaza shop, the limited number of goods on offer means that most is spent on basic foodstuffs. Feedback to date is that the vouchers is typically spent on eggs, fortified maize meal, pilchards, full cream milk, dried beans and other items on the ten-best buy list.

ADDED VALUE OF THIS SYSTEM

In addition to being a viable mechanism for social relief of distress, this food voucher system can provide a logical solution to other challenges, notably the support for ECD practitioners (both registered and unregistered) to identify and direct food to children at highest risk.

The net effect of the Covid epidemic and lockdown will be that:

- household food security will be weaker and children will be more malnourished and more will come to ECD sites hungry and unable to learn;
- parents will be able to pay less, so that the nutrient quality of food they receive at ECD sites will be lower (as proteins are substituted by cheaper carbohydrates);
- fewer ECD practitioners will be able to sustain themselves and their families, increasing flux in the sector as they look for better opportunities; and ultimately
- the quality of learning and teaching will be lower.

A key part of the national response must be to protect the livelihoods of ECD practitioners, in order to protect jobs and the national early learning scaffold. DSD currently subsidises about 700,000 children in registered ECD centres, but another 1.5 million children are in child care and unregistered ECD facilities operated by about 40,000 practitioners, assistants and support staff. Arguably, it is children in unsubsidised centres and those at home who will be at highest risk of acute malnutrition over the next year.

This voucher system will allow ECD practitioners to identify poor children receiving no other form of social security, both those who attended their centres prior to lockdown and others known to them in their communities. In time, this system could strengthen the food value chain for children in informal settlements as purchases from local traders signal growing demand for nutritious foods.

RECOMMENDATIONS

- This is a viable means of channeling the special Covid grant to applicants who applied through the current systems for national registration.
- It also creates the possibility of rapid migration to local identification and vetting of most applicants (although a secondary channel of application would need to be retained for applicants in very remote areas).
- It is a critical strategy to support local enterprise in the informal economy, both of traders and ECD practitioners, and should be considered as part of local economic development strategies in support of the informal economy.

- Should the larger retailers wish to participate, they should be required to make the Co-Card voucher interoperable with their own systems, so that consumers may choose where they wish to shop.
- Should the major retailers wish to retain their own vouchers, these should only be supported if the retailers sell the ten best buy nutritious foods at no more than cost + 5%.

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DGMT is a South African foundation built on endowments from Douglas George Murray and his wife, Eleanor. DGMT is committed to developing South Africa's potential through public innovation and strategic investment. Our goal for South Africa is a flourishing people, economy and society. Towards this end DGMT currently distributes about R160-million per year and leverages and manages a similar amount of funding through joint ventures with other investors.

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