This guidance note is part of a series of nine modules that seeks to provide support to humanitarian actors working on Cash Based Programming in Somalia Cash transfer programming can be set up through different designs with contextual specificities defining diverse approaches to targeting, control mechanisms, risk mitigation and risk management.

# When to use vouchers

Use of vouchers as a means to transfer cash or commodities is aimed at addressing a specific defined purpose such as improving the nutrition status of households through food vouchers. Use of vouchers limits the choices available to a household to the specified items or source. This approach is particularly useful where there is a risk of misuse or unintended use of the cash provided.

The level of choice in a voucher program can be scaled up depending on:

* Number and locations of shops willing and able to participate in a voucher project.
* Frequency of the timing of the use of the voucher (from once a month with full ration to open access when needed)
* Quality of the inputs to be provided / supplied: certain items (e.g. such as quality seeds, special foods, etc ) cannot simply not be accessed by local suppliers.

# Cash or commodity vouchers

Voucher can be of two forms;

* Cash voucher: A voucher distributed by the implementing organization to selected beneficiaries who can then exchange the voucher with goods up to the value indicated on the voucher. The IO then pays the supplier against the verification of the vouchers collected. In such a situation the beneficiaries have the full choice of the type of items but restricted choice of suppliers where the voucher can be exchanged.
* Commodity voucher: This voucher is redeemable for fixed quantity of pre-selected items in selected shops. The beneficiaries have therefore no choice.
* Vouchers can also specify an amount and a restricted list of items that can be obtained with them – hence the beneficiary has an element of choice over the quantity of various items, but cannot buy certain prohibited items (which the IO determines) with the voucher.
* The vouchers could either be in the form of paper vouchers or electronic vouchers.
* The open electronic swipe card is the preferred type of electronic voucher which largely depends on the availability of network coverage. It has been used in the past to help farmers access seeds; fertilizers and lime; agrochemicals; and implements and spare parts for farming equipment. However, this concept has not been used in Somalia

# Designing vouchers

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| **Key questions to consider during the design of the project** | **Outputs** |
| **For voucher** | 1. Define the list of items/services and their respective level of needs and acceptance by beneficiaries. Measurement of level of re-sale of each item should be a key aspect of monitoring.
2. Identify the number of local traders able to supply targeted items and their capacity to serve beneficiaries and to report appropriately.
 | ⧠ List of items/services to be distributed.⧠ List of traders able to supply and distribute items as per expected standards.⧠ Process of distribution and reporting mechanism by suppliers. |
| **Anti fraud** | 1. Design the voucher as unique as possible and focus on increasing the difficulties in replicating the voucher (special paper, unique stamp, serialised …) Print the voucher only few days before the actual distribution.
2. Add a unique serial number on each voucher.
3. Do not add any information that could be used by the supplier to verify the identity of the beneficiaries on the voucher.
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# Key risks to consider and to monitor

* Reselling of items can take place and should not be under estimated. Reselling of items means that the selection and quantity of items are not meeting the priorities of the beneficiaries, and by reselling, the beneficiaries get back his/her full right to choice, though with a loss of value during the resale, usually at low price. Some NGOs have for example decided to include sugar in the voucher as it is a key food item that any household would need and therefore the reselling of others food items to procure sugar do not occur.
* Actors of diversion and taxation on beneficiaries returning home could be more active with cash distribution rather in kind items distribution.

# Vouchers redeemable with local shops and traders

Key aspects to consider for a voucher set up project:

* Relations with shop holders.
* Locations of shops. Shops should be accessible from a distance or security point of view.
* Who are the traders? Could the project focus on different methodology or modality to increase the number shops involved in the process and to increase small shops benefit of the project.
* Taxation after reception of the food voucher. It is recommended to spread the distribution over a long period of time to increase difficulties for informal taxation of actors to conduct taxation exercise.
* Selection of traders participating in the voucher project

# Voucher fairs

A voucher fair can be established as a market set up by IO, where vendors come to sell their goods and recipients can purchase them with their vouchers. The security of the site should be carefully considered and the conflict sensitivity and the choice of vendors invited to participate should be carefully assessed.

* Selection of vendors; Open to all vendors or restricted (quality of inputs, price, conflict sensitivity,…). The larger the number of vendors, the more choice would have the beneficiaries.
* Determine the list of goods and their respective quality to be included in the fair. The type of items to be accepted in the fair should link to the project objective.
* Price: if price can be fixed, it will make the process easier and will reduce the space for possible tensions during the fair. However, fixed prices would require extensive price negotiation between IO and suppliers, and would need to consider difference of quality for all items proposed.
* The fair is limited to specific days and therefore can provide space for more IO control on the process compared to others voucher methodologies.