

# ANNEX 38 – TIP SHEET: HOW DO I BUDGET FOR VOUCHER PROGRAMS AND FAIRS?

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Voucher programs are administratively burdensome and have very specific costs. This Tip Sheet will walk you through a few crucial considerations, including:

- Staffing
- Voucher design and printing costs
- Budgeting for commodity vouchers vs. cash/restricted cash vouchers
- Budgeting for fairs

## Staffing

To implement a success voucher program, you must ensure you have sufficient staff. How do you staff appropriately?

The exact number of staff you need will depend upon how you set up your program. Programs that run simultaneous voucher distributions or fairs will require more staff. Those that plan fairs and distributions at different times can have smaller teams carry out relevant activities.

## Program and M&E Staff

You will need a *minimum* of two Program staff at each voucher distribution and a minimum of 3-4 staff per fair (depending upon its size.) As a starting point, you should plan for one Program staff member per 250 vouchers to be distributed, but adjust for your context. For large distributions, you will also need support staff available (or work closely with community leaders) to provide guidance to the crowd while they wait. Ideally, you would also have at least one M&E staff available during each distribution and 2-3 available during fairs. During voucher redemption, you will need staff available in each marketplace, visiting participating vendors for the first few days to monitor the voucher redemption process. Within two weeks of voucher redemption, staff will need to conduct post-distribution monitoring (PDM) per location. You can have the same program staff conduct voucher distributions and monitor the redemption process. It is the number of locations and whether events are happening simultaneously that will most affect how many positions you need to budget for.

For instance, if you plan to distribute 1,500 vouchers in three locations simultaneously (a total of 4,500 vouchers), you would need to consider budgeting for 15-18 program staff. More likely, you would take 4-6 staff and do one distribution at a time. Another way to reduce staffing costs would be to partner with a local organization, which may have more staff available.

Finally, consider the total number of program participants and the quantity of participants/vendors that will need to be interviewed through random sampling. Ensure you have budgeted for sufficient staff to carry out those M&E activities in the desired timeframe, assuming each household survey will take around 30 minutes or so, possibly longer if you adjust the templates in this guide.

## Finance Staff

Because voucher programs require significant effort from Finance to conduct voucher reimbursement in a timely manner, work with the Finance Director or Regional Finance Officer at headquarters to determine how many specific Finance positions should be budgeted for your program. (Use Annex 15: Finance Guidelines for Voucher Programs as a starting point to understand what is required.) The number of Finance staff will depend upon the number of vouchers distributed, the frequency of distributions and redemption periods (weekly, bi-monthly, monthly, etc.), and the number of vendors in your program.

## Operations Staff

For programs or fairs using commodity vouchers, the procurement team is heavily involved in tendering and contracting vendors. Discuss with your Operations team to determine if additional staff may be required to support your voucher program.

## Voucher Printing and Design

There are several aspects of designing and printing vouchers that make this a significant budget line item. These include:

- External contract for design/printing
- Fraud-resistant features
- Multiple denominations or commodity vouchers per household
- Number of distributions

The design and printing of vouchers is almost always contracted out to an external company. This eases the work for Mercy Corps and may reduce the risk of diversion/corruption. However, it does typically increase cost. Your Operations team can help you estimate printing costs in country. If there is a high risk of fraud or a lack of capacity in your country, you may consider having vouchers printed outside the country. This scenario is often more costly and time-intensive.

Fraud-resistant features required for voucher programs can significantly increase costs as well. These include printing on colored paper, using colored ink, including watermarks or holograms, embossing, etc.. Determine the minimum number of features which would be effective in your context and include those costs when estimating design/printing costs.

Finally, the total number of vouchers to be printed – as well as their variety – will have considerable cost implications. We recommend providing multiple denominations (for cash and restricted cash vouchers) to households to maintain flexibility for program participants. Programs that are distributing five vouchers per household over nine distributions will be more costly than a program distributing three vouchers per household over three distributions. Voucher costs can range substantially – from less than \$0.50 per voucher to more than \$2-3 per voucher – so it is important to carefully think through these decisions to allot sufficient money for this activity and avoid budget modifications.

## Budgeting – Voucher Programs

### Cash/Restricted Cash Vouchers

Estimate the value of cash and restricted cash vouchers by determining what it would cost people to purchase their most urgent needs. If you have determined each program participant will receive vouchers worth a total of \$30/month, then you budget this value multiplied by the number of participants and the number of distributions to determine your budget line item. For example  $\$30 \times 2,000 \text{ participants} \times 3 \text{ distributions} = \$180,000$ .

### Commodity Vouchers

Budgeting for commodity vouchers is not much different than for cash/restricted cash vouchers. Once you determine what your commodity voucher will consist of (i.e. 25kg of seeds, 2 shovels, 3 hoes, 1 rake), estimate the cost for each good/service and then multiply it by the number of households and distributions. For example, let's say the below represents the *estimated* cost of each item:

- each 25kg bag of seeds costs \$10 x 1 bag = \$10
- each shovel costs \$4 x 2 shovels = \$8
- each hoe costs \$3 x 3 hoes = \$9
- each rake costs \$2 x 1 rake = \$2
- **TOTAL estimated cost per commodity voucher = \$29**

If each program participant will receive only one commodity voucher distribution and there are 5,000 participants, then your budget line item will be \$145,000 ( $5,000 \times \$29$ ).

A common mistaken when budgeting for commodity voucher programs is to estimate the cost of goods based upon their wholesale, rather than retail, price. Remember, vendors participating in voucher programs are not guaranteed customers through your program and not all program participants will purchase at one vendor's shop. Wholesale prices rarely apply in voucher programs, so using them as your budget estimation will result in a shortfall for this line item.

### Vendor Participation

As described in Activity D, some vendors may be unwilling to participate in voucher programs without being paid a small fee. While this is not recommended, if you choose to accommodate this, you must remember to budget for this additional cost.

### Budgeting – Fairs

Additional fair costs outside of those described above may include reimbursement for vendors' transportation to the fair or storage costs associate with fair participation. Again, although not recommended, if you choose to allow this you must budget for these additional costs as well.