Visa Case Study: Government Efficiency | Dominican Republic Provides for Its Neediest Citizens

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GOVERNMENT EFFICIENCY
dominican republic provides for its neediest citizens

The government of the Dominican Republic uses Visa reloadable prepaid cards to deliver subsidies for food and other necessities to some 800,000 poor families under its Solidarity Card program.

Occupying the eastern two-thirds of the island of Hispaniola, the Dominican Republic is the second-largest nation in the Caribbean. The nation has a democratic government modeled after that of the United States and one of the largest economies in the region, with tourism a major industry. It has an ethnically diverse population of 10 million—more than 3 million of whom live in the capital, Santo Domingo. It also has a large population of poor citizens, including seniors, who rely on government-aid programs.

Scenario

The Dominican Republic enjoys a sunny tropical climate, abundant natural resources and a growing economy. It also wrestles with a key challenge faced by many other developing nations: how to efficiently and effectively provide a safety net to needy citizens. While many of them live in the nation’s urban areas, some 40 percent of the country’s people live in the countryside where economic opportunities are not as widespread as in the cities.

The magnitude of the problem facing the country’s Social Subsidies Administration was compounded by a severe recession in 2003. That economic crisis created an enormous rise in unemployment, particularly for younger workers from ages 20 to 39. More than half of those people who were employed were engaged in the informal economy. As a result, the nation’s purchasing power was cut by 40 percent, a half a million people were out of work and more than 1.5 million were living in poverty.

“It was truly a catastrophic situation, and help needed to arrive urgently,” says Van Elder Espinal Martínez, the director general of the Social Subsidies Administration.
But the government found itself hard-pressed to deliver staple food products like rice and cooking oil, fuel and financial assistance to this large and dispersed population through the traditional methods of direct distribution of physical goods. That became “a disorganized process that tended to be chaotic, and the neediest families were not necessarily the ones receiving the social help.” Some regions got more resources than they needed, while others got little; local influence, rather than genuine need, was the rule in many places.

Faced with such need, the Social Subsidies Administration set out to develop new, focused and efficient ways of making sure the needed resources were delivered fairly and to the neediest citizens. The goal: to create a single flow of benefits the government could control and monitor to ensure all its programs were working to help Dominicans.

**Solution**

In 2004, the Social Subsidies Administration decided to shift from physically delivering aid (in the form of food, medicine and supplies?) to the distribution of funds. Working with Visa, the government undertook a pilot program that distributed Visa reloadable prepaid cards to recipient families. This move enabled recipients to purchase what they needed from local vendors.

The Solidarity Card program began by distributing about 6 million Dominican pesos (US$2 million) worth of aid to some 5,000 needy Dominican families. Using their cards, the families were able to buy staple foods at local markets and pay for fuel, electricity and other needs. The initial tests were so successful that, within a year, the government had expanded the scope of the program more than a hundredfold to 634 million pesos.

In 2009, just five years after its introduction, the Solidarity Card program has grown to deliver the combined benefits of six assistance programs to needy residents and will send some 10 billion pesos to recipients throughout the country. The card program provides access to a host of critical benefits, including unemployment, benefits for the elderly, school lunches, funds for subsidies to buy gasoline for vehicles and for the “Eating is First” program to provide nutrition assistance.

Not only does the Solidarity Card help the Social Subsidies Administration keep track of the benefits program and ensure that help reaches the country’s citizens fairly, it also overcomes the limitations of using checks to send benefits. The use of Visa empowers both recipients and local economies across the Dominican Republic.

The program is vital to Dominicans like Santa Isidra Zavala Garcia, who at age 73 has been receiving aid via the Solidarity Card for four years. With the card, she is able to buy basics like rice, beans, cooking oil and milk for herself and now says, “I don’t lack anything.”

Distributing benefits this way, enabling recipients to do their own shopping, like all their neighbors, is another important benefit of the program and offers recipients a sense of human dignity, says Martínez.

For Maria Alta Gracia Reyes, that is at the core of her experience using the Solidarity Card. Every month, when her card is reloaded with that month’s 700 pesos in “Eating is First” benefits, she goes to the Casa Tavara market to buy milk, sugar, oatmeal, rice, pasta and cooking oil. She likes not only the convenience of being able to swipe her card to pay for her items but also that she can make a telephone call to find out her balance.

“I am way better off than before”

Reyes
“At the store, they treat me with kindness and respect, and they help me,” she says “I am way better off than before.”

The Solidarity Card program also provides a boost for local economies because food is not distributed directly by the federal government. Residents buy what they need from local merchants, injecting funds into their neighborhood that continue to circulate and help other local businesses, generating employment and helping improve the community.

“Visa is a strategic partner that allows the payment of social benefits regularly, with the correct assistance, transfer of knowledge and, most importantly, with the ability to analyze and control transactions throughout the country,” Van Elder says. “Without any doubt, the Solidarity Card has become the most ideal tool in its transparency and accountability that any agency in the Dominican government has ever implemented.”

About Efficiency

Visa works with government agencies around the world to move from paper-based distribution of electronic benefits to electronic means – such as prepaid cards – for everything from child support to unemployment to emergency assistance and disaster relief. In 2009 in the U.S. alone, Visa had more than 65 disbursement programs operating in 38 states, providing consumers – even those without traditional banking relationships – with a secure, cost-effective and convenient alternative to cash and checks to make everyday purchase, pay bills and even receive deposits to their Visa prepaid card.