

Digital currency and Refugee assistance

How digital currency could improve food and goods distribution for
Refugees

v4r.info

Thierry Blanc — admin@v4r.info

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Abstract

*The European Union's humanitarian assistance is increasingly delivered in the form of cash, replacing, where possible, traditional in-kind humanitarian aid. Cash assistance is not only **more efficient**, but is also providing people in need with wider and **more dignified** assistance, giving them the **flexibility to choose** what to purchase based on their preferences. It also results in more aid directly reaching beneficiaries, which ultimately ensures the **maximum impact** for those in need and better value-for-money for donors and taxpayers. Finally, cash transfers **support local markets**, lay the foundations for communities' recovery and resilience, and can complement existing social safety protection systems.*

Therefore, we believe that, where it is right for the context and in the best interests of beneficiaries, cash represents the most effective and efficient modality to provide aid to those who need it most. [emphasis added]

Monique Pariat, Director-General,
Directorate for European Civil Protection and Humanitarian Aid Operations
(ECHO)¹

Giving money to people in need instead of free meals has many advantages. It leads responsibility, reduces waste, gives choice and choice fosters dignity. In addition, it supports the local economy as any player can step in and offer services (food).

These advantages can be further extended using digital currencies (DC) instead of cash or bank cards. Even when the use of digital currencies usually needs electronic equipment, the advantages are substantial as even small amounts can be distributed to an almost unlimited number of receivers with practically no effort. E.g. handing over an amount of € 3 in cash to each of ten thousand people would need about 80 hours of work¹ but the same process done with digital currency would just be a few clicks on a computer².

The current proposal suggests the use of Faircoin (FC), a crypto-currency that has a fixed exchange rate to the Euro for monetary assistance for Refugees (called recipients) and whenever DC is mentioned FC is assumed. As a sample case the situation in Lesvos will be used.

¹To check the identity and hand over the money about 30 seconds are calculated per person.

²In both cases a list of valid recipients is needed. As soon as the list is set up, a daily transfer can even be fully automatised.

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1 Faircoin - the fair alternative to bitcoin

FairCoin is an innovative blockchain technology, performing better than BitCoin and most AltCoins: it requires less energy, enables fast and secure transactions and is redistributing a very low fee to ensure smooth operations. It has been built with a clear value set in mind to bridge economic gaps on a regional and global level.

From faircoin website^{II}

Faircoin is to bitcoin what organic is to conventional. Faircoin needs very little amount of power and the products offered in fair-coin are fair-trade and largely organic. Faircoin is based on Proof-of-Cooperation³ instead of the energy-consuming Proof-of-Work concept.

1.1 Exchange rate

The faircoin has a fixed exchange rate to the Euro: 1.2 Euro are 1 FC. There are no fluctuations.

1.2 Power consumption / ecological footprint

The power consumption of faircoin is just few hundred Watts compared to 300 MW in case of bitcoin.

1.3 Transaction time

A transaction in faircoin is very fast, sometimes it takes just seconds.

1.4 Payment method

Faircoins can be transferred with the appropriate software, i.e. the FairCoin app or the desktop version. There is also a RFID-card option available. The general way to pay in FC is by app.

³For details about Proof-of-Cooperation, see here <https://fair-coin.org/en/white-paper>

2 Using DC

2.1 How a transaction works

A transaction in FC is very simply. For fixed prices, e.g. for meals, the price and the receiver can be coded into a QR-code. This code is then scanned with the cellphone by the buyer. After scanning the buyer just has to click «send» and the transaction is done.

A transaction takes less than a minute, sometimes just a few seconds.

2.2 Requirements

2.2.1 cellphones

On the recipient side a working cellphone is needed that can run apps.

People without cellphones In an initial phase, only people with cellphone would be eligible. As probably 98% of the people do have cellphones, the few cases without a phone could be dealt with separately.

2.2.2 list of recipients

A list of recipients and their faircoin address is needed. People on this list will receive automatically a fixed amount of faircoins every day.

2.2.3 «hotspot» – list authority

An official body or a dedicated NGO will have to be in charge of the above list and updated and track every changes. Recipients that leave and are not eligible anymore for and have to be deleted. New recipients have to be added. To avoid misuse, all recipients should prove their presence in fixed time intervals like every two weeks.

In best case there is a hotline/hotspot where recipients can go and ask in case of problems. Technical support can also be distributed to other NGO partaking in the project so that recipients could ask for help in different places.

As anyone can send FC, in case a recipient did not receive its daily amount of FC, other people (volunteers) can bridge the time until the hotline is available and send some FC. That reduces the need for 24h hotline and allows for a hotline/hotspot that is just available once a few hours a day.

As the number of recipients grows a hotspot/hotline will increase in importance.

2.3 Differences to cash card approach

In the UN cash card approach the cards «are loaded on a monthly basis following a monthly verification by UNHCR and its partners, with UNHCR sending the order to the financial service provider (FSP) to load the individual cards.»⁴

Using FC allows for daily charging, so smaller amounts can be given. This allows to let people join for a time span of less than one month.

⁴[EUCC], p. 12

2.4 Advantages of using FC

- **Fostering choice, fostering responsibility**
By giving people a choice, responsibility is fostered.
- **Less food waste**
With people paying for the food, there will be substantially less food waste.
- **No more fraud and hoarding**
Using FC will eliminate fraud and hoarding.
- **Money but not cash**
Recipients have a choice but with FC it will be more difficult to spend the money on alcohol or drugs. With daily charging, the risk of misuse is even smaller as recipients never have a large sum at their disposal.
- **Support from abroad**
Friends from abroad (e.g. volunteers) can send FC from anywhere without high transactions costs.
- **Internal exchange**
Recipients can send FC to each other and support each other.
- **Short-term option**
Recipients that do not stay for many months can join the program, too. With cash cards that is rather difficult.
- **Local usage**
FC will be spent locally as there is no option to send it elsewhere (i.e. to home country through Western Union).
- **Local economy**
local businesses can and join in and offer goods/services in FC. This will create a market with demands that brings quality control, etc.

3 DC for Lesvos

3.1 Scope

FC can be used in the following fields:

1. daily meals and food (distribution)
2. warehouses
3. bonus system
4. local economy

3.1.1 food

Using DC would mean instead of freely distributing the meals to sell them with the above advantages. Food distribution happens in different locations in Lesvos, mainly Moria camp plus some NGO based food outlets like Nikos & Katharina's place, One Happy Family (OHF) and some more. A change to can be gradually and does not have to include all players.

If many players join the FC it will foster competition between the different players what should have a positive effect. It would promote those that deliver good, quality food that is liked by the people and allow them to grow meanwhile food that is only taken because it is *gratis* would disappear.

3.1.2 Warehouse

Warehouses switching to a FC system will encounter similar benefits: no more hoarding, no fraud, choice, etc.

Warehouses using FC will not have to use or create their own software but can just start out-of-the-box with FC. The change needed for the warehouse is to become like a second hand store where people can look at the goods and choose freely.

3.1.3 Bonus system

FC is a good way to give people a bonus for something completed like an language course or else. After attending some lessons the attendees will receive a certain amount of FC that can after be used in the FC places.

3.1.4 Local economy

When FC is introduced, local businesses, e.g. restaurants can offer meals in FC. This will diversify the options for the refugees and add an opportunity for income for the local people. Restaurants can also do it for just a selected part of meals (“faircoin meal”), for certain days of the week, after nine o'clock, etc.

3.2 Moria

3.2.1 food outlet

Moria camp could implement FC to replace the daily food distribution. The food distribution inside the camp could literally be externalised to a food outlet in front of Moria (see later) where people buy food with FC.

This would solve most of the current problems like fraud, hoarding, fights during the distribution, checking of identity cards, etc.

It would free the police and army from supervising three times a day and do other things and free valuable space inside Moria camp.

To implement FC in Moria food distribution, the food distribution should be transferred from inside the camp to a **food outlet** in front of the camp where the food is sold.

food outlet:

- size of a container, storage option, lockable
- open up to 12 hours daily
- run by an NGO (e.g. Remar)
- sells the food that is delivered by the catering service

The food outlet will need about four people for 12 hours daily, i.e. about 8 people with two shifts. 4 of them can be recruited from the refugees, the other four should be volunteers. During lunch a staff of 6 to 8 people might be useful to handle a larger number of people in peak time.

For Moria camp this means substantially more space to use inside as the entire food distribution will take place outside. It will free the police and army from supervising the current slightly chaotic food distribution as the queues will vanish⁵.

Advantages:

1. **Easy access**

Delivery vehicles can access an outside post much easier than a station inside Moria.

2. **No more food scarcity**

As the food is sold, there will be no more food scarcity leading to many problems.

3. **No fraud, no hoarding, no stress**

As people have to pay, there will be no fraud, no hoarding and therefore no more stress for the people.

4. **No more queues, no more stress**

Longer opening times make queues vanish.

5. **Choice and freedom**

People can get food when they want and if they want it.

3.3 Extension to warehouses

After introducing FC to food assistance, it can gradually be extended to warehouses.

4 Endnotes

Notes

¹[EUCC] EU Cash Compendium 2019, Doing More Cash, Better, February 2019, https://ec.europa.eu/echo/sites/echo-site/files/eu_cash_compendium_2019.pdf

¹¹Official Faircoin website: <https://fair-coin.org/>

⁵As I witnessed last year a food outlet that was open for 2 hours could serve 300+ people but never encountered more than 10 people in the queue. It is only the pressure that create the queue and the stress.