

# Food stamps: systematisation of Russian practice

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ORIGINAL ARTICLE

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**Abstract.** The paper presents an analysis of food stamp programmes in Russia. These programmes are funding the purchase of food in the form of directed payments or auxiliary payment instruments. However, there is no unified concept of food stamps. Indeed, the separate regional programs are launched. They controlled both by the State and non-profit associations. Additionally, there are various practices in Russia using similar tools to ensure national food security. The paper attempts to formulate mandatory criteria for food stamps. It also presents a classification for assessment of food stamp programmes structure. Hence the work assesses the organisational changes in terms of digitalisation of food stamp programmes. Nowadays, the Russian Federation is in the process of accumulating experience in the use of food stamps. The independent programs are being launched and assessed in various regions, the regulatory framework for the launch of larger-scale projects are being developed, etc. The most significant change increasing the efficiency of using food stamps is the digitalisation of the process. Modern food stamps have undergone a profound organisational transformation through the use of digital tools. Their use is more convenient for all stakeholders and makes it possible to effectively provide food support to the indigent people. Hence introducing of food stamp programme in the Russian Federation will improve public access to food and contribute to an increase in living standards. Moreover, the programme expands the demand for food products, increases the economic stability of producers, and forms conditions for import substitution programmes for food production.

**Keywords:** food stamps; food support; food security; the indigent people; food stamp programmes

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## Introduction

Food stamps are considered as an effective tool for providing food support to indigent people. They began in the USA in 1939. Nowadays, they are used in many countries [16]. The algorithm of food stamps implementation in the USA includes the following steps [16]:

- citizens or household should confirm the status of an indigent person.
- Authorized organisation issued a debit card for the indigent person; periodic accruals are made on it in monetary terms. Historically, the assistance provided was in the form of paper vouchers of certain denominations available to be used to pay for food.
  - The person can use this card can in accredited stores. However, there is a prohibition on the purchase of tobacco and alcohol.
  - The accrued funds must be spent within the prescribed period.

The model of using food stamps allows ones to increase the food amount, ensure a healthier composition of the food basket by limiting the products that can be purchased. It is very important, since the indigent do not always have the opportunity to balance their diet [6].

Indeed, this tool is practically not in use in Russia despite the general popularity of the idea worldwide [3, 4, 8]. Apparently, it may be related to the government's concerns to acknowledge the existing problems related to the inability of a considerable part of people to provide themselves with food on their own. According to Rosstat, in the Russian Federation there are about 17 mln people are below the poverty line. Moreover, there is population negative reaction related to the shortages of the Soviet times. Although, in terms of economics, food stamp programmes are fundamentally different from ration cards.

Nevertheless, rising food prices and generally unstable incomes [12], the need to support the food demand in terms of the development of the Russian agro-industrial complex [15] indicate the expediency of introducing a food stamp programmes in the Russian Federation. However, there are alternative approaches to the implementation of this food aid model (including in Russia). Additionally, other food purchase tools are presented on the food market. Although they have some similarities with food stamps but not the same. To choose the optimal strategy for the introduction of food stamps in our country, it is necessary to consider the alternative approaches and tools.

The purpose of the study is to conduct a comparative analysis of existing practices in the Russian Federation related to the provision of food aid to the indigent people in the form of targeted cash payments or on the basis of the use of auxiliary payment instruments.

### **Main part**

Food stamp programmes are being launched experimentally at the regional level. As a positive example, we can consider the practice of the Kaliningrad region, where a corresponding program was launched in 2020 during the pandemic to support the regional retailers and the most vulnerable categories of citizens [7]. Those times, many people lost their income due to the pandemic (closure of enterprises, transition to part-time work, downtime, etc.) and were eligible for food aid.

The adjusted burden on the regional budget provided for the provision of assistance to 7 000 citizens; the amount of support was 10 000 RUB per person (in two payments of 5 000 RUB).

To get food stamps, a citizen of the Kaliningrad region had to act as follows:

- confirmation of information at the regional employment centre;
- an application for a food card through a special digital platform.

The regional authorities approved a list of 35 goods allowed for purchase to control the targeted use of finance provided to the indigent people. A pool of retailers accredited to sell goods using social cards was also formed. Only five regional retailers were included in this list: in addition to food support for the indigent people, the State also provided support to entrepreneurs of the region. For the convenience of recipients of food support and in order to avoid disputes on the inclusion of a product in the list of allowed purchases the special labelling of permitted goods was introduced. The most successful practice is the usage of blue price tags.

As a result, in 2020, 9 634 people got regional social support including 6 091 using food cards (3 543 people received assistance to their bank accounts. It is associated with technical work on process debugging) [7].

In 2022, the programme was prolonged for 3 months; assistance provided consists in 6 000 RUB (2 000 RUB per month). Almost 53 000 had this assistance, including large families, low-income pensioners, parents with disabled children, parents with many minor children, etc. Moreover, obtaining a food card in 2022 was an additional tool. It does not replace other existing payments and compensations. Also, it has undergone following organizational changes:

- the indigent people created a special account, issued a bank card supporting MIR payment system;
- a specialised organisation independently (without the participation of the indigent person) correlated data with the regional employment centre;
- confirming the indigent person status provides crediting funds to the account;
- in case of passing the confirmation procedure, funds will be credited to the card;
- recipients could buy goods in accordance with the list of goods approved by the regional authorities in partner shops; the goods available for purchase with the social card are specially labelled.

Consequently, in modern Russia there are successful attempts to use the food stamp concept. Indeed, they are rather periodic than systematic in nature.

At 2023 the idea of returning food stamps continues to be discussed in Russia. Additionally, several steps were taken to implement it [5]:

- 1) Amendments to the legislation, allowing the state to sell products through social certificates.

2) X5 Group (the operator of “Perekrestok” and “Pyaterochka” retail chains) started business processes and information systems to work with those electronic certificates.

Relevant measures made it possible in 2023 to launch test mode purchasing of baby food (about 20 products, including vegetable and fruit purees, dry mixes, dairy products, etc.) in Pyaterochka stores, Nadym and Pandogy, Yamalo-Nenets Autonomous Okrug, Russia [5]. The project includes about 200 families. The payments are as follows:

- 800 RUB per month for pregnant women,
- 6 500 RUB per month for children under the age of 1 year,
- 2 000 RUB per month for children aged 1-3 years.

The certificate is generated in an undeclared manner and directed to one of the parents who have crediting Single Yamal Resident Card. To inform on the availability of an account and the amount of funds service GOSUSLUGI is used. Retailing chain X5 claims the readiness to expand the practice of applying certificates to the entire Yamalo-Nenets Autonomous Okrug. Moreover, other regions are interested in the project.

Hence regional governments informed on the situation in a particular region prospect for using food stamp and their analogues. Taking into account the complete digitalization of the procedure for registration and granting benefits, it is convenient for all key stakeholders (state, retailer, and beneficiary). Probably, the change in federal legislation and the adjustment of business processes by one of the largest players in the food retail market (X5 group) are signals indicating the possible launch of food certificates throughout Russia.

In addition to government food support programmes, there are non-profit organizations providing food support to the indigent people. The largest non-profit organization in Russia in terms of food support is the RusFood Bank. It implements the PRODKarta project. The food card project PRODKarta is similar to the food stamp system implemented in foreign practice of providing food aid. However, it is unique in terms of the provider of funding (non-profit organisation instead of state one). To implement the project, the Fund collects monetary donations, converts them into bonuses (points) from partner stores, individually communicates with the program participant, and transfers funding to specially issued cards of programme participants, determining them independently.

Monthly, each cardholder is credited with the amount of bonuses equivalent to 1 000 RUB. The recommended list of purchased products includes cereals, pasta, flour, vegetable oil, sugar, tea, dairy products, fruits, vegetables, canned food, household chemicals, and personal hygiene products. The list of prohibited products includes alcohol, tobacco, and lottery tickets. When making a purchase of an item from the prohibited list, the card is automatically cancelled; its holder is deprived of the opportunity to receive it further. If the one-time purchase amount exceeds 1 000 RUB, the buyer pays the difference independently.

Interestingly, the Fund negotiated with partner retailers to contribute to the programme: the Fund withholds 7% from each donation of a benefactor required for project management, development and operation of the digital accounting platforms. However, the accounts of the indigent people are still transferred amounts equivalent to the size of the initial donation. The cost of the programme is compensated by the partner retailers.

In addition to launching a programme similar to food stamps, the RusFund is the operator of a number of projects related to the collection and distribution of food support in commodities.

Indeed, the loyalty programmes used by every major retailer can be considered in terms of the perspective of providing food support [10, 11]. In fact, a person who consistently makes purchases in one retail network receives cashback in the form of points. These points then transformed into money at a certain rate and used to purchase products. It allows the consumer to receive an additional amount of food (or other goods) in excess he paid for, i.e. expands the volume of available goods (food stamps have the similar purpose). Of course, the loyalty programme is not a full-fledged food stamp system. First of all, it is a marketing tool. According to it, retailers actually pay customers extra money for retailer goods choice [10, 11]. Moreover, loyalty programmes contradict the nature of food stamps. The loyalty programmes include the number of additional products increasing dependence on the customer's spending in the store, i.e. wealthier customers

have access to a larger volume of additional products. Nevertheless, there are similar features of food stamps and loyalty programs structure.

Special attention should also be paid to the specific type of payment instrument used to purchase food – a school meal ticket (or student cards). This project is being implemented in St. Petersburg. A student's card is a tool for monitoring a child during school attendance: it is necessary for entering and leaving an educational institution and replaces a bank card for a child (since the age of schoolchildren does not allow them to receive full-fledged banking services). The funds are credited to the student's card by the parents through the personal bank account. Parents have an opportunity to limit the student expenditures in 1 day, restrict the purchased products, etc. For instance, the basis for these restrictions may be both a doctor recommendation (allergies), or parents desire to exclude certain dishes and goods from the child diet. Moreover, parents have the opportunity to track their child school attendance, monitor the food and dishes actually purchased through the St. Petersburg Education Portal. Hence the student card is an additional tool to provide feeding. It does not replace social nutrition guaranteed by the State. The mechanism of the student card in terms of ensuring food security is used as an additional one for children who have the right to receive social feeding. Also it is the main for children who, in accordance with criteria established by the state, do not receive social feeding.

The purposes of the student card project are as follows:

- improving the level of safety in educational institutions;
- an increase in the number of children eating hot meals;
- establishing of healthy food culture among the younger generation;
- cash flow control;
- reducing the teachers' non-major workload;
- managing a child feeding;
- reducing the risks of cash use.

Similar programmes for monitoring the student feeding are introduced in other regions of Russia. For example, in Moscow, Yaroslavl, Tver, Novosibirsk, Ivanovo, Tyumen and several other regions of the Russian Federation, the system Ladoshki is used. Indeed, Ladoshki is less functional than Student Card. It allows ones only to control the child feeding<sup>1</sup>.

Thus, traditional food security tools such as food stamps and social feeding in the modern world are becoming more effective due to the digitisation of individual functions.

Therefore, the specifics of schoolchildren feeding is necessary in order to formulate criteria distinguishing food stamps, loyalty programmes, and specific forms of access to food, also formally associated with the use of special payment instruments. In particular, these criteria include:

- special payment instrument to purchase food in retail stores;
- free of charge payment instrument for the user (i.e. this payment instrument is issued or replenished by the State or third party);
- the low level of recipient income (i.e. absence of elitism);
- the payment instrument can be used to pay for food only; its use to pay for other goods or cashing out is prohibited.

Accordingly, a food stamp should comply all of the above criteria at once. Non-compliance with at least one of the criteria results in failing to provide its recipient with the food stamp guarantees. The student cards are not free of charge. Since students do not have income, their expenses are paid by their parents or legal representatives. From the economic point of view, they are not third parties in relation to the student. The parent (or legal representative) not the State tops up the student card account. The points awarded on loyalty cards of grocery stores depend on the total volume of purchases (i.e., in fact, their provision is paid one). Therefore, and any customer of the store can participate in such programmes. In this regard, food stamps play an essential role in support of the recipient.

According to the above review, various food stamp programmes are used in modern Russia. Table 1 shows the main characteristics of modern food payment instrument programmes.

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<sup>1</sup> Ladoshki. Available at: <https://xn--80akhbyjw.xn--d1acj3b/> (accessed: 13.12.2023).

According to Table 1, Russia is dominated by food stamp programmes establishing requirements for the socio-economic status of recipients. It correlates with the global practice of food support organising. However, in Russia there are non-targeted subsidies to the indigent people. These are periodic social payments – money can be spent on any goods and services anywhere out of proper monitoring and control. The absence of monitoring and control causes unfair spending of funds received by indigent people. Therefore, perhaps, the registration of the funds planned and provided for the purchase of food with special food stamp would increase the effectiveness of social support measures.

**Table 1** – Classification of food payment tools programmes

Classification criteria	Type of food payment tool	Characteristic	Example
The actor representing the food stamp	Government	Food support is provided by the State (through government agencies)	- governmental food stamps
	Non-profit organization	Food support is provided by collecting resources from third parties and transforming them (if necessary)	- «PRODkarta» (non-governmental food stamps)
The form of food support	Money (bonuses, points, etc.)	Recipients are provided with financial resources, which, according to certain rules, exchange them for products on their own	- governmental food stamps - «PRODkarta»
The formal requirements for the recipient	Formal requirements are present	To receive a food stamp, the indigent should confirm their status	- all state programs of food support for the population - «PRODkarta»
	Indirect requirements (the need to make purchases in the store (points are paid))	There is no control on the socio-economic status of the recipient	- bonus programs for retailers and catering companies
Target use control	There are some restrictions	The behaviour of food stamp recipients and the activities of food stamp operators are monitored (places where food stamps are exchanged)	- governmental food stamps - non-governmental food stamps - «PRODkarta»
	There are no restrictions	Recipients of support can use it in any way (including not for food purchasing)	- retailers bonus programs

Source: composed by the author

## Conclusions

Nowadays, the Russian Federation is in the process of accumulating experience in the use of food stamps. The independent programs are being launched and assessed in various regions, the regulatory framework



for the launch of larger-scale projects are being developed, etc. The most significant change increasing the efficiency of using food stamps is the digitalisation of the process. It corresponds to the general trend of digital transformation of the economy and society [9]. Moreover, it allows ones to expand the use of digital tools in all spheres of economic activity [2].

1. For the recipient of support digitalisation is the creation of a single digital channel for registration of food support. However, practice shows both declarative and non-declarative ways of issuing food stamps. Indeed, remote registration of a food stamp reduces the time spent [1], allows a person to hide his/her status (there is no need to execute documents in various institutions), etc. It indirectly affects the formation of a positive image of modern food support programmes.

2. Digitalisation of control over compliance with the rules for the use of food stamps ensures transparency of the process for the supplier (state or a non-profit organization). Additionally, both the store is monitored (lists of products available for sale on food stamps are set in advance), and the recipient (restrictions on payment for non-listed goods are set). It also prevents the possibility of incorrect usage of support.

3. Reducing the cost of managing the food stamp system. It is especially important for a resource provider (state or a non-profit organization), as it allows ones to optimise resources aimed at issuing and controlling the funds.

4. Changing the image of the food stamp. Modern digital food stamps are ordinary bank plastic card. They have no negative associations formed during the shortage period of the past.

Therefore, modern food stamps have undergone a profound organisational transformation through the use of digital tools. Their use is more convenient for all stakeholders and makes it possible to effectively provide food support to the indigent people. Hence introducing of food stamp programme in the Russian Federation will improve public access to food and contribute to an increase in living standards [13, 14]. Moreover, the programme expands the demand for food products, increases the economic stability of producers, and forms conditions for import substitution programmes for food production [15].

In our opinion, the state, in partnership with representatives of food retail, operators of regional food stamp programmes, head of non-governmental programmes, etc. should develop the Federal Food Assistance Programme and a roadmap for its implementation in order to ensure sustainable access to essential food for all population groups. This is an important condition for social stability and social justice in our country.

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#### CONFLICT OF INTEREST

The author declares no conflict of interest.

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