

**Researchers**

Diego Vera-Cossio

Inter-American Development Bank

Bridget Lynn Hoffmann

Inter-American Development Bank

Pablo Ibararán

Inter-American Development Bank

Marco Stampini

Inter-American Development Bank

Camilo Jose Pecha Garzon

Department of National Planning (Colombia)

Jorge Gallego

Universidad del Rosario

**Staff**

Catalina Reyes Villegas

Associate Research Manager

Dayana Lorena Tellez Galeano

Research Manager

David Francisco Torres León

Research Analyst

Nicolás Romero

Research Associate

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3,600 households

**Research Implemented by IPA**

Yes

# The Impacts of the Ingreso Solidario program to confront the Covid-19 crisis in Colombia

## Abstract

How do cash transfers support newly-designated vulnerable populations and informal workers during an economic crisis? To help answer these questions, researchers studied the effect of Ingreso Solidario (Solidarity Income), a new unconditional cash transfer in Colombia that was launched in response to the COVID-19 pandemic. Ingreso Solidario will assist over 3 million lower middle-income households that were not previously enrolled in other existing social assistance programs, thereby expanding social protection coverage to lower middle-income populations. Researchers evaluated the effects of the transfer on eligible households' income, food and nonfood spending, labor market participation, education, and take-up and use of digital financial products, among other outcomes. **The study found that**

## **Ingreso Solidario increased eligible households' probability of maintaining an income source during the pandemic and did not disincentivize labor market participation.**

### **Policy Issue**

Cash transfers are direct payments, often from governments, made to groups of people based on defined eligibility criteria. In some cases, cash transfers are conditional on complying with specific requirements. Cash transfers have been used increasingly as a poverty-alleviation tool. For example, previous research found that providing unconditional cash grants to low-income households led to many benefits for recipients, including increased income, improved psychological well-being, and greater empowerment for women.<sup>1</sup> Furthermore, research on cash transfers in economic emergencies and humanitarian crisis contexts suggests that cash-based assistance can sustain short-term household food security among food insecure populations.<sup>2</sup>

The COVID-19 pandemic has precipitated acute economic crises that disproportionately threaten the livelihoods of vulnerable populations worldwide, necessitating timely and comprehensive policy responses. From March to September 2020 alone, 212 countries planned or instituted over 1,000 new and expanded social assistance programs, including cash transfers, to assist their populations with the economic fallout from the pandemic.<sup>3</sup> In several countries, the new Unconditional Cash Transfers (UCT) or Conditional Cash Transfers (CCT) have been either universal or reached beneficiaries whose incomes are often above the threshold to qualify for social protection programs established prior to the pandemic. Research on the short-term impacts of these programs will allow policymakers to more effectively plan for long-term economic recovery and to rapidly respond to future crises.

### **Context of the Evaluation**

In response to the pandemic, the Government of Colombia launched a series of additional social protection measures and emergency cash transfers through the pre-existing *Colombia Mayor*, *Jóvenes en Acción*, and *Más Familias en Acción* programs and through two programs, *Ingreso Solidario* and *Compensación del IVA*.<sup>4</sup> Prior to the pandemic, Colombia's social protection schemes covered 2.8 million families, 1.7 million low-income elderly persons, and 296,000 vulnerable youth.<sup>5</sup> The social protection response to COVID-19 has been a multi-pronged approach, and by July 2020, social programs reached an additional 3 million vulnerable families (including informal workers).<sup>6</sup>

The Ingreso Solidario program provides monthly cash transfers<sup>7</sup> of COP \$160,000 (approximately USD \$42) to nonpoor households vulnerable to economic shocks from the pandemic that were explicitly not beneficiaries of the established social assistance programs (Colombia Mayor, Jóvenes en Acción, and Mas Familias en Acción). This amount represents 16.9 percent of the 2019 monthly household income for households deemed to be poor.<sup>8</sup>

The Departamento de Prosperidad Social (DPS) uses a standard cutoff score based on the

Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales (Identification System for Potential Social Program Beneficiaries, SISBEN) to determine eligibility for Ingreso Solidario. The SISBEN is a multi-dimensional proxy means test, implemented through a national survey of income and assets, that determines if one qualifies for many of Colombia's social support programs. These results will allow DPS and DNP (Departamento Nacional de Planeación) to understand how the transfer assists beneficiaries in better withstanding economic difficulties, which will inform future social assistance policies and the viability of a permanent addition to the social safety net.

## Details of the Intervention

This study used a regression discontinuity design (RDD) to estimate the impact of Ingreso Solidario on a number of outcomes, including beneficiaries' income, household expenditures, employment activity, children's education, access to digital financial products, as measured by self-reported survey responses and matched administrative data.

Researchers utilized the eligibility cut-off score to compare outcomes across two groups: households who were eligible to receive the transfers with scores just below the eligibility threshold and a comparison group who were ineligible for the transfer with scores just above the cut-off. Households that are recipients of social programs other than Ingreso Solidario were not included in the sample (consistent with criteria for receiving the transfer) to ensure that the comparison group is as close as possible to the eligible households. Based on this cut-off, eligible households are in the 42nd percentile of per-capita income distribution, meaning that the households considered in this study were not experiencing extreme poverty prior to the pandemic. This study design captures the impact of the cash transfers for households with scores near the cut-off and reflects the impact that policymakers could expect by expanding or contracting the program at the margin.

Researchers measured impacts through phone surveys of 3,600 households from the eligible and comparison group conducted in October, November, and December of 2020. The surveys were complemented with administrative data to evaluate the impact of the transfer on labor market participation.

## Results and Policy Lessons

**The study found that Ingreso Solidario increased the probability that eligible households maintained an income source during the pandemic and did not disincentivize labor market participation. For households who experienced large labor market shocks (e.g. that lost a majority of their income) during the pandemic, Ingreso Solidario played a particularly important role in allowing households to maintain a source of income.**

Overall, the study did not find effects of the program on food consumption. However, for those households that experienced large labor market shocks, the transfers mitigated more than 50 percent of associated drops in food consumption.

Results also showed that the transfers increased the probability of spending on health, such as cleaning supplies, and education, such as school supplies. Researchers also found that the transfer increased household expenditures on education, and increased the probability that school-aged children spent at least four hours on virtual schooling activities by 11 percentage points. The program also increased the time students spent on education between 27-46 minutes, which represents 9-15 percent more than students from comparison households. However, researchers did not find any effects on the amount of time parents spent with their children on their studies.

The team did not find any effects on the probability of being a victim of domestic violence (a concern during the pandemic with lockdowns and increased stresses on families), financial stress, or households' primary category of concern.

Finally, Ingreso Solidario substantially increased the opening of bank accounts by 14 percentage points (equivalent to 56 percent of the comparison group), and also increased beneficiaries' likelihood of using digital tools for financial transactions by 7.7 percentage points. While the authors note that usage of bank accounts and digital tools, relative to the proportion that opened new accounts, had a relatively minor effect, this is still an encouraging foundation for expanding financial inclusion and literacy in Colombia.

Overall, the authors note that Ingreso Solidario is a successful emergency assistance program, and insights from the program may be used to inform further knowledge on social protection programs.

## Sources

1. Haushofer, Johannes, and Jeremy Shapiro. 2016. "The Short-Term Impact of Unconditional Cash Transfers to the Poor: Experimental Evidence from Kenya." *The Quarterly Journal of Economics*. 131 (4): 1973-2042.
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5. United Nations Development Program (2020) "Expanding Social Protection During

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6. Department of National Planning (2021). “Ingreso Solidario”  
<https://ingresosolidario.dnp.gov.co/>

7. Ingreso Solidario provides three monthly transfers of 160,000 Colombian pesos (this is about 18% of the minimum monthly wage), through cash or digital transfer, with an ultimate target of 3 million beneficiaries

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