

Timeline

June-November 2020

Study Type

Randomized Evaluation

Research Implemented by IPA

Yes

The Impact of Emergency Cash Assistance During the COVID-19 Pandemic in Colombia

Researchers

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Abstract

Cash assistance in emergency settings has been shown to assist recipients in mitigating resulting economic fallout, for example through increased food security. The VAT Compensation, a new unconditional cash transfer in Colombia, assists 1 million low-income households in navigating the economic crisis as a result of the COVID-19 pandemic. Researchers conducted a randomized evaluation to measure the effects of the transfer on recipients' physical and mental health, food access and security, financial security, parental investment in their children's education, political attitudes, and other outcomes. The transfer had positive (albeit modest) impacts on household well-being in financial health and food access. Moreover, the transfer increased support for emergency assistance to households and firms during the crisis and promoted social cooperation. The study also engaged in qualitative interviews with recipients to explore bottlenecks from rapid mobile money expansion during the pandemic.

Project Outcomes of Interest

Recipients' physical and mental health, food access and security, financial security, parental investment in their children's education, and political attitudes.

Partners

Departamento Nacional de Planeación

Impact Goals

- Build resilience and protect the financial health of families and individuals
- Improve social-safety net responses
- Keep children safe, healthy, and learning
- Reduce COVID-19 transmission rates

Project Data Collection Mode

- CATI (Computer-assisted telephone interviewing)

Results Status

Results

Results

The study highlights the devastating effects of the COVID-19 pandemic on households: for example, 57 percent of individuals who worked before the pandemic no longer had a job or remunerated activity by the time they were surveyed in June, and 58 percent reported having less to eat during the quarantine. The transfer had positive (albeit modest) impacts on household well-being in financial health and food access.⁶ The program also ushered in a record expansion of mobile money, with the use of the digital platform almost doubling between the first and second transfers and roughly 75 percent of recipients reporting use of the platform in November 2020. Nevertheless, there were many bottlenecks during the rollout, including delays with the app and connectivity issues.

Financial Security: Beneficiaries of the VAT compensation were 15.5 percent less likely to sell their belongings to cover necessary expenses, and more than 90 percent of beneficiary households used the funds for food. Beneficiaries were also more likely to invest in their children's educations, and this effect was higher in urban areas.

Food Security: Despite an increase of 6.1 percent in the likelihood of recipients purchasing food, researchers did not find that this translated to increased food security.

Public Opinion and Community Cohesion: The transfer increased support for emergency assistance to households and firms during the crisis and promoted social cooperation. Specifically, beneficiaries were 7.4 percent more supportive of the government's social protection response to the pandemic, and were 3.4 percent more likely to contribute to their community through work (though not money) to support their community.

Household health behaviors: Regardless of transfer modality, beneficiaries were 24 percent more likely to leave their home during quarantine to collect payment, which qualitative interviews suggest was driven by a need to “cash out” the payments and misunderstandings around how to retrieve the funds.

The VAT Compensation highlights the importance of developing digital payment ecosystems to facilitate easy deployment and efficacy of cash assistance during crises, such as improving infrastructure to improve connectivity in remote areas. In addition, results from the evaluation drive home the need for clearer communications about the program and financial education and literacy resources for newly banked clients.