

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



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, will assist 1 million low-income households in navigating the economic crisis as a result of the COVID-19 pandemic. Researchers are conducting a randomized evaluation to measure the effects of the transfer on recipients' physical and mental health, food security, financial security, children's learning, and other outcomes.

Policy Issue

The impact of cash transfers as a poverty-alleviation tool is well-documented. Cash transfers are direct payments, often from governments, made available to groups of people based on defined eligibility criteria or behaviors, or on an unconditional basis. For example, previous research finds that providing unconditional cash grants to low-income households can lead to various benefits for recipients, such as increased income, improved psychological well-being, and greater empowerment for women.¹

A growing body of research on the impact of cash transfers in emergencies and humanitarian contexts² further suggests that cash-based approaches can maintain household food security among food-insecure populations. The COVID-19 pandemic has precipitated an acute economic emergency that disproportionately threatens the livelihoods of vulnerable populations worldwide, necessitating timely and comprehensive policy responses. Research on the short-term impacts of new and expanded social assistance programs will allow policymakers to more effectively plan for needed long-term economic recovery.

Evaluation Context

The COVID-19 pandemic and national emergency in Colombia have resulted in widespread economic fallout along with ongoing heightened health risks. As part of its suite of responses to mitigate adverse economic impacts, the Colombian government has expanded existing social benefits programs and launched new cash transfers for vulnerable households country wide.

The VAT Compensation (Compensación de IVA) is an unconditional cash transfer managed by the



RESEARCHERS

Juliana Londoño-Vélez, Pablo Querubin

COUNTRY

Colombia

PARTNER

National Planning Department (DNP) of Colombia

PROGRAM AREAS

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TOPICS

Cash Transfers, COVID-19, Crisis, Insurance, Intimate Partner Violence, Livelihoods, Migration

TIMELINE

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National Planning Department (Departamento Nacional de Planeación; DNP) that will benefit nearly 1 million low-income households. Launched on March 31, 2020, the transfer consists of 75,000 Colombian Pesos³ distributed on a monthly basis⁴ to beneficiaries of two existing social welfare programs benefitting low-income families and senior citizens: 700,000 households in Familias en Acción (FeA) and 300,000 households enrolled in Colombia Mayor (CM). To inform future policies, DNP is interested in understanding how the transfer assists beneficiaries in navigating the economic crisis.

Details of the Intervention

The research team has partnered with DNP to design a randomized evaluation that measures the immediate impacts of the unconditional cash transfer program on beneficiaries' health, livelihoods, and household behaviors to mitigate the spread of COVID-19 during the pandemic.

DNP selected a nationally representative random sub-sample of 3,400 households eligible to receive the VAT Compensation. From this group, half of the households were randomly selected to receive the VAT Compensation. Researchers will compare households that receive the transfer with those that did not to assess the impact of the program. A few weeks after the second transfer has been made, in June 2020, the research team will conduct a telephone survey of all 3,400 households.

The team will assess whether there are different effects of the transfer's impact among recipients (e.g. formal/informal workers). For example, the study will look at whether the head of household had been working in the month before the national quarantine, including the industry and whether he/she was employed in the formal sector. The survey asks respondents about their individual and household behaviors to determine whether the transfer impacts decisions made during this national emergency period.

Specifically, DNP and the research team are interested in understanding households' perceptions and actions related to: consumption and food security, virus mitigation health behaviors, physical and mental health, children's learning, financial resiliency, domestic violence, migration decisions during the pandemic, internet access, trust in government, and attitudes towards government responses to the coronavirus. The team will also assess any bottlenecks in the delivery of the transfer to inform any necessary implementation adjustments.

Results and Policy Lessons

Project ongoing; Results forthcoming.

Sources

¹Haushofer, 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.

²Doocy, Shannon, and Hannah Tappis. 2017. "Cash-Based Approaches in Humanitarian Emergencies: A Systematic Review." *Campbell Systematic Reviews* 13, no. 1 (2017): 1–200. <https://doi.org/10.4073/csr.2017.17>.

³This amount is equivalent to 8 percent of the minimum wage and the approximate amount beneficiaries pay in Value Added Tax on a bi-monthly basis.

⁴The original program design consisted of distributions every two months, but this was changed to a monthly distribution for the pandemic. DNP has not indicated how long this will be implemented.

GLOBAL HEADQUARTERS

101 Whitney Avenue
New Haven, CT 06510 USA
+1 203.772.2216 | contact@poverty-action.org

poverty-action.org