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FINANCIAL INCLUSION | CASE STUDY

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The Digitization of Emergency Cash Assistance During COVID-19 in Colombia



In March of 2020, the Government of Colombia expanded existing social assistance programs to help shield households from the economic impact of lockdown orders associated with COVID-19. The programs included the launch of *Compensación del IVA*, an unconditional cash transfer (UCT), supported by value-added tax (VAT) revenue, designed to support Colombian households living in extreme poverty. This case study examines the government's rapid deployment of the cash transfer payments via mobile wallets from March to April of 2020. The goal of deploying the funds digitally was to stem COVID-19 infections and distribute benefits quickly. However, beneficiaries faced technological challenges associated with the mobile wallet, and 23 percent of mobile money recipients reported delays or difficulties accessing the transfer (compared to 10 percent of cash recipients). Lessons from the Colombian government's rapid deployment of digital payments and the consequences of the digitized UCT for beneficiaries have important implications for the digitization of emergency cash transfers in response to the COVID-19 pandemic as well as future emergencies.

Lessons Learned

The *Compensación del IVA* program improved financial health and access to food, enabling beneficiaries to smooth consumption. However, issues related to digital literacy, connectivity, and communication inhibited access to the *Compensación del IVA* for beneficiaries who received the transfer through a mobile wallet as opposed to manually. Deployment of new technology in an environment where the penetration of mobile wallets is low means that users are likely going to face technology adoption challenges. These important recommendations stem from this lesson:

- Comprehensive communication campaigns could improve technological and financial literacy.
- Easily accessible and effective grievance mechanisms should accompany deployment of the new technology to ease some technology adoption challenges.
- Investment in digital infrastructure, user-friendly regulations, and financial and technological literacy prior to an emergency can create an enabling environment to utilize digital technology in emergency response.

AUTHOR

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IMPLEMENTERS

Department of Social Prosperity

LOCATION

Colombia

TIMELINE

Randomized controlled trial – April 2020 to July 2020;
Qualitative research – October 2020

BENEFICIARIES

One million beneficiaries of *Compensación del IVA*

SOURCES

Cash Transfer, Digital Finance, COVID-19

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