

Colombia's Ingreso Solidario:  
**Improving social protection through public-private collaboration and responsible digital payment practices as part of COVID-19 emergency response**



BETTER THAN CASH  
ALLIANCE



## INGRESO SOLIDARIO

In response to COVID-19, the Government of Colombia introduced a comprehensive strategy to mitigate the impact of the pandemic on low-income and vulnerable populations. The strategy incorporated several existing social protection programs, including Familias en Acción, Jovenes en Acción, Colombia Mayor, the fast-tracking of a new VAT refund for low-income families, and the introduction of Ingreso Solidario (IS). IS was a new, unconditional emergency financial transfer program benefitting 3 million households, of which 63 percent were women, and a third were first-time users of mobile money accounts.

The Government of Colombia's experience in fostering public-private collaboration is an inspiring example of how digital payments can be rapidly delivered across multiple channels. The case of Ingreso Solidario demonstrates that designing programs responsibly - aligning with the UN Principles for Responsible Digital Payments - can increase trust in digital financial services, leading to greater volumes of digital transactions, and increased use of digital savings and e-commerce services.

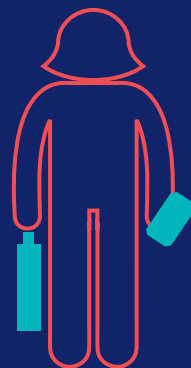
# Ingreso Solidario: Key facts and figures



benefitting

**3 MILLION  
Households**

(one beneficiary per household)



**63%**

women headed

“With each transaction, I learn that I can do more and more. At first, I thought there were only deposits and transfers. But little by little, I discovered more alternative uses of digital financial services.”

Ingrid, 23-year-old, Bucaramanga

“I use IS almost every day. What’s the benefit? It is digital, so I do not have to go anywhere, saving me time and convenience. The drawback? Well, initially, my inexperience. But now I find it easy to work with. It is good to have the ease of mind to pay a service safely, receive your proof of payment digitally, and do it all online from the comfort of your home.”

Edgar, 22-year-old, Bucaramanga

## WIDESPREAD PARTICIPATION

by financial service providers (FSPs), enabling delivery adapted to customer needs and realities



**23**

**paying entities**

including banks, fintech, and postal network operators

## TAILORED PROCESSES AND SOLUTIONS



**54%**

**were already banked**



**1.2 MILLION**

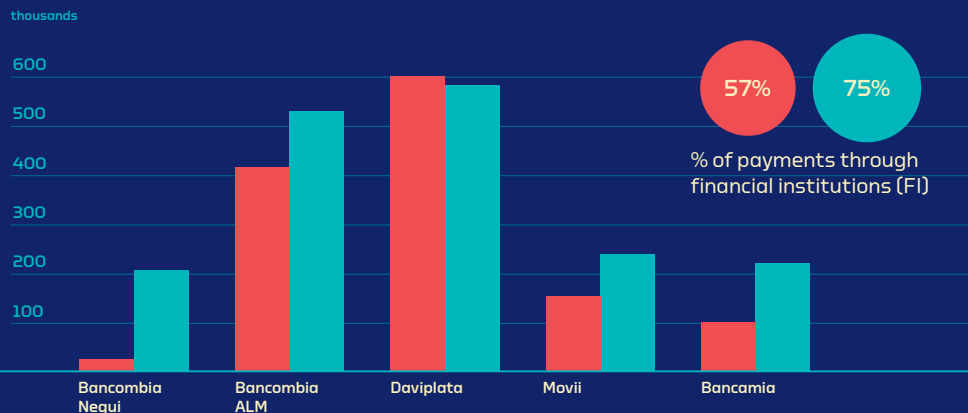
**financially included**

as a result of the designed strategy

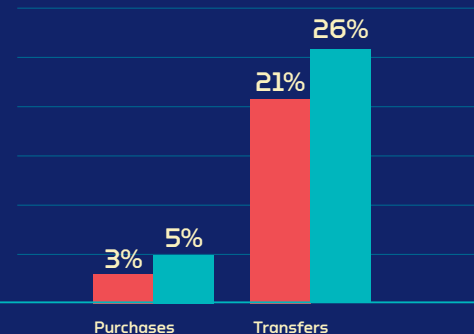
As of April 2021, of the **3 million** total beneficiary households, **2.4 million** were paid by financial institutions.

From this, **75%** (1.8 million) were through mobile wallets and **25%** (600,000) through over the counter (OTC) cash by postal payment service providers.

**Number of beneficiary households paid through mobile wallets**  
Payment 3 (June 2020) Payment 12 (April 2021)



**Changes in beneficiary households' financial behaviors**  
April 2020 - April 2021



The government targets 3 million households every month. In total, 2.88 million beneficiary households received payments: 2.4 million went to financial institutions, 1.8 million to mobile accounts, and 600,000 to savings accounts. The remaining 600,000 were supposed to be paid over the counter by postal service providers, which are not financial institutions; however, out of the 600,000, only 484,839 were actually paid, as they were the ones who showed up.

Graph displays the number of beneficiaries (y axis) per mobile wallet (x axis).

## PREFERRED CHANNEL FOR CASH-IN / CASH-OUT (CICO) AMONG MOBILE WALLET HOLDERS



**58%**  
Agents



**40%**  
ATMs

Despite ATMs being cheaper for Ingreso Solidario beneficiaries, use of ATMs decreased over time in favor of agents.

“I transfer money to my husband and mother. Everything is readily available 24/7. I can verify and trace each transaction. The best thing is that I don’t have to go to a bank or agent. There are, however, some drawbacks. The system is often down or blocked, and I receive messages that the code is being updated. At times, I get locked out for 24 hours.”

Suri, 21-year-old, Bogotá

## INCREASED TRUST IN DIGITAL PRODUCTS



**22%**  
of beneficiaries  
use their mobile wallet to save



**10%** fewer beneficiaries  
cash out, when compared to  
beneficiaries with bank accounts

## BUILDING BLOCKS FOR A RESPONSIVE DIGITAL PAYMENTS ECOSYSTEM

- **Enabling regulation:** Since 2007, the Government of Colombia has mandated G2P payments to beneficiaries' accounts under two flagship programs: Familias en Acción and Jóvenes en Acción.
- **Infrastructure to boost digital transactions:** In 2015 regulatory changes enabled the authorization of e-money issuers. Thus, the regulator introduced simplified KYC procedures for low-value account opening, and allowed remote onboarding. In 2020, Colombia developed low-value payments infrastructure and (originating in late 2019) utilized faster payments via an automated clearing house (ACH). In addition, the country has a very strong last-mile agent network, reaching isolated and remote communities. From 2010 to 2020, internet access and mobile ownership on a personal basis increased, with unique mobile subscriber penetration reaching 79% by 2020.
- **Fintech ecosystem:** Colombia has one of the largest fintech ecosystems in the region, after Brazil and Mexico.
- **Mobile wallet adoption:** While the development of mobile wallets has been bank-led, the Government has paved the way for adoption among beneficiaries of social transfers, as some conditional cash transfer (CCT) programs have been paid via mobile wallets.

Sources: [Better Than Cash Alliance \(2017\) Building Inclusive Digital Payments Ecosystems: Guidance Note for Governments](#) & [Better Than Cash Alliance \(2020\) Webinar: Public-private collaboration in COVID-19 emergency payments response: Lessons from Colombia](#)

**Public-private collaboration enabled the Government to reach beneficiary households through a multiplicity of channels, and in record time. Colombia confirmed its first case of COVID-19 on 6 March 2020. The first Ingreso Solidario transfer payment occurred on 6 April 2020. Under IS, the Government transfers US\$43 per household per month, and has extended the scheme through December 2022.**

The rapid design and implementation of this cash transfer program was possible due to a long-standing commitment to enabling regulations, a flourishing fintech ecosystem, and widespread adoption of mobile wallets. In addition, there was a rapid expansion of the social registry during COVID-19, which was cross-referenced with beneficiary registries and other large administrative databases including national identification. Thus, the IS program was able to effectively mobilize the Colombian government's response to COVID-19, involving the Ministry of Finance (Financial Regulation Unit), the Department of Social Prosperity, the Department of National Planning, and the Central Bank.

The Government of Colombia made payments directly into the accounts of 1.2 million beneficiaries who were already banked, and implemented a strategy to financially include and disburse funds via various digital payments channels to over 1.7 million beneficiaries who were previously unbanked. To understand the financial behaviors of beneficiaries who were financially included as a result of IS, and new behaviors emerging from the pandemic, the Better Than Cash Alliance commissioned research to Marulanda Consultores to analyze beneficiaries' wallet usage and cash withdrawals, among other statistics.<sup>1</sup>

**“Before IS, I had to physically go to a bank agent. Now, I don't have to leave my house. It is very useful - at any time of day, the subsidy arrives instantly. I continue to research IS and its specifications online. When I don't know something, I contact the bank and they always help me.”**

Ingrid, 23-year-old, Bucaramanga

<sup>1</sup> The research combined qualitative and quantitative research techniques. For qualitative analysis, researchers conducted in-depth interviews with 18 beneficiaries (eight men and 10 women, ranging from 20 to 55 years old) in 10 municipalities (Aguachica, Arauca, Pasto, Bogota, Bucaramanga, Cucuta, Medellín, Monteria, Pasto, Remedios, and Sucre). In addition, researchers interviewed 19 government officials and representatives from financial service providers participating in the design and delivery of Ingreso Solidario. Research also includes analysis of anonymized transactional data from 1.9 million beneficiaries, from the following mobile wallet providers: Bancolombia, Davivienda, Movii and Bancamía. The time period analyzed was April 2020 to March 2021.

# Lessons learned

## Collaboration between public and private sectors was key to building trust among stakeholders

In a race against time, and born out of a co-creation exercise between the public and private sectors, the Department of National Planning (DNP) identified three million initial beneficiaries of IS. Significant effort went into expanding the master database, which began with the Social Beneficiary National Registry, followed by cross-referencing several national databases and working with credit bureaus and banks to further strengthen the registry. While the DNP consolidated the registry, the Ministry of Finance (Financial Regulation Unit) designed the payments strategy with the support of the Better Than Cash Alliance.

To build trust among institutions and create a cooperative environment, the Financial Regulation Unit, FSPs, and telecommunications companies (TELCOs) participated in a virtual situation room to co-create the solutions. Traditional competitors collaborated, sharing good practices to mitigate risks during beneficiaries' identification and on-boarding processes.

The main challenge was delivering funds to beneficiaries who did not appear to have an account in the financial system. This was achieved in several stages, requiring the constant adjustment of processes in collaboration with six FSPs and fintech companies. As of April 2021, of the total 3 million beneficiaries, 2.4 million were paid by financial institutions. Of these, 1.8 million were paid through mobile wallets, and 0.6 million through over-the-counter (OTC) cash by postal payment service providers (PSP).

The current scenario calls for further discussions on the financial sustainability of G2P delivery models and the limits of public-private collaboration. Initially, *Ingreso Solidario* was scheduled to last for three months. However, the program was extended until the end of 2022. This extension had a two-fold impact. First, it affected the cost structure for financial service providers, and it altered the assumptions on the business model sustainability. Ultimately, these changes created challenges in the relationship between the Government and FSPs. While the COVID-19 contingency called for unprecedented measures and responses, one of the issues raised relates to the transition in policies and the commercial viability beyond exceptional circumstances.

## 22 percent of mobile wallet holder beneficiaries practiced saving, demonstrating the importance of designing for individuals to build consumer trust

When a customer-centric approach to design is adopted accounting for specific needs and capabilities, in keeping with Principle 4 of the [UN Principles for Responsible Digital Payments](#) (Design for individuals), positive changes in consumer trust and financial behaviors can follow. When comparing the IS beneficiary households that received the transfer via traditional bank accounts versus those who received it via mobile wallets, the latter cashed out 10 percent less, and 22 percent of the mobile wallet holders practiced saving. An analysis of the behavior of newly financially included beneficiaries illustrates how new customers can make use of digital payment functionalities which are easy and intuitive to use.

## Deepening the understanding of new consumer segments through data analysis allows for more tailored future products, especially for women

Analysis of the transaction data has also enabled FSPs to learn more about the needs of their clients to further enhance and tailor the value proposition. FSPs were able to deepen their knowledge of a new market segment, with IS beneficiaries as new clients. This includes developing better functionalities for their digital wallets and solving challenges arising from grievance redressal and customer support for a previously unknown client profile, in line with [UN Principle 8 of Responsible Digital Payments](#) (Make recourse quick, clear and responsive)<sup>2</sup>. A special segment to understand in the future is women, who account for more than 60% of IS beneficiaries. To realize the transformative potential of digital payments for women, it is necessary for the government and FSPs to collect and track sex-disaggregated data – a key element of UN Principle 3 of Responsible Digital Payments (Prioritize women).

<sup>2</sup> Regarding [UN Principle 8 of Responsible Digital Payments](#) (Make recourse clear, quick and responsive), it is important to highlight the Colombian Government's role in ensuring beneficiaries could access information and have their complaints and enquiries listened to and resolved. To this end, the Government deployed a multifaceted communications strategy. The main tool was the dedicated IS website: between April 1 and July 27 2020, the page was visited by 27.4 million users, resulting in 179 million total website visits. A phoneline managed by 39 temporary agents was established to address beneficiaries' concerns and questions. In addition to a dedicated email address, a physical mailbox address was also established, which received 160,000 enquiries from April to June 2020.

### Interoperability is key for digital payments to achieve more affordability & utility than cash

Silos prevent users from transacting freely or affordably across providers. For underserved populations, binding socio-economic constraints make this a particularly untenable prospect. For such users, the direct costs of surcharges on cross-provider transactions are galling. Colombia could further promote wallet to wallet interoperability to help keep the funds digital amongst users. The Colombian experience clearly illustrates the importance of interoperability, in line with [Principle 7 of Responsible Digital Payments](#), as it improves the value proposition for beneficiaries.

Complemented by an ecosystem that strengthens the digital payment acceptance network – either through Point-of-Sale (POS) capillarity in the case of card-based products, or greater availability of shops with QR codes and facilities, to engagement in e-commerce – the foundations have been laid to reduce the demand for cash. Regarding the varied use of channels, beneficiaries' use of ATMs decreased over time in favor of agents, despite ATMs being cheaper for IS recipients.

### THE PANDEMIC TURBOCHARGED ACCOUNT OPENING AND GAVE A MAJOR BOOST TO FINTECH

COVID-19 generated many changes in the financial sector and boosted the digitization of its operations, given the high demand for digital transactions to help overcome the lockdowns. In one year, the number of mobile wallets in Colombia almost doubled, from 11.5 million in March 2020 to 22.4 million in March 2021. One mobile wallet company participating in the IS program saw an increase in their customer base from 154,000 to 2,000,000.

### Value-added services (VAS) led to increased transactions, with 26 percent of beneficiaries performing three or more transfers per month from February to April 2021

The digital product value proposition has led IS beneficiaries to take advantage of different use cases to suit their needs. For example, while 71 percent of beneficiaries, on average, withdraw funds monthly, 96 percent take more than 90 percent of the available balance. Twenty-eight percent of beneficiaries do not withdraw monthly, and manage their funds digitally in a variety of ways.

Beneficiaries that have access to basic wallets, but no other VAS or product offerings, make one withdrawal transaction per month on average. Meanwhile, with wallets that offer other VAS such as person to person (P2P), merchant (P2B), and utility payments, the frequency increases to two or three transactions per month.

This suggests that beneficiaries value digital products as stored value and not just as a closed loop payment instrument, and highlights the value of designing for individual needs ([UN Principle 5 of Responsible Digital Payments](#)) so the payments really can be better than cash!

The highest frequency transaction among beneficiaries is P2P, with an average 26 percent of beneficiaries performing three or more transfers per month from February to April 2021. Another notable behavioral change is the increase in P2B purchases between April 2020 and April 2021. Additionally, the most popular transactions are intra-bank transfers, used by 23 percent of beneficiaries.



## CONCLUSION

The COVID-19 crisis introduced tens of millions of people worldwide to digital payments. The evidence from Colombia reveals a prime opportunity to build on this momentum to deepen digital financial inclusion that is gender intentional, in keeping with the UN Principles for Responsible Digital Payments. A key priority now should be to women's priorities (Principle 3), in particular providing user choice through interoperability (Principle 7) and ensuring clear accountability across the value chain (Principle 9). Another priority should be to overcome some continuing distrust in digital payments by ensuring funds are protected and accessible (Principle 2), safeguarding client data (Principle 4), instilling transparency, particularly on pricing (Principle 6) and making recourse quick, clear and responsive (Principle 8). Together, these actions will help to foster a financial ecosystem in Colombia which is inclusive, gender-intentional, and responsible.

**The Better Than Cash Alliance** is a United Nations-based partnership of governments, companies, and international organizations that accelerates the transition from cash to responsible digital payments to advance the Sustainable Development Goals.

[www.BetterThanCash.org](http://www.BetterThanCash.org)



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