

Request for Country Allocation of UNDP COVID-19 Rapid Response Facility Resources for L3 COVID-19 Crisis

Country: Cambodia (Enabling Mass Cash Transfers for the Vulnerable)

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1. SITUATION ANALYSIS

Cambodia is facing a steep economic downturn due to the global Covid crisis. This will result in severe social dislocations as livelihoods fall and poverty rises, and if left unchecked, may precipitate civil unrest. There has not as yet, been substantial domestic outbreaks of the disease (109 reported cases at 30th March). However, the actual number of cases and the trajectory is very hard to predict. Moreover, there are also serious concerns about the health system's ability to cope should there be a steep rise in the number of cases.

Setting this aside, economic retrenchment is already apparent and being driven by large reductions in external demand. Cambodia's narrowly-based and highly open economy, accentuates its vulnerability. Three of its leading sectors are under real pressure: textiles – potential reductions in export demand of 60%; tourism – International visitors down 80%; and construction/ real estate – no direct data, but inputs data, for steel for example, suggests decline of 40%. The knock-on economic impacts will also be considerable, and this leaves agriculture as the one remaining productive sector.

UNDP-sponsored macroeconomic modelling for the Royal Government of Cambodia (RGC) has suggested that: annual growth impacts for the year could range between zero best case and -18% worst case (versus the pre-crisis level of +7%); unemployment rates between 7.9% and 23.3% (pre-crisis level 2.7%); and poverty rates between 10.3% and 12.8% (pre-crisis estimate 9.5%). Further developments, including the return of 100,000 migrant workers from Thailand and mass lay-offs, make the situation still more troubling in country, with only minimal social safety nets. Indeed, Cambodia has only one operating cash transfer programme (for poor expectant mothers), alongside basic free healthcare for the poor.

RGC is planning a sizeable policy response, focused on a stimulus package amounting to around 3% GDP (in excess of USD 700 million). UNDP has been requested to advise on the impacts and the composition of this package, and separately, on emergency social protection (ESP) – this has been advanced outside the scope of this proposal using other resources. Additionally, the UN Resident Coordinator (UNRC) is keen for UNDP to advocate for a more inclusive stimulus package, as part of the wider UNCT response. Our analysis has already shown that an ESP-focused response will deliver growth levels comparable with a generalized stimulus, but considerably better livelihood and poverty impacts. Problematically, Cambodia's ability to deliver such a package is in question. Two key constraints are: the lack of an emergency SP framework; and mechanisms to enable rapid disbursement to the most vulnerable (given absence of any major programmes). More positively, Cambodia does have a nationwide and operational poverty listing mechanism (ID Poor), which covers around 20% of the population (3.2 million people, around 600,000 households), and this provides potential for the rapid set-up of a basic cash transfer system at scale. Households headed by women, or consisting of persons with disability, those living with HIV/AIDS or those over 60 years of age,¹ receive additional points to qualify for the ID Poor system. The ID Poor mechanism is currently being used to provide cash transfers for expectant mothers and for

* The data provided is for purposes of this proposal submission only, and not to be shared widely.

¹ There is no disaggregated data available, but there will be a focus on securing it during the implementation of initiative.

families with children under 2 years. The government also wants to open the ID Poor System to returnee migrants on demand basis.

At a meeting on 21st April, involving the UNRC, UNCT and development agencies, the Secretary of State of the Ministry of Economy and Finance, announced the details of a package for social protection. He confirmed that the ID Poor mechanism would be used, as it is the sole means by which the government can quickly effect social protection cash transfers for those living in poverty.

The World Bank and ADB have both indicated their willingness to provide international development assistance for the government's social protection programme, to be delivered through the ID Poor mechanism. UNDP is directly engaging with the World Bank and ADB, as well as through the UNCT. Whilst finances for the cash transfers will be supported by the banks, UNICEF, UNDP and GIZ will support with developing the systems of the ID Poor mechanism and speedy disbursement of cash transfers.

2. PROJECT OUTPUTS AND ACTIVITIES

The aim is to rapidly enable a cash transfer mechanism for those at risk, via 3 outputs/ activities:

- **Setting-up of an emergency social protection framework enabled:** through providing a rapid diagnostic and making practical proposals for a basic cash transfer system and other measures. This would include: the triggers and thresholds (linking to Early Warning Systems), eligibility (linking to ID Poor), the type and size of transfer, distribution, any conditionalities and management issues. This would be undertaken with the General Secretariat of the National Social Protection Council (GS-NSPC).
- **Review of the ID Poor system and payment protocols at national and local level supported:** This is to examine the challenges faced (and find solutions) in registering and opening as many as 600,000 bank accounts (logistics and funding arrangements), and improving payments arrangements (management and fiduciary compliance). Here we would work with several RGC partners – the Ministry of Social Affairs, Veterans and Youth (MoSAVY), the ID Poor Unit in the Ministry of Planning (MoP), local government administrations, the Ministry of Interior (MoI) (responsible for ID Poor sign-up), and with electronic banks (specifically the Wing Bank). Note the existing ID Poor list might also be augmented via inclusion of returning migrants and locally registered (but non-ID poor) persons with disability.
- **Roll-out of a system capable of fast disbursement of cash transfers up to 600,000 households facilitated:** being all practical efforts needed to plan and facilitate payments (via Wing) with authorization and management (by MoSAVY). This stage would focus on planning and offering solutions to operational challenges and relieving bottlenecks. This would include TA, capacity building and systems strengthening (including potentially, supporting necessary equipment).

3. MANAGEMENT ARRANGEMENTS

The project will be directly implemented by the UNDP Cambodia Country Office, in close collaboration with the GS-NSPC, MoP, MoI and MoSAVY. Strategic guidance and oversight will be provided by the Resident Representative. The Policy and Innovations Hub (PIH) will provide day-to-day technical inputs. The Programme team will be responsible for implementation, including contracting experts and purchase of other services and goods. Resources will be allocated to the three sets of activities (see descriptions above and budget below). A key partner will be the selected e-banking provider, most likely Wing Specialized Bank, through which the government will directly make cash transfers. There will be no direct contractual relationship between Wing Specialized Bank and UNDP. Quality assurance for the

project will be provided by the Results Based Management team. In addition, the project will be overseen by the Covid Economic Response Group, one of two groups set-up by the UN Resident Coordinator. This group, chaired by UNDP, includes key UN agencies (UNDP, UNICEF, ILO, WHO, UNIDO, FAO, UNFPA and WFP), with the IMF, World Bank and EU attending as observers. This will enable the crowding-in of other funds (including funds blended with RGC resources to meet the costs of transfers), and coordination and synergies with other inputs.

4. ANNUAL WORK PLAN BUDGET SHEET

EXPECTED OUTPUTS and indicators including annual targets	PLANNED ACTIVITIES <i>List all activities including M&E to be undertaken during the year towards stated CP outputs</i>	TIMEFRAM E				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q 1	Q 2	Q 3	Q 4		Source of Funds	Budget Description	Amount USD
1. Setting up of an emergency social protection framework enabled	1.1 IC-led review with options presented		X			IC, UNDP	UNDP CO	Contracted services	10,000
	1.2 Practical aid memoir on implementation		X			IC, UNDP	UNDP CO	Contracted services	10,000
2. Review of the ID Poor system & payments at national & local levels supported	2.1 Systems review, procedures & engagement of key actors		X			IC, NC, UNDP	RRF	Contracted services	25,000
	2.2 Workplan of activities to inform (3) below		X			UNDP	RRF	Contracted services	25,000
3. Rollout-out of a payment system capable of fast disbursement of cash transfers to several hundred thousand poor households facilitated	3.1 Solutions to strengthen ID Poor at national /local level		X			IC, NC, UNDP	RRF	Contracted services	50,000
	3.2 Capacity building/ strengthening of payments system		X	X		IC, NC, UNDP	RRF	Contracted services, Equipment	50,000
	3.3 Plan/ support mass-sign up & engage with e-banking provider/s		X	X		IC, NC, UNDP	RRF	Contracted services, Equipment	100,000
	Coordination & M&E		X	X	X	UNDP	UNDP CO		30,000
Grand Total									300,000
<i>Met by:</i>	<i>UNDP Cambodia CO</i>								<i>50,000</i>
	<i>Rapid Response Facility</i>								<i>250,000</i>