

REQUEST FOR COUNTRY ALLOCATION OF UNDP COVID-19 2.0 RAPID FINANCING FACILITY

SUBSTANTIVE AREA OF RFF REQUEST

(Please choose the most relevant area)

- Continued Health Crisis Support
- Governance
- Social protection
- Green economy
- Digital disruption and innovation

PROPOSAL DETAILS (MAXIMUM APPROXIMATELY 3 PAGES)

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Country: Malaysia
Requestor: UNDP Malaysia
Project title (5-7 words): Temporary Basic Income Pilot Project
Requested amount: USD 200,000
Gender Marker: GEN 2
Date of submission: 30 October 2020
Implementation Start Date: 1 December 2020
Implementation Complete Date: 31 May 2022

1. **Situation analysis** (maximum 3,000 characters)

Within the analysis, please include the gender differentiated impacts of COVID-19.

The Coronavirus pandemic 2019 (COVID-19) has impacted Malaysia's economic growth. The enforcement of the Movement Control Order (MCO) by the Government of Malaysia (GOM) since March 2020 resulted in a 17.1% contraction of Malaysia's Gross Domestic Product in Q2 of 2020 compared to the corresponding quarter in 2019¹.

Several economic sectors were particularly affected by the outbreak of the COVID-19 and the imposition of the MCO. The service, construction, and mining sectors experienced negative growth in the first half of 2020,² resulting in layoffs³. Female employment dropped from 6.2 million in Q1 to 6.1 million in Q2⁴. The tourism⁵ industry experienced the highest average monthly unemployment claims followed by manufacturing and other services sectors⁶. This—coupled with gaps in the social safety net⁷—has worsened the economic security of low-income households across Malaysia⁸.

In response, the GOM implemented monetary and fiscal measures to mitigate the socio-economic impact caused by the COVID-19 pandemic. The *Bantuan Prihatin Nasional* (PRIHATIN), *Pelan Jana Semula Ekonomi Negara* (PENJANA), and *Kita Prihatin* packages provided mostly one-off financial assistance to many affected citizens and small and medium enterprises (SMEs).

However, these financial assistances exclude certain sections of society^{9,10} primarily by virtue of its design that favours formal sector/registered businesses and therefore fail to provide similar coverages to workers and entrepreneurs in the informal economy¹¹ or those earning unstable stream of income, which is highly represented by the self-employed and women¹².

Cash assistance is channeled solely to the head of the household^{13,14}, where intrahousehold distribution and its effect on gender inequality, children nutrition, elderly care are unclear¹⁵. As Malaysia approaches developed country status, it is important that social protection is more inclusive and needs to restructure its social safety net.

The provision of a temporary basic income (TBI) is a form of social protection measure that can reduce income uncertainty¹⁶. TBI provides continuous and unconditional assistance, making it a valuable intervention during a crisis to secure the financial stability and security of vulnerable households. TBI has been experimented —not only in lower-income countries—but also in developed countries such as Finland and Germany. Preliminary findings from an ongoing study in Germany shows that unconditional cash assistance is more effective and accessible than targeted assistance schemes. Some of the targeted programmes in Asia from high exclusion error. For example, the error of exclusion of intended recipients were as high as 48 percent in the Philippines' (4P) Pantawid programme and 82 percent in Indonesia's Programme Keluarga Harapan (PKH) conditional cash transfer¹⁷.

Cash assistance is proven to be a better option than other assistance modalities such as subsidies and in-kind assistance¹⁸. By injecting cash to people living below or just above the poverty line, the government is encouraging their participation in economic activities, which in turn will lead to additional spending in the community. The multiplier effect of additional consumption by the TBI receiving households on the community is one of the often-cited benefits of TBI. Finally, gender-inclusive modes of cash-based interventions promote gender equality through improved self-esteem, bargaining power¹⁹, decision-making capacity, and reduction in partner violence²⁰.

Therefore, a TBI pilot project in an upper middle-income country such as Malaysia is a promising initiative that can show how address pockets of vulnerability brought about seasonal and emerging trends of non-standard forms of employment. The overarching aim of this study is to increase evidence for a continuous and inclusive cash-based intervention as a means to improve livelihood and socio-economic security. This will be accomplished by testing a social protection intervention that the GOM can employ and replicate. Therefore:

The main objectives of this project are to:

- assess the role of TBI as an effective social protection mechanism in time of economic crisis.

Additionally, the project will also:

- assess rural recipients' openness to digital payment as a mode of payment; and
- capture the impact of gender-responsive cash disbursement at the household level and the community level.
- investigate the appropriate level of TBI transfer for rural areas in Malaysia; and

2. Proposal overview and expected outputs *(maximum 3,000 characters)*

Please elaborate on the proposal approach and how it is expected to lead to change at the output level. All Rapid Financing Facility proposals must be GEN2 or GEN3; therefore, please indicate how the country office proposes to address gender inequalities through concrete interventions.

The UNDP TBI Report 2020 guides the undertaking of a TBI in a developing country²¹. Aligned with the principle of TBI, this project will be conducted in three selected **communities** that meet four criteria: (i) high reported cases of COVID-19²² (ii) experience high negative socio-economic impacts due to COVID-19 (iii) high incidence of precarious income earners²³ and (iv) situated in a rural area.

The study will use the cluster Randomised Controlled Trial (RCT) methodology²⁴ to generate evidence about the impacts of different levels of TBI support of the basic income level in the local context. In consultation with the state and local governments, three communities with similar poverty profile and social-economic characteristics will be selected for the pilot. The pilot will be conducted for six months²⁵ involving about 600 eligible households in total, split equally into treatment and control groups in each of the communities. There are three options to conduct TBI: top-ups to existing average incomes; lump-sum transfers linked to differences in the median standard of living across a country; or uniform lump sum transfers regardless of where someone lives. Selection into treatment or control groups and similarly between different levels of TBI support (if this is tested) is done via random sampling methods at the community level, witnessed by the GOM and community representatives to ensure transparency and fairness of the selection process.

An established non-governmental organisation (NGO) will be assigned to facilitate the disbursement of TBI. The cash amount will be based on the basic needs expenditure level and number of persons in each household. Households in the treatment group will be a mix of male and female-headed households, in order to surface gender-based nuances. Recipients will be given the option of receiving the TBI as direct cash handouts or digital payments to assess preference for payment modalities. This option will allow us to compare acceptability and efficiency of the two distribution channels. Each head of household will be interviewed individually on four occasions i.e. before, during (third and sixth month), and after the intervention to capture impacts on wellbeing, including gender empowerment.

The questionnaires and interviews will be supplemented with ethnographic studies to complement and confirm survey findings, primarily on the interaction between the community socio-cultural practices and TBI. This study is a proof-of-concept for social protection policy during a crisis where income stability is severely compromised. The outputs and activity results are:

- Output 1: Improvement in the welfare of a targeted group of vulnerable populations in a geographical location hit hardest by the economic impact of the COVID-19 pandemic.
 - Activity Result 1.1: TBI transfer is distributed to three communities of about 100 households of treatment group in each sampling group over a period of six months
 - Activity Result 1.2: Indicators of change (qualitative and quantitative) will be tracked, including but not limited to expenditures on **education, nutrition, clean water and sanitation** and so on and so forth.
- Output 2: Incorporation of policy insights and recommendations based on TBI into strengthening government social protection policy in the wake of COVID-19 pandemic.
 - Activity Result 2.1: Policy recommendations on TBI shared with the Government agencies
 - Activity Result 2.2: Communications and Dissemination of TBI pilot findings

To ensure the study emphasises gender perspectives, a gender expert will be consulted to strengthen the design and implementation of the study. Risk management will be integrated into the pilot design to mitigate future risks of the pandemic, such as political instability and other exogenous shocks. TBI pilot findings will be validated by the working group which includes the leaders of the communities and the participant's representatives.

3. Management arrangements *(maximum 2,000 characters)*

Describe how the initiative will be managed within UNDP.

The proposed project will be managed by UNDP Malaysia Country Office as a pilot experimental project towards providing inputs for innovative social assistance programmes in the future. An external consultant team will be recruited to steer the implementation of the planned activities, coordinate with partners, oversee day-to-day work, and monitoring and reporting. The team will be responsible for coordinating project activities among the main stakeholders, ensuring that the project document and project revisions are verified following established procedures, and providing direction and guidance on the project-related issues.

The team will report to the Head of the CO Learning and Insights Hub and will be supported by the Inclusive Development and Growth Unit. The team will also work under direct supervision of the Deputy Resident Representative of UNDP Malaysia. Together with UNDP colleagues, the team will also work closely with relevant government partners and community representatives/local leaders/NGOs to plan, implement, monitor, and coordinate with other stakeholders. The UNDP global knowledge network will provide valuable inputs through best practices and lessons learned from similar experiences in other countries.

UNDP will establish formal agreements with relevant stakeholders for implementation. Formal partnership instruments such as responsible party agreements, procurement contracts, or letters of agreement will be established as appropriate with relevant organisations for the timely accomplishment of various activities included in this proposal. UNDP's monitoring team will generate feedback mechanisms from stakeholders to ensure any social risks are mitigated, as well as establish mechanisms for stakeholder response and grievances.

4. Partnerships *(maximum 2,000 characters)*

Describe how the country office will work with partners to achieve results.

The GOM—represented by the Economic Planning Unit (EPU) and the Implementation Coordinating Unit (ICU) at the Federal level—will be engaged in the initial stages and be presented with the key findings at the end of the project. At the State level, state officials in the Economic Planning Unit will be engaged at all steps of the pilot as a key institutional enablers. The involvement of key State ministries at the operational level will start from the initial stages through the UNDP Malaysia engagement.

The project will be executed by UNDP CO as an Engagement Facility, under a Direct Implementation Project modality. A Technical Working Group will be established to handle all technical matters relating to the project and will be co-chaired by UNDP and Government. In addition, the members of the TWC will also consist of representatives from the implementing partner, research teams, local governments, and other relevant stakeholders. The participation of other local stakeholders such as NGOs like Pacos Trust and Asasi Kita in Sabah will be necessary to help ensure a smooth implementation.

5. Complementarity with other funds available for COVID-19

If the country office already has resources available for COVID-19 (e.g. core resources, Rapid Response Facility, government C/S, third-party C/S, vertical funds, etc.), please indicate how the requested funds will complement other funds or help mobilise additional resources toward programmatic ambitions and sustainability.

Funding source	Amount (USD)	Purpose of / period covered by Funding
RFF	200,000	TBI assistance
Government Cost Sharing	200,000	TBI assistance & operational costs (refer to Budget Annex)
TOTAL	400,000	

6. **Risk mitigation** (maximum 2,000 characters)

Identify the key risks that may threaten the achievement of results and describe how project risks will be mitigated.

Key risks that may threaten the achievement of results	Mitigation Measures
<p>Political:</p> <p>Lack of buy-in from the state government resulting in deferment/cancellation of the project or failure to continue/scale-up the intervention post-project</p>	<ul style="list-style-type: none"> • There is already a number of large cash assistance programmes managed by CSOs through established foundations and religious institutions. • UNDP will carry out the TBI experiment with a trusted CSO partner. • Establishing a working group at the state level to promote ownership of the study
<p>Community Participation:</p> <p>Low level of participants' enrollment resulting in poor viability of pilot results</p>	<ul style="list-style-type: none"> • Working with the CSOs and local governments to identify the targeted areas and undertaking an effective communication strategy to increase enrollment rates
<p>Communication and Awareness:</p> <p>Low retention of respondents due to weak communication strategy resulting in poor viability of pilot results</p>	<ul style="list-style-type: none"> • Developing a clear communication strategy to increase respondents' understanding of the study, including making available a dedicated hotline for addressing queries
<p>Project Implementation / Management:</p>	<ul style="list-style-type: none"> • Randomisation to be conducted at the community-level. Eligible households will be

Key risks that may threaten the achievement of results	Mitigation Measures
<p>Respondents unsatisfied due to perceived differences in the level of treatment resulting in UNDP reputation damage</p>	<p>identified and randomly assigned to one of the intervention groups</p> <ul style="list-style-type: none"> • Each selected community may consist of more than 200 participants in which not everyone is recruited in the study. This will be established further after consultation with the local government to guide the recruitment process, and to ensure that all processes follow random sampling principles
<p>Project Implementation / Management:</p> <p>Poor scale and scope of the experiment resulting in negative effects to the participants in terms of economic autonomy, self-confidence, and Gender Based Violence</p>	<ul style="list-style-type: none"> • Providing an avenue for participants to opt-out during the study and with consultations with on the CSOs and case enumerators
<p>Health:</p> <p>An exacerbation of the COVID-19 pandemic resulting in a deferment/cancellation of the project</p>	<ul style="list-style-type: none"> • Consulting state and local government officials to ensure a suitable start date and continuity of the study, in case of resurgence of cases. • Alternative methods of enumeration, i.e. mobile phones, video calls are included in the design

**In line with Outputs with gender marker GEN2 or GEN3, it is recommended to allocate at least 15% of the funding to activities in support of gender equality and the empowerment of women.*

RESULTS FRAMEWORK

EXPECTED OUTPUTS	OUTPUT INDICATORS ²⁵	BASELINE		MILESTONES AND TARGETS						
		Value	Year	2020	2021				2022	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
Output 1: Improvement in the welfare of a targeted group of vulnerable population in a geographical location hit hardest by the economic impact of the COVID-19 pandemic.	1.1.1 Number of multi-stakeholder engagements, training and induction session with government, partners and community leaders and development of communication strategy	0	2020	3	3	0	0	0	0	0
	1.1.2 Baseline survey to determine measurable indicators and collect data (average basic needs expenditure, breakdown of expenditure, household characteristics etc)	0	2020	0	1	0	0	0	0	0
	1.1.3 Interviews and Questionnaire completed and ethnographic review completed for both treatment and control groups	0	2020	0	0	0	1	0	0	0
	1.2.1 Post-TBI survey among participating households in the three communities	0	2020	0	0	0	0	1	0	0
	1.2.2 Comparison analysis report of changes made by TBI in each community (at various levels) using pre-determined indicators		2020	0	0	0	0	0	1	0
Output 2: Incorporation of policy insights and recommendations based on TBI into strengthening government social protection policy in the wake of COVID-19 pandemic.	2.1.1 TBI Interim Report with key findings including ethnography component;	0	2020	0	0	0	0	0	1	0
	2.1.2 Final Report with policy component satisfactorily submitted	0	2020	0	0	0	0	0	0	1
	2.1.3 Communication plan – launch of report, video, forum and interviews, dialogues	0	2020	0	0	0	0	0	0	1

¹ Bank Negara Malaysia. (2020). *BNM Quarterly Bulletin: 2Q 2020*. Indonesia (-5.3% YoY), Philippines (-16.5% YoY) and Singapore (-13.2% YoY). Bank Negara Malaysia. (2020). *BNM Quarterly Bulletin: 2Q 2020*.

² Services sector being the largest contributor of Malaysia's economy constituted 51.8% (4.3 million) of total jobs. Department of Statistics Malaysia (2020) *Labour Market Review, Malaysia: Quarter 2 2020*.

³ Q2 2020, Malaysia total employment fell to 14.9 million persons while unemployment increased to 5.1%. Total jobs in the private sector decreased year-on-year by 236,000 to 8.4 million as vacancies decreased by 48,000 jobs. Working age population who were outside labour force increased 3.7%, where 43.3% was due to housework and family responsibilities. Department of Statistics Malaysia (2020) *DOSM Key Statistics of Labour Force in Malaysia Jun 2020. Labour Market Review, Second Quarter 2020*.

⁴ Department of Statistics Malaysia (2020) *Labour Market Review, Malaysia: Quarter 2 2020*. Refer Table A, pg 18.

⁵ Tourism related industries includes wholesale/retail trade, food and beverage, accommodation, transport and storage, entertainment and recreation, and administrative and support services.

⁶ Bank Negara Malaysia. (2020). *BNM Quarterly Bulletin: 2Q 2020*.

⁷ The social safety net systems highly focus on the formal sector, while large number of informal sector workers (2.5 million in 2019 (Department of Statistics Malaysia (2019) Press Release Informal Sector Work Force Survey Report, Malaysia, 2019, page 3) are excluded from the system, except for the BPN which is based on the income level from income tax database hence these groups of people are not entitled for the wage subsidy and other assistances.

⁸ Based on the Minister of Entrepreneurship's statement on 29 September 2020, more than 1.0 million informal sector business owners are not within the registered system and accessible for Government's aid.

(<https://themalaysianreserve.com/2020/09/29/medac-to-look-into-aid-allocation-for-small-businesses-in-budget-2021/>).

Based on the Labour Force Survey in 1Q20, there were 2.7 million persons self-employed workers or 17.4% of total workforce in Malaysia. Meanwhile, unpaid family workers accounted for 0.6 million (4.1%) of the total. It was estimated that almost half of self-employed employees have lost their jobs and 0.6 million unpaid family workers were directly affected by the Movement Control Order (MCO) between 18 March and 28 April. Report from Department of Statistics Malaysia

(https://www.dosm.gov.my/v1/index.php?r=column/cone&menu_id=d3pnMXZ4ZHJjUnpnYjNyUnJhek83dz09)

⁹ Ministry of Finance is currently evaluating the Government assistance

(<https://www.nst.com.my/business/2020/09/626387/government-acknowledges-requests-improve-existing-measures-mof>).

However, there have been many other ministries who had conducted independent evaluation. The Minister of Entrepreneurship stated that the government does not have a specific amount to allocate for informal businesses as the business owners are not registered with the government, hence informal employees are not covered. (<https://themalaysianreserve.com/2020/09/29/medac-to-look-into-aid-allocation-for-small-businesses-in-budget-2021/>)

¹⁰ World Bank. (2020). *Malaysia Economic Monitors July 2020: Surviving the Storm*.

¹¹ Department of Statistics Malaysia (2019) Press Release Informal Sector Work Force Survey Report, Malaysia, 2019, page 3

¹² Department of Statistics Malaysia (2020). *Newsletter Series 51*

¹³ Ministry of Finance, Government of Malaysia (29 March 2020) *Bantuan Sara Hidup*. Accessible at file:///C:/Users/User/Downloads/BSH2020SiaranMediaBPNKementerianKewangan29032020.pdf

¹⁴ Ratio of Head of Household Men to Women (5.4:1) Statistics on Women, Family and Community 2016. Refer Chart 1.3, page 28.

¹⁵ <https://www.thestar.com.my/opinion/letters/2020/08/25/review-criteria-for-women-to-receive-assistance>

¹⁶ UNDP Temporary Basic Income 2020

¹⁷ UNDP RBAP. 2020. Addressing the COVID-19 economic crisis in Asia through social protection.

<https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/addressing-covid-19-economic-crisis-in-asia-through-social-protection.html>

¹⁸ World Food Programme. (2019). *The potential of cash-based interventions to promote gender equality and women's empowerment: a multi-country study*.

¹⁹ <https://deeply.thenewhumanitarian.org/womensadvancement/articles/2018/02/27/cash-payments-during-crisis-can-give-women-more-power-at-home>

²⁰ <https://www.csis.org/what-women-want-developing-gender-inclusive-cash-transfer-programming>

²¹ United Nations Development Programme. (2020). *Temporary Basic Income (TBI)*.

²² Sabah recorded a total of 11,258 (43.7%) cases out of 25,742 total cases in Malaysia as at 24 October 2020. Ministry of Health Malaysia.

²³ Sabah recorded third highest state with informal sector employment. Department of Statistics Malaysia (2019) Press Release Informal Sector Work Force Survey Report, Malaysia, 2019, page 4

²⁴ (1) Randomised Control Trial which provided unconditional cash assistance and conditional cash assistance were conducted in Zimbabwe back in 2010. Source: Robertson L, Mushati P, Eaton JW, et al. (2013) Effects of unconditional and conditional cash transfers on child health and development in Zimbabwe: a cluster-randomised trial. *Lancet*. 2013;381(9874):1283-1292. doi:10.1016/S0140-6736(12)62168-0

(2) Randomised Control Trial which provided unconditional cash assistance to women were conducted in Zambia in 2018. Source: Natali L, Handa S, Peterman A et al. (2018) Does money buy happiness? Evidence from an unconditional cash transfer in Zambia. *SSM – Population Health* 4 (2018) 225-235. <https://doi.org/10.1016/j.ssmph.2018.02.002>

²⁵ RCT cash assistance to mothers in Pakistan was conducted for 6 months (June – December 2015). Fenn et.al (2015) The REFANI Pakistan Study – a cluster randomized controlled trial of effectiveness and cost-effectives of cash-based transfer programmes on child nutrition status: study protocol. DOI 10.1186/s12889-015-2380-3