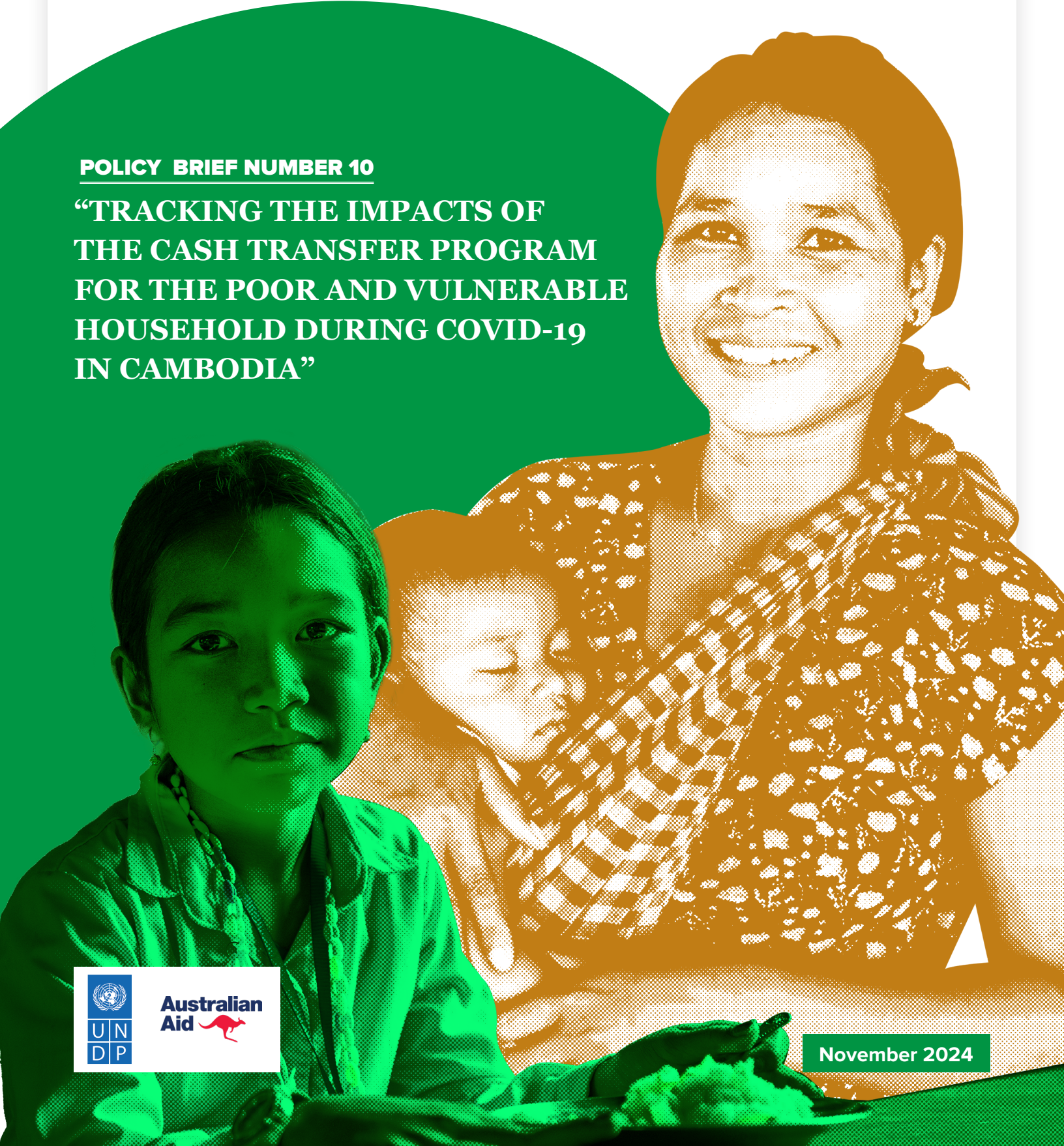




POLICY BRIEF NUMBER 10

**“TRACKING THE IMPACTS OF
THE CASH TRANSFER PROGRAM
FOR THE POOR AND VULNERABLE
HOUSEHOLD DURING COVID-19
IN CAMBODIA”**



November 2024

EXECUTIVE SUMMARY

The Royal Government of Cambodia successfully implemented the Cash Transfer Program for Poor and Vulnerable Households during Covid-19 in response to the economic challenges posed by the Covid-19 pandemic. Spanning 46 months, this initiative stands as the largest and longest running social assistance program in the country aimed at supporting household adversely affected by the pandemic's socioeconomic fallout. Five rounds of impact assessments have demonstrated that the cash transfers yielded significant benefits for recipient households. Key positive outcomes include the restoration of household consumption, enhanced overall well-being and resilience, reduction in the sale of assets to cope with economic hardships, improved access to food and a more diverse diet, and decreased school drop-out rate among

children. Importantly, the program did not foster idleness; instead, it motivated recipients to seek employment opportunities and improve their ability to save compared to non-recipient households.

Both recipient and non-recipient households expressed appreciation for the government's social safety net, reflecting increased optimism toward public services, including improvements in service delivery, transparency, and trust. However, as the program had continued, there was a notable shift among recipient households toward greater reliance on cash transfers as a regular source of income. This change led to declining in saving behavior and an increase in new loans and the acquisition of non-productive assets, particularly the immediate impacts of Covid-19 began to wane.



I. INTRODUCTION

The COVID-19 pandemic profoundly affected the economy and the livelihoods of Cambodian households, particularly among marginalized and vulnerable groups. In response, the Royal Government of Cambodia launched the Cash Transfer Program for the Poor and Vulnerable Households in June 2020. This initiative represents the largest social protection initiative ever undertaken in Cambodia. Over its 46-month operation, the program supported around 716,000 poor and vulnerable households, benefiting approximately 2.8 million people, including 64,000 children under 5, 59,000 persons with disabilities, 411,000 elderly people over 60, and 2,000 persons living with HIV/AIDS. The to-

tal expenditure for this program was 5.44 trillion Riels (approximately 1.36 billion United States Dollars, USD). Five rounds of longitudinal surveys were conducted between December 2020 and December 2023, involving a sample of 1,000 households to assess the program's socio-economic impact. The program had significant effects on livelihoods, including improvements in food security, saving capacity, productive asset accumulation, employment, and child education, as evidenced by the first three survey rounds.¹ However, some of these effects began to diminish from the fourth round onward.



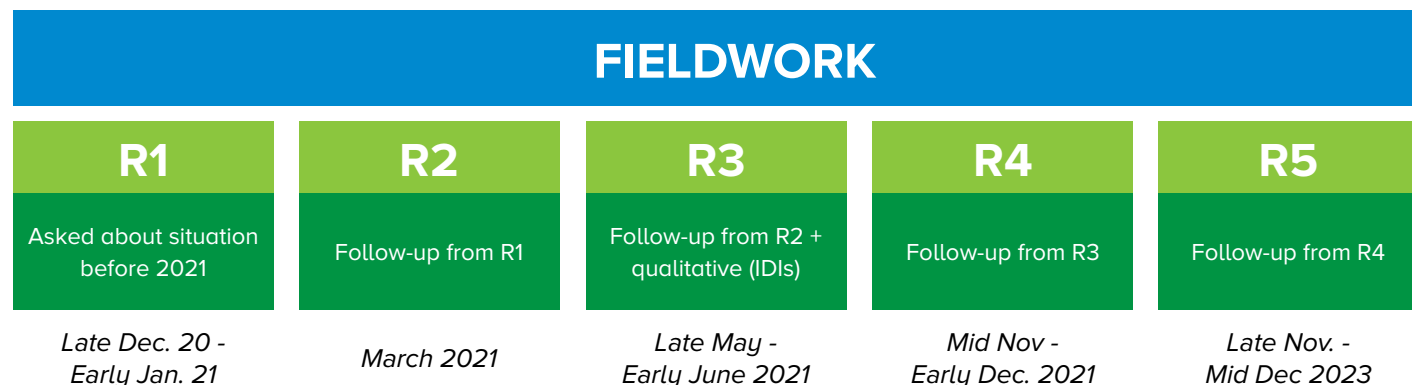
¹For a detailed analysis of the short-term impacts of the COVID-19 Cash Transfer Program, see UNDP. (2022). Socioeconomic Impacts of the COVID-19 Cash Transfer Program in Cambodia: Micro and Macro-Level Evaluations.

II. IMPACT EVALUATION METHODOLOGY

The impact of the COVID-19 Cash Transfer Program was evaluated based on data obtained from household surveys. Conducted from late December 2020 to mid-December 2023, the surveys comprised five rounds of survey interviews. Each round included around 1,000 households, of which 400 households receiving cash transfers (Treatment Group) and 600 households not

receiving transfers as a control group. Additional qualitative interviews were also conducted to capture human stories and gather more in-depth information for thematic analysis. The participants were chosen from IDPoor households- The IDPoor is the national program for targeting pro-poor measures in the country.

FIGURE 1. FIELDWORK TIMEFRAME



The Propensity Score Matching (PSM)² was employed for different characteristics to identify differences between recipient households (treatment group) and non-recipient households (control group). A probit regression³ was then applied to estimate propensity scores, with the single nearest neighbor matching with a replacement for calculating the Average Treatment Effect on the Treated (ATT)⁴.

²The Propensity Score Matching (PSM) is a quasi-experimental method in which the researcher uses statistical techniques to construct an artificial control group by matching each treated unit with a non-treated unit of similar characteristics. Using these matches, the researcher can estimate the impact of an intervention.

³The probit regression is used to model dichotomous or binary outcome variables.

⁴Average Treatment Effect on the Treated (ATT) is a concept in causal inference that measures the average effect of a treatment on the individuals who received the treatment.

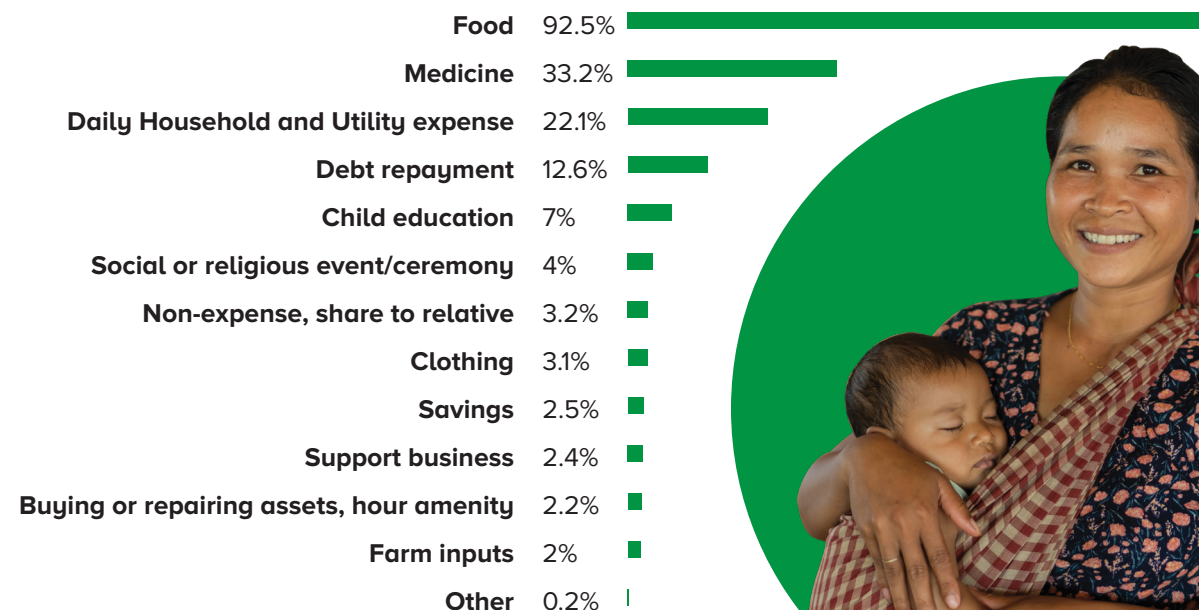
III. SOCIO-ECONOMIC IMPACTS OF THE PROGRAM

3.1. DISTRIBUTION OF CASH TRANSFER USAGE

The results indicated that 92% of beneficiary households affected by the pandemic preferred cash support over other options. After receiving the cash, 92.5% of recipient households allocated at least part of it for food, while 33% used it for medicine, 22.1% for daily household needs and utilities, 12.6% for debt repayment, and 7% for child education, based on the average interview results from rounds 1 to 5. Some households also managed to save part of cash transfers for

purchasing or repairing assets, supporting businesses, or acquiring farm inputs. Figure 2 below illustrates the average distribution of cash transfer usage by recipient households over three years from rounds 1 to 5. In a related study, it was found that the COVID-19 cash transfer helped restore recipients' total household spending to approximately 87% of pre-pandemic levels⁵.

FIGURE 2. SPENDING PATTERNS OF CASH TRANSFER (AVERAGE ACROSS THE FIVE ROUNDS)



⁵Nuppun Research and Consulting Co, Ltd. (2021). Performance Assessment of the Cash Transfer Program for Poor and Vulnerable Households during COVID-19. Policy Brief. Phnom Penh: Ministry of Economy and Finance and GIZ.

3.2. IMPACT ON FOOD AND NUTRITION

Based on the study, the cash transfer program provided significant impacts on food and nutrition of the recipient household. When asked about having enough rice for family consumption (a staple food), the results indicated a consistent advantage for recipient households across all five periods, with a higher prevalence of sufficient rice consumption compared to the non-recipient group, as shown in Figure 3. It is important to note that some data collection occurred during harvesting seasons, when households typically had access to a larger quantity of fresh produce, including staple foods like rice. To assess nutrition, the study employed the Household Dietary Diversity Score (HDDS), which measures the number of food groups consumed. In rounds

1 and 2, despite the challenges posed by curfews, lockdowns, and travel restrictions, the cash transfer program increased the HDDS for recipient households by a small margin of 0.1 and 0.3 food groups, respectively, compared to non-recipient households. Although the HDDS score for recipient households remained high in subsequent rounds, there was no significant difference compared to non-recipient households, as illustrated in Figure 4. This may be attributed to limited access to diverse foods during the pandemic, leading households to prioritize increasing the quantity of staple foods over diversifying their diets, particularly in times of uncertainty when food security is a concern.

“...We used the cash transfer to buy rice and food. During the severe impact of the pandemic, we prioritized food the most,” said a recipient from Kratie province.

FIGURE 3. HOUSEHOLDS REPORTED HAVING ENOUGH RICE TO EAT

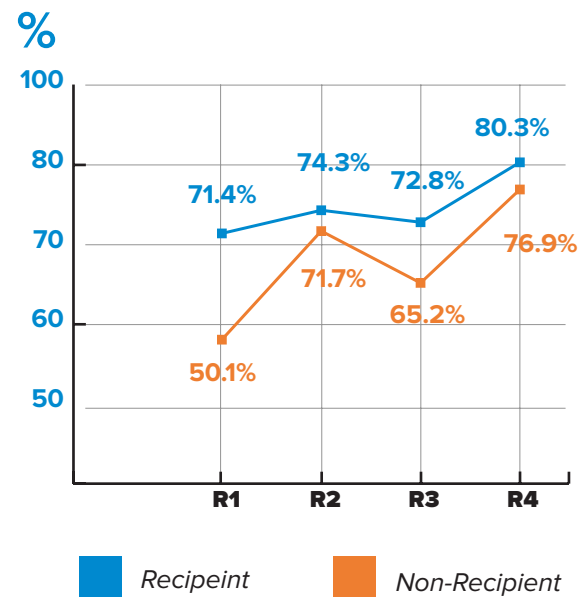
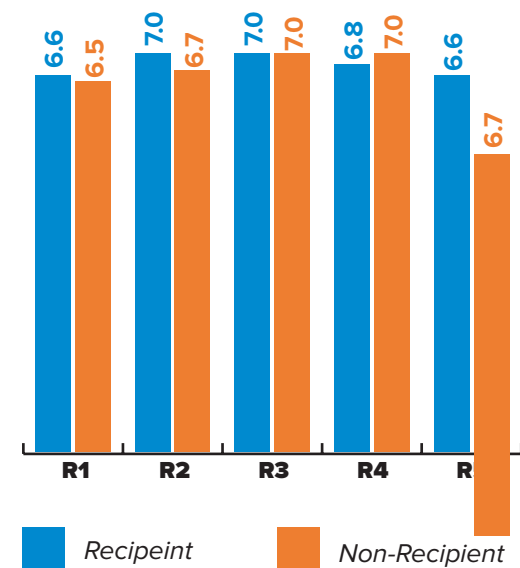


FIGURE 4. HDDS SCORE “NUMBER OF FOOD GROUPS CONSUMED”



*The Household Dietary Diversity Score (HDDS), ranging from 0 to 14, indicates the variety of food groups consumed by a household, with higher scores reflecting better nutritional diversity and food security. These food groups consist of, for example, cereals, fruits, vegetables, meats, eggs and milk.



3.3. IMPACT ON CHILD EDUCATION

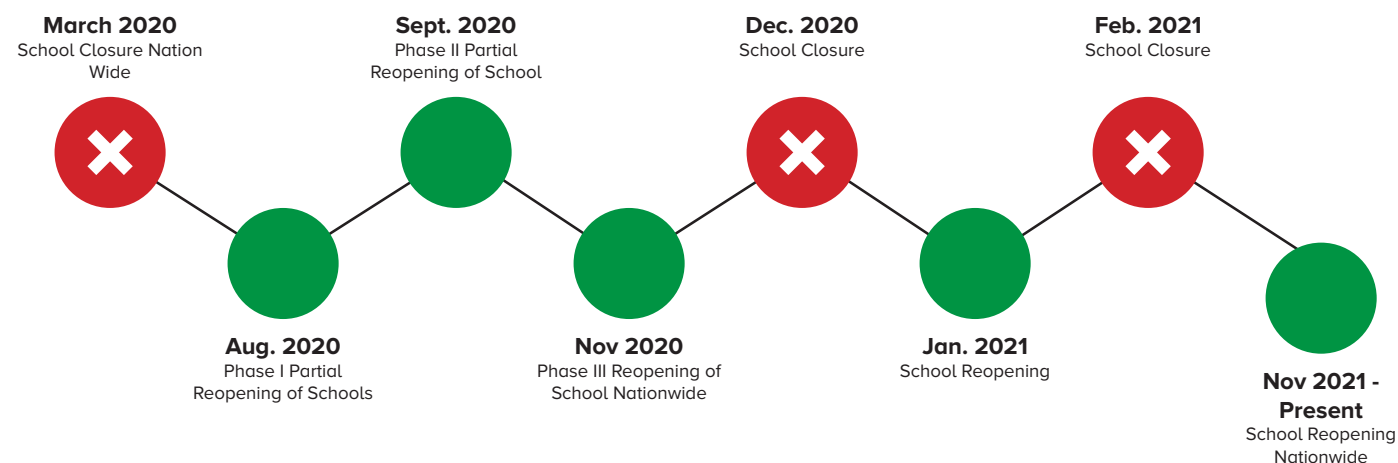
“...Besides using it for food, I used it to support my children’s education and to seek medical treatment when they are ill,” said a recipient from Prey Veng province.

The cash transfer program had a remarkable impact on the education of children from recipient households. In round 1, there was no significant difference in school attendance between children from recipient and non-recipient households. This might be due to the curfew and movement restrictions at the onset of the pandemic. However, in rounds 2 and 3, despite the severe effects of the pandemic—including lockdowns, curfews, travel restrictions, school closures, and a transition to online learning—the cash transfer

program significantly reduced the school dropout rate among children in recipient households by 8.6% and 8.7%, respectively, compared to their non-recipient counterparts. This can be attributed to the cash transfer, which helped households cover educational expenses, maintain economic stability, prioritize education, and adapt to online learning during the pandemic.

“...By receiving cash transfers, recipient households can send their children to school more regularly,” reported a village leader in Koh Kong province during the round 5 data collection interview.

FIGURE 5. TIMELINE OF SCHOOL-RELATED COVID-19 RESTRICTION MEASURES



Source: Authors.

In round 5, three years after the initial assessment in round 1, the results indicated that the prevalence of school participation among children from recipient households remained higher than that of non-recipient households by 4%, as

illustrated in Figure 6 below. This data collection occurred during the harvesting season when child labor—particularly in rural areas—was high to assist families in harvesting which could explain the slight decline in impact on child edu-

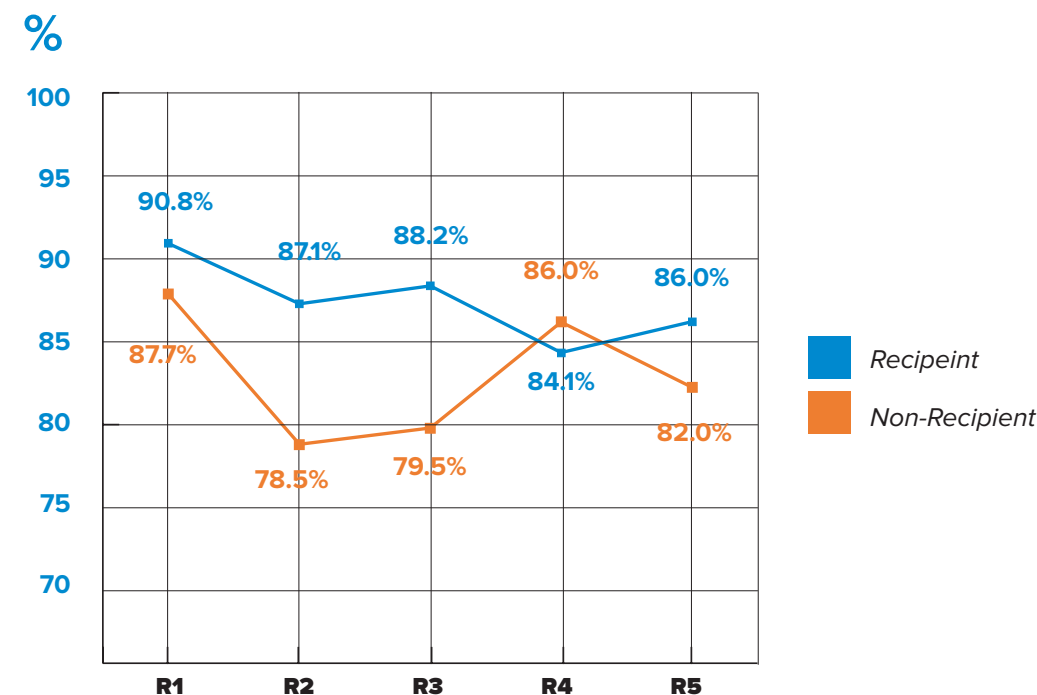
³Glewwe, P. & Kassouf, A. (2012). The impact of the Bolsa Escola/Familia conditional cash transfer program on enrollment, dropout rates and grade promotion in Brazil. *Journal of Development Economics*, 97(2), pp 505-517.

cation. The educational impact observed aligns with findings from similar cash transfer programs in other regions, such as Bolsa Família³ in Brazil and Progres⁵ in Mexico, both of which also demonstrated significant positive effects on chil-

dren’s education. Again, the cash transfer can contribute to financial support for education, attendance incentives, and improved household economic stability.



FIGURE 6. HOUSEHOLDS WITH ALL SCHOOL-AGE CHILDREN ATTENDING SCHOOL



³Glewwe, P. & Kassouf, A. (2012). The impact of the Bolsa Escola/Familia conditional cash transfer program on enrollment, dropout rates and grade promotion in Brazil. *Journal of Development Economics*, 97(2), pp 505-517.

⁴Brau, A. et al. (2015). The Impact of Bolsa/Familia on Schooling. *World Development*, 70, pp 303-316.

⁵Behrman, J. et al. (2005). Do Conditional Cash Transfers for Schooling Generate Lasting Benefit. *Journal of Human Resources*, 46(1), pp 93-122.

3.4. IMPACTS ON ASSET BUYING AND SELLING

The cash transfer program significantly reduced the tendency of recipient households to sell their assets to cope during the pandemic; it also encouraged consumption. In round 1, a notable difference was observed between the two groups regarding asset selling: non-recipient households had a 15.3% higher prevalence of selling assets compared to recipient households. This difference can be attributed to the lack of cash assistance, leading non-recipient households to sell their assets to cope with the negative effects of COVID-19. In subsequent rounds, the trend of asset selling decreased for both groups, with recipient households consistently exhibiting a lower prevalence of this behavior than non-recipient households.

Regarding asset purchase, in round 2, the prevalence was 3.5% for recipient households and 4.4% for non-recipient households. As the COVID-19 situation worsened in round 3 due to curfews and travel restrictions, asset-buying tendencies diminished for both groups; however, the cash transfer still resulted in a 1% higher prevalence among recipients compared to non-recipients.

By round 5, after 43 months of the cash transfer program, and as the socio-economic impacts of the pandemic began to subside, both groups demonstrated an increased tendency to purchase assets. Notably, the prevalence of asset



purchases among recipient households rose from 3.5% in round 1 to 7.2% in round 5, while non-recipient households saw only a marginal increase from 4.4% to 4.7%, as illustrated in Figure 7. Motorcycles were among the most purchased assets. This trend suggests that the longer the cash transfer program was in place, the more it incentivized recipient households to invest in assets. This aligns with various economic theories, including Engel's Law, which posits that as income rises, expenditure on non-food items and assets increases in proportion to food expenditure.

FIGURE 7. HOUSEHOLD WITH ASSET BUYING

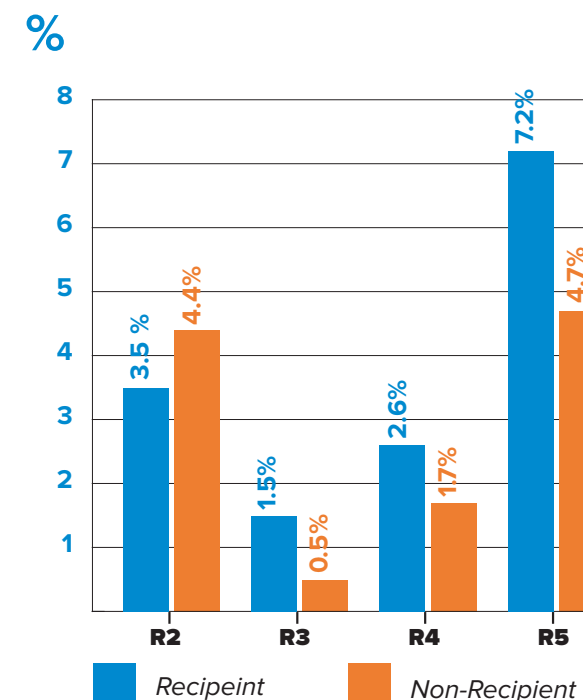
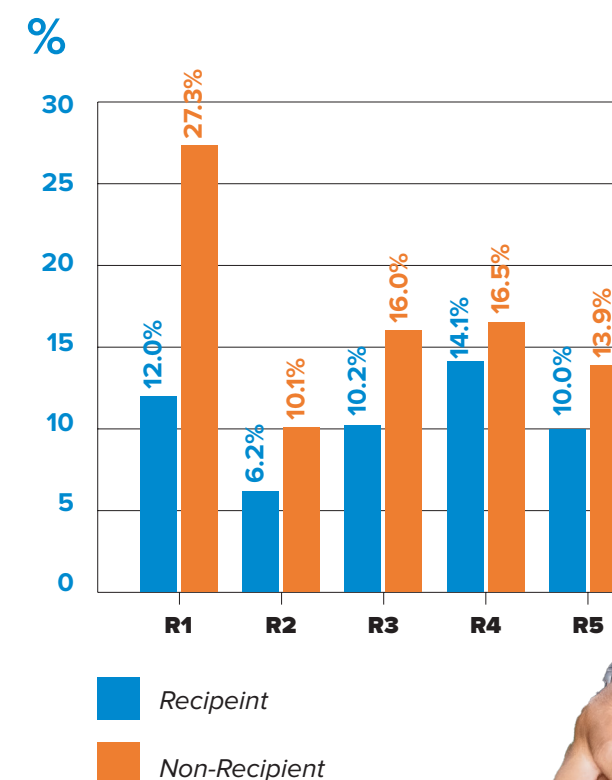


FIGURE 8. HOUSEHOLD WITH ASSET SELLING



3.5. IMPACTS ON SAVING AND DEBT

The COVID-19 cash transfer program enabled recipient households to improve over time their savings, repay loans, and reduce the need for taking new loans for basic needs. Savings and debt are key indicators of a household’s financial health. In the assessment, savings were categorized into cash savings, alloyed savings, and fine gold savings.

In the first round, there was no significant difference in saving behavior, with 31.5% of recipient households and 28.5% of non-recipient households reporting some form of savings. However, by rounds 2 and 3, as the effects of COVID-19 intensified, saving attitudes declined in both groups. The cash transfer program mitigated

this decline among recipient households, resulting in a smaller decrease in savings prevalence of 7.9% and 7.5% compared to non-recipient households.

In round 4, as the COVID-19 situation showed slight improvement, the prevalence of savings among non-recipient households began to rise, reaching 30% in that group. In contrast, the saving behavior of recipient households continued to decline, leading to a 9.7% difference between the two groups. This trend suggests that recipient households were becoming increasingly reliant on cash transfers, reinforcing the hypothesis of their diminishing effectiveness over time.

“Most beneficiaries used the cash to support their daily expenses and businesses, while others utilized it to repay bank loans,” reported a village chief in Siem Reap Province.

FIGURE 9. HOUSEHOLDS WITH ANY KIND OF SAVING

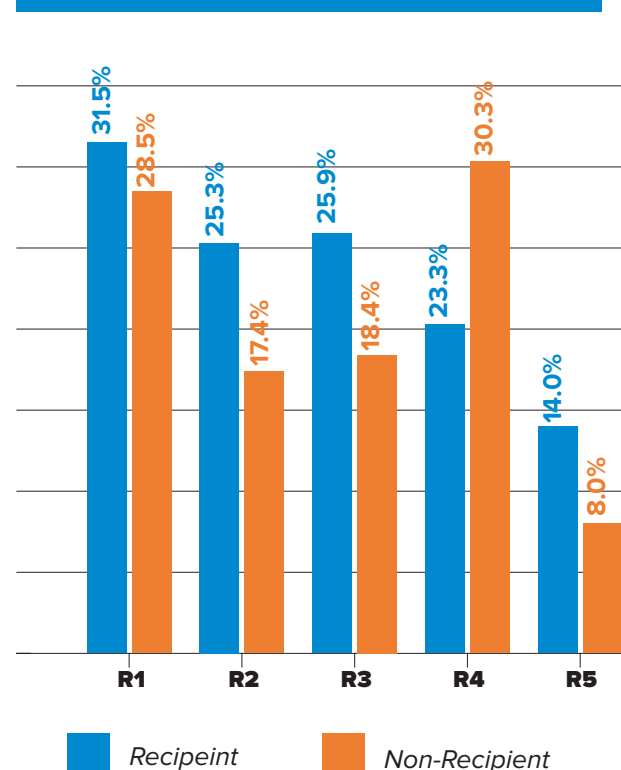
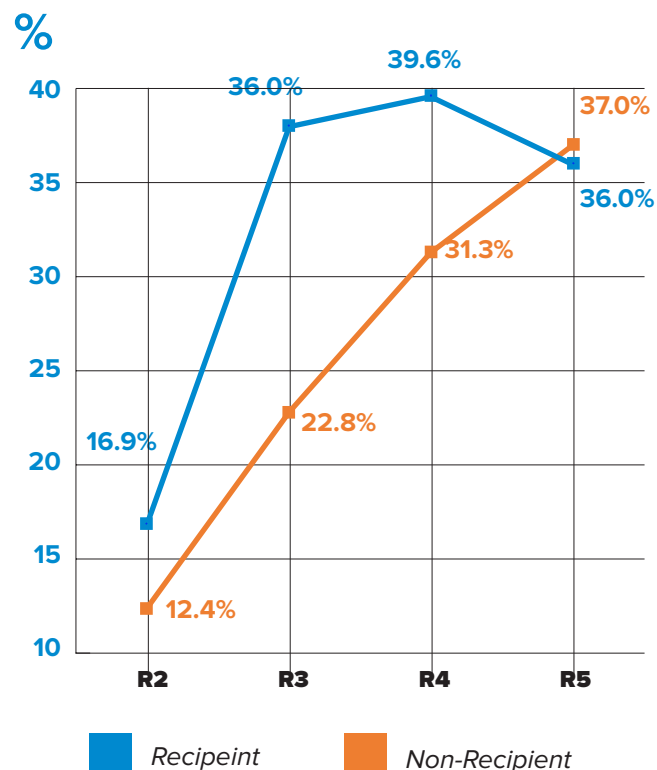


FIGURE 10. HOUSEHOLDS WITH NEW LOAN



Regarding taking new loans, no significant difference was observed in round 1, with 16.9% of non-recipient households and 12.4% of recipient households reporting new loans.

However, in rounds 3 and 4, the prevalence of new loans sharply increased for both groups. Common reasons for taking out loans included purchasing food, covering health expenses, and repaying existing debts.

A relevant study conducted by the World Bank on this cash transfer program echoed these findings.⁶ Fortunately for recipient households, the cash transfer helped reduce their tendency to take new loans by 15.2% and 8.3%, respectively, during these periods.

However, two years later, the round 5 assessment revealed a surprising trend: non-recipient households exhibited a lower tendency to take out loans, while the tendency among recipient households continued to rise, as shown in Figure 10. This trend may be attributed to an increasing reliance on cash transfers. Additionally, the financial cushion provided by these transfers can encourage recipients to borrow for investments or to manage ongoing expenses, whereas non-recipients may have fewer financial resources available for such purposes.



⁶World Bank. (2021). An Assessment of Cambodia Cash Transfer Program for the Poor and Vulnerable Households during Covid-19. The World Bank Group.

3.6. IMPACTS ON OUTLOOK ON LIFE AND EMPLOYMENT SEEKING BEHAVIOR



The cash transfer program significantly improved recipients' outlook on life, particularly during the challenging times of the pandemic. In rounds 1 and 2, assessments indicated that recipient households reported a 13.2% and 13.4% higher prevalence of positive life expectations, respectively, compared to non-recipient households. This positive outlook persisted in subsequent assessments, except in the final round, as the program neared its conclusion. The decline in optimism may have stemmed from recipients' concerns and anxieties about their future without regular cash support from the government.

FIGURE 11. LIFE PERSPECTIVE IN THE NEXT 6 MONTHS

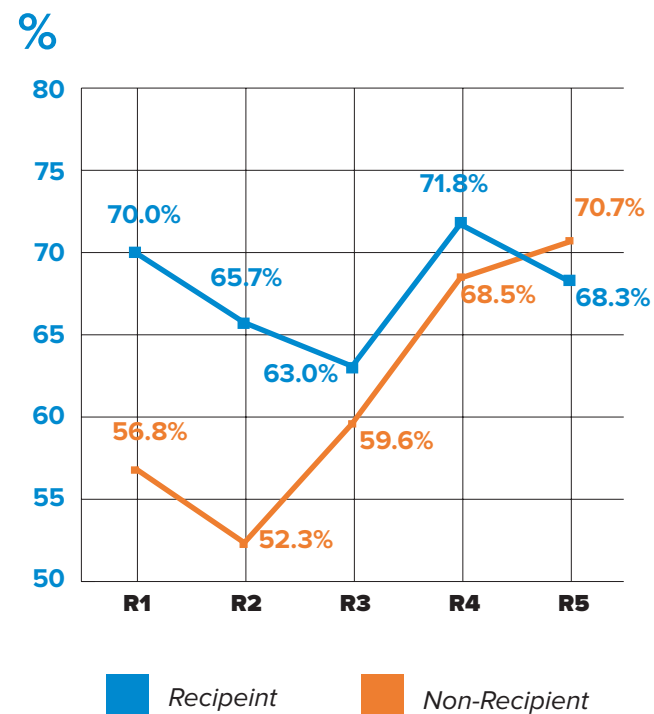
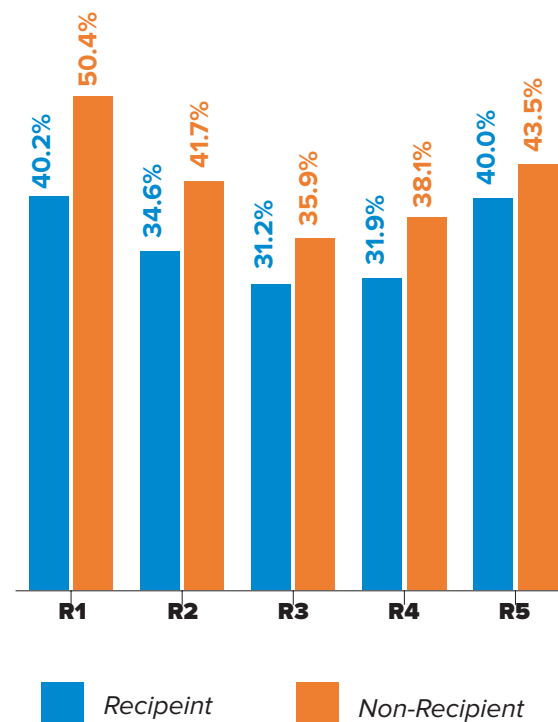


FIGURE 12. RATIO OF INCOME EARNERS



The cash transfer program not only reduced idleness among recipients but also motivated them to seek employment. In round 1, the ratio of income earners to total family members in recipient households was 10.2% lower than that in non-recipient households, even though recipient families were larger. This ratio remained lower across all five rounds of assessment. However, the gap gradually narrowed to 7.1%, 4.7%, and 6.2% in rounds 2, 3, and 4, respectively. By round 5, as the impact of COVID-19 lessened, the ratio of income earners in both groups increased compared to earlier rounds. Notably, the disparity between

the two groups diminished further to just 3.5% (see Figure 12). This trend suggests that recipients were making greater efforts to find jobs and generate income. Similar studies on cash transfer programs in Mexico⁷ and South Africa⁸ have also shown that these initiatives not only encouraged recipients to seek employment but also enabled them to pursue better job and livelihood opportunities. This is because the cash transfer can provide financial security, allow investments in skills, improve mobility, support entrepreneurial ventures, and facilitate access to valuable networks.



⁷Parker, S. & Vogl, T. (2018). The long-term effects of cash transfers: Mexico's Progresa. VoxDev. Retrieved August 10 from <https://voxddev.org/topic/social-protection/long-term-effects-cash-transfers-mexicos-progresa>.

⁸Tondini, A. (2022). The Lasting Labor-Market Effects of Cash Transfers: Evidence from South Africa's Child Support Grant. The World Bank Economic Review, 36(4), pp 934-954.

3.7. IMPACT ON GOVERNMENT PERCEPTION

The results showed that both the recipient and non-recipient households recognized the authorities' efforts and maintained a highly positive perception of the cash transfer over the five assessment periods. This positive sentiment was especially pronounced among recipient households with the prevalence of positive perceptions toward local authority services increasing from 95% in round 1 to nearly 100% by the final round. Remarkably, their perception of national government services consistently approached 100% throughout the study. Similarly, non-recipient households also exhibited positive perceptions of local government services, with prevalence rates ranging from 75% to 81%. Their perceptions of national government services were even higher, as illustrated in Figures 13 and 14. This could be also caused

by the successful vaccination campaign undertaken in Cambodia.



FIGURE 13. PERCEPTION OF LOCAL AUTHORITY SERVICES

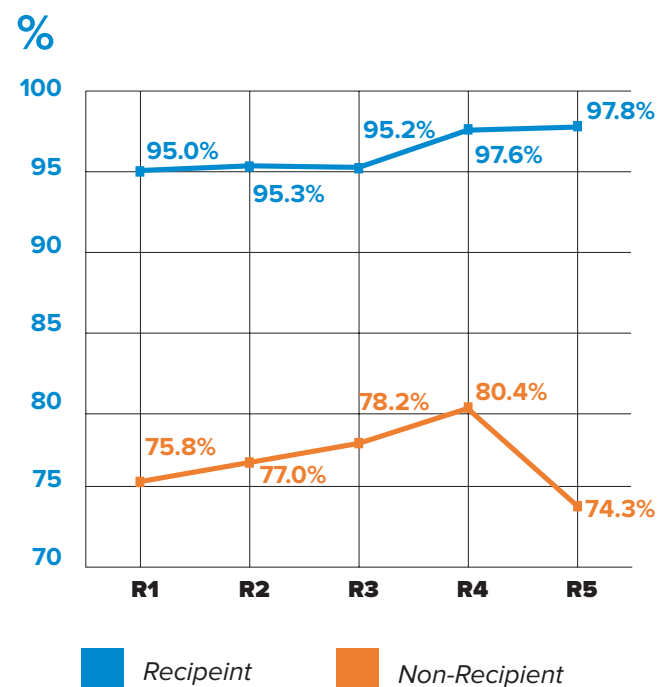
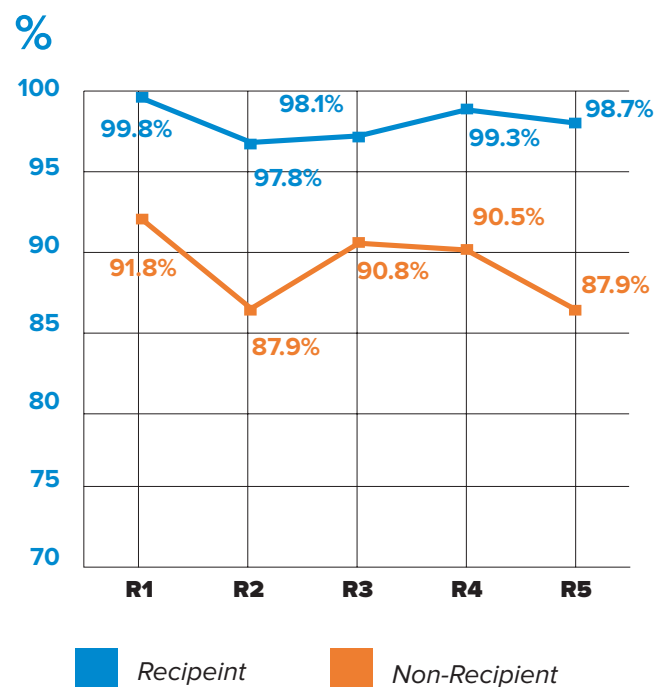


FIGURE 14. PERCEPTION OF GOVERNMENT SERVICES



IV. CONCLUSION

Overall, the Covid-19 Cash Transfer program significantly impacted the livelihoods of poor and vulnerable households during the pandemic. Empirical data has shown that the cash transfers helped restore household expenditures, improved recipients' outlook on life, reduced the tendency to sell assets to cope with the effects of the pandemic, supported access to food, and allowed for a more diverse diet, while also decreasing school dropout among recipient households. Most importantly, the program did not encourage idleness; rather, it motivated recipients to seek employment and generate income. As a result of the cash transfer program, recipient households were better able to save and purchase assets compared to non-recipients. Both groups recognized and appreciated the government's efforts in providing a social safety net, leading to a more optimistic view of public services, particularly service improvements, and the transparency of the cash transfers.

However, after approximately 3.6 years of program operation, recipient households began to show increased reliance on cash transfers as a regular income source. This shift manifested in a decline in saving behaviors and an uptake of new loans and asset buying, including



non-productive assets as the effects of COVID-19 gradually lessened. This raises concerns about the potential for recipient households to fall into a debt trap.

IV.

POLICY RECOMMENDATION FOR FUTURE CASH TRANSFER PROGRAM DESIGN

TARGETING EFFICIENCY

- Enhance Selection: Minimize inclusion and exclusion errors in targeting by improving the IDPoor identification method and process. The focus should remain on the most vulnerable households.
- Regularly Update IDPoor: Conduct more frequent revisions of IDPoor validity to reflect the changes in socio-economic conditions of households. This will allow the expansion of coverage to those who are most in need and expand the reach of the program while optimizing the use of public funds.

TIMEFRAME

- Gradually Transition Emergency Assistance: While cash is essential for reducing the immediate impacts on consumption during shocks, the program should gradually transition to more productive offerings such as skills development, behavioral change communication, and productive assets either in parallel with cash transfers or as a follow-up.

SKILL DEVELOPMENT

- Assess Skill Needs: Identify and provide training in skills that enhance livelihood opportunities for beneficiaries. Training should align with their potentials and leverage existing community resources and markets.
- Integrate Financial Literacy: Combine skill development training with financial and digital literacy, marketing, and entrepreneurship skills to create a holistic support system for beneficiaries.



USE OF ID POOR CARD

- Ban the use of IDPoor cards to support access to loans: Legally prohibit the use of IDPoor cards as collateral for loans or mortgages, imposing significant penalties on any parties involved in such misuse. This measure aims to prevent the exploitation of the card and minimize the risk of beneficiaries falling into the debt trap.
- The Royal Government should identify role model beneficiaries who can share their success stories and advocate for better spending behaviors within their local communities. These individuals can inspire others to invest in income-generating assets.

MARKET MATCHING

- Facilitate Job Placement: Support job-seeking efforts and match trained beneficiaries with suitable employment opportunities in the job market. This is most suitable in urban areas.
- Promote Local Products: Assist in promoting and marketing products and local produce in rural areas to enhance access to the market and improve livelihoods.

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