

Executive summary

Cambodia today is synonymous with progress. A prolonged period of political and social stability since the Paris Peace Accords of 1991 has provided the basis for rapid economic development. Since the early 2000s, Cambodia's average economic growth rate has been among the highest in the world; the success of its garment industry, its attractiveness to tourists and the growth in construction have driven a transformation of the economy. Poverty has fallen dramatically as a result, accompanied by a decline in inequality. In 2016, Cambodia graduated to become a lower middle-income economy.

Yet Cambodia's gains are fragile. A significant portion of the economy has not yet escaped from extreme poverty, while many of those who have are just above the poverty line. Both groups are highly vulnerable to shocks. Broader measures of deprivation have fallen much less quickly than income poverty. Malnutrition remains a particular concern, especially among children. Moreover, Cambodia's long-term prospects are uncertain: its demographics will become much less favourable and climate change threatens to have a major effect. The economy needs to diversify if current growth rates are to continue and productivity levels are among the lowest in the region.

The Royal Government of Cambodia (RGC) has recognised the critical role that social protection can play in reducing poverty, improving living standards and providing a better future for the country. In 2017, the RGC published the Social Protection Policy Framework (SPPF), an ambitious vision for a social protection system in which a comprehensive set of policies and institutions operate in sync with each other and respond to the broader needs of society – both today and in the future.

Cambodia's current social protection system is at an early stage of development. The largest social protection intervention in terms of coverage is the Health Equity Funds (HEF), which provide access to healthcare and other benefits to at least 2 million poor and vulnerable individuals nationwide. By expanding the package of benefits offered by HEF, increasing their coverage of the informal sector and improving co-ordination between the HEF and social health insurance, Cambodia can make rapid progress towards universal health coverage.

Scholarships and school meals comprise the bulk of non-health related social assistance spending but their impact on poverty is small: not only is coverage very low but the level of benefits is also small. These programmes are concentrated in rural areas, they rely extensively on donor support and they have not been rigorously evaluated. They need to scale up to reduce poverty and improve human development indicators, and they would be more effective if complemented by social assistance for new-born children.

Technical vocational education and training schemes for informal-sector workers are the RGC's principal labour-market programme, though coverage is very low given the size of the informal sector. Donor-funded public works programmes have a long history in Cambodia but are highly fragmented; an opportunity exists to align these more closely to other social protection programmes as well as infrastructure or climate-change adaptation initiatives.

Due to high levels of informality, only a small proportion of the Cambodian population is covered by social insurance, leaving them extremely vulnerable to lifecycle shocks and economic downturns. Even individuals who are formally employed only have access to a limited set of social insurance arrangements. Workers in the formal private sector have access to employment injury insurance and social health insurance but not to a statutory pension arrangement. Public-sector workers, on the other hand, are entitled to pension, disability and survivor benefits but the provision of health insurance to this group is at a very early stage. Unemployment insurance does not exist for either group.

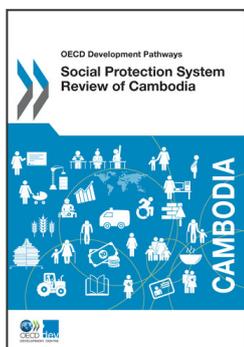
The current pension arrangements for civil servants and the military are not financially sustainable. These schemes run on a non-contributory basis, meaning they are financed through general taxes. They already absorb a large proportion of the social protection budget and their expenditure is rising fast. Enforcing contributions by public servants is essential to safeguarding spending on other social protection programmes.

A rapid expansion of social insurance coverage is required to protect the gains in poverty reduction and prepare for the ageing of the population. Integrating pension arrangements and other contributory arrangements across the public and private sectors will ensure equitable coverage for the workforce as a whole. The National Social Security Fund (NSSF) is developing the capacity to oversee the social insurance system. Quick gains in terms of promoting comprehensive coverage could be achieved by enrolling garment workers.

Administrative systems for social protection need to be scaled up at the same pace. The Identification of Poor Households Programme (IDPoor) targeting system should be applied across the entire country and run more frequently. Monitoring and evaluation systems should be incorporated in the design and implementation of social assistance programmes and the Cambodia Socio-Economic Survey (CSES) should serve as a resource for assessing the impact and coverage of social protection provision.

Developing these instruments within a coherent framework, as envisaged by the SPPF, is essential to their efficient operation and to ensuring the entire population is covered by some form of social protection. The SPPF should be complemented by a financing strategy to ensure that the new system is sustainable. This strategy should reflect the fact that revenues to the RGC are growing strongly, though social protection currently receives only a small proportion of public expenditure. The low coverage of social protection among poor households and the low level of benefits among those who are covered means that the fiscal system can leave these households worse off once the burden of taxation is taken into account.

The Social Protection System Review for Cambodia seeks to support the implementation of the SPPF through innovative, in-depth analysis and practicable policy proposals. The recommendations presented here reflect extensive collaboration with the RGC, both through interviews with key stakeholders from the social protection sector and through a policy workshop in Phnom Penh in June 2016, which brought together representatives of the RGC, social protection experts from civil society and key development partners.



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