



**KINGDOM OF CAMBODIA**

**NATION RELIGION KING**



**THE ROYAL GOVERNMENT OF CAMBODIA**



**NATIONAL SOCIAL PROTECTION**

**POLICY FRAMEWORK**

**2016-2025**

**APPROVED BY THE COUNCIL OF MINISTERS ON 24 MARCH 2017**

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Abbreviation List

AFD	Agence Francaise De Development
CBHI	Community-based Health Insurance
DAC	Disability Action Council
DB	Defined Benefit
DC	Defined Contribution
EU	Europe Union
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ILO	International Labor Organization
JICA	Japanese International Cooperation Agency
NFV	National Fund for Veterans
NSSF	National Social Security Fund
NSSFC	National Social Security Fund for Civil Servants
OOP	Out of Pocket
PAYG	Pay as You Go
PWDF	People with Disability Fund
SBP	Skill Bridging Program
SDG	Sustainable Development Goals
SECC	Securities and Exchange Commission of Cambodia
TVET	Technical Vocational Education and Training
UHC	Universal Health Coverage
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
VSTP	Voucher Skills Training Program
WFP	World Food Program

## PREAMBLE

The Royal Government of Cambodia's primary goals are to maintain peace, political stability and national security. These are very important preconditions to achieving the economic growth that would allow Cambodia to rise again and rebuild itself from the devastation that occurred during the Cambodian genocide between 1975-79. Meanwhile, since the early stages of economic restoration and for the purpose of building up human resource capacity and promoting the dignity of its citizen, the Royal Government has been paying very close attention to various social protection programs.

After peace was fully restored in 1998, Cambodia renewed its face with effort and positivity. The country has been successful in stepping on the path of building and developing every different economic sector. Cambodian people have been enjoying the fruits of peace, political stability and rapid economic growth with an average annual growth of 7.7% in the last two decades. The poverty rate fell from 53% in 2004 to 13.5% in 2014. Moreover, the fruits of economic growth have become more equitably distributed, reflected by the Gini coefficient which fell from 0.41 in 2007 to 0.29 in 2012 and this trend is expected to continue in the coming years. These achievements are undeniable and serve as a pride for both the Royal Government and the Cambodian people. Especially, if one looks back at the social and economic situation which the Royal Government inherited in 1979, the current achievements reflect a massive leap forward towards the fulfillment of our future objectives which include the acceleration of economic growth, the promotion of job opportunities and the development of an equitable society via the implementation of the necessary reforms. In the past, efforts have been made to enact and implement various social policies, specifically to ensure that poor and vulnerable people receive support through the establishment of orphanages, facilities for people with disabilities, maternal and newborn care centers, health services, subsidy to poor people who need treatment or child delivery service, free primary and secondary education, etc. In addition, the Royal Government established the National Social Security Fund for Civil Servants (NSSFC), the National Social Security Fund (NSSF), the National

Fund for Veterans (NFV) and the People with Disabilities Fund (PWDF), to guarantee a stable income for citizens through pensions, healthcare, employment injury allowance, disability allowances and other allowances. These activities are consistent with the poverty reduction policies and the Royal Government's socio-economic development policies already established in other key policies, in particular the *Rectangular Strategies* and the *National Strategic Development Plan*.

The vision and aim of the Royal Government is to increase the status of Cambodia to become an upper-middle income country by 2030 and a high-income country by 2050. In this context, the Royal Government strongly acknowledges that the social protection system is a major contributor to "economic growth with equity and inclusiveness." Being responsible for stable living conditions for its citizens, the Royal Government has defined its long-term vision for the development of the social protection system: **"the construction of a social protection system based on inclusiveness, effectiveness and financial sustainability as a tool to reduce and prevent poverty, vulnerability and inequality and which will contribute to the development and protection of human resources and stimulate economic growth"**.

In line with this vision and on the basis of political, macro-economic stability and an improved socio-economic development, there is no better time than now to develop a broad **"National Social Protection Policy Framework 2016-2025"** (SPPF) focusing on two main pillars, namely, Social Assistance and Social Security.

The goal of this policy framework is to develop a strategic plan for the Royal Government of Cambodia to ensure income security and reduce economic and financial vulnerability of its citizens. It will increase people's well-being and solidarity in the society and aims at reducing poverty to a maximum extent. The policy framework aligns, concentrates and improves the existing social protection programs/schemes and enhances the efficiency, equity, transparency and consistency of the social protection system as a whole. Depending on the country's level of economic growth, the current coverage, which is still considerably low, is expanded in order to respond to the needs of the citizens in all segments. A framework on governance and cross-cutting issues will also be developed to ensure the efficiency of the system and its budgetary implications.

The policy framework plays a crucial role in increasing the accessibility of social security and social assistance services for citizens in the public sector, the private sector and the informal sector. To realize the new vision as indicated in Cambodia's social protection system, the Royal Government will step-by-step set up necessary programs and mechanisms to expand the coverage. At the same time, it is important to reform the social protection system, especially focusing on protecting poor and vulnerable groups and building the infrastructure necessary for ensuring efficiency and sustainability of the social protection system in the future.

To ensure the ownership of this essential document, the SPPF has been developed under the leadership and coordination of the Ministry of Economy and Finance (MEF) and in consultation with other stakeholders including: the Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSAVY), the Ministry of Labor and Vocational Training (MoLVT), the Ministry of Health (MoH), the Ministry of Civil Service (MoCS), the Ministry of Planning (MoP), the Ministry of National Defense (MoND), the Ministry of Interior (MoI), the Ministry of Justice (MoJ), the Ministry of Education, Youth and Sport (MoEYS) and the Council for Agricultural and Rural Development (CARD).

The implementation of the SPPF requires financial support, human resources and proper institutional arrangements, all of which are key challenges to be overcome by both policy-makers and the implementing agencies. Nonetheless, I am confident that with strong determination and responsibility of all ministries and institutions and with strong support from our development partners, all relevant stakeholders will work closely with one another to overcome any challenges to achieve the ambitions and goals embedded in this strategic document.

I strongly hope that the SPPF will help to improve the living conditions of every Cambodian citizen.

Phnom Penh, ..... 2017

**Prime Minister**

**Samdech Akka Moha Sena Padei Techo Hun Sen**

## PREFACE

With the permission of the Royal Government under the leadership of **Samdech Akka Moha Sena Padei Techo Hun Sen**, the Prime Minister of the Kingdom of Cambodia, Ministry of Economy and Finance has led the formulation of the SPPF to clearly define the necessary areas of reform to ensure income security of the people, reduce poverty, strengthen the stability of the financial system and sustain economic growth.

The SPPF is developed to achieve the goals set forth in the National Strategic Development Plan and the Rectangular Strategy Phase III of the Royal Government, which seek **“to continue to develop and to strengthen the social protection system with concentration, consistency and effectiveness”**. This strategic document reflects the reality of the social protection system development in Cambodia, identifies important challenges that the country is facing, and defines strategic goals and plans to be implemented in the short, medium and long term. Experiences from other countries, especially the neighboring ones, are taken into consideration to identify good practices and gaps. The strategic goals and plans are based on the following key principles:

1. **Reforming the governance structure of the whole social protection system** by clearly defining the roles and responsibilities of key stakeholders at policy level, regulatory level and operational level;
2. **Enhancing the effectiveness of public expenditure** by reforming the management of operating agencies and defining the contribution mechanisms to support the priority policies based on the level of each citizen’s income and the availability of state budget;
3. **Maximizing the coverage** to encourage every citizen to access protection based on the type of each program or scheme, given the phase of country’s development;
4. **Reviewing cross cutting issues** in order to move the social protection development plan forward and to remove barriers which might result from the lack of progress or stagnation of developments in other relevant sectors.

The SPPF is a national policy framework and a long term roadmap for the social protection system development in Cambodia. Activities and subordinated activities are presented in sequential order, together with monitoring and evaluation mechanisms to ensure effective implementation in the short, medium and long term. At the same time, the reform agendas set forth in this policy framework are flexible enough, allowing the Royal Government to update and modify the policy content or take necessary activities of relevant social and economic changes.

The process on the SPPF received high attention and close collaboration among line ministries/agencies of the Royal Government and development partners, with a strong sense of ownership. The draft of the SPPF was finalized and approved by the Committee for Economic and Financial Policies on December 15, 2016 and it was adopted by the Council of Ministers plenary meeting, presided by **Samdech Akka Moha Sena Padei Techo Hun Sen**, the Prime Minister of the Kingdom of Cambodia on March 24, 2017.

The MEF would like to express highest gratitude for the firm cooperation among line ministries and agencies, including MoI, MoND, MoSAVY, MoLVT, MoH, MoP, MoEYS, MoJ, CARD and specially the Inter-ministerial Technical Working Group for the Development of the Social Protection System and the General Department of Financial Industry of MEF which served as secretariat.

We also would like to extend our sincere appreciation to various development partners including GIZ, USAID, ILO, AFD, JICA, UNICEF and the European Union for their full support which contributed to the development of the comprehensive SPPF.

Phnom Penh, April 28, 2017

Signed and Sealed

**Senior Minister**

**Ministry of Economy and Finance**

## EXECUTIVE SUMMARY

The SPPF is a long-term roadmap focusing on two main pillars: Social Assistance and Social Security. The Social Assistance is divided into four components: (1) emergency response, (2) human capital development, (3) vocational training (4) welfare for vulnerable people. The Social Security consists of five components: (1) pensions, (2) health insurance, (3) employment injury insurance, (4) unemployment insurance (5) disability insurance.

The Royal Government's long-term vision for the social protection system development is to build an efficient and financially sustainable social protection system which serves as a policy tool for reducing and preventing poverty, vulnerability and inequality. It also contributes to the strengthening and broadening of human resource development as well as stimulating national economic growth.

The aim of this document is to clearly lay down the Royal Government's strategic plans to ensure income security for all citizens, promote their welfare, strengthen social solidarity and maximize poverty alleviation impacts.

The objectives of the SPPF are to harmonize, concentrate and strengthen existing schemes or programs in order to increase the effectiveness, transparency and consistency of the whole social protection system. In addition, it seeks to expand the coverage of the social safety network to all citizens, given the pace of the national economic growth.

The Social Security Scheme encourages citizens to save money in pension schemes (by contributions) in order to prevent themselves from falling into poverty at old age. They contribute to health insurance schemes to be entitled to receive healthcare services without additional costs and they are encouraged to participate in additional schemes or programs. For poor and vulnerable people who cannot afford to contribute, the Royal Government will consider all possibilities of contributing on their behalf.

A contributory mechanism for the Social Security System serves as a source of domestic financing which can be used to invest in government bonds and enables the Royal Government to use this source of financing for public investment. This

mechanism helps reduce the dependency on foreign financing and promote the development of the domestic securities market.

The SPPF reflects the reality of the social protection system development in Cambodia, identifies challenges that the country has been facing and develops future strategies and goals which will be implemented in short, medium and long term. The framework focuses on four main aspects: (1) a legal and regulatory framework, (2) an institutional framework, (3) a financial framework, and (4) human resources. Global trends and progresses, together with the lessons learned from other countries, are considered and modified to fit the Cambodian context.

The framework is flexible enough to be updated to align with changing economic, social and political conditions to ensure timely and effective responses to arising challenges and the development pace of the system.

#### **A. Progress**

The Royal Government has achieved and implemented various reform programs in relation to social assistance and social security. Those significant achievements are:

1. **Social Assistance** programs that have been implemented include: (1) the Health Equity Fund (HEF) to provide free health care to families holding ID-Poor Cards, (2) the Food Reserve Program of the National Committee for Disaster and Food Security Programs of the MEF to prevent food insecurity , (3) nutrition programs for pregnant women and children to promote maternal and infant health, (4) scholarship programs for primary schools to encourage school attendance, especially for children from poor households, (5) school feeding programs to support students' physical and mental development, (6) vocational training programs to promote vocational skills to meet labor market demands;
2. **Social Security** schemes that have been implemented include: the National Social Security Fund (NSSF), the National Social Security Fund for Civil Servants (NSSF-C), the National Fund for Veterans (NFV) and the People with Disability Fund (PWDF). These institutions provide protection with regard to income insecurity which might result from illness, employment injury, disability,



maternity or old age, for the targeted groups of civil servants, veterans, people with disabilities, workers and employees.

## **B. Challenges**

Despite these achievements, a number of challenges need to be overcome including:

- The coverage of social assistance and social security is limited and cannot reach certain groups of citizens are not protected;
- The management of the various schemes has not been concentrated/integrated, which leads to a lack of effectiveness and efficiency, high cost and inconsistency of benefits and allowances for various target groups;
- The coordination mechanism at policy level and the monitoring mechanism to ensure effectiveness, accountability, and transparency of the management and operation of programs/ schemes are still limited.
- The investment environment needs to be further improved and clarification is needed on tax policies related to the social protection system ;
- The identification and registration of citizens, the identification of poor and vulnerable people and the registration systems of operators are not yet linked which might lead to double identification/registration and overlapping provision of benefits.
- People have limited understanding of social protection and its benefits as well as of their obligations to participate in each scheme or program.

## **C. Future strategy and plan**

Future strategies and plans to achieve the aims and objectives of this policy framework are as follows:

- The preparation for the implementation of the new Social Assistance programs and the expansion of the coverage of existing programs, in order to ensure better protection for the poor and vulnerable people through:
  - The feasibility study on the implementation of Cash Transfer program for pregnant women and children in response to malnutrition;
  - The feasibility study on expansion of coverage of scholarship programs in primary and secondary schools as well as of school feeding programs;

- The increase and strengthening of vocational training programs, specifically for youth from poor and vulnerable households;
- The implementation of cash transfers for people with disabilities;
- The feasibility study on the implementation of protection mechanisms for elderly people;
- The preparation for the implementation of the new social security schemes and the expansion of the coverage of the existing schemes to ensure better protection for all citizens through:
  - The development of pension and health insurance schemes to achieve universal coverage as a way to protect all citizens, both in formal and informal sector;
  - The promotion of the welfare of people with disabilities and the feasibility study on the implementation of an unemployment insurance scheme;
- The review of the institutional structure and a clear division of duties at policy level, regulatory level and operational level through:
  - The establishment of the “National Social Protection Council” (NSPC) as coordinator at policy level;
  - The establishment of social security regulator to effectively and transparently monitor scheme operators;
  - The integration of all social security operators, including NSSF, NSSFC, NFV, PWDF into a single operator to strengthen the efficiency and effectiveness of management of service provision and costs;
  - The feasibility study on the establishment of a social assistance agency/ fund as a single window for the management of all funding arrangements for the Social Assistance programs;
- The improvement of the investment environment to provide for options for the investment of the social security fund and the establishment of a tax policy related to social protection transactions;
- The linkage of the identification and registration mechanisms for citizens, the identification of poor and vulnerable people and the registration systems of operators to reduce operational efforts and costs.

- The promotion of citizens' understanding and awareness about the social protection system.

Strategies and operational plan in each area of reform as stipulated in the SPPF are flexible and systematic. A lack of progress in any specific program or scheme can have a negative impact on other reform areas or schemes and on the social protection system as a whole. Therefore, the Royal Government will pay close attention on the implementation and the pace of reform by regularly monitoring the progress and assessing potential challenges for each program and scheme to ensure timely interventions and corrections.

## CHAPTER 1: OVERVIEW

### 1.1 Introduction

Cambodians have the habits of living with family and community and relying on reciprocal relationships, especially in events of illness, emergency, or old age. This habit is still strong in the Cambodian society, especially among relatives and family members. It is a clear sign for the solidarity in the family and community of Cambodian society and is something worth preserving. Experiences from other countries, especially those with similar customary practices to Cambodia, show that those habits tend to fade away gradually from one generation to another, due to various factors. This trend suggests that a social protection system is indispensable to prevent every citizen from poverty, due to unforeseen negative events such as natural disasters, healthcare costs, disability or old age.

The Royal Government pays close attention to the development of the social protection system as indicated by the implementation of the NSSF, NSSFC, NFV and PWDF and through the adoption of the National Social Protection Strategy for Poor and Vulnerable which was the basis for implementing social assistance programs. For its 5<sup>th</sup> mandate, the Royal Government has set in-depth reform policy for all sectors which “**to strengthen and develop a consistent, coherent and effective social protection system**” is set out as one of the key priorities in the National Strategic Development Plan 2014-2018 and the Rectangular Strategy Phase III of the Royal Government.

The Royal Government has adopted the SPPF with the aim of promoting a strong social protection system and providing resilient and better protection for every citizen, especially poor and vulnerable.

The long-term vision is to build a social protection system which is inclusive, effective and financially stable to reduce and prevent poverty, vulnerability, inequality and to improve human resource development and to stimulate economic growth.

The aim of this policy is to formulate government strategies to ensure income security and to reduce the economic and financial vulnerability of the people in order to promote well-being and solidarity as well as to reduce poverty to the maximum extent possible. The main objectives are therefore to harmonize, concentrate/integrate and strengthen the existing schemes or programs to enhance their

effectiveness, transparency, consistency and to expand the coverage to better protect every citizen, in accordance with the country's level of economic growth. A framework on governance and other related issues will be developed to ensure the efficiency of the system and its budgetary implications.

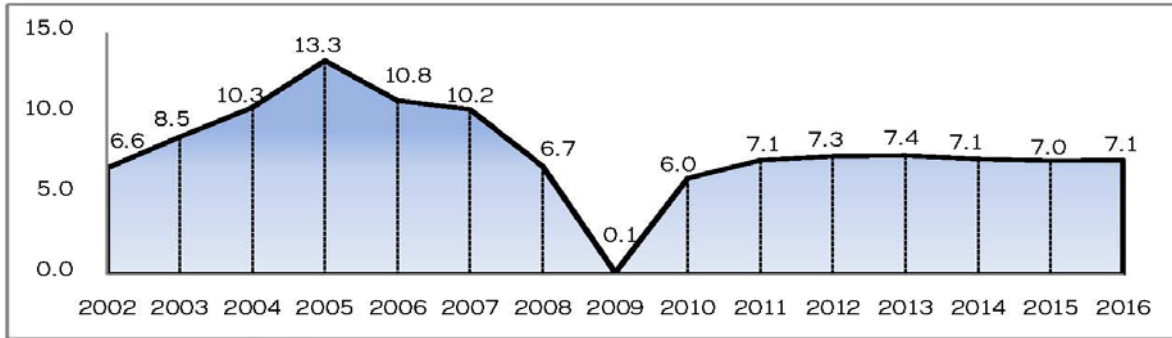
This policy reflects the progress and achievements made so far and identifying current and potential future challenges, which impact the future strategy and its goals. Specific measures are set forth for the short, medium and long term horizon, all based on four key considerations: (i) equity, (ii) fiscal space, (iii) effectiveness, (iv) sustainability.

The future social protection system of Cambodia is divided into two parts: a Social Assistance and a Social Security. The Social Assistance provides protection to citizens who live below and near the poverty line, with special attention to children and pregnant women, people with disabilities and elderly. The Social Security provides protection to citizens in both the formal and the informal sector who have sufficient income.

## **1.2 Socio-Economic Situation**

According to an assessment by the World Bank in 2015, Cambodia is ranked 6<sup>th</sup> amongst countries with the fastest economic growth in the world. During the past two decades, the annual average economic growth was around 7.7% and is expected to remain stable in the medium term. In 2015, despite the global economic environment Cambodia maintained macroeconomic and financial stability, with an economic growth rate of around 7%, an inflation rate around 1.2% and an exchange rate around 4,050 Riel per US-Dollar. The national budget deficit has declined gradually to 3% in 2015, due to the implementation of the Public Financial Management Reform Program (PFMRP), the Medium-term Revenue Mobilization Strategy 2014-2018, in particular, and the enhancement of effective national expenditure. The balance of payments is on average at a surplus of around 3% of GDP over the last years and the current account deficit has decreased gradually.

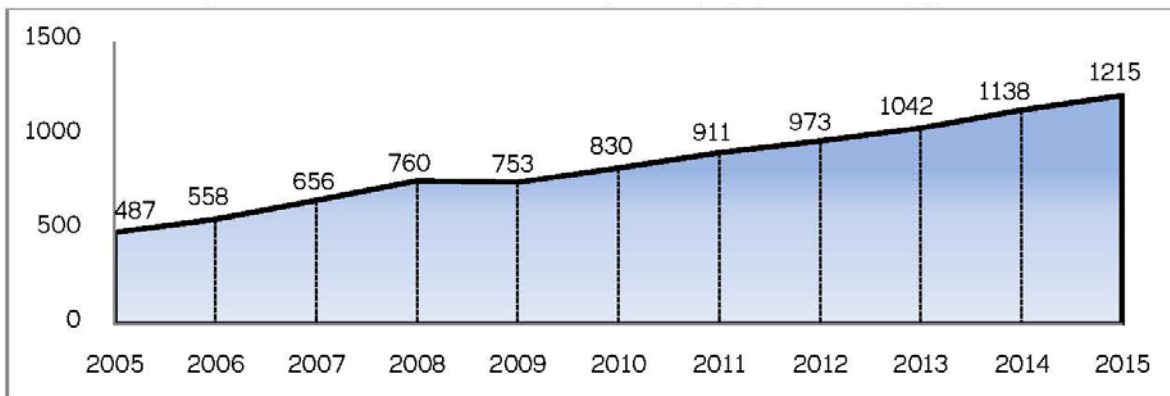
Figure 1: Growth Rate of Gross Domestic Product (GDP)



Source: Ministry of Economy and Finance

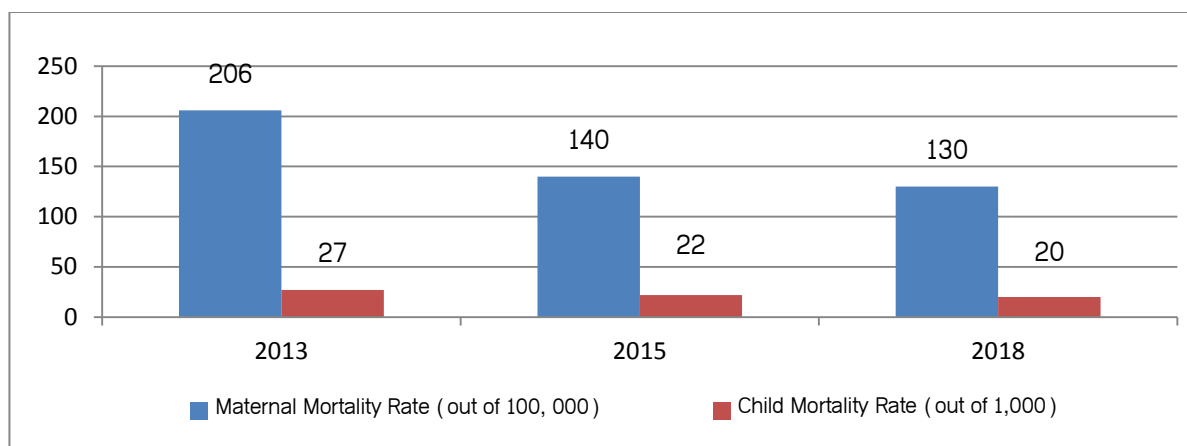
As a result of economic development, the poverty rate in Cambodia has dropped remarkably, allowing the country to achieve its Millennium Development Goals in reducing the poverty rate by around 1% per year. The poverty rate declined tremendously from 53% in 2004 to 13.5% in 2014. Cambodia’s GDP per capita has increased from 487 US-Dollars in 2005 to 1,215 US-Dollars in 2015, lifting the country up to the low middle-income country status.

Figure 2: GDP Growth per Capita (USD)



Source: Ministry of Economy and Finance

The fruits of economic growth have been increasingly, fairly distributed. The Gini coefficient declined from 0.41 in 2007 to 0.29 in 2012. At the same time, health conditions of the people significantly improved. The maternal mortality rate decreased from 206 (out of 100,000) in 2013 to 140 in 2015. The infant mortality rate declined from 27 (out of 1,000) in 2013 to 22 in 2015, in 1,000.

**Figure 3: Maternal and Infant Mortality Rates**

Source: National Strategic Development Plan (NSDP) 2014-2018

Macroeconomic stability, financial stability, production, commercial and financial development contributed to the economic growth as well as to the reduction of poverty of Cambodian people.

These achievements are the success of the macroeconomic management by implementing market economy measures, harnessing competitive advantages, creating a conducive environment for private investments and maintaining political and social stability. These activities are supported by flexible and prudent financial sector policies.

The decline in the poverty rate and the Gini coefficient were accompanied by improvements in the labor market. The private sector growth and economic diversification steadily absorbed labor forces from the agricultural sector into manufacturing, industry and services sectors.

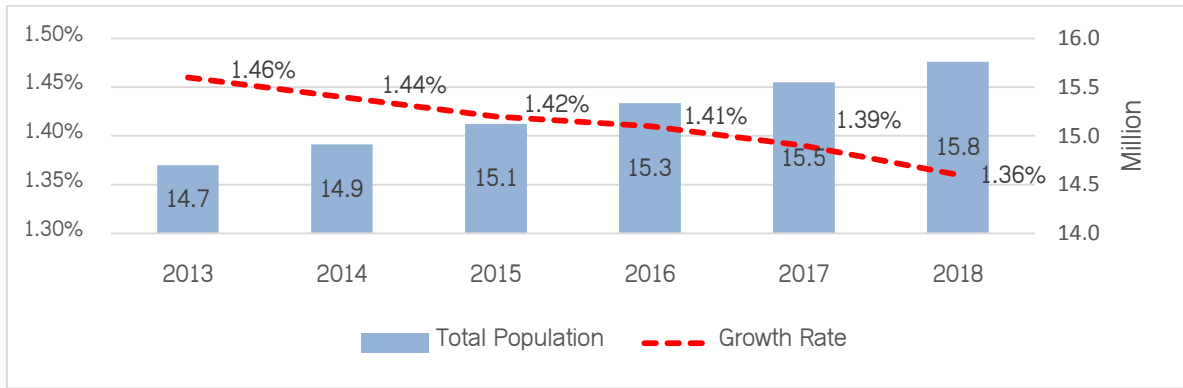
The fact that the vast majority of the population is currently at the working age and the low unemployment rate accelerate the economic growth further.

Given the ongoing dynamics of the current economic growth, together with the expected recovery of the global economy, the Royal Government sets forth its ambitious goal to transform Cambodia from a low-income country to an upper-middle income country by 2030 and to a high income country by 2050. Realizing this ambition will serve as a strong basis for achieving a high level of social economic progress.

### 1.3 Demographic situation

Cambodia is considered to be a young country with those aged over 65 accounting for only 5% of the total population in 2015. However, the trend of population growth has gradually declined from 2.26% in 2000 to 1.65% in 2014.

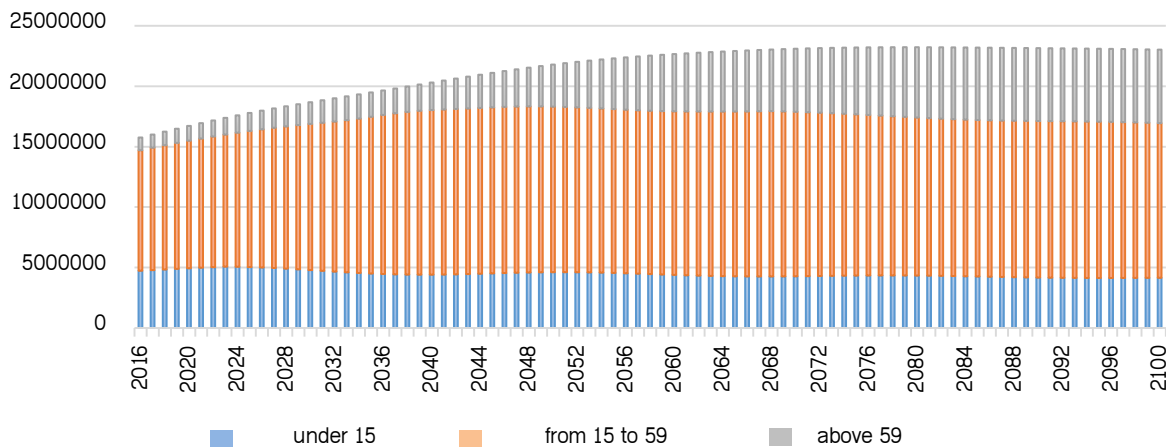
**Figure 4: Cambodian Population Growth Rate from 2009 to 2014**



Source: National Strategic Development Plan (NSDP) 2014-2018

Due to the gradual decline in the population growth rate and the significant increase of the average life expectancy, Cambodia is on the path of a gradually aging society.

**Figure 5: Population Projection up to 2100**

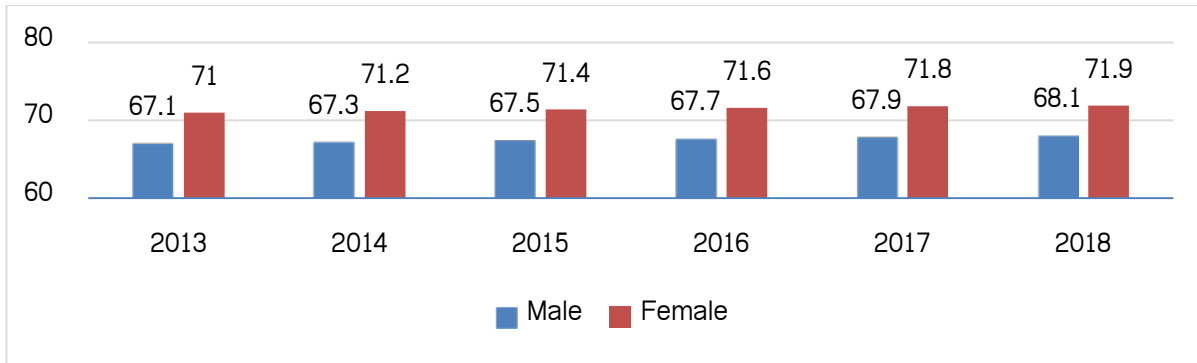


Source: International Labor Organization

The improvements in the health sector and better access to food and nutrition increased life expectancy of Cambodian people. According to the prediction of the United Nations, starting from 2030, the average life expectancy of Cambodians will increase to over 70 years. This factor will impact the dependency ratio, as shown in the figure 8. The trend towards an aging society indicates the need for saving money for the elderly in order to support their living and preventing them from falling into poverty.

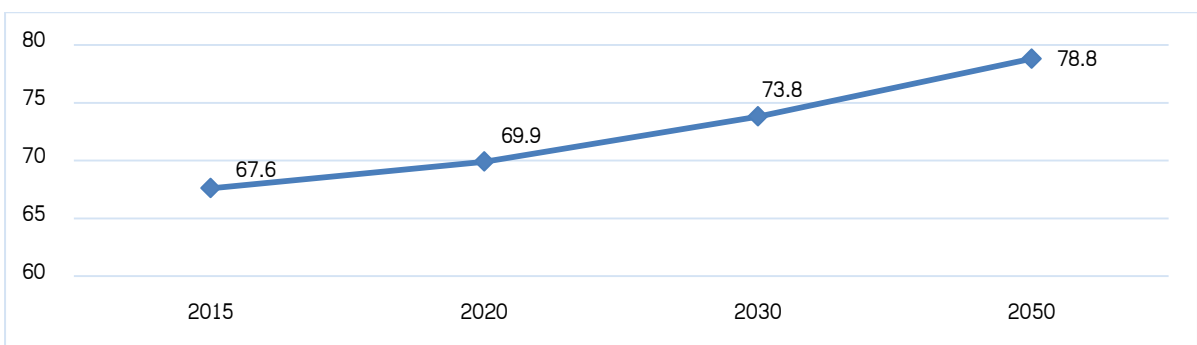


**Figure 6: Average Life Expectancy of Cambodian People**



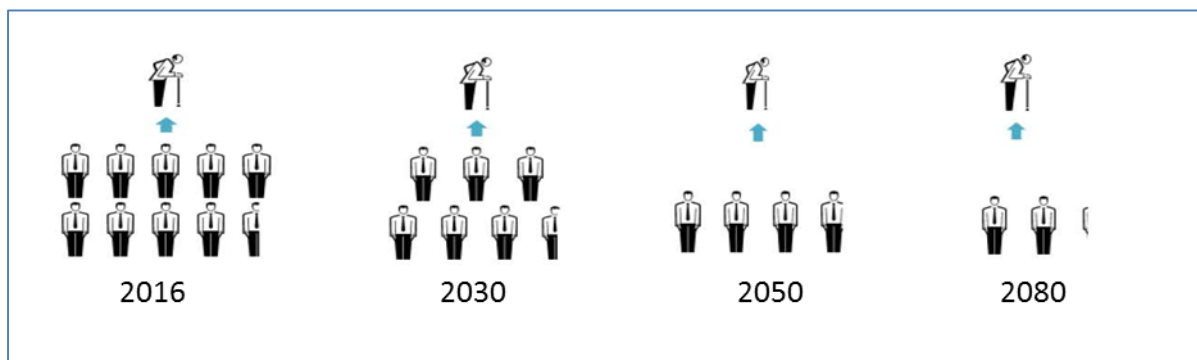
Source: National Strategic Development Plan ( NSDP ) 2014-2018

**Figure 7: Average Life Expectancy Projection up to 2050**



Source: UN World Population Report 2015

**Figure 8: Prediction of Old People Support Ratio**



Source: UN World Population Report 2015

## 1.4 Concepts of Social Protection System

### 1.4.1 The Necessity of having a Social Protection System

In the context of this SPPF, a social protection system refers to policies, programs, activities and the legal and institutional framework that are established to provide protection and to improve the capacity of Cambodian citizens to effectively deal with economic risks and other vulnerabilities resulting from the changes of living and working conditions.

The Royal Government is committed to the already implemented social protection system. But current practices need to be improved and expanded. These additional tasks require that the Royal Government pays close attention to the following:

1. Invest in human resources development to increase labor productivity ensuring income security for the people and increasing their purchasing power, which is a key catalyst to achieve an effective and inclusive economic growth;
2. Ensure social justice and equity by lifting the socio-economic status of poor and vulnerable people, which will promote social solidarity, peace and security;
3. Prepare to respond to demographical changes and the challenges of an aging population;
4. Align, integrate and strengthen the existing programs to ensure efficiency, transparency and consistency, together with expanding their coverage;
5. Set up mechanisms to prevent people from falling back into poverty during unforeseen economic and financial crisis, given Cambodia's open economy, with extended connections, inter-dependence with the regional and global economy and the risk of crisis contagion;
6. Promote and facilitate private savings which can be used as a long term financial source for infrastructure development through investments in government bonds. In addition, increasing private savings is also likely to promote the development of the stock market and the financial system as a whole by additional investments in other financial instruments such as real estate.

#### **1.4.2 The Role of the Royal Government in the Social Protection System**

Social protection activities are multi-sectoral, impacting people of all ages and classes. The Royal Government has to support the social protection system through specific policies or activities, including: (i) maintaining macroeconomic and financial stability, (ii) preparing the management and regulatory framework, (iii) providing appropriate financing options and solutions for social protection activities.

Macroeconomic and financial stability is the basis for social protection, especially by keeping the inflation low and income sustainable at a decent level. In this context, reducing the risks of financial crisis also means reducing the vulnerability of all citizens, particularly of the poor.

Moreover, social protection policies have to be consistent and closely linked with economic and financial policies, are the main sector specific policies. These policies,

which complement each other, will create a common framework to promote social welfare and equity in a sustainable and inclusive economic development. Amongst others, they include the national poverty reduction strategy, the development in the areas of education, healthcare, social solidarity, human resources, inclusive financing, environmental protection and natural disaster management as well as gender policies.

Promoting social protection requires appropriate funding. Social protection programs and activities can be financed and implemented by the public sector, the private sector, development partners, civil society organizations or other informal networks. Support from development partners and other informal networks will decrease with the increasing progress of the national economy. Thus, the Royal Government will need to pay more attention on the sustainability of the funding of social protection programs and activities. In consequence, social protection activities will be financed by two main sources: state budget and contributions (by employers, workers and employees and/or all citizens), while maintaining our culture and the traditional way of living in our society and families.

The Royal Government will launch the social protection system in a step-by-step approach in accordance with the progress of the economy and the society. However, the support depends on its fiscal capacity which will be strongly impacted by the level of benefits foreseen and to be provided to eligible citizens. The high ambitions associated with the social protection system will lead to high costs which do not correspond to the budgetary capacity. Mobilizing more revenue to support social protection through raising inappropriately high taxes would discourage domestic investment and does not promote economic activities, which ultimately will negatively impact the overall economic growth. Hence, the social protection policy needs to reflect fiscal space, as well as the economic and political situation.

#### **1.4.3 Fundamental Principles of the SPPF**

Within the context of intertwined financial and the eco-socio-political situation and to utilize the social protection system as an effective tool to achieve the long term vision and the specified aims, the social protection policies, strategies, programs and activities should be based on the following key principles:

1. Strengthen the leadership role (i.e. the Royal Government's roles and responsibilities in adopting policies and coordinating social protection programs and activities, as well as monitoring the social protection system at national

- level );
2. Appropriately respond to the needs and circumstances as identified through studies and analyses, in relation to demand, supply and relevant financing;
  3. Define acceptable contribution rates and satisfactory benefits to assure broad participation from the people;
  4. Ensure a sustainable funding based on budgetary capacities and capacity building of individuals, families and communities;
  5. Safeguard social equity and solidarity to guarantee the reciprocal relationship among society members through income re-distribution mechanisms;
  6. Maintain flexibility and responsiveness to adapt to changing contexts, which require the update of social protection strategies and policies in accordance with the new circumstances.

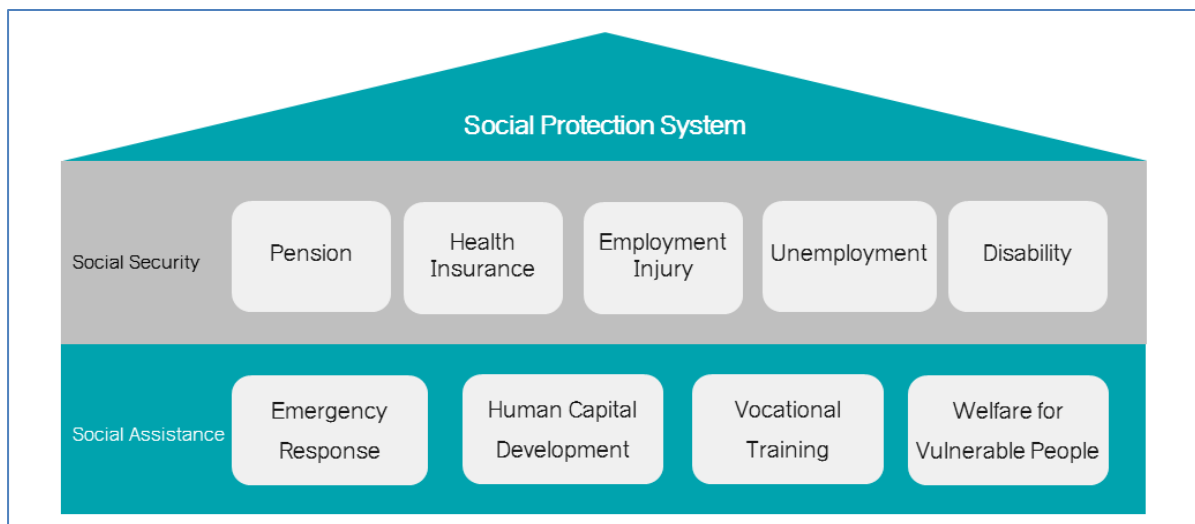
### **1.5 The SPPF for Cambodia**

The SPPF covers both social assistance and social security. This comprehensive approach will provide for a framework linking and complementing the two systems.

The Social Assistance foresees interventions for the poor and most vulnerable people and subsidies from the national revenue such as taxes or ODA. The social assistance system in Cambodia is divided into 4 components: (i) emergency response, (ii) human capital development, (iii) vocational training, (iv) welfare provision to the most vulnerable people.

The Social Security includes programs and schemes that aim at protecting people from abrupt income declines due to illnesses, maternity, employment injury, unemployment, invalidity, old age (e.g. pensions) and death of breadwinner. In the Cambodian context, the social security system is obligatory requiring its members or certain groups of citizens to pay contributions based on their level of income. As a principle, the Royal Government provides subsidies for those who cannot afford to pay the contributions on their own behalf, i.e. poor and vulnerable people. The Social Security System in Cambodia consists of 5 components: (i) pensions, (ii) health insurance, (iii) work injury insurance, (iv) unemployment insurance, (v) disability insurance.

Figure 9: Cambodia Social Protection Framework



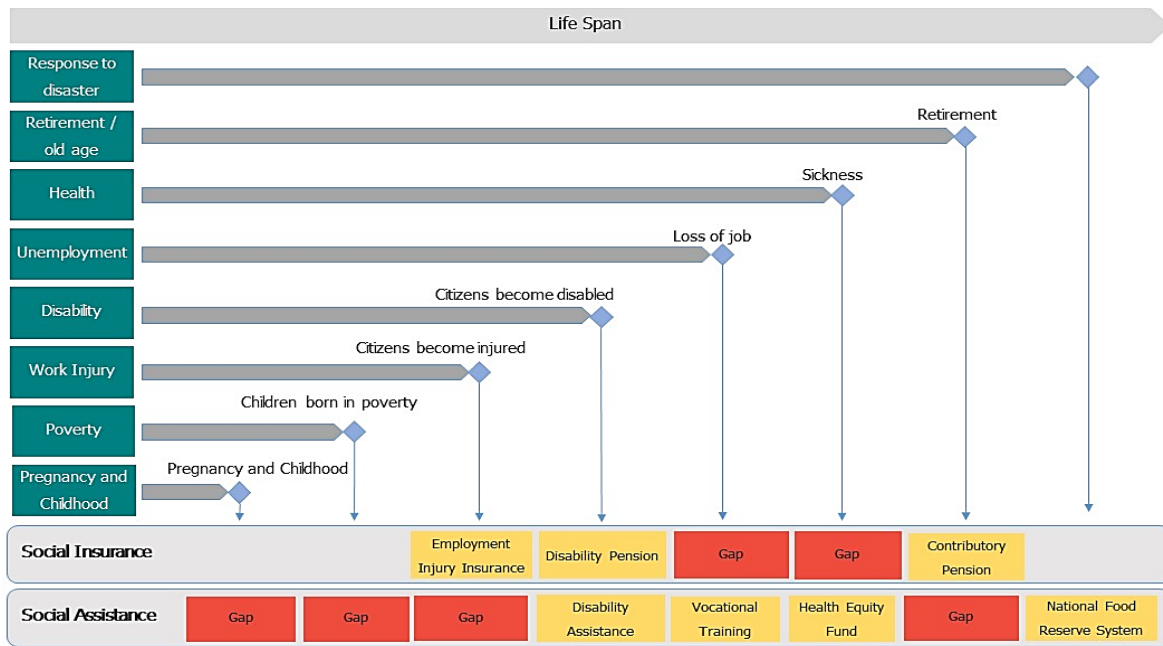
### 1.6 Life Cycle Approach of Social Protection System

The main challenges for the development of the social protection system in Cambodia are the lack of coverage for certain citizens and shortages in the ability of some programs to respond to certain risks arising at specific stages in people's life. These challenges create risks for the society as a whole and might drag people into poverty.

In the Social Assistance, poor and vulnerable people receive health protection through the HEF, vocational training to increase their ability to find a job and work rehabilitation services focusing on people with disabilities. The main shortcomings in the Social Assistance Program are in the promotion of nutrition programs for pregnant women and children, scholarship programs to encourage timely school enrolment and in support of the elderly population.

In the existing social security schemes, civil servants receive support from NSSFC and NFV when they retire or become subject to invalidity. Workers and employees receive health insurance for occupational diseases and employment injuries from NSSF. However, general health protection for civil servants, workers and employees as well as other groups of citizens has still to be established. Meanwhile, workers, employees and citizens of other groups are not covered by any protection scheme when they retire or reach old age. Protection against unemployment is still to be established likewise. The figure below shows the progress and the gaps of the social protection system in each phase of an individuals' life cycle.

Figure 10: Life Cycle Approach of Social Protection System



### 1.7 Structure and Preparation of the Policy Framework

The structure of the SPPF reflects the close relationship between social assistance and social security. It emphasizes the potential impacts of the social protection system development on the stability of the national budget, the financial system and the national economy as a whole.

Implementing the reform programs of the SPPF requires that the practical challenges which might occur during the process are considered. This particularly holds true for reform activities for which certain preconditions with regard to the economic and political situation will have to be fulfilled. Coordination and cooperation among relevant national and international institutions as well as development partners is the key for a successful implementation of the reforms. Therefore, the Royal Government pays specific attention on the pace of the reform process and will regularly monitoring the ongoing implementation and potential emerging challenges in order to ensure that appropriate measures are taken in due time to react to the arising challenges.

The SPPF is structured as follows: Chapter 1 gives a general overview; Chapter 2 focuses on the Social Assistance Program; Chapter 3 provides for insight on the Social Security Program; Chapter 4 looks at overall governance requirements while Chapter 5 lays down cross cutting issues of great importance; finally, Chapter 6 provides for the Road Map for 2016 to 2025.

## CHAPTER 2: SOCIAL ASSISTANCE

The main goal of the social assistance system is to ensure decent living standards for poor and vulnerable citizens, while strengthening capacity of every citizen to retain their jobs and employment in an increasingly competitive economic environment.

Social assistance programs contribute to the achievements of Cambodia's key development priorities inclusive growth, poverty reduction and economic diversification. The presence of social assistance facilitates economic productivity by lifting citizens with low-income and vulnerable groups to the middle-income level. That means that citizens currently belonging to the informal sector will be included in the formal sector in the future. By this step the national financial stability and the development of the social security schemes will be supported through people's capacity to pay taxes and to contribute to the social security fund.

The Social Assistance focuses on assisting the poor and vulnerable people who are divided into three groups: (1) those who live below the poverty line; (2) those who live close to the poverty line with high vulnerability to crisis; (3) infants, children, pregnant women, families with food insecurity, people with disabilities and elderly. Special attention is paid to early childhood because the first 1,000 days of life are a crucial phase for a child's development. A second priority focuses on children at school-age. Their primary and secondary education is directly impacting their future employment and productivity. A third priority is with people with disabilities and elderly.

### **2.1 Emergency Responses**

#### **2.1.1 General Overview**

Poor and vulnerable families are particularly exposed to the risks of climate change, e.g. floods, droughts or storms. Women and children of poor families are affected by these disasters when their properties are damaged, their job opportunities are lost or they are cut off from social services. These crises regularly prevent poor families from getting out of poverty, push them back into poverty or make them even poorer.

Through the National Committee for Disaster Management, the Royal Government has been managing food supplies provided to poor families in times of crisis. In addition, the MEF initiated a food security program aimed at poor and vulnerable

citizens affected by the rise of food prices during a crisis. Under this program, 16,000 tons of food, 3,000 tons of rice seeds and 50 tons of crop seeds are reserved.

### **2.1.2 Challenges**

The existing mechanisms and programs are not yet sufficient for dealing with potential crises. The main challenges are financial capacity development, institutional capacity and human resources in developing policies and programs to serve as permanent mechanisms for dealing with crises.

Another challenge is the need for an effective coordination between humanitarian aid and social assistance system in order to identify most vulnerable people during a crisis.

### **2.1.3 Future Strategies and Goals**

Institutional capacity and human resources are the two main areas to be improved to get ready for potential crises. The Royal Government will continue improving its national food reservation capacity.

The Royal Government will explore the possibility of developing a comprehensive database management system in order to correctly identify poor and vulnerable people by linking the system to the ID poor system, which will then be transformed into a single registration system for poor and vulnerable people.

## **2.2 Human Capital Development**

### **2.2.1 General Overview**

#### **2.2.1.1 Protection of Pregnant Women and Children**

The human resource development policy starts with pregnant women and child nutrition. Nutrition is the main factor for the development of cognitive capacity and physical health of children. Thus, it directly affects their future academic performance and labor productivity.

Through partnership agreements with development partners, some pilot projects are implemented providing financial support to pregnant women and children so that they can receive adequate nutrition. Preliminary results show that these projects have a positive impact and could be implemented at sub-national levels.

#### **2.2.1.2 School Feeding Program**

Through the MoEYS, the Royal Government has collaborated with WFP to implement a School Feeding Breakfast Program for approximately 300,000 school



children in nine provinces where food insecurity is severe and education attainment is low. The evaluation shows that this program has increased the school enrolment rate of children from poor and vulnerable families.

### **2.2.1.3 Primary and Secondary Education**

The socio-economic development can be fostered as long as all children have equal opportunities to education, which will give them the proper employment opportunities and empower them to become responsible citizens. Currently, MoEYS implemented scholarship programs at primary school level, which provide scholarships of 60 US-Dollars a year to 75,000 students in grades 4 to 6. Another 25,000 students receive scholarships from WFP. Primary school scholarships encourage children from poor and vulnerable families to enroll on time. In addition, MoEYS has also provided scholarships to students from poor and vulnerable families at secondary education level in order to encourage youths to continue their education.

## **2.2.2 Challenges**

### **2.2.2.1 Protection of Pregnant Women and Children**

While the quality of healthcare is strengthened, improving nutrition of pregnant women and children has seen no great progress, yet. The results of Cambodia's 2014 Demographic and Health Survey show that 32% of children under the age of 5 are stunted, 10% are wasted and 24% are underweight. Pregnant women and children under the age of 5 in poor and vulnerable families are particularly exposed to malnutrition due to a lack of financial resources, clean water, sanitation and an insufficient access to information on health and nutrition services.

Another major problem is the lack of availability of proper pregnancy check-up. So far, the Royal Government successfully encouraged women to give births at hospitals and reduce the practice of going to traditional midwives. However, the majority of women in rural areas did not receive adequate healthcare and health check-ups during their pregnancy, yet. The main reasons are their lack of awareness and finance.

### **2.2.2.2 School Feeding Program**

The School Feeding Breakfast Program is to be implemented nationwide and its financing depends almost exclusively on development partners. Ensuring an efficient program management to improve children's health and encouraging them to enroll in school is remains to be a major challenge.

### **2.2.2.3 Primary and Secondary Education**

Financial problems are a major barrier preventing children from obtaining education. Children from poor and vulnerable families are forced to drop out of school in order to work in the informal sector, which eventually leads to intergenerational poverty.

The enrolment rate among children from poor and vulnerable families remains low, while the drop-out rate is critically high. The primary school drop-out rate in the 2013/2014 academic year was 10.5%, with late school enrolment as a main reason.

The scope of scholarship programs is still too narrow. Currently, scholarships are only available for students in grades 4 to 6. Among these students, 50,000 more did not receive any scholarship, yet. This shows that there is a need to widen the scope of the programs, especially for students in grades 1 to 3 and to those at secondary education level.

### **2.2.3 Future Strategies and Goals**

#### **2.2.3.1 Protection of Pregnant Women and Children**

The Royal Government will study the possibilities to implement a Cash Transfer program for children and pregnant women at national level, based on the result of the current pilot projects. The critical element necessary in operationalizing this program is to define an operating body with a clear role and responsibility as well as capacity building.

The program will be launched in selected priority provinces (those with a high food insecurity rate) first. Evaluation mechanisms will be established to measure the success of the program and its results will be the basis for further expanding the program to other provinces nationwide.

In addition, to promote the protection of women and children, the Royal Government support and encourage pregnant women, especially those from poor families, to receive adequate counselling and pregnancy check-ups to protect the health of the unborn children and pregnant women likewise.

#### **2.2.3.2 School Feeding Program**

The Royal Government will prepare an action plan and strengthen its human resource capacity to take over the management and financing of the School Feeding Program by 2021. This vision is already envisaged in the "Roadmap on School Feeding Program". However, an evaluation and a comprehensive study on management and financing systems are necessary to assure its effectiveness prior to expanding the

program. In the meantime, the Royal Government encourages the use of home-grown vegetables in the School Feeding Program to improve the quality of the nutrition of children.

### **2.2.3.3 Scholarship Program in Primary and Secondary Education**

The Royal Government will enact a national scholarship policy to determine a suitable management mechanism to provide scholarships effectively at all education levels to encourage children from poor and vulnerable families to enroll in school on time and remain in school until they finished their secondary education. A comprehensive education is indispensable to prevent and avoid an intergenerational poverty trap.

## **2.3 Vocational Training**

### **2.3.1 General Overview**

The result of the 2008 Census indicates that 65% of the people from 15 to 64 years are actively working. A majority of the labor force is still of young age and every year around 230,000 young people enter the labor market.

The above statistics suggest high potential demands for vocational training to respond to labor market specifics. Vocational training is a key factor for the development of the labor market. Young people with strong vocational skills have a higher individual productivity and are likely to have more opportunities to get jobs with higher payments.

The MoLVT conducted various skill training programs, including: (1) basic and high level skill trainings, (2) post-harvest techniques, (3) skill bridging trainings, (4) specific trainings for people belonging to minorities people, (5) training programs for poverty reduction through the national fund, (6) trainings on entrepreneurship for female workers and employees, through the Samdech Prime Minister Fund, (7) apprenticeship programs together with various enterprises. These vocational trainings range from short term courses to tertiary levels. In the period from 2009 to 2013, about 600,000 students graduated.

### **2.3.2 Challenges**

The low level of education attainment is the primary problem for young people entering the labor market due to their limited skills. To obtain specific technical skills, young people have to finish secondary level of education, at least. This level serves as

the basis for them to receiving vocational training and building up their potential in labor market. A further challenge arises from the mismatch between the trainings provided and the demands of the labor market, especially with regard to the need to quickly develop multiple skills to adapt to economic diversification.

### **2.3.3 Future Strategies and Goals**

The Royal Government will expand the scope of the existing vocational trainings, with more focus on Skill Bridging Programs for school-dropped-out young people and on the Voucher Skill Training Programs for poor people from rural areas enabling them to receive certified trainings.

The Royal Government will continue to implement cash transfer programs to support vocational trainings with certificate levels 1-3 for the poor young people and women in priority sectors such as construction, mechanical maintenance, information and communication technologies (ICT), manufacturing and electronics.

Moreover, to promote young people's participation in the labor market, the Royal Government will consider allowing those who are already active in the labor market to acquire additional skills and experiences through trainings.

To improve the efficiency and effectiveness of the programs, the responsible ministries have to have proper monitoring and evaluation mechanism.

## **2.4 Social Welfare of Vulnerable People**

### **2.4.1 General Overview**

Elderly and disabled people are considered most vulnerable because of their very limited opportunities to generate income and receive social services, while having increased need for nutrition supplements and healthcare.

In 2014, people of 65 years and older accounted for about 5% of the total population. But this figure is expected to rise, given the overall increase in average life expectancy and other demographic changes. The number of people with disabilities is considerably high in Cambodia. In 2013, there were about 300,000 disabled people, an equivalence of 2% of the total population.

In general, women suffer more than men in old age. But men are more exposed to disability risks than women, due to various factors including land-mines, other unexploded ammunition, war, accidents and work-related injuries.

## **2.4.2 Challenges**

### **2.4.2.1 People with Disabilities**

People with disabilities, especially those living in poverty, tend to be discriminated and face problems, both in terms of physical conditions and financial situation. These problems prevent them from receiving sufficient healthcare, education and vocational training services. Thus, they are not able to productively participate in the economy and receive the related benefits.

### **2.4.2.2 Elderly People**

In Cambodia, as in other Asian countries, families and pagodas are the main institutions on which the elderly people depend. Although this form of traditional safety nets still exist, current social changes, both internal and external to the region, create a new trend requiring elderly people to live by themselves. The reasons for this trend are modernization, especially industrialization and urbanization. In a situation where healthcare systems and pension systems are still under-developed, the trend puts the elderly at high risk of falling into poverty.

## **2.4.3 Future Strategies and Goals**

### **2.4.3.1 Cash transfer for people with disabilities**

The Royal Government will continue to implement allowance schemes for people with disabilities as indicated in the Sub-decree on Allowance for People with Disabilities at Community Level. The scheme will focus on people with disabilities who are members of households holding an ID poor card.

The benefits and conditions of the scheme will be determined by the availability/ fiscal space of the public budget. The design of the mechanisms to identify people with disabilities is a key task to ensure the efficiency of the program.

### **2.4.3.2 Elderly People Protection Program**

The Royal Government will assess possibilities to support elderly people who are members of poor households holding an ID Poor card. The benefits and conditions of the programs will be determined based on the fiscal space.

The program could be implemented as a family package together with the cash transfer program for pregnant women and children.

## CHAPTER 3: SOCIAL SECURITY

The Social Assistance System is the mechanism for supporting poor and vulnerable people directly and indirectly. It is usually provided for by the state and financed by state budget. The Social Security System is the toolbox of different instruments and is “obligatory” and “self-dependent”. It encourages citizens to seek protection in the face of unforeseen social and economic crisis which can negatively affect their income security and increase their vulnerability to illness, maternity, employment injuries, unemployment, disability, old age or death. The Social Security System is a contributory system which requires the participation from both employers and employees, in both public and private sector, retirees and people working in the informal sector. The Royal Government will provide full subsidy to cover the contributions of poor and vulnerable people as well as for additional targeted groups as determined by the Royal Government and to the extent the national budget allows for. Eligibility for full or partial subsidy will be assessed based on clear and appropriate criteria in order to avoid “moral hazard”. Potential “moral hazard” may discourage people from personal savings in order to protect themselves against unexpected risks or negatively impact their productivity. Therefore, the Royal Government will reduce its funding gradually over time given a positive socio-economic development for the affected citizens. In consequence, social security schemes will continuously be increasingly financed by contributions and the investment return of the accumulated fund.

### **3.1 Pensions**

#### **3.1.1 General Overview**

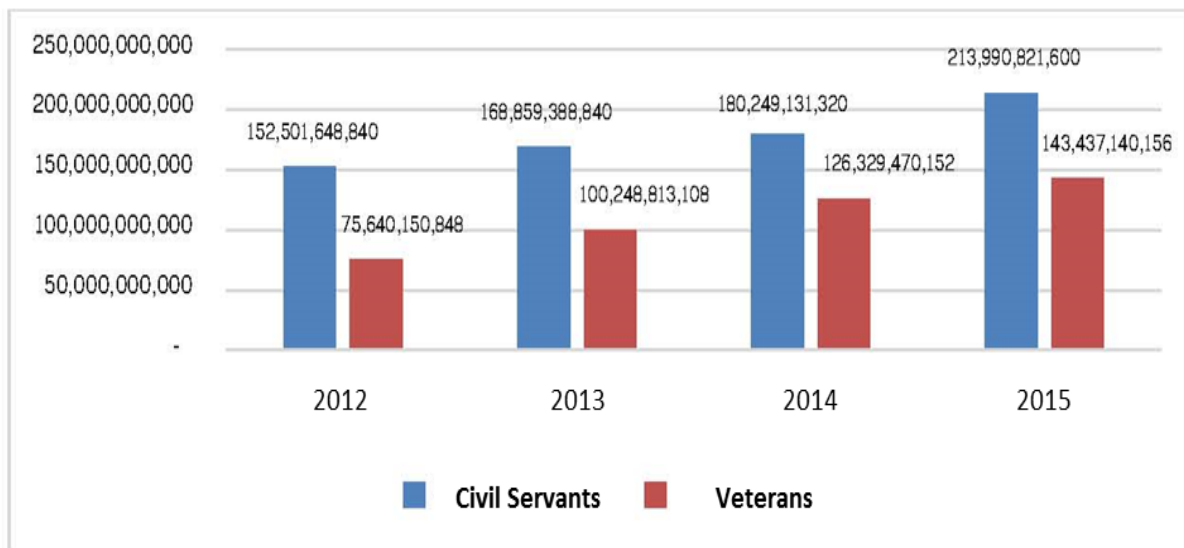
The habit of personal saving for an individual’s own old-age is not familiar with most Cambodians. They rely on support from their children/grandchildren when they are old. This habit creates a high poverty risk to such individuals at old age. So far, only civil servants, including national police officers and soldiers, who serve in public sectors, around 7 per cent of the total population, receive retirement pensions.

Some other institutions such as the National Bank of Cambodia, the Phnom Penh Water Supply Authority and the Phnom Penh Autonomous Port are managing own pension schemes on behalf of their employees but without any proper regulatory frameworks thereon.

The pension schemes in Cambodia are organized separately for different targeted groups. By adoption of the Royal Decree on Social Security Schemes for Veterans and the Royal Decree on Social Security, the Royal Government created the National Social Security Fund for civil servants (NSSFC) in 2007 and the National Social Security Fund for Veterans (NFV). The two funds manage pension schemes for retired civil servants and veterans. According to its respective regulation, NSSFC and NFV are under technical supervision of the MoSAVY and financial control of the MEF.

The pension schemes for civil servants and veterans under the NSSFC and NFV are fully funded by the state budget. In 2016, the Royal Government spent a total of 556,346 million Riels (approx. 137 million US-Dollars) on social security in total whereas 395,179 million Riels (approx. 98 million US-Dollars) were spent for the 106,633 pensioners who were civil servants and veterans.

**Figure 11: Expenditure on Pension Scheme from 2011 – 2015**



Source: Ministry of Social Affairs, Veterans, and Youth Rehabilitation

The Law on Social Security for Persons as defined by the provision of the Labor Law established the National Social Security Fund (NSSF) in 2007 as the public institution responsible for managing the pension scheme for private employees. Up until now, this publicly managed pension scheme has not been set up.

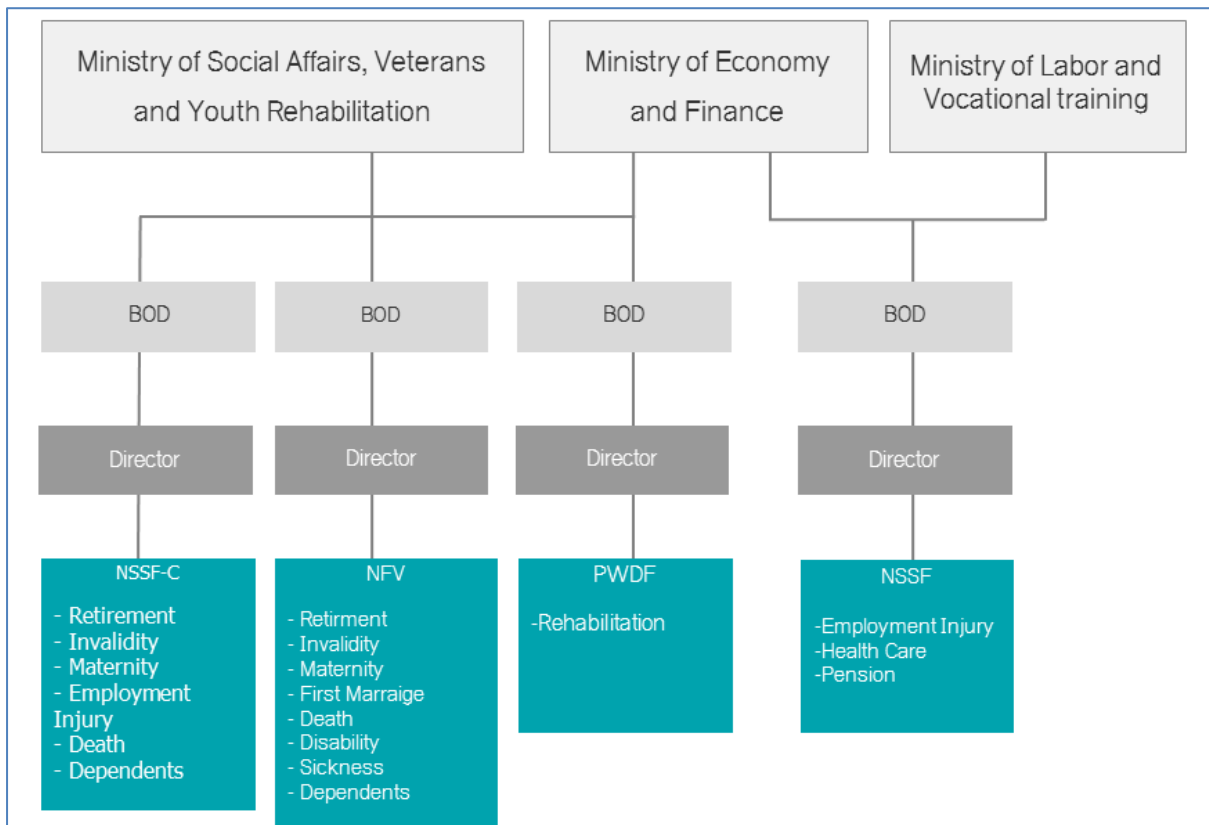
### 3.1.2 Challenges

#### 3.1.2.1 Institutional Framework

*A. Fragmentation among Operators*

The current pension operators, NSSF, NSSF-C and NFV have almost the same functions and responsibilities for their respective target groups. Different public institutions managing different pension schemes for different target groups create high operational cost ( including staff incentives and development of ICT system ).

**Figure 12: Institutional Structure of Current Social Security System**



*B. Inconsistency of Allowances/Benefits*

The current pension allowances for civil servants, police officers and soldiers are inconsistent due to divergent laws and regulations. The pensions for civil servants are regulated by Sub-Decree no. 59, dated 06 October 1997 on the Implementation of a Retirement Pension Scheme and Invalidity Pension for Civil Servants in the Kingdom of Cambodia. The pensions for police officers are regulated by the Law on a Retirement Pension Scheme and Invalidity Pension for Cambodian police. Pensions for soldiers are regulated by the Law on a Retirement Pension Scheme and Invalidity Pension for Soldiers in the Royal Cambodian Armed Forces. Inconsistencies in the pension benefits lead to resentment among public officials, especially among those who have similar positions but receive different pension levels.



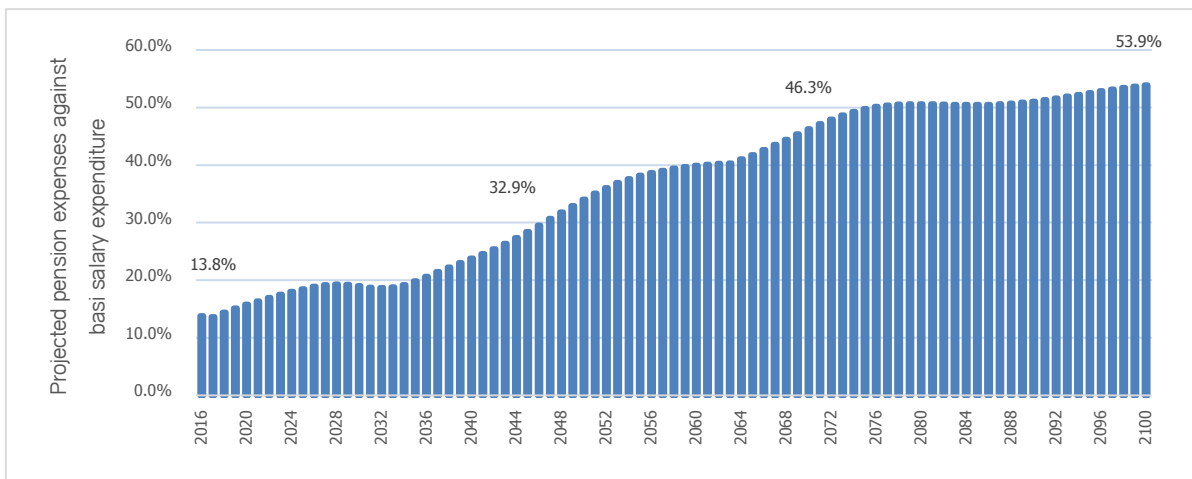
### 3.1.2.2 Financial Framework

#### A. A Potential Sharp Increase of Expenditure

The annual expenditure for the pension schemes for civil servants and veterans increased on average by 38.5% from 2010 to 2014. Currently, the Royal Government plans to raise salaries for civil servants to at least 1 million Riels from 2018 on. The expenditure necessary for pensioners is, thus, expected to increase substantially in medium and long term putting high pressure on the national budget.

ILO projections on national budget trends for the current public pension scheme compared to the national expenditure on basic salary for civil servants highlight an increase from 13.8% in 2016 to 53.9% in 2100.

**Figure 13: Projection of the increase of public expenditure**



Source: International Labor Organization

#### B. Contribution Collection has not been implemented

So far, the Royal Government fully covered the actual pension expenditure. Sub-Decree no. 73 dated 29 April 2011 on Contribution Rate Setting to support the National Social Security Fund for Civil Servants requires civil servants to contribute 6% while 18% come from public sources. However, the contribution collection based on the indicated rates has not been implemented, yet. Therefore, the state is still fully bearing the pension contributions for civil servants and veteran. The planned salary increase needs to be considered as a factor for implementing the foreseen contribution split.

#### C. Demographic Change

Cambodia will face an aging society in the future due to an increase in life expectancy and a decrease in birth rates. These factors negatively impact the

sustainability of pension schemes in the long run. This holds particularly true for the current pension scheme which has been fully funded by the national budget through a Pay-As-You-Go mechanism.

### **3.1.2.3 Legal and Regulatory Framework**

The existing legal instruments provide a framework to operate compulsory pension schemes only. The supervision framework for the pension schemes, both in public and private sector; do not fully meet current technical and financial sustainability standards, yet.

At the same time, the early voluntary exit for civil servants ( providing for an exit from labor life prior to what is foreseen by law ) as well as the level of benefits or other allowances facilitating such a voluntary exit, have not been fully considered and amended to reflect social changes and recent developments in the public administration system.

### **3.1.3 Future Strategy and Goals**

The long term vision for the pension system in Cambodia is to provide universal coverage. The future system seeks to offer financial protection at old age to all Cambodian citizens. The respective mechanism should provide decent income to those who participate in the compulsory and voluntary pension schemes and minimize the poverty risk when people, in both formal and informal sector, reach retirement age. The Royal Government aims at creating a concentrated/integrated pension system based on three principles: affordability, efficiency and sustainability.

#### **3.1.3.1 Institutional Framework**

##### *A. Ensuring Consistency between Public Pension Schemes*

In the current phase, the Royal Government will develop guiding principles to set up mechanisms for revising the pension formula for public officials to gradually reduce gaps among pension benefits of different groups of public servants. A permanent mechanism to ensure consistency of pension allowances for public officials will be foreseen by the Law on Social Protection System. The development of this regulation will require further assessment and, thus, considerable time and effort.

##### *B. Alignment of Existing Pension Projects*

As mentioned above, managing and operating pension schemes by different institutions is a key barrier for professionalization and the promotion of efficiency, effectiveness and operational cost reduction. To achieve consistency between benefits

for each of the target groups, to promote efficiency of public expenditure and to enhance professional skills, the Royal Government will align the existing pension schemes under one management system. Furthermore, it will expand the coverage to all civil servants, including civil servants of executive, legislative and judicial branches and officials of other public institutions.

*C. Preparation of a system for voluntary exit for civil servants*

The Royal Government will set up a system which allows civil servants to exit from their work. This will assist those who want to exit their civil servant status early and for various reasons, e.g. a long employment period, old age, family, health or a mismatch between their capacity and required expertise. The exit option will create job opportunities for young people with an adequate profile. The voluntary exit system requires careful consideration on the criteria, benefits or additional allowances to be provided to individuals who wish exit early.

*D. Implementation of a Pension Scheme for Workers and Employees*

Besides the public pension scheme reform, the Royal Government is assessing possibilities for operating a pension scheme for workers and employees which are under the provision of the Labor Law. The scheme should be integrated into the future single management system and should be consistent with the public pension scheme. The Royal Government will consult employee and employer representatives on contributions and benefits for the future scheme.

*E. Implementation of a Pension Scheme for Non-poor working in the Informal Sector*

To achieve the vision of providing social protection to all citizens when reaching old age, the Royal Government will assess possibilities of operating a pension scheme for citizens working in the informal sector who are neither poor nor vulnerable (e.g. market vendors). International experiences show that operating a pension scheme for this target group is very challenging due to difficulties in identifying eligible members and targeting their unstable income (i.e. the unstable bases for contribution calculation).

This pension scheme has to be implemented step by step, starting with the encouragement of voluntary participation and making it compulsory later, depending on key preconditions such as income level of citizens, awareness of pension scheme benefits, professional maturity, capacity to manage the pension scheme and

transparency of the operating institutions. Implementing a flat-rate contribution system is considered to be an option for this type of pension scheme.

*F. Implementation of a Voluntary Pension Scheme*

To provide alternatives for long-term savings for people with medium and high income, the Royal Government will develop the necessary infrastructure and legal framework for the operation of voluntary pension schemes by financial institutions. The voluntary pension scheme is the third pillar of a general pension system developed by the World Bank which has been globally implemented. The scheme complements the compulsory pension schemes which are a mechanism for basic savings only.

*G. Portability*

All pension schemes will ensure that the period of contribution is maintained and that benefits are kept consistent when a member transfers from one targeted group to another. An example would be the change from the pension scheme for civil servants to the one for workers and employees or vice versa.

**3.1.3.2 Financial Framework**

Demographic changes and the trend of continuous salary increase for public officials might lead to a sharp increase in state budget expenditure to support the public pension scheme in the medium and long term. As a result, to ensure reasonable national budget expenditure, the Royal Government will reform the financing mechanism to support the public pension scheme from a public budget based Pay-As-You-Go mechanism to a contribution based pension system. This system will require public officials to contribute to a uniform pension fund. However, contribution requirements into such a pension scheme and other national social security funds must be developed in a way which does not affect the current salary of public officials.

Before collecting contributions from public officials, the Royal Government will conduct a comprehensive study to define technical aspects of the contributory pension system. This study will include the criteria for public officials, whether or not they will be required to pay contribution or if they are exempted based on their working seniority, retirement age or salary scales. The study will also review the retirement age which is a key factor for the labor productivity and the financial sustainability of a pension system.

Sub-decree no. 73, dated 29 April 2011, on Defining a Contribution Rate to Support the NSSFC, only foresees a combined contribution rate for all national social security schemes for civil servants, pensions, invalidity, work injury, maternity, death and

survivor's benefits. As all public pension schemes will be integrated into a single scheme, the contribution rate of each scheme should be re-considered in order to maintain a balance between civil servants' salaries and national budget expenditure and to ensure consistency among all target groups. Therefore, the Royal Government will review the contribution rates as laid down in the sub-decree mentioned above.

Experiences from other countries show a tendency of changing from defined benefit pension schemes (DB) to defined contribution pension schemes (DC) to avoid the serious financial burden such schemes represent for many of these countries. Demographic changes are the main reason for this shift. Benefits guaranteed by the pension scheme (DB type) bear a certain risk for financial stability of the pension fund and ultimately for the state budget. The Royal Government will conduct a comprehensive study on types of pension schemes most suitable for Cambodia. The results of this study will be an important input for determining the type of an appropriate pension scheme for Cambodia.

#### **3.1.3.3 Legal and Regulatory Framework**

To ensure an effective, transparent and accountable governance and management structure, the Royal Government will develop a legal framework for supervising the implementation of all public pension schemes. The legal framework will be part of the Law on the Social Protection System which is supposed to be adopted in the future. In addition, the Royal Government will establish a legal framework for the management and operation of voluntary pension schemes in a separate regulation from that law.

The legal frameworks will clearly define the basic principles of pension fund management which aim at (1) providing protection for pension scheme members and (2) promote good governance of pension schemes. The pension fund is a type of trust fund which cannot be used for any purposes other than to invest in ways that serve the interests of its members. Based on this principle, the legal framework has to clearly define the roles and responsibilities of each actor, including: trustee, investment manager, account administrator and custodian bank.

## **3.2 Health Insurance**

### **3.2.1 General Overview**

Existing mechanisms play very important role in contributing to the progress toward universal health coverage. Currently, Cambodia has three types of health insurance schemes operated to serve specific target groups.

### **3.2.1.1 Health Insurance Scheme for Poor People and for Children**

As of now, around two million poor Cambodians have been receiving financial risk protection, through the HEF, when using healthcare services at public health facilities (health centers and referral hospitals) nationwide. This Fund pays the user fees for those healthcare services on behalf of the poor people, including: out-patient services (including birth delivery) and in-patient services (including surgeries). The HEF also covers the cost of referring the patients to the hospitals, food allowances, one caregiver in case the patient needs to stay in the hospital and funeral allowance. The HEF is a massive “financial risk concentration” mechanism which helps to ensure an effective investment of state budget in promoting health of the poor, reducing out of pocket expenditure on healthcare, preventing risks associated with healthcare expenses and preventing people from falling into poverty because of health-related issues. Financial support for this fund comes from the Royal Government and development partners. Based on the Health Financing Strategic Plan, the Royal Government will take over full financing responsibility for the Health Equity Fund in the future.

Besides the HEF, the Royal Government has been contributing to the Kantha Bopha Hospital Fund on an annual basis to support the provision of free out-patient and in-patient services to children nationwide. In 2015, the Royal Government increased its subsidy to the Kantha Bopha Hospital Fund to roughly 10 million US-Dollars.

### **3.2.1.2 Community Based Health Insurance Schemes**

A number of NGOs operate 8 voluntary community-based health insurance schemes in 7 provinces and in Phnom Penh for the citizens working in the informal sector. As of the end of 2015, 148,418 people joined these schemes. Their funding is based on contribution of their members and subsidies from development partners. The operation of the schemes could be a trend for the future development of social health insurance of the informal sector. Currently, some of the schemes are converted into micro insurance institutions.

### **3.2.1.3 Private Health Insurance**

Although the private health insurance is still at development stage, it has the potential for rapid growth. Currently, the scope of private health insurance products is still small. By the end of 2015, there were only 8 insurance companies which provided health insurance products. The premium collected was 9.2 million US-Dollars, an equivalent of 10.8% of the total insurance market.

### 3.2.2 Challenges

#### 3.2.2.1 Institutional Framework

##### A. *Fragmentation of Health Insurance Schemes*

As earlier mentioned NSSFC, NFV and NSSF have similar functions but serving different target groups. The health insurance schemes for each target group are governed separately by different regulations and procedures. The current HEF is under the supervision of MoH, with support from different development partners and NGOs who act as operators. The Community-Based Health Insurance is under the management of NGOs. The management fragmentation has generated high operational cost, inconsistencies in terms of allowances and benefits, different criteria and options for members as well as differences in terms of priorities.

##### B. *Primary Healthcare System and Quality of Health Services*

General quality of public health services increased, thanks to improved quality structures, higher capacities in diagnosing as well as the provision of healthcare services based on standard procedures and operational guidelines. However, the quality, especially of in-patient treatment services, does not meet the expectations of patients and clients, yet. Therefore, further improvement is necessary in terms of capacity building for clinical staff, strengthening of regulatory mechanisms, regular quality monitoring and evaluation, more effective staff deployment based on common technical standards. All these measures will create favorable conditions for the implementation and expansion of the coverage of the social health insurance schemes for civil servants, workers and employees and citizens working in the informal sector.

#### 3.2.2.2 Financial Framework

##### A. *Equity in Healthcare Utilization*

The HEF provides health protection to poor people accounting for approximately nearly 20% of the total population. The Kantha Bopha hospitals provide health services to children and infants, only. Besides the people who benefit from HEF or the community-based health insurance schemes and children who have access to Kantha Bopha hospitals, most citizens do not received financial protection for healthcare costs.

*B. Most Healthcare Expenditure Is Out-of-Pocket*

The rising national budget expenditure on healthcare and the increase in families' ability to pay for the services they receive indicate an increase in total health expenditures, including private. However, out-of-pocket expenses by families' on healthcare services are still the main source of financing for the health system. In 2015, the direct out-of-pocket expenditure for healthcare was around 60% of the total expenditure on healthcare due to the limited coverage of the social health insurance.

The scale of out-of-pocket expenses is beyond the ability to pay for many families, which in turn creates many additional problems such as delay or suspension of healthcare access and particularly negative impacts on economic performance and poverty reduction efforts. The presence of these problems indicates the lack of an effective healthcare financing mechanism.

**3.2.2.3 Legal Framework and Regulations**

So far, there is only the Sub-Decree on the Setting up of the Health Insurance Scheme for those who are under the provisions of the Labor Law. Based on this Sub-Decree the health insurance scheme for workers and employees was implemented. The health insurance schemes for civil servants and other groups of citizens do not have any clear legal and regulatory framework they can be based on.

**3.2.3 Future Strategy and Goals**

In accordance with the United Nations Sustainable Development Goals, Cambodia defines its vision to reach universal health coverage like other countries in the world. The main aim of developing a universal healthcare system is to maintain social solidarity by providing every Cambodian citizen with affordable and high quality healthcare. The Royal Government strictly abides by four principles for the policy development and the social healthcare system reform: (1) good governance, (2) effective spending, (3) accountability, (4) financial sustainability.

**3.2.3.1 Institutional Framework**

*A. Implementation of a Health Insurance Scheme for Workers and Employees*

The Royal Government has approved the implementation of a health insurance scheme for workers and employees by issuing the Sub-Decree No. 01, dated 6 January 2016, on the Establishment of a Health Insurance Scheme for Persons defined by the Provisions of the Labor Law, in addition to the existing Employment



Injury Insurance scheme. The new scheme will provide workers and employees with general healthcare including medical care and treatment, maternity benefits as well as daily allowances for the absence from work resulting from sickness.

*B. Implementation of a Health Insurance Scheme for Public Officials*

The Royal Government will implement a health insurance scheme for public officials to ensure consistency with the health insurance scheme for workers and employees. Implementing this scheme requires sufficient preparation of all relevant aspects such as the setting and collecting of contributions, service delivery, payment, management and legal frameworks. The health insurance scheme must be operated through a "Single Payer" mechanism to ensure effectiveness and equity to reduce administrative cost. In this context, the NSSF, which is a professional and experienced organization, is a potential institution to govern and manage the health insurance scheme for public officials by expanding its responsibilities and based on gradual capacity increase in handling the necessary tasks.

The scheme will cover public officials, retirees and veterans, as well as their dependents. The step-by-step expansion of the coverage for each target group will be done based on two important factors: budget availability and capacity to provide health services by the health facilities.

*C. Enhancement of Healthcare Quality*

The Royal Government will pay more attention on improving the quality of healthcare services, of both public and private health facilities to reach a comparable level with neighboring countries. To achieve this goal, the Royal Government will implement an accreditation system as a mechanism to ensure quality of healthcare services, both state and private. The improvement in healthcare quality is a key to build up public confidence in the healthcare system as a whole. These steps will promote people's willingness to participate and facilitate the implementation of a health insurance scheme for people working in the informal sector.

*D. Raising Awareness on Healthcare and Protection*

The operating agency in charge of governing and managing a social health insurance scheme is obliged to organize dissemination events and trainings public on healthcare and protection for the general. The activities should complement the various national programs of the MoH.

*E. Monitoring Healthcare Service Payments*

To avoid conflicts of interests and other frauds which might occur between operators and health facilities, the Royal Government will assess possibly to set up an independent agency to monitor and verify healthcare service claims of health facilities. The agency should foster confidence and trust among the public through a transparent and accountable governance and management of the healthcare funds.

*F. Exploring the Options for Reinsurance*

To reduce the risks which can affect the stability and sustainability of the social healthcare fund, the Royal Government will consider options of ceding risks associated with social health insurance operations to private insurance institutions. The Royal Government will cooperate with private insurance institutions to assess the possibly for running the according operations based on market principles.

*G. Managing the Health Equity Fund and Kantha Bopha Fund*

In accordance with the Health Financing Strategy, the Royal Government shall fully fund the HEF in the future. Therefore, the Royal Government will assign the management of the HEF with a single social security operator. Furthermore, the Royal Government will assess possibilities to gradually include other vulnerable groups such as people with disabilities, elderly and children under 5 into the scope of the HEF, depending on the fiscal capacity.

The Royal Government will also consider the possibility of taking full responsibility for the financing and management of the Kantha Bopha Fund at a suitable time. At this moment, the management of the fund will also be assigned to a single operator.

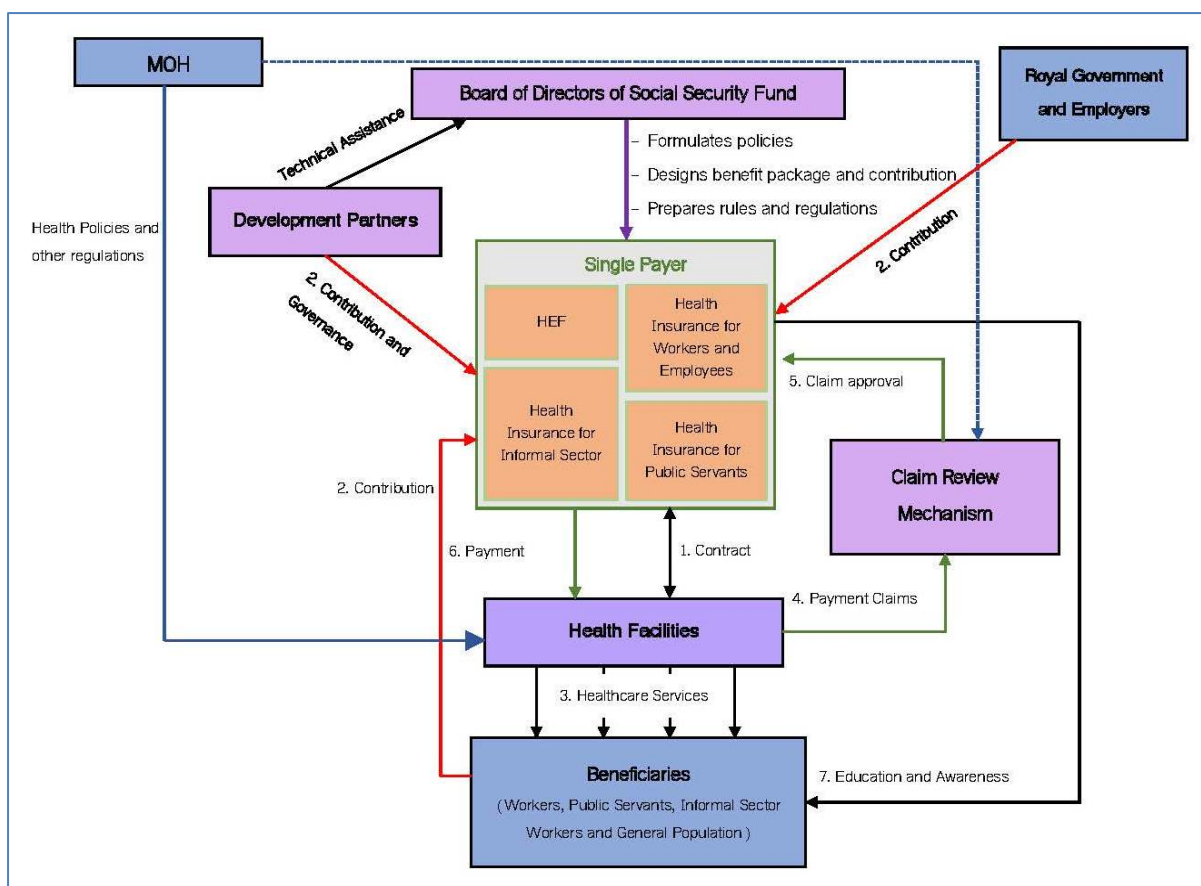
*H. Increasing Participation of Private Health Facilities*

To expand coverage and enhance the quality of health services and to provide convenience in receiving healthcare services through the health insurance schemes, the Royal Government will encourage more participation from private health facilities. The Royal Government will set up a uniform benefit package, which is appropriate and affordable for the private health facilities and increases the choice for people participating in the social health insurance scheme.

*I. Implementation of a Health Insurance Scheme for Non-Poor working in the Informal Sector*

To achieve universal health coverage, the Royal Government will assess possibilities to implement a social health insurance scheme for non-poor citizens working in the informal sector. This scheme will be operated on a voluntary basis in the early phase with the option of transforming it into a compulsory scheme in the next phase of the project depending on the economic situation at this time.

Figure 14: Management Structure of the Healthcare System



### 3.2.3.2 Financial Framework

#### A. Principles of Financing to Support the Health Insurance Scheme

The Royal Government will remain fully responsible for paying contributions on behalf of the poor and vulnerable citizens. Other non-poor groups, in both formal and informal sector, are obliged to pay contributions based on their income. The Royal Government will continue financing, where necessary, the operation of state health facilities, using public budget, while promoting the autonomy, effectiveness, accountability and financial sustainability of health facilities.

#### B. Setting Contribution Rates

Setting the contribution rates for all health insurance schemes requires careful actuarial analysis and public consultation in order to mobilize supports from all actors

– government agencies, representatives of employers, representatives of employees and of the wider public.

*C. Increasing Investments in Infrastructure and Human Resources*

The demand for healthcare services will increase continuously when the Royal Government sets forth the social health insurance schemes for workers, employees and civil servants. Further increase when the scheme expands its coverage to the informal sector in the future. To respond to the expected increasing demand, the Royal Government will further enhance its investment in infrastructure and human resources in the health sector given that the necessary budgetary capacity is available.

**3.2.3.3 Legal and Regulatory Framework**

The development of a social health insurance system requires a legal and regulatory framework to manage the system and to establish operational standards, especially with regard to the roles and responsibilities of various stakeholders, financial management procedures, financial resources, contribution rates, benefit packages and customer protection. The legal framework and the according implementing mechanisms should take the aim of moving towards universal health coverage into account and, thus, promote obligatory participation of non-poor people working in the informal sector. In addition, it will be necessary to provide for mechanisms to ensure a certain level of quality, to integrate social security operators, to specify the roles of different regulators to ensure the smooth and effective operation of the social health insurance system.

At the same time, the organization and functioning of NSSF will be revised to allow the agency to take over the role as the single operator in terms of governing and managing the health insurance schemes for potential additional members, keeping in mind that the NSSF covers only schemes for workers and employees who are under the provision of the Labor Law, yet.

**3.3 Employment Injury Scheme**

**3.3.1 General Overview**

Currently, only workers and employees under the provisions of the Labor Law are fully covered by the employment injury scheme. The scheme provides insurance to workers and employees suffering from work-related accidents and illness. As of the

end of 2015, roughly 1.2 million workers have joined the Employment Injury scheme, in which employers fully pay the contribution to the NSSF at a rate of 0.8 per cent of the average "subject-to-contribution wages" (ranging from 200,000 to 1,000,000 Riels, approx. 49 to 246 US-Dollars) of the employees. Benefits that employees can expect to receive from the NSSF include: transportation, health care until recovery, daily allowance during the period of absence from work, allowance for permanent work injuries (which can be received in full or partly for every 3 months until death, for injuries reducing the capacity to work by more than 20%), rehabilitation services, funeral allowance and allowance for dependents (dependent spouse, children, parents and old people).

For civil servants, the benefits of employment injury scheme are provided for permanent disabilities incurred during the performance of the duties. However, during a hospital treatment, general payments are maintained.

### **3.3.2 Challenges**

#### **3.3.2.1 Employment Injury Scheme for Workers**

Three main challenges are identified in the framework of the employment injury scheme for workers and employees under the provisions of the Labor Law: (1) children cannot receive the benefits from NSSF when their father or mother dies from a work-related incident if their parents do not have a marriage certificate, (2) dependent children with disabilities can receive the allowances from the NSSF only up to the age of 21 years, leaving those older than 21 years and unable to finance their own life without income, (3) the benefit package that includes rehabilitation services for workers and employees has to be more clearly determined and made ready for implementation.

#### **3.3.2.2 Employment Injury Scheme for Civil Servants**

Currently, civil servants receive monthly allowances, when they suffer from work-related injuries or experience permanent disabilities. The medical treatment and care are provided based on the policies of different ministries, which still lack clear principles and standards. The arrangements did not provide full protection for civil servants when they face health issues, suffer from work-related injuries and permanent occupational illness or disabilities resulting from work-related incidents.

### **3.3.3 Future Strategies and Goals**

#### **3.3.3.1 Employment Injury Scheme for Workers**

The Royal Government will make necessary amendments on relevant legal and policy provisions on the employment injury scheme for workers and employees under the provisions of the Labor Law to allow dependent children to receive allowances even if their parents who were members of the NSSF did not have a marriage certificate. The amendments will also seek to allow children with disabilities who cannot generate own income to receive allowances for their whole lifetime. At the same time, the Royal Government will include the additional rehabilitation services into the benefit packages for all NSSF members.

#### **3.3.3.2 Employment Injury Scheme for Civil Servants**

In the short run, the Royal Government will set clear standards to support civil servants who suffer from work-related injuries. In the long run, the Royal Government will establish an employment injury scheme for civil servants so that they are entitled to additional allowances/ benefits. The aim is to ensure consistency with other employment injury schemes, especially with regard to additional healthcare services for chronic occupational disease and permanent disabilities which require long term and expensive treatment. At this stage, to ensure consistency between the health insurance scheme and the employment injury scheme for civil servants, the NSSF, which is the specialized and experienced institution on this matter, will be in charge of managing the employment injury scheme for civil servants.

### **3.4 Unemployment**

#### **3.4.1 General Overview**

Up to now, an unemployment insurance scheme does not exist in Cambodia, yet. Putting such a scheme into place requires careful consideration of the current socio-economic context of the country and a proper time for implementation. The envisaged scheme will apply to workers under the provisions of the Labor Law, only. The Royal Government has already adopted the National Employment Policy 2015-2025. The policy indicates the need to conduct a feasibility study on the implementation of such a scheme. The National Employment Policy also touches on the issues of unemployment by seeking to provide decent employment opportunities, increasing labor productivity, developing skills and human resources, as well as

strengthening labor market governance in response to a changing socio-economic environment.

### **3.4.2 Challenges**

Although through the National Employment Policy already foreseen, the Royal Government will conduct a feasibility study on the implementation of an unemployment insurance scheme. The development of the scheme will require considerable time and capacity to solve the identified problems and will depend on the country's economic development.

An unemployment insurance scheme has never existed in Cambodia so far and managing the future scheme requires appropriate corresponding human resource capacities and skills. To date, the Royal Government assesses how to build up the required capacities and skills for relevant technical officials.

### **3.4.3 Future Strategies and Goals**

The unemployment insurance scheme plays a very important role in protecting workers and employees from poverty in case they lose their jobs. It is of even greater importance in events of economic crises and, thus, it is one of the main components for maintaining economic balance and social stability. Therefore, the Royal Government will conscientiously assess the possibilities for implementing such a scheme given an on-going economic growth.

In addition to a feasibility study, building capacity of officials who will be in charge of the scheme is crucial. Based on the characteristics of the future scheme, the MoLVT will lead its implementation. In preparation of its implementation the MoLVT will be in charge of conducting the feasibility study and establishing the relevant legal framework in consultation with other stakeholders from public and private sector as well as development partners.

## **3.5 Disabilities**

### **3.5.1 General Overview**

According to the 2013 Census, Cambodia there are around 300,000 people with disabilities, an equivalent of 2.06% of the total population, living in Cambodia. Primary causes for disabilities are the large quantity of landmines and unexploded ammunition left from the war. The Royal Government paid high attention to the clearance of landmines and unexploded ammunitions by setting up the Cambodian

Mine Action Center and cooperating with development partners to prevent people from suffering from disabilities.

Promoting and expanding the basic rights of people with disabilities is one of the social welfare priority goals of the Royal Government. In accordance with the Law on the Promotion of the Rights of People with Disabilities, the Government set up the Disability Action Council (DAC) as national coordinating mechanism for consultation on the issues impacting people with disabilities, setting up the national strategy on people with disabilities and monitoring and evaluating the implementation of further policies related to disability matters.

The People with Disability Fund (PWDF), established in 2010, is responsible for promoting the welfare of disabled people through labor rehabilitation, vocational training and employment services. About 28,000 people receive support from PWDF annually.

The Royal Government adopted the National Disability Strategic Plan 2014-2018, as a medium term roadmap to identify policies, roles and responsibilities of key stakeholders promoting the welfare of people with disabilities.

### **3.5.2 Challenges**

#### **3.5.2.1 Identification of People with Disabilities**

Mechanisms to identify people with disabilities are still inconsistent, preventing some people from benefiting from the policies of the Royal Government and the involved development partners.

#### **3.5.2.2 Financial Constraints**

Rehabilitation centers, which are under the supervision of PWDF, needed to quit one after another after withdrawal of some development partners from the program. In 2002, Cambodia had 16 of these centers, but currently their number has dropped to only 11 due to financial constraints.

#### **3.5.2.3 Quality of the Rehabilitation**

The quality of the rehabilitation centers is still limited and requires further strengthening of the skills of the technical staff in providing treatments to people with disabilities and of the technical equipment necessary to help disabled people in their daily routines.



### **3.5.3 Future Strategies and Goals**

#### **3.5.3.1 Reform on Identification of People with Disabilities**

To effectively identify people with disabilities, the Royal Government will revise necessary mechanisms and procedures with priority on poor disabled people, strengthening organizational capacity and the capacity of technical staff, developing necessary ICT systems and improving the database management.

#### **3.5.3.2 Review Conditions for the Provisions of Protection and Support**

To reduce the inequality between people with disabilities of different groups, the Royal Government will review the eligibility conditions and mechanisms to ensure that benefits are provided to people with disabilities in an equitable manner.

#### **3.5.3.3 Promote Contributions from Private Sector**

The Royal Government will incentivize the private sector to contribute to the funding of the People with Disability Fund through various measures such as tax deductible expenses.

#### **3.5.3.4 Enhance Quality of Labor Rehabilitation for People with Disabilities**

The Royal Government will improve the quality of labor rehabilitation for people with disabilities through effective treatment, recovery acceleration for patients and more effective enforcement of the Labor Law to ensure better workplace safety to help reduce disability risks caused by work accidents. This will not only increase the effectiveness of the government spending but it will also improve the welfare of people with disabilities.

#### **3.5.3.5 Increase Vocational Training for People with Disabilities**

The Royal Government will encourage all people with disabilities to participate in vocational trainings so that they can go back to work or start their own business. The Royal Government will also establish employment services for disabled people who completed vocational trainings.

#### **3.5.3.6 Integrate the Management of the People with Disabilities Fund**

The Royal Government will integrate the management of the PWDF and assign it to a single social security operator to improve the cost-effectiveness of spending and enable cross- subsidy from the surplus of other schemes to help promote the welfare of people with disabilities. Moreover, assigning the management of Rehabilitation Centers to a single operator will allow for further expanding the service delivery to

every affected person including disabled civil servants, workers and employees who lose their physical capacity during their work and other disable people.

## CHAPTER 4: GOVERNANCE

### 4.1 General Overview

Currently, social protection policies have been set forth by many ministries and institutions in accordance with their own functions and duties. MoSAVY has the mandate to set up policies related to both social assistance program and social security schemes, including those for civil servants, veterans and for people with disabilities. MoLVT focuses on social security for workers and employees that are under the provisions of the Labor Law. MoH is in charge of the HEF which provides health protection to poor and vulnerable people and promotes the health of mothers and children. MoEYS focuses on supporting school feeding programs and providing scholarships. MEF is in charge of the food security programs. CARD, in addition, acts as a coordinator for setting up social assistance policies.

### 4.2 Challenges

The separate processes of setting up social protection policies in various ministries and institutions indicate the lack of a unified coordination mechanism. The arrangement has led to inconsistencies, gaps and overlaps of each policy, which negatively impacts the effectiveness and efficiency in the use of resources, both financial and human.

In addition, the mechanism to monitor and evaluate the effectiveness of the management or operation of each program is not yet well defined, creating obstacles to the measurement of productivity and effectiveness of public expenditure and difficulties in implementing other policies that might follow.

### 4.3 Future Strategy and Goals

In light of the identified challenges and shortcomings of the governance structure of the social protection system, the Royal Government aims to establish a concentrated, integrated, consistent and effective organizational framework for the social protection system which covers the public and the private sector likewise. It will provide clear definitions of roles and responsibilities within and among of policy-makers, regulators and operators.

### 4.3.1 Policy-Maker

To develop the social protection system and to ensure better harmonization of the different strategies, policies and other social protection activities, the Royal Government will establish the "*National Social Protection Council*" (NSPC). The NSPC will be the key actor responsible for the overall coordination and steering on the development of various social protection strategies and policies.

#### 4.3.1.1 Composition of the NSPC

To ensure effective coordination of multi-sectoral issues, the NSPC will be established by and composed of high-ranking representatives from relevant ministries and institutions. Amongst others, it will comprise representatives of the MEF, MoSAVY, MoLVT, CARD, MoI, MoH, MoP, MoJ and MoCS.

#### 4.3.1.2 Responsibilities of NSPC

The NSPC will have the following responsibilities: (1) coordinate the policy drafting on the social protection system among relevant ministries and institutions to submit a common policy proposal to the Royal Government for approval, (2) monitor and evaluate the progress and effectiveness of the social protection policy implementation to ensure a smooth, consistent, efficient and effective process, (3) connect and harmonize the social assistance system with the social security system, in order to ensure their consistency and to align positions on the social protection system for additional actions as well as to allow the possible transfers of members from one system to another, if necessary. The NSPC should have a Secretariat to cover its daily operations. The Secretariat will be established within a ministry or institution, based on the principles of effectiveness, managerial efficiency and institutional coordination.

### 4.3.2 Regulator

Unlike the Social Assistance system and activities which are financed by the state budget, the success of the Social Security System depends on the trust of the participants who contribute to it. Therefore, it requires a proper monitoring mechanism to ensure that the benefits of the participants are safeguarded. The implementation of the social security schemes is complicated and associated with high risks, which might affect the stability of the financial sector, the national budget and the country's economy as a whole. Therefore, the Royal Government will establish a social security regulator to manage and coordinate the operation and management of the various

schemes. This regulatory body's main role is to monitor the financial situation, determine prudential regulation, standards of operation, additional measures and to control the schemes' compliance. It will ensure that the social security schemes are operated in a transparent, accountable and with financially sustainable manner. Furthermore, the regulator will develop mechanisms to protect customers and to arbitrate conflicts.

To enhance the efficiency and effectiveness of the system and to avoid establishing additional institutions opposing the principal of efficient budgetary spending, the Secretariat of the NSPC will function as the regulator.

### **4.3.3 Operator**

One of the main goals of the social protection reform is to re-organize the management structure of the operators to promote management efficiency and effectiveness of budget spending. To this point, the Royal Government will introduce a set of reforms.

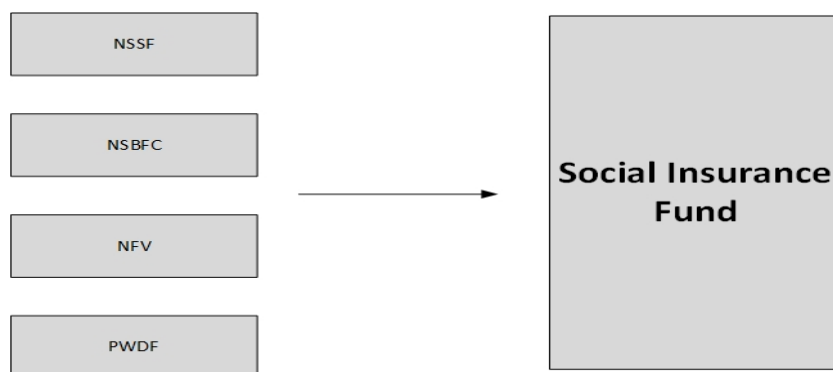
#### **4.3.3.1 Social Assistance Operator**

The Royal Government will assess possibilities to create a social assistance fund to manage and launch the national Social Assistance Program, specifically with regard to cash transfers. The aim of the fund is to provide a mechanism to integrate all cash transfer programs in one single hub in the future.

The social assistance fund also plays a significant role in organizing the work at sub-national level to promote and improve the effectiveness of social assistance services provision and to coordinate the management of member registration systems to ensure comprehensiveness and concentration.

#### **4.3.3.2 Social Security Operator**

The Royal Government will integrate the existing social security operators NSSFC, NFV, NSSF and PWDF into one single institution. The new institution is a public administrative institution established by law and tasked with governing and managing all social security schemes, including pensions, health insurance, employment injuries insurance, disability insurance and unemployment insurance.

**Figure 15: Social Security Operator Integration**

#### 4.3.3.3 Management Structure of Social Security Operator

##### A. Board of Directors

The Board of Directors of the new institution should comprise representatives of all relevant stakeholders including government institutions, employers, employees and health service providers.

##### B. Specialized Committees

A number of specialized committees should be set up to promote working efficiency. A committee for health quality assurance, an investment committee and an audit committee should, at least, be foreseen.

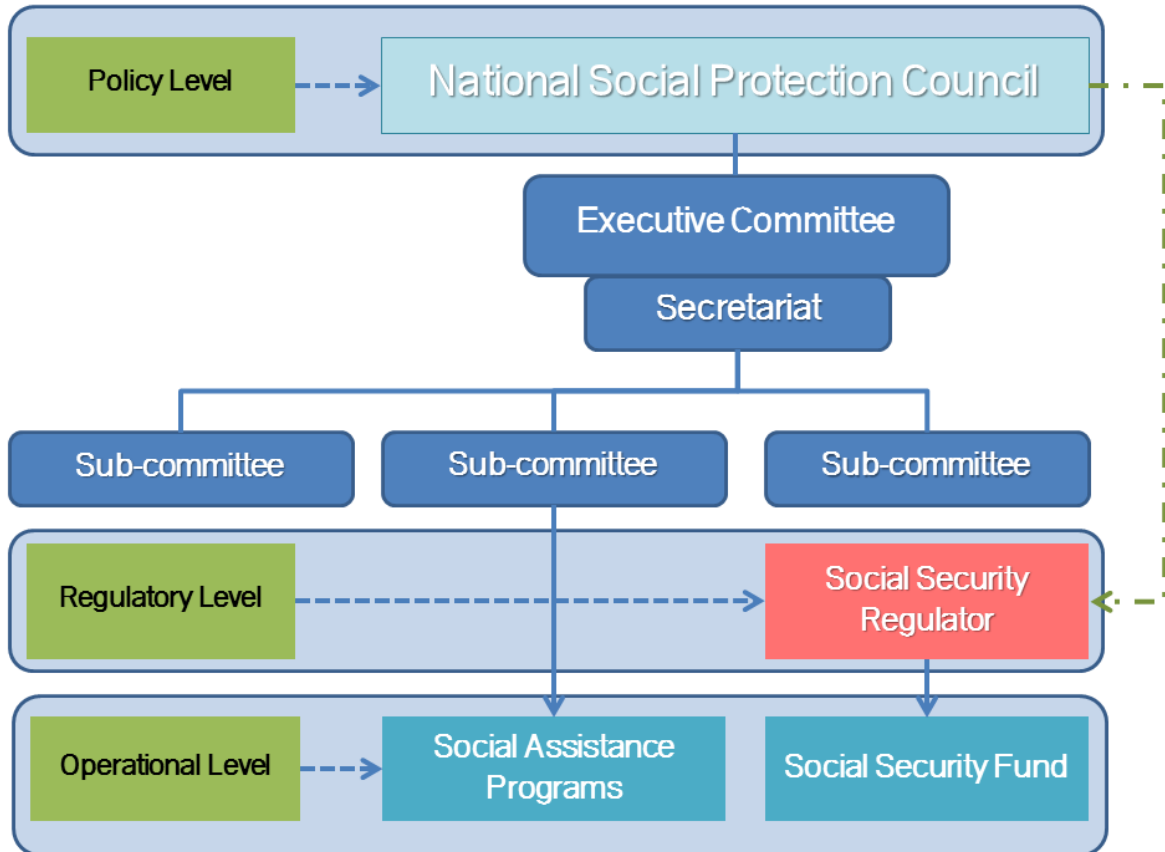
##### C. Operational Principles

The operation of the new institution has to be based on the principles of good governance. The operators have to adhere the following principles: (1) provide an accounting system which meets certain quality standards, (2) set up an internal audit and control system, (3) provide independent audits on financial reports, (4) ensure public dissemination of the financial reports, (5) be subject to an independent evaluation of the management effectiveness for every 5 or 10 years.

##### D. Mechanism of Cross-Subsidization

The Royal Government assesses possible mechanisms to allow cross-subsidization between the different schemes and programs (except for the pension scheme) in order to utilize the surplus resources of one scheme or program to another with respective shortages. This arrangement will help to avoid full reliability on the state budget whenever a scheme faces a budgetary deficit. This cross-subsidization has to take the financial sustainability and financial soundness of the relevant schemes or programs and the need to minimize "moral hazard" into consideration.

Figure 16: Social Protection Structure



## **CHAPTER 5: CROSS CUTTING ISSUES**

### **5.1 Investment**

#### **5.1.1 General Overview**

Banking is the leading sector in Cambodia's financial system. The number of banking institutions has steadily increased. In 2015, the National Bank of Cambodia issued licenses to 36 commercial banks, 9 specialized banks and 44 microfinance institutions. The interest rate for fixed deposits is in an attractive range (between 5 to 10%).

The investment fund market in Cambodia is just taking off as the development of the financial market itself is still limited. The securities market started its operation in 2011, but up to now there are only 4 companies (of which 2 are state-owned enterprises) registered to trade their shares. With the aim of promoting the development of the securities market in Cambodia, the Securities and Exchange Commission of Cambodia (SECC) amended the Prakas on Initial Public Offerings to ease the requirements for listed companies by separating the market into two: (1) a market for big enterprises and (2) a market for small and medium enterprises (SMEs).

Furthermore, the real estate sector expanded substantially after the global financial crisis.

#### **5.1.2 Challenges**

Financial instruments available for the fund to invest in are not diversified. The absence of government bonds and the small number of listed companies in Cambodia's security market are the main obstacles to setting up an investment policy. For instance, NSSF as social security operator using its fund surplus to invest, is fully depending on bank deposits. Moreover, the necessary professional skills and regulatory framework for this sector are still lacking.

#### **5.1.3 Future Strategies and Goals**

##### **5.1.3.1 Continue to Encourage the Listing of Companies**

The Royal Government continues to encourage private companies and public enterprises to issue shares to the public by revising the sub-decree on tax incentives in the securities sector. The SECC revised the requirements for listing companies to



enable SMEs to generate funds from the securities market. The Royal Government hopes the number of companies listed will increase steadily.

#### **5.1.3.2 Boost the Development of Securities Market**

The Royal Government established regulatory and technical framework to prepare for issuing government bonds, in accordance with the Strategy for Public Debt Management. The government bond market does not only promote investments of the social security fund but also serves as a necessary catalyst for boosting the development of capital markets and money markets. Moreover, government bonds will be a proper mechanism for generating sustainable financial resources for the Royal Government, especially when official development assistances continue to decrease. In addition, the Royal Government established the necessary legal framework to allow private companies to issue corporate bonds.

#### **5.1.3.3 Set Guidelines on Investment**

The social security regulator is responsible for developing guidelines on fund investments of operators. The guidelines focus on investment diversification, types of portfolios and risk appetite for the purpose of maintaining stability and sustainability of the funds managed.

#### **5.1.3.4 Set up Regulations Related to Fund Investment**

The Royal Government, through SECC, will set up regulations related to the supervision and issuance of licenses for collective investment scheme (CIS) to operate in Cambodia. At the same time, the process on establishing a Trust Law will also be pursued to provide a regulatory framework to protect all investment activities in due time.

## **5.2 Tax Policy**

### **5.2.1 General Overview**

A comprehensive consideration of tax policies related to the operation of the social protection system is an important factor contributing to the development of the system and promoting citizens' participation. The operation of the social security scheme, which is a contributory scheme, should be reflected in the tax policies, especially with regard to: (1) contributions, (2) profits from the fund investment, (3) payment of benefits.

According to the content of the circular 002, dated 20 January 2015 by MEF on the Tax on Salary ( and fringe benefits ), benefits that workers and employees receive from the social security schemes shall not be included in the salary tax calculation, nor are they the subject to the tax on additional benefits. The tax treatment of social security benefits received by other groups of citizens is not clearly defined, yet.

## **5.2.2 Challenges**

Tax policies related to the operation of social protection systems have not been clearly defined, while the respective systems are still implemented. Clear definitions of the relevant tax regimes can facilitate the development of social protection systems, by encouraging contributions to the social security schemes and donations to support the ( non-contributory ) social assistance programs.

## **5.2.3 Future Strategies and Goals**

### **5.2.3.1 A Tax Regime on the Contributions to the Social Security Schemes**

Contributions made to the social security schemes for civil servants and the one for workers and employees should be excluded from the calculation of the salary tax. The MEF will set up the necessary legal framework to define the respective tax calculations.

### **5.2.3.2 A Tax Regime on the Return from the Investment Funds**

Generally, the profit generated from investment funds shall be subject to the relevant tax regime. However, to offer additional benefits to pensioners, the Royal Government will assess possibilities to provide tax incentives on these operations/benefits, in particular.

### **5.2.3.3 A Tax Regime on Benefits of the Social Security Schemes**

That allowances and benefits received from a social security scheme are exempted from any tax is yet to be defined. The Royal Government will establish the necessary legal framework to fill this gap.

### **5.2.3.4 A Tax Regime for Donations/Voluntary Contributions to the Social Assistance Fund**

The Royal Government will assess possibilities to provide tax incentives on donations/voluntary contributions to the various social assistance funds. Distracting the donations/voluntary contributions made by enterprises or institutions from their taxable income is a priority for further analyses.

## **5.3 Registration System**

### **5.3.1 General Overview**

The registration system of citizens who receive benefits from social assistance programs and social security schemes is organized separately. It is set up in accordance with the tasks and duties of the concerned agencies which are responsible for the different programs and schemes.

The MoP is the institution in charge of establishing and updating the ID Poor Card system to identify eligible people to receive benefits from the social assistance programs. NSSFC, NFV, NSSF and PWDF each run separate systems for the management and registration of their members. The identification and civil registration of the general population, however, is under the mandate of the MoI.

### **5.3.2 Challenges**

Implementing the different registration systems can lead to duplications of citizen's identification, resulting in one citizen having more than one 'identity'. This undermines the accuracy of the population database and in turn creates targeting problems for the social protection policy and other development policies. The repetitive work of the different agencies results in an inefficient use of resources. Moreover, running multi-registration and identification systems is costly in itself.

### **5.3.3 Future Strategies and Goals**

The Royal Government seeks to reform the identification management system by using biometric information to prevent overlapping entries. Through this new system, a citizen is registered only once.

The Royal Government will link the new identification system with other systems such as the equity card management system of the MoP or the registration systems of social security operators to enhance effectiveness in data management, data sharing among authorized institutions, cost minimization and avoidance of duplication of work.

## **5.4 Education**

### **5.4.1 General Overview**

The understanding of Cambodian citizens related to social protection is still limited. As a matter of fact, a large number of citizens used to get benefits from such

system already, especially through the various social assistance programs that the Royal Government implemented in the past.

People's understanding about social security is even more limited. Cambodian people have heard about the pension for civil servants. However, not many people expect that those working in the private sector will also receive pension.

Understanding of this particular system has been much improved in recent years through the presence of NSSFC, NFV, NSSF and PWDF. The institutions have been actively involved in promoting public awareness through their regular work and various information dissemination activities.

#### **5.4.2 Challenges**

The currently low level of development of the social protection system is the main reason why the public has so little understanding of it. The information dissemination related to this system has also been limited.

Social protection has not been a topic widely shared in the regular school curriculum of the MoEYS.

#### **5.4.3 Future Strategies and Goals**

To promote knowledge and awareness for the social protection system in Cambodia, the Royal Government will take two approaches: (1) direct education, (2) indirect education.

##### **5.4.3.1 Promote Direct Education**

This approach seeks to promote knowledge through direct education and information dissemination on the policy or specific social protection programs. Regulators and operators should cooperate and set up programs to widely disseminate information to the public to facilitate better understanding of basic rights on receiving benefits from the social protection system and the own obligations to participate in it.

##### **5.4.3.2 Promote Indirect Education**

The Royal Government will explore possibilities to include basic financial literacy into school curricula of different grades in order to gradually mainstream the understanding of personal financial management of Cambodian children.

The aim is not only to promote the public's basic understanding on social protection but also on the financial system as a whole. Financial literacy covers other

aspects such as the uses of banking services, insurance services, securities operations and other financial operations.

## CHAPTER 6: ACTION PLAN FOR THE DEVELOPMENT OF SOCIAL PROTECTION SYSTEM 2016-2025

Policy	Short term (2016 – 2018)	Medium term (2018 – 2020)	Long term (2020 -2025)	Implementing Agencies
<b>1. Social Assistance</b>				
<b>1.1 Emergency responses</b>				
<i>Food Security Programs</i>	<ul style="list-style-type: none"> <li>• Continue strengthening the capacity of the National Food Reservation System</li> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Continue strengthening the capacity of the National Food Reservation System</li> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Continue strengthening the capacity of the National Food Reservation System</li> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> </ul>
<b>1.2 Human Resource Development</b>				
<i>Supporting Programs for Pregnant and Children Under 5</i>	<ul style="list-style-type: none"> <li>• Assess and evaluate the different modalities, including those used in the nutrition pilot projects to identify the modalities which are most suitable and effective for Cambodia</li> <li>• Identify implementing agencies and specify roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Expand the program coverage to national level and improve its effectiveness and efficiency</li> <li>• Expand the implementation to reach</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> <li>• Make adjustments to ensure the effectiveness and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Social Assistance Agency</li> </ul>

	<ul style="list-style-type: none"> <li>• Identify target provinces for preliminary implementation based on the level of demand and vulnerability</li> <li>• Set up implementation and capacity building mechanisms</li> <li>• Create mechanisms for measuring the progress and impacts and consider the possibility of introducing information technology systems</li> <li>• Implement the Nutrition Program for Pregnant Women and Children under 5 in priority provinces</li> <li>• Conduct a study on the mechanism for pregnancy check-up</li> </ul>	<p>national coverage based on the analysis of demand, geography, demography, socio-economic and other equity factors</p> <ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>		
<p><i>School Feeding Programs</i></p>	<ul style="list-style-type: none"> <li>• Assess and implement the home-grown garden pilot projects</li> <li>• Build institutional capacity and capacity of social workers</li> <li>• Set up a national policy on school feeding</li> <li>• Assess management and financial</li> </ul>	<ul style="list-style-type: none"> <li>• Set up the home-grown garden programs based on the results of the assessment</li> <li>• Develop an institutional framework and human resources to enhance the</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of expanding the program coverage to pre-school and lower secondary education level</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Education, Youth and Sports</li> </ul>

	aspects of the program	states can manage the whole program <ul style="list-style-type: none"> <li>• Assess the effectiveness and efficiency of the program implementation</li> </ul>		
<i>Scholarship for Primary Education</i>	<ul style="list-style-type: none"> <li>• Continue strengthening the implementation of the existing programs</li> <li>• Review criteria for receiving benefits</li> <li>• Set up monitoring and evaluation system to ensure consistency with secondary education scholarship programs and electronic systems for attendance checks</li> <li>• Conduct a cost- benefit study on the mechanisms for providing primary education scholarships through bank accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of expanding the coverage of existing programs to national level</li> <li>• Assess the feasibility of expanding the program coverage to grades 1-6</li> <li>• Analyze expanding the level of benefits for the scholarships to ensure on-time enrollment and regular attendance</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of expanding the degree of benefits for the scholarships to grades 1 – 6</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Education, Youth and Sports</li> </ul>
<i>Scholarship for Secondary Education</i>	<ul style="list-style-type: none"> <li>• Continue strengthening the implementation of the existing program</li> <li>• Improve the effectiveness and</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of expanding the coverage to grades 7-12</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of expanding the level of benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Education, Youth and</li> </ul>



	<p>efficiency of the implementation ( i.e. by establishing the mechanisms for providing scholarships through banks and for identifying the beneficiaries etc. )</p> <ul style="list-style-type: none"> <li>• Set up national policy on basic education</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<p>Sports</p>
<p><b>1.3 Vocational Training</b></p>				
<p><i>Vocational Training</i></p>	<ul style="list-style-type: none"> <li>• Set up a national policy on Technical Vocational Education and Training ( TVET ) to promote opportunities and equity to receiving TVET services to increase job opportunities and reduce poverty</li> <li>• Continue and assess the coverage expansion of Vocational Training, focusing on expanding the Skill Bridging Program for out-of-school young people</li> <li>• Promote technical training with certification for the poor people in rural</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation of cash transfers for technical training levels 1-3 for poor people and women in priority sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to implementing cash transfers for technical training levels 1-3 for poor people and women in priority sector</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> </ul>

	<p>areas</p> <ul style="list-style-type: none"> <li>• Assess the implementation of cash transfer for technical training levels 1-3 for poor people and women in priority sectors</li> </ul>			
<b>1.4 Welfare of Vulnerable People</b>				
<p><i>Cash Transfer Program for People with Disability</i></p>	<ul style="list-style-type: none"> <li>• Set up guidelines for implementing the sub-decree on allowance for people with disabilities</li> <li>• Set up an institutional structure to manage this program effectively</li> <li>• Implement the sub-decree on allowances for people with disabilities in target provinces</li> <li>• Monitor and evaluate the implementation and the results in the target provinces</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of expanding the program coverage to other provinces</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation and the results</li> <li>• Make adjustments to improve implementation effectiveness and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> </ul>
<p><i>Supporting Program for Elderly People</i></p>	<ul style="list-style-type: none"> <li>• Set criteria for beneficiaries and the benefit level</li> <li>• Assess the feasibility of identifying the beneficiaries and the implementing</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the possibility of implementing the support program for elderly in priority provinces</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the program nationwide</li> <li>• Monitor and evaluate its implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth</li> </ul>

	<p>agency</p> <ul style="list-style-type: none"> <li>• Build institutional capacity</li> <li>• Identify the target provinces</li> <li>• Assess the feasibility of implementing the program as a family package</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation and the results</li> <li>• Prepare to expand the coverage to national level</li> </ul>		<p>Rehabilitation</p>
<p><b>1.5 Financing</b></p>				
<p><i>Financial Support</i></p>	<ul style="list-style-type: none"> <li>• Complete expenditure scenarios ( including overhead and administrative costs ) for each component of the social assistance program in order to expand the priority programs</li> <li>• Assess the fiscal capacity of public resources</li> <li>• Create a long-term financial plan including the resource mobilization ( division of tasks between the Royal Government of and development partners )</li> </ul>	<ul style="list-style-type: none"> <li>• Assess and evaluate the long-term resource mobilization plan for a universal coverage of the social assistance program</li> <li>• Conduct a cost-benefits analysis on the results of the social assistance interventions</li> <li>• Enhance government ownership of technological and financial aspects</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to conduct the cost-benefit analysis</li> <li>• Support all components of the social assistance programs financially</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> </ul>
<p><b>2. Social Security System</b></p>				

2.1. Pensions				
<i>Temporary Mechanism to Reduce the Gap in the Pension Scheme for Civil Servants</i>	<ul style="list-style-type: none"> <li>• Establish decisions and guidelines to adjust the settings of pension schemes for the National Police and the Royal Cambodian Armed Force</li> </ul>			<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> </ul>
<i>Pension Scheme for Civil Servants</i>	<ul style="list-style-type: none"> <li>• Amend the Royal Decree on the establishment of NSSF and NFV in order to integrate them into a single institution and expand the coverage to other public officials in the executive branch, judiciary and other state institutions</li> <li>• Review the contribution rate for the pension scheme for all civil servants</li> <li>• Change from a non-contributory to a contributory system</li> </ul>	<ul style="list-style-type: none"> <li>• Set up guidelines for fund investments</li> <li>• Conduct actuarial assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct actuarial assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> <li>• Ministry of Labor and Vocational Training</li> </ul>
<i>Voluntary Exit from Work for Civil Servants</i>	<ul style="list-style-type: none"> <li>• Implement the process for the voluntary exit from work</li> <li>• Assess the conditions and benefits provided by the Social Security System</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Civil Service</li> </ul>

<p><i>Pension Scheme for Workers and Employees</i></p>	<ul style="list-style-type: none"> <li>• Assess the feasibility of implementing the compulsory pension scheme for workers and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the compulsory pension scheme for workers and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Study and evaluate the risks associated</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> </ul>
<p><i>Pension Scheme for Citizens working in the Informal Sector</i></p>	<ul style="list-style-type: none"> <li>• Assess the feasibility of implementing a pension scheme for citizens working in the informal sector under the existing mechanism of NSSFC and NSSF to ensure effectiveness in management and budget expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the voluntary pension scheme for citizens working in the informal sector</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of converting the pension scheme for people working in the informal sector from a voluntary to a compulsory scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> <li>• Ministry of Labor and Vocational Training</li> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> </ul>
<p><i>Types of Compulsory Pension Schemes</i></p>	<ul style="list-style-type: none"> <li>• Identify an appropriate pension scheme for Cambodia by focusing on the national budget availability and financial sustainability of each pension scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Set up a clear plan and schedule for its implementation, based on the prior assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the scheme based on the agreed plan and schedule</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> <li>• Ministry of Labor and</li> </ul>

				Vocational Training • Ministry of Social Affairs, Veterans and Youth Rehabilitation
<i>Private Voluntary Pension Scheme</i>	<ul style="list-style-type: none"> <li>• Set up a regulation on voluntary personal pension schemes run by financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Issue licenses to financial institutions to implement the voluntary pension scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Manage and monitor the private voluntary pension market</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> </ul>
<b>2.2. Health Insurance</b>				
<i>Health Insurance Scheme for Workers and Employees</i>	<ul style="list-style-type: none"> <li>• Establish the necessary regulations to implement the health insurance scheme for workers and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Expand the coverage of the health insurance scheme to the dependents of the workers and employees</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> </ul>
<i>Health Insurance Scheme for Civil Servants</i>	<ul style="list-style-type: none"> <li>• Assess the feasibility of implementing a health insurance scheme for civil servants</li> <li>• Establish the necessary regulations for</li> </ul>	<ul style="list-style-type: none"> <li>• Expand the coverage of the health insurance scheme to the dependents of civil</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> </ul>

	the implementation of the health insurance scheme for civil servants	servants		<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> <li>• Ministry of Health</li> </ul>
<i>Health Insurance Scheme for Citizens working in the Informal Sector</i>	<ul style="list-style-type: none"> <li>• Assess the feasibility of managing the Health Equity Fund and Kantha Bopha Fund by the Royal Government</li> <li>• Assess the feasibility of expanding the coverage of the Health Equity Fund to cover other vulnerable citizens such as children under 5, elderly and people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Establish regulations to assign the management of the Health Equity Fund and the Kantha Bopha Fund to the unified single institution managing the social health insurance system</li> <li>• Assess the feasibility of implementing the health insurance scheme for citizens working in the informal sector who do not hold ID Poor Cards</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the voluntary health insurance scheme for citizens working in the informal sector</li> <li>• Assess the feasibility of converting the voluntary scheme into a compulsory scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> <li>• Ministry of Health</li> </ul>

<p><i>Supportive Infrastructure</i></p>	<ul style="list-style-type: none"> <li>• Strengthen mechanisms to promote service quality in order to move toward the implementation of an accreditation system</li> <li>• Increase public investment on health infrastructure, including human resources</li> <li>• Set up mechanisms to promote the awareness of healthcare and health protection</li> <li>• Assess the feasibility of reinsurance solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of setting up an independent monitoring mechanism to conduct claim reviews</li> <li>• Promote the participation of private health facilities by revising the benefit packages of each social insurance scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Assess the feasibility of implementing a uniform benefit package for all social health insurance schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Health</li> <li>• Ministry of Economy and Finance</li> </ul>
<p><b>2.3. Employment Injury Insurance</b></p>				
<p><i>Employment Injury Scheme for Workers and Employees</i></p>	<ul style="list-style-type: none"> <li>• Amend the legal framework for dependent children to receive benefits from the scheme, even if their parent who died from an employment-related accident and were NSSF members do not have a marriage certificate; and to allow disabled children who are unable to earn income to receive benefits from</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> </ul>



	the NSSF for their whole life.			
<i>Employment Injury Scheme for Civil Servants</i>	<ul style="list-style-type: none"> <li>• Assess proper principals and standards to support civil servants who suffer from work-related injuries.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement an employment injury scheme for civil servants, to the extent possible under budgetary constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> </ul>
<b>2.4. Unemployment Insurance</b>				
<i>Unemployment Insurance Scheme</i>	<ul style="list-style-type: none"> <li>• Assess the feasibility of implementing an unemployment insurance scheme</li> <li>• Build capacity of officials</li> </ul>	<ul style="list-style-type: none"> <li>• Implement an unemployment insurance scheme to the extent possible</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Labor and Vocational Training</li> </ul>
<b>2.5. Disability Insurance</b>				
<i>Setting the Identification and Conditions for Receiving the Benefits</i>	<ul style="list-style-type: none"> <li>• Set up mechanisms to identify disabled people in each group as a basis to define the benefit package, reflecting the real conditions and providing for equity</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor and evaluate the implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> <li>• Ministry of Labor and Vocational</li> </ul>

				Training
<i>Labor Rehabilitation</i>	<ul style="list-style-type: none"> <li>• Increase the investments in labor rehabilitation mechanisms to enhance the capacity of technical officials and tools</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to strengthen the quality of labor rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to strengthen the quality of labor rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> <li>• Ministry of Labor and Vocational Training</li> </ul>
<i>Vocational Training</i>	<ul style="list-style-type: none"> <li>• Set up vocational training and employment services for people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to strengthen the vocational training and employment services for people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to strengthen the vocational training and employment services for people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Social Affairs, Veterans and Youth Rehabilitation</li> <li>• Ministry of Labor and Vocational Training</li> </ul>
<b>3. Governance</b>				
<i>Policy Level</i>	<ul style="list-style-type: none"> <li>• Establish the National Social Protection</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen institutional</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen</li> </ul>	<ul style="list-style-type: none"> <li>• Relevant</li> </ul>

	Council and its Secretariat	capacity and that of technical staff	institutional capacity and that of technical staff	Ministries/Institutions
<i>Regulatory Level</i>	<ul style="list-style-type: none"> <li>• Establish the new institution under the Ministry of Economy and Finance operating as regulator of the social security operators</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen institutional capacity and that of technical staff</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen institutional capacity and that of technical staff</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> </ul>
<i>Operator Level</i>	<ul style="list-style-type: none"> <li>• Integrate all social security operators, NSSFC, NFV, NSSF and PWDF into one single institution</li> <li>• Assess the mechanisms of cross-subsidization among different schemes</li> <li>• Assess the feasibility of setting up a social assistance agency to manage and govern social assistance fund</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen institutional capacity and that of technical staff</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen institutional capacity and that of technical staff</li> </ul>	<ul style="list-style-type: none"> <li>• All relevant ministries and institutions</li> </ul>
<i>Legal and Regulatory Framework</i>	<ul style="list-style-type: none"> <li>• Draft a law on the social protection system to determine the management structure of the system, roles and responsibilities of all stakeholders, monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Draft relevant legal documents</li> </ul>	<ul style="list-style-type: none"> <li>• Draft relevant legal documents</li> </ul>	<ul style="list-style-type: none"> <li>• All relevant ministries and institutions</li> </ul>

	mechanisms, as well as the process of each social security scheme and social assistance programs			
<b>4. Cross-Cutting Issues</b>				
<i>Investment</i>	<ul style="list-style-type: none"> <li>• Complete the preparation of regulations for issuing government and corporate bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Set up the necessary information technology to get ready for issuing government bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Start issuing government bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> <li>• SECC</li> </ul>
<i>Tax Policy</i>	<ul style="list-style-type: none"> <li>• Assess the remaining regulatory gaps related to tax policies on the operation of the social protection system</li> <li>• Assess the feasibility of providing tax incentives in order to boost donations/voluntary contributions to the social assistance fund</li> </ul>	<ul style="list-style-type: none"> <li>• Establish the necessary regulations to fully implement the tax policies relevant to the social protection system</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor, evaluate and modify if necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> </ul>
<i>Registration System</i>	<ul style="list-style-type: none"> <li>• Assess the feasibility of linking the general identification system for citizens with the ID poor system and membership registration systems of social security operators</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the linked system as a pilot project</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the fully linked system</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Interior</li> <li>• Ministry of Planning</li> <li>• Social Security</li> </ul>

				Operator
<i>Education</i>	<ul style="list-style-type: none"> <li>• Set up a public awareness raising program on social protection policies</li> <li>• Assess the feasibility of integrating basic financial literacy into the education program of the Ministry of Education, Youth and Sports</li> </ul>	<ul style="list-style-type: none"> <li>• Continue raising public awareness on social protection policies</li> <li>• Integrate basic financial literacy into the education program of the Ministry of Education, Youth and Sports</li> </ul>	<ul style="list-style-type: none"> <li>• Continue raising public awareness on social protection policies</li> <li>• Monitor, evaluate and modify to reflect changing circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Economy and Finance</li> <li>• Ministry of Education, Youth and Sports</li> <li>• CARD</li> <li>• Social Security Operator</li> <li>• Social Assistance Agency</li> </ul>

