

Chapter 9 | Social Protection

Ms. YOU Sotheary

Kravanh is 7 months pregnant and is employed as a cleaner in Phnom Penh. Her husband, Prayuth, works as a garbage collector. She has 7-year old twins living with her parents back in her hometown in Kampong Cham province. Her twins study in grade two at a local primary school located 15 minutes away from her parents' home. Due to the income level of the family the school provides two free meals every school day, under the "home-grown" school feeding scheme. Helping to support this scheme in their retirement, Kravanh's parents utilize their 50 square meter backyard to grow vegetables to supply some of the primary schools in their district. While visiting her parents and children during Khmer New Year, Kravanh gives birth prematurely. In a compounding turn of events, Prayuth also finds himself in a traffic accident and in need of medical attention for a broken foot. Fortunately for the family, the couple receive quality healthcare in the district hospital. Their state-sponsored health insurance fully covers their hospital fees under the universal health coverage scheme. Kravanh is entitled to 6-months paid maternity leave, while her husband can take 45 days of paid paternity leave under the paid parental leave schemes. With the existence of inclusive social protection schemes, Kravanh and her family are able to cope with the unexpected turn of events in their life.

I. Social Protection: The Ideal Scenario

By 2040, Cambodia will manage the external shocks and domestic economic stresses that negatively impact the livelihood and well-being of its citizens through the utilization of a responsive social protection system. It is designed to

ensure that social wellbeing is resilient to economic downturns, and that support is provided to Cambodians who require assistance. Primarily, it is designed to deliver equality of opportunity across Cambodia as the country moves along its growth pathway towards upper-middle income status.

Three core features underpin the system:

- Improved resilience to economic downturns. Cambodia has effectively secured income security for the working-age population, elderly, and children, while securing access to essential health care for all segments of the population.
- Widened opportunities for Cambodians to absorb the benefits of regionalization and globalization through strengthening the capability and skills of Cambodians to meet the demands of the labor market and improve access to needs-based and high quality education and vocational training for both the rural and urban populations.
- Enhanced equity for Cambodians to enable the poor and near-poor populations to live a dignified life with an adequate standard of living such that poverty is not passed from one generation to the next generation.

Cambodia achieves the 2040 social protection vision by establishing a social protection floor that insures all Cambodian citizens and residents. The social protection floor is defined as a minimum provision of social protection that guarantees access to essential health care, underlying income security, and effective public goods and services for Cambodians. The basic social protection schemes include the following components:

- Access to essential health care guaranteed by the health care service providers, both private and public, through universal health care coverage.
- Childhood security and protection systems that include access to nutrition, education, care, and other necessary goods and services.
- Basic income security and a good quality of public service provision for persons of working age who are unable to earn sufficient income in cases of sickness, structural unemployment, maternity, and disability.

- Basic income security and high quality of public goods and services for the elderly.

Public Policy Rationales

According to the Constitution of Cambodia (Articles 36, 46, 72, and 75), providing social protection to Cambodians is the responsibility of the government. Cambodians are entitled to the rights to life, the attainment of an adequate standard of living, and the enjoyment of the highest attainable standard of physical and mental health in accordance with the Universal Human Rights Declaration. There are two public policy rationales for the government of Cambodia to promote comprehensive social protection in Cambodia.

First, the Cambodian government can ensure that citizens are protected against external shocks and domestic stresses. Second, Cambodia can ensure a fair distribution of the economic resources to all segments of Cambodian society in order to promote economic growth and development

By 2040, previous problems regarding a lack of prioritized policy programs, low funding of social protection schemes, and inadequate data management capacity in social protection programming will have been addressed through effective social protection mechanisms. The six core developments by 2040 are listed below.

- Adopting a social security law that provides clear guidelines on social protection schemes, responsible agencies, and finance mechanisms to design and implement the social protection schemes.
- Providing universal health care to insure all Cambodian in both formal and informal sectors and in all age brackets in accessing health care services.
- Designing and implementing a home-grown school feeding program to increase child nutrition and promote socio-economic development.
- Providing unemployment insurance to ensure that all Cambodians, especially women, can access necessary services to upgrade their skills and knowledge to obtain employment opportunity and can reduce the risks associated with the loss of incomes.

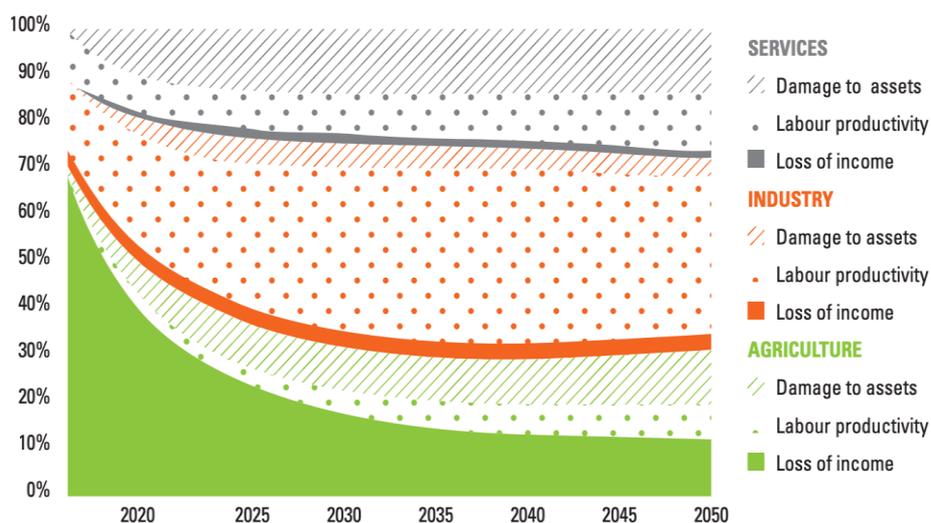
- Providing national pension schemes to ensure all Cambodians, particularly the old age population, have sufficient incomes.
- Providing parental leave to promote equitable access to social services and economic opportunity for women and men and to provide sufficient support to children in the first twelve months.

II: Scenario Space and Key Factors for Social Protection

The pathway for Cambodia towards 2040 may be uneasy and challenging. Key issues such as the structure of the population, employment, climate change, and external economic shocks play significant roles in determining the development outcomes of Cambodia.

For instance, climate change alone would reduce average GDP growth to 6.6% and absolute GDP by 0.4% in 2020, 2.5% in 2030 and 9.8% in 2050 (Ministry of Economic and Finance and the Council of Development of Cambodia, 2018). By 2050, the projected social and economic damages due to climate change can be seen as: (i) loss of income mostly from declining natural resource productivity; (ii) reduction in labor productivity arising from heat stress; and (iii) damage to assets (Ministry of Economic and Finance and the Council of Development of Cambodia, 2018). According to UNDP, climate change will impact labor productivity due to slowdown or fatigue among workers due to higher temperatures (UNDP, 2018). This low productivity will be the leading factor of GDP loss accounting for 57 percent of the economic loss and damage caused by climate change in the country in 2050 (UNDP, 2018; OECD, 2017; Ministry of Economy and Finance and the Council for Development of Cambodia, 2018). Ministry of Economy and Finance and the Council for Development of Cambodia (2018) highlighted that the low productivity affects all sectors but is particularly high in the manufacturing and construction sectors.

Figure 1: Economic Impact of CC by Sector and Type of Impact (% drop in absolute GDP 2050)



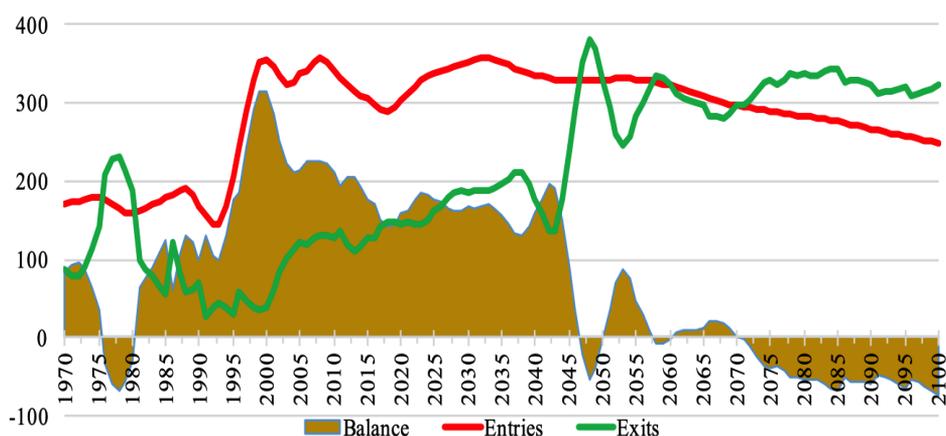
Source: MEF & NCSD, 2018

Climate change, together with other issues such as the movement of external and internal migration, the rapid urbanization and changes to the age structure of the population are the driving factors of increasing demands for responsive social protection (OECD, 2017).

The National Population Policy 2016-2030 projects that Cambodia's population by 2048 will be around 21 million people. In the next 40 years, the elderly are expected to increase as a share of the population by around eight percent, while the younger Cambodian population is expected to decline (RGC, 2016).

The data illustrates an estimated increase of dependence in the coming 40 years. In the absence of a social pension system it is likely that the family will be the significant contributor to ensuring that the well-being of those over 60 is assured (OECD, 2017).

Figure 2: Cambodian Working Age Population (15-64); annual entries, exits and total balance; 1970-2100 (in thousands)



Source: National Employment Agency, 2018

This demographic transition leaves Cambodia with two critical challenges, in the form of an increase in the working-age population and an increase in the school-age population. The National Employment Agency (2018) highlights that the Cambodian economy needs to generate 118.3 thousand additional jobs per annum in order to maintain its employment rate level of 84%.

Cambodia is in the process of strengthening institutional capacity, reforming public finance management and taxation, and having available fiscal space to roll-out the additional development agendas. With these ongoing reform agendas, crafting a new social protection policy is a necessary progressive mechanism to ensure positive outcomes as Cambodia continues its national development.

Key Factors

Social protection in Cambodia remains inadequate due to a lack of prioritized policy programs, low funding of social protection schemes and inadequate data management capacity in the social protection program (ILO, 2017; UNDP, 2017; OECD, 2017; World Bank, 2018). Social protection, including social assistance, social insurance, and safety nets, is currently underfunded due to limited budget allocations (OECD, 2017). As evidence, social assistance still has limited budget allocation and no clear policy priority. Cambodia was below the regional average

in term of social assistance spending – allocating only 10 percent of its social protection expenditure on social assistance in 2016, while average regional spending was 36 percent (ILO, 2017; OECD, 2017).

To date, Cambodia has not developed the type of systems that could be used and scaled up to provide a backbone for the social protection system at large (World Bank, 2018). The OECD reported that no intervention on life cycle had been designed and implemented in Cambodia, which left the majority of Cambodians vulnerable to external shocks (OECD, 2017). The World Bank also highlighted an example of fragmented social assistance programs in Cambodia caused by a lack of clear policy orientation to address the needs of the population and advance the economic development in the country (World Bank, 2018). The OECD highlighted in its report that social insurance in Cambodia is severely fragmented and that it has been poorly developed for the formal sector and non-existent for the informal sector. At the same time, statutory pensions for private and public sector's employees and statutory unemployment insurance for Cambodians have yet to be developed (OECD, 2017). Cambodia has limited data on cost and coverage of social protection, which makes it more difficult to access current social protection status and to inform policy decisions (World Bank, 2018).

The fragmented social protection system in Cambodia leaves many Cambodians, especially the poor and near-poor population, vulnerable to economic shocks. This has slowed down poverty reduction and human capital development. As of 2014, Cambodia's poverty incidence was about 14 percent, while multi-dimensional poverty was about 33 percent (World Bank, 2018; OECD, 2017). According to the World Bank, 8% of non-poor and 27% of poor people reverted to 'very poor' due to an absence of a responsive social protection scheme from 2012 to 2014 (World Bank, 2018). Nearly one-third of children under five suffered from stunting, while the enrolment rates in pre-primary and secondary school remained low with the presence of underfunded social assistance and a low priority of social protection schemes (World Bank, 2018). Maternal and child mortality rates remains the highest in the region caused by water-borne and infectious diseases, limited access to clean water, and no proper sanitation (OECD, 2017). Elderly and disability access are minimal

or are almost uninsured by the national social protection programs contributing to these groups being located in vulnerable conditions and poverty (OECD, 2017). Informal and vulnerable employment, which employ a large proportion of Cambodians, remains the norm in Cambodia, leaving the majority of Cambodian employees vulnerable to uncertainty and shocks (OECD, 2017).

Space for Social Protection Development

Cambodia has invested in the education and health sectors and has seen an increase in investment in social protection in recent years. This strategy is referred to as the “2.5 poverty reduction” (Gill et al., 2016). It has been suggested that having reduced extreme poverty to low levels, Cambodia should now consider expanding to a three-point strategy (3.0 Poverty reduction strategy) which prioritizes the improvement of education and health, alongside the integration of social protection as a full third component (Gill et al., 2016).

The full social protection component in the three-point poverty reduction strategy emphasizes helping the destitute and protecting vulnerable people. The social protection schemes should be prioritized in a poverty reduction strategy to ensure that poor and vulnerable people will be insured and protected. Social protection must be changed from a supplement to a full component in ways that complement, rather than substitute, the first two components of the strategy (Gill et al., 2016). Accordingly, there is a strategic need for Cambodia to develop an inclusive social protection system.

III: Policy Initiatives to Achieve the Ideal Scenario

Six policy initiatives, as noted above, are recommended for the Cambodian government to boost economic development by 2040 including: adoption of a national security law; provision of universal health care; establishment of national pension schemes; designing of a home-grown school feeding program; and providing unemployment insurance.

Initiative 1: Social security law

The social security law should integrate the following elements:

- Establish explicit pension schemes to enable Cambodians of pension age to secure their post-work income and ensure their well-being.
- Provide clear guidelines for disability insurance to protect persons with disabilities from risks and shocks that affect their lives and well-being.
- Set guidelines and requirements for health and medical insurance to make sure that all Cambodians are protected from unexpected health shocks and risks associated with physical and mental health.
- Outline supplemental income for low-income workers.
- Set a provision of unemployment insurance to provide guidelines and explicit conditions for unemployment insurance for all Cambodians.
- Public assistance and welfare services including temporary assistance for needy families, medical assistance, maternal and child health services, child support enforcement, family and child welfare services, and food assistance program

Initiative 2: Universal Health Care

The World Health Organization (2013) highlights Universal Health Care in some countries in Asia, Latin America, and Africa. Evidence from those countries suggests that universal health care has significant positive impacts on the well-being of the people and the economy as a whole. Expanding social protection to all Cambodians would help Cambodia to achieve both SDG ten (reduced inequalities) and SDG three (good health and well-being).

Cambodia can build upon existing programs as follows:

- Expand the coverage of IDPoor to the employees working under vulnerable conditions such as construction workers, hospitality and tourism workers, and garment workers.
- Expand coverage of health insurance for civil servants, police, and military and their dependents.
- Obligatory health insurance for private sector employees with equal contributions by both employees and employers.

- Scale up the Community Based Health Insurance Schemes Model²⁸ to insure informal workers.

Table 1: Selected example of Universal Health Care

Countries such as Thailand, Nepal, and Brazil have embedded universal health care coverage in their respective constitutions, making the provision of primary health care to their citizens an obligation of the government's interventions (Hachette F, 2009; World Health Organization, 2013; Luiza d'Ávila Viana et al. 2015). Experiences from Nepal and Brazil suggest that universal health care policy needs to go hand in hand with decentralization to improve the efficiency of health service delivery. Brazil implemented the Family Health Strategy from 1994 to 2012. This was a community-based healthcare service provided by a team that comprised one physician, one nurse, one nurse assistant, and up to six community health agents (Viegas Andrade et al., 2018:370). The family health team was responsible for providing care for a maximum of 4000 people living in a defined geographic catchment area (Viegas Andrade et al., 2018:370). Brazil also decentralized public health services, which transferred the primary care functions to local government, including contracting and paying health care providers and managing and supplying adequate health infrastructure (Viegas Andrade et al., 2018:370). In addition, local government is responsible for the implementation of universal health care coverage expansion (Viegas Andrade et al., 2018:370). Other lower-middle-income countries in Asia, such as Nepal, have implemented the Free Health Care Policy since 2007. Nepal has decentralized public health care to increase the quality of services and to mobilize resources to finance public health services (RTI International, 2007:4).

²⁸ The Community Based Health Insurance Schemes is implemented by a number of NGOs in 7 provinces under the support of the development partners and contribution of members. As of 2015, 148,148 people joined the schemes (National Social Protection Policy Framework 2016-2025).

Private sector and civil society engagement are crucial as they play complementary roles in delivering universal health care coverage. Brazil, Nepal, and Thailand engaged both the private sector and civil society in providing health care coverage and raising awareness among the population of the benefits of universal health care coverage (World Health Organization, 2013; Luiza d'Ávila Viana et al. 2015).

Initiative 3: National Pension Schemes

A national pension system is considered to be a mechanism to reduce poverty among the elderly and to smooth transition between working years and retirement years such that an individual will not suffer a massive drop in living standards when old age or disability reduce his or her earning ability (Schwarz. AM, 2006). Operating a national pension system requires a good policy, sound technical capacity, and sufficient budget to roll out the scheme. The establishment of a social pension system in a market that is not well established should be seen as an excellent opportunity to strengthen the government's capabilities and efficiency to guarantee the provision of benefits to the population.

National pension schemes should be designed and implemented to cover both formal and informal workers. Existing pension schemes should be scaled up to cover primary sector workers, the self-employed, and those in the construction and hospitality sectors. Development of the pensions scheme should be considered along the following lines:

- For those in the primary sector: the government should establish a contribution pension scheme that enables them to save for their retirement. These pension schemes should include equal contributions by each individual and the Ministry of Economy and Finance.
- Self-employed workers should be integrated into pension schemes. The self-employed workers should be required to contribute to the pension schemes through an opt-out tax enrolment system.
- Construction workers make a significant contribution to the economy with the boom of the real estate and construction sectors. They are

exposed to high employment risks that necessitate protection. The construction workers' pension schemes should be contribution schemes that require the employees, the employers, and the government to contribute.

- Social pension schemes for hospitality workers should be scaled up to protect these workers. The schemes should be contributory schemes that ask for the contribution from the employees, the employers, and the government.
- For the workers in other parts of the private sector, the government should strengthen implementation of the providence fund program to ensure that all firms, including small and medium enterprises, apply the providence fund provision. The employees and the employers should equally contribute to this pension scheme.

Table 2: Selected Example of Pension Schemes covering formal and informal sectors

Sri Lanka has designed and implemented pension schemes to protect workers in both the formal and informal sectors. Five pensions schemes have been rolled out in Sri Lanka including the Public Service Pension Scheme, Employee Provident Fund, Farmers' Pension, and Social Security Benefit Scheme, Fishermen's Pension Scheme, and the Self-Employed Persons' Pension Scheme (Samarakoon et al. 2015). Only the self-employed persons pension scheme is operated under the non-contributory pension scheme; the rest are operated on a contributory basis (Samarakoon et al. 2015). The public service pension scheme was established in the 1950s. The Employees' Provident Fund was established in 1958 to insure private workers on a contributory basis (Eriyagama & Rannan-Eliya, 2003b). This pension scheme is managed by the Department of Labor, while the Monetary Board of the Central Bank is responsible for fiduciary matters, including management of fund investments (Eriyagama & Rannan-Eliya, 2003b).

China also tries to protect its citizens in both urban and rural areas. In 2009, China rolled out the New Rural Social Pension Scheme to insure elderly Chinese in rural areas. China has designed two pension mechanisms -

including a social pension scheme and a contributory pension scheme - to provide a minimum level of income security in old age while also incentivizing saving (Vilela. A, 2013:6). The social pension scheme includes a basic pension that is payable to people aged 60 and over whose children participate in the scheme (family-binding eligibility criteria), funded by the central government (Vilela. A, 2013:6). The contributory pension scheme is designed for rural residents who are aged 16 and over, not in education and not enrolled in an urban pension scheme (Vilela. A, 2013:6).

Initiative 4: Home-grown school feeding program

A home-grown school feeding program is designed to improve the nutrition of school children and boost local economies through promoting nutrition education and better eating habits, in addition to encouraging the diversification of production with a particular emphasis on local crops. Implementing this program will support Cambodia to achieve SDG two (ending hunger, achieving food security and improved nutrition, and promoting sustainable agriculture), SDG three (good health and well-being), and SDG four (quality of education).

To design and implement the program, the government should consider:

- Establishing an inter-ministerial mechanism to implement the home-grown school feeding program.
- Designing national school health and strategic nutrition plans and implementation guidelines.
- Integrating the program into the education, health, and agriculture policies.
- Establishing a national school nutrition fund to implement the program.
- Engaging development partners and international organizations to roll-out the policy, e.g., UNICEF, World Bank, ABD, USAID and Save the Children.

Table 3: Selected Example of Home-School Feeding Programs

In recent years, home-grown school feeding programs have been growing significantly worldwide as a means to deliver healthy meals to children and to

stimulate local agriculture and economies through the procurement of food from local, small-scale producers (FOA and WFP, 2018). These programs emerged as an opportunity to improve the livelihood of smallholder farmers and local communities and to strengthen the nexus between nutrition, agriculture, and social protection (FOA and WFP, 2018).

Brazil has implemented such a policy since 1954 as a targeted food aid program designed to fight undernutrition and low levels of education (Sidaner et al. 2012). The program is strongly regulated in Brazil to promote child nutrition in school and socio-economic development at the community level. In 2006, Brazil passed the Organic Law on Food and Nutrition Security, which was a foundation for food security policy. In 2009, the Law on School Feeding was adopted, which was a milestone in the institutionalization of the school feeding program at the federal level. The National Fund for Development of Education under the Ministry of Education of Brazil is responsible for implementation. Brazil also adopted Resolution 38/2009 to lay out technical standards and administrative roles whereby it is mandated that school meals should provide at least 20 percent of the daily nutrition needs of students enrolled in part-time basic education (one meal is offered), and at least 30 percent of the daily nutritional needs when two or more meals are offered in schools located in indigenous communities. It is worthwhile to also note that the government of Brazil engaged with civil society in the process of design and implementation of its policy and the concomitant development of legal frameworks (Sidaner et al. 2012:990-991).

Initiative 5: Unemployment Insurance

Unemployment insurance is necessary for Cambodia in order to minimize economic disruption during future economic downturns. The government should set up an unemployment insurance fund that requires the contribution of the employees, the employers, and the government to protect workers from the uncertainty in employment. These three stakeholders should equally contribute to the unemployment fund of an employee. Providing unemployment insurance to Cambodians will support Cambodia in achieving

SDG eight (decent work and economic growth), SDG ten (reduced inequalities), and SDG one (no poverty).

Table 4: Selected Examples of Unemployment Insurance

The 1999 Asian financial served as a catalyst for Thailand to develop labor insurance in order to protect the unemployed population in the country. Unemployment insurance was introduced in the 1998 Labor Protection Act of Thailand. The involuntarily unemployed are entitled to severance pay which varies based on the employment period of the individual worker.

- For employment duration between 120 days and 3 years, cash assistance is 30 days of the minimum daily wage;
- For employment duration between 3 and 10 years, cash assistance is 60 days of the minimum daily wage;
- For employment duration over ten years, cash assistance is 90 days of the minimum daily wages (Labor Protection Act 1998).

In 2009, the government of Vietnam established a labor protection scheme under the guideline indicated in Decree No. 127/2008/ND-CP. In order to be covered by the law, the unemployed have to meet certain set criteria:

- An unemployed individual must have worked and contributed to the unemployment insurance fund for at least 12 months in the 24 months prior to his/her unemployment;
- An unemployed individual must be registered with the Employment Service Center at the Provincial Department of Labor, Invalids, and Social Affairs when they lose their job, or when their labor contract is interrupted;
- An unemployed individual has not yet found a job within 15 working days after the date of making unemployment registration with the Employment Service Center (Giang & Ngunyen, 2011).

The Unemployment Insurance Fund is funded by the government, employers, and employees. The total contribution is approximately three percent of the total salary of an employee in which all contributors contribute equal shares (Giang & Ngunyen, 2011). The insured unemployed receive benefits

equivalent to 60 percent of their average monthly salary during the six months before unemployment (Giang & Ngunyen, 2011). Bista & Carter (2017) suggest that the unemployment protection act should include specific provisions as to types of contract, employment benefits, payment of benefits, administration and operation procedures, finance mechanisms, and penalties (Bista & Carter, 2017:129-130).

Initiative 6: Paid Parental Leave

To achieve its development goals by 2040, Cambodia needs to reform its economic and social structure in a way that promotes productivity and competitiveness equitably. The provision of parental leave for mothers and fathers would help Cambodia to reach its goals through promoting the well-being of the mother and children while reducing inequality between men and women in employment. Parental leave should be incorporated into the following components:

- Both parents are entitled to a paid leave of absence upon the birth of their child.
- Parental leave should build upon the maternity leave that is already granted to Cambodians. The period of parental leave should be 24 weeks for the mother and at least 12 weeks for the father.
- The government can incorporate paid parental leave in the social security law and develop the national policy on paid parental leave.

Table 5: Selected Example of Paid Parental Leave

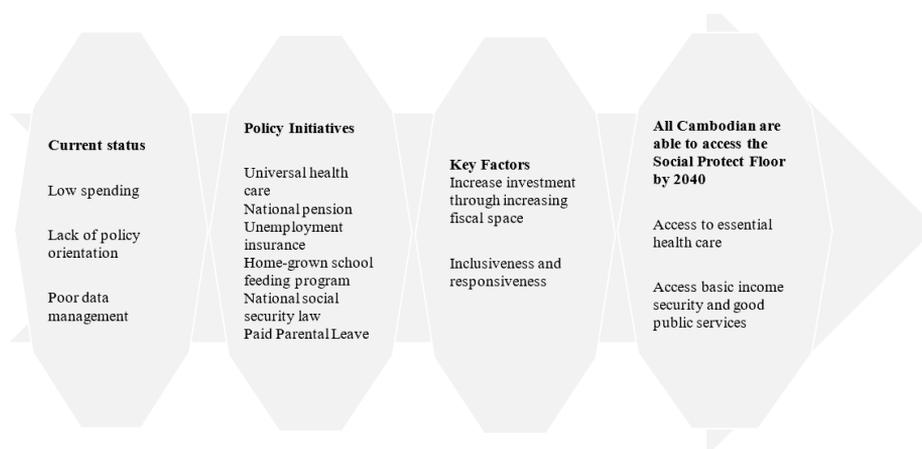
Paid parental leave has been associated with significant positive effects on the health, livelihood, and well-being of both children and parents. A study of 21 countries across the OECD found that in countries providing more than 24 weeks of paid leave, women contributed a higher proportion to household income (UNICEF, 2019:3). A study in Denmark found that policy reforms extending paid parental leave from 14 to 20 weeks led to an increase in mothers' incomes. Cross-national studies found that parental leave of moderate lengthen from 8 months to 1 year, reduce the gender earnings gap (UNICEF, 2019:3). Moreover, a study on the implementation of the one-year

parental leave policy in Germany found that the reform increased the likelihood of maternal employment by 12%, while in another study the policy led to higher employment probabilities three to five years after childbirth among women who took longer leaves (UNICEF, 2019:3).

UNICEF (2019) cited a recent review of the existing literature when suggesting that paid parental leave can contribute to infants' healthy development and survival by facilitating breastfeeding and enhancing parents' ability to obtain immunization and other medical care in the postnatal period. A study of nearly 1 million births over 18 years (1996-2014), as cited by UNICEF (2019), revealed that a one-month increase in the duration of paid maternity leave was associated with a 35% reduction in the risk of bloody diarrhea among children (UNICEF, 2019:2). Studies found that fathers who take paternity leave are more involved in childcare and other unpaid labor at home which may support mothers' breastfeeding and reduce the likelihood of post-partum depression which in turn benefits infant health (UNICEF, 2019:2). Paid paternity leave also contributes to the prevention of gender-based violence in the family. A study on California's paid paternity leave policy found that child maltreatment and physical abuse decreased after the introduction of the Paid Parental Leave Policy (UNICEF, 2019:2).

Windows of Opportunity for Sustainability

In designing and implementing its social protection schemes, Cambodia needs to pay critical attention to the inclusiveness and responsiveness of the policy, ensuring that these initiatives will reach out to all segments of the population. Cambodia has to make the social protection schemes available, accessible, and adequate for all Cambodians through establishing a tax-financed social protection system after 2030 and having a tax-financed social protection in place by 2040. Reaching the desired 2040 social protection depends upon two factors, including increasing public investment in social protection and the inclusiveness and responsiveness of the policy's design and implementation.

Figure 2: Social protection 2040

Fiscal Space

The available fiscal space should be utilized to finance the social protection schemes, particularly the pension schemes, basic social protection floor, and unemployment insurance. The primary public services - especially education and health services - have to go hand-in-hand with social protection programming. Cambodia needs to pay more attention to the equitable outcomes and gender-responsiveness of the education, health, and social protection policies.

Cambodia should establish social protection schemes that are financed by both the contributions and taxation to ensure the minimum income security for all Cambodians and residents and to smooth consumption levels over the lifecycle. The kingdom can increase its fiscal space to finance social protection through increasing tax revenue, reallocating public expenditure, drawing on development assistance, and tackling illicit financial flows.

A progressive pro-poor tax policy and more efficient tax collection and enforcement of the contribution obligations are recommended for the country to reduce poverty and address prevailing inequality. Cambodia should explore policy options that broaden its tax base, including taxes on wealth, personal income, and capital gains. Taxation on mining and natural resource extraction is also a crucial source of revenue to finance social protection. Some Asian

countries have taxed mining and natural resource extraction to finance social protection – Mongolia, for instance, invests a percentage of excess mining royalties to fund its pension programs.

Cambodia can gain fiscal space by tackling illicit financial flows. A study by Global Financial Integrity, as cited by the *Phnom Penh Post*, reports that the country lost a considerable amount of tax revenue due to illicit financial flows. Illicit financial flows made up between 17% to 39% of the total trade between 2005 and 2014 with tax losses at about \$4.5 billion over the last decade (De Gaudemar. M, May 2017). In 2014, illicit financial flows made up between 4% to 15% of total trade, which cost at least \$360 million in lost taxes (De Gaudemar. M, May 2017).

IV. Social Protection Under the Baseline Scenario: Business as Usual in 2040

Cambodia's GDP is projected to grow at an average of 7% from 2017 to 2050. However, without an inclusive social protection program, Cambodia will have a difficult time to break the cycle of poverty due to shocks and stresses. Cambodians will likely experience greater inequality in accessing social protection, as the existing social protection framework is not seen as an inclusive framework that can insure people in the formal and informal sectors. Cambodia has struggled to tackle inequality and the causes of inequality in recent years. For instance, Cambodia's HDI value in 2017 was 0.582, yet remained only 0.469 after the inequality adjustment (UNDP, 2018). A loss of 19.4% of HDI value after the inequality adjustment was due to inequality in the distribution of the HDI dimension indices (UNDP, 2018).

Regarding social protection, Cambodia needs to pay more attention to the 'missing middle' as it makes up a significant share of the total population. The 'missing middle,' who do not qualify as extremely poor and are employed in the informal sector, make up about 21% of the total population at present (UNDP, 2018). They will be more likely to be excluded from social protection programs, including health care, pensions, parental leave, and unemployment insurance. This ultimately leads to an increase in gaps in the social protection coverage by 2040.

Data from the National Population Policy 2016-2030 demonstrates that the elderly are expected to increase as a share of the country by 8% in 2048, which demonstrates a probable increase in the dependency rate in the coming 40 years (National Population Policy 2016-2030). Without a comprehensive social protection program that can guarantee income security for senior citizens, Cambodia's elderly are more likely to live in poverty with limited access to social and health services, creating a more significant burden for family members.

In 2045, the National Employment Agency projected that the Cambodian economy needs to generate 118.3 thousand additional jobs in order to maintain its level of the employment rate of about 84% as in its level in 2016 as discussed above. There will be an increase in the university and upper-secondary population to about 2.4 million and 1.1 million respectively. Without comprehensive social protection programs such as unemployment insurance, home-grown school feeding programs, pension schemes, universal health care, and parental leave, Cambodia is less likely to be able to reach its development goals for 2030 and 2050.

The climate change that harms Cambodian farmers and rural populations is also a threat to Cambodia's development and continues to hurt Cambodia's GDP and household income. Without a social protection system in place, people living in rural areas will not be able to break the cycle of poverty due to anticipated declines in productivity.

Parental leave provides affordable and accessible childcare to Cambodians while fostering equality between men and women. Without paid parental leave, Cambodia might have to deal with other issues caused by inequality in maternity and paternity leaves. The maternity leave that exists currently, with the absence of paternity leave, makes female labor in Cambodia more expensive than that of men, discouraging employers from employing women. Moreover, maternity leave in Cambodia might encourage women to stay home and foster gender equality gaps in employment due to limited or non-existent skills upgrade opportunities for mothers after giving birth.

Cambodia has implemented school meal programs for years in selected provinces. It has been reported that these initiatives have had some positive

effects on school attendance. However, the introduction of a home-grown school feeding program would help Cambodia to reduce child malnutrition and promote socio-economic development at the community level.

In short, without an inclusive social protection mechanism, Cambodia will struggle to achieve its SDG commitments and to reach middle income status by 2030 and high income status by 2050. Cambodia might also face new challenges along the way due to rising levels of inequality and the unequal distribution of economic resources in the kingdom.

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