

Towards Understanding Social Protection in Cambodia

CHAN Sophal and Sophal EAR

7th Socio-Cultural Research Congress on Cambodia
Royal University of Phnom Penh

16 November 2004

1

Purpose of Study

The study is intended to generate a better understanding of how the issues of risk and vulnerability are being addressed through Government, donor, and NGO programs in order to inform the World Bank's preparation of a Cambodia Social Protection Strategy Note, which aims to:

- a) take stock of existing knowledge on risk and vulnerability in Cambodia
- b) inventory existing safety net mechanisms (formal and informal) and sources and amount of funding
- c) examine coping strategies employed by the poor to deal with risk and dampen the effect of shocks
- d) outline a strategy for further World Bank involvement in the Social Protection sector in Cambodia

2

What is Social Protection?

- In our study, SP interventions are classified by types of delivery mechanisms:
 - Labor market interventions (vocational education and training),
 - Pensions,
 - Social and health insurance,
 - Interventions that directly address the needs of the very poor and vulnerable, such as the disabled, disadvantaged children, orphans of deceased soldiers, widows of deceased soldiers, and other vulnerable groups

3

SP in the Cambodian Context

- In the Cambodian context, social protection refers primarily to a system of formal and/or informal safety nets which aim to reduce poverty and vulnerability.
- Social protection can encompass a wide range of measures, including labor market interventions, social insurance, targeted income support, and other forms of assistance.
- These measures help individuals, households, and communities manage risks that threaten to push them into extreme poverty.

4

Methodology & Instruments

- Interviews with senior key players in the government, donor and NGOs.
- Reviews of RGC's plans, project documents of donors and NGOs, evaluation reports, annual reports and alike that provide related data and information.
- Analysis of Development Cooperation Reports and database maintained at the Cambodia Rehabilitation and Development Board (CRDB) of the Council for the Development of Cambodia (CDC) provide core quantitative data for the review.
- Mining of database compiled by Cooperation Committee for Cambodia (NGO), the study also provides an inventory of SP programs that covers both donor and NGO efforts.

5

The Royal Government of Cambodia

- The Constitution of the Kingdom of Cambodia states for instance:
 - Article 36 "Khmer citizens of either sex shall enjoy the right to choose any employment according to their ability and to the needs of the society.... Every Khmer citizen shall have the right to obtain social security and other social benefits as determined by law...."
 - Article 72 "the health of the people shall be guaranteed ... Poor citizens shall receive free medical consultation in public hospitals, infirmaries and maternities. The State shall establish infirmaries and maternities in rural areas."
- Several organic laws have since been passed to codify some of the tenets of the Constitution:
 - Labor Law (25 October 1998);
 - Insurance Law (20 June 2000);
 - Law on Social Security Schemes for Persons Defined by the Provisions of the Labor Law (25 September 2002)*

6

*This law has not been implemented to date.

National Poverty Reduction Strategy 2003-2005

In NPRS 2003-2005 under "Reducing Vulnerability"* (\$174 million or 11 percent of total \$1.584 billion) there is a subcategory of social protection and fight against human trafficking, which includes:

- social protection costing \$14 million (8 percent)
- social safety nets costing \$2 million (1.1 percent)
- combating child labor and trafficking and child protection costing \$26 million (15 percent)

The costs were for the period of 2003-2005 and include donor assistance, which was expected to remain constant at \$500 million through 2007.

*Also under this same category were: Ensuring Food Security (\$2 million), HIV/AIDS (\$40 million), Disaster Management (\$42 million), Mine Action (\$30 million), Sustainable Management and Use of Natural Resources (\$10 million), Ethnic Minority Development (\$2 million). The other major areas were: Expanding Job Opportunities (\$570 million), Improving Capabilities (\$509 million, of which \$338 million is Education—almost twice the entire envelope for Reducing Vulnerability), Promoting Income Earning Opportunities (\$216 million) and last but not least Institutional Strengthening and Improved Governance (\$102 million).

7

RGC Budget Law: Chapter 31

- Entitled "Interventions in Social and Cultural Sectors"
- Chapter most related to social protection in our estimation
- Allocation in 2003 was \$31 million but the actual expenditure reached \$38 million*
- 10 percent of actual current expenditure
- Chapter 31 saw increases both in absolute and relative terms, growing in size and share of the budget.
- From 1999 to 2003, Chapter 31 grew an average of 15.75 percent while the total budget increased by 10.42 percent. As a result, its share of the budget increased by 5 percent during this same period of time.

*While most ministries underperformed their budget law allocations vis-à-vis Chapter 31, MoEF and Interior (Administration) saw 81 times and 5.38 times their budget law allocations actualized, respectively. Both MoSALVY and MoWVA were broadly on target.

8

MoSALVY and MoWVA

- Ministry of Social Affairs, Labor and Vocational Training (mandated to lead and manage social affairs, labor, vocation training, and youth rehabilitation)
- Ministry of Women's and Veterans' Affairs
- The two ministries were allocated respectively in 2003 a budget of \$8 million and \$16 million, mostly spent on pensions, allowances and wages.
- Few resources are available for actual activities like the provision of vocational training programs for instance.
- MoSALVY: 75 percent of its total expenditures fall under Chapter 31, primarily retirement pensions (detailed in the next slide), while the remainder goes mostly to operating costs (budget lines for activities are not available).

9

Retirement Pensions for Civil Servants (1)

- 22,169 retired civil servants including the disabled, receive circa 70,000 riels (\$17.5) per month on average.
- A retired civil servant can receive as little as 27,000 riels (\$7) per month
- Average of \$0.58 per person per day, and a minimum of \$0.22 per person per day, assuming the full amount is actually transferred...
- National poverty line circa 2,000 riels (\$0.50) per person per day based on caloric intake

10

Retirement Pensions for Civil Servants (2)

- In case of death, an official's dependent(s) receives from eight to ten months of their salary, depending on length of service in government.
- In addition, a surviving child is provided, until adulthood or if certified in school, 3,100 - 4,000 riels (\$0.80 - \$1.00) per month, the lower amount for deaths unrelated to work.
- A spouse continues to receive about 4,000 riels or \$1 per month.

11

Veteran's Affairs

- The RGC has taken responsibility to officially support on a monthly basis:
 - 253,500 dependents (categorized as spouses, children, and parents) of 56,833 deceased soldiers and policemen,
 - 31,500 disabled soldiers and policemen, plus their 160,183 spouses and children,
 - 4,712 retired soldiers and their 16,465 spouses and children
 - 1,195 incompetent soldiers and their 3,697 spouses and children.
- In total, 471,252 people, excluding deceased soldiers themselves, were entitled to transfers from the RGC.

12

Veteran's Affairs: Expenditures

- \$13.7 million (2003) or an average of \$29 per beneficiary per month.*
- 87% of the total current budget of \$15.68 million allocated for MoWVA in 2003.* This total expenditure is relatively substantial for RGC.
- In terms of per capita or even per family, the compensation is of little significance, especially for the dependants of deceased soldiers.
- Survivors (spouse or parents) given 3,200 riels (\$0.80) per month. Children under 18 (or adult children if certified still in school) are provided 4,000 riels (\$1) per month.
- In fact, due to various reasons many veterans or recipients receive only around 50 percent of their payments.

13

*These figures refer to transfers for veterans and dependents of deceased soldiers.

Public Health Services for the Poor

- Household health expenditures consume a non-trivial portion of total household expenditures, and represent 75-85 percent of total health funding (\$20-30 per capita)
- Social Health Insurance (SHI) and Equity Funds, recently created the Ministry of Health.
- Social Health Insurance is intended for pooling health risks of Cambodians, while the Equity Funds are designed to assist the poorest of the poor by pooling money from Government and donors for health expenditures.

14

Social Protection by Donors and NGOs

- Cambodia has enjoyed foreign aid approximately accounting for 40 percent of its total expenditure
- While the current expenditure has not exceeded \$400 million, *total* external assistance per annum has been about \$500 million, of which some \$40 million have been contributed by NGOs
- 1993, official development assistance increased from \$312 million to \$518 million in 1996
- \$400-500 million in the period of 1997-2002
- A guestimate of 23 percent* of the total development assistance envelope or nearly \$110 million went to SP effort from External Assistance in 2001

*If one includes education, health, area/agric./rural development and social development using an arbitrary 0.25 "SP" factor as well as other more directly "related" SP assistance like Disaster Preparedness and Humanitarian Aid and Relief

15

Effectiveness of External Interventions on Social Protection

- 500 (or by some accounts 1,000) NGOs and donor programs are far too numerous to make a fair representation of successful or unsuccessful SP interventions in Cambodia
- The selected key sectors are disability, poor women and children, and integrated community development.
 - Disability Action Council (DAC)
 - Handicap International France (HIF)
 - Mith Samlanh (Friends)
 - SABORAS
 - Lutheran World Federation

16

Conclusions (1)

- Poverty in Cambodia is more severe than lack of economic empowerment
- Vulnerability, disability and hopelessness caused by prolonged civil war and a failed state over the period of more than three decades
- In a loose definition, almost half of the total \$500 million disbursed in 2002 by donors and NGOs could be considered for SP "related" programs.
- This is by far larger than the \$38 million disbursed by the RGC.

17

Conclusions (2)

- NGOs seem to be effective in reaching the poorest and most vulnerable in need of social protection
- Donors and NGOs do the job of government, which leads to "fungibility of funding", meaning government might divert fund to other non-productive use
- Providing social protection in Cambodia could be one of the most effective ways of achieving poverty reduction
- However, more detailed studies are needed to compare the cost-effectiveness of different ways and types of provision and providers of social protection programs.

18