PENSION FOR CIVIL SERVANT: CHALLENGES AND POLICY CONSIDERATIONS IN CAMBODIA

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1.- General Overview

• Long-term Vision ∶ “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 prevention of human resources and stimulate economic growth.”

• Goal: to ensure income security and reduce economic and financial vulnerability of citizens.

• Objective: 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 is also being developed to ensure the efficiency of the system and its budgetary implications.
Projection of Population and Aging People Support Ratio

Source: ILO

Source: UN 2015
2.- Current Concept of Social Protection

➔ The necessity of having a Social Protection System (SPS)

➔ The role of the Royal Government in the SPS
  • Maintaining macroeconomic and financial stability
  • Preparing regulatory framework and governance
  • Providing appropriate financial options & solutions.

➔ Fundamental principles of the SPPF
  1. Strengthen the leadership role
  2. Appropriately respond to the needs and circumstances
  3. Define acceptable contribution rates and satisfactory benefits
  4. Ensure a sustainable funding
  5. Safeguard social equity and solidarity
  6. Maintain flexibility and responsiveness to adapt to changing context
Cambodia Social Protection Framework
3. Pension: Challenges and Reform

- The “Obligatory” and “Self-dependent” mechanism 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.

- **Financing:** contribution system (employees and employers, both in public and private sector and retirees and people working in the informal sector) and with the subsidy of the government if necessary.

- **Government Withdrawal:** to avoid “Moral hazard” and other factor that may discourage people from personal savings in order to protect themselves against unexpected risk or negatively impact their productivity.

- **Future Direction:** Social Security schemes, including pension, will continuously be increasingly financed by contributions and the investment return of the accumulated fund (especially pension scheme).
### 3.- Pension: Challenges and Reform

| Institutional Framework | - Relying on support from their family when they are old  
|                        | - Current Pension Scheme (7% of the total population) ÷  
|                        |   - Only Civil Servants, including police officers-soldiers, other regulatory bodies.  
|                        | - Fragmentation among Operators, high operational costs, Inconsistency of Allowances/Benefits  
| Financial Framework    | - Relying fully on national budget through a Pay-As-You-Go mechanism  
|                        | - A sharp increase of national budget trend on public pension scheme  
|                        |   - The increase of salary  
|                        |   - The system, absence of obligatory saving mechanism, member contribution  
|                        |   - Demographic Change  
| Legal and Regulatory Framework | - Inconsistency and lack of regulatory framework for management and monitoring in accordance with technical and financial sustainability standards.  
|                        | - No early retirement system or coordination mechanism for voluntary exit for civil servants.  

3. Pension: Overview and Challenges

Expenditure on Pension Scheme from 2012-2016

Source: Ministry of Social Affairs, Veterans, and Youth Rehabilitation
3.- Pension: Overview and Challenges

Projection of the increase of public expenditure

Source: International Labor Organization
3. - Pension: Challenges and Reform

**Institutional Framework**

- Ensuring consistency between Public pension Schemes
- Alignment of existing pension projects
- Preparation of a system for voluntary exit for civil servants
- Implementation of a pension schemes for workers and employees, a pension scheme for non-poor working in the informal sector, and a voluntary pension scheme.
- Comprehensive study on types of pension schemes most suitable for Cambodia. (DB Vs DC)
- Portability (CS-Workers-Employees)

**Financial Framework**

- Reforming the financing mechanism to support the public pension scheme.
- Defining a Contribution Rate to support the public pension scheme.

**Legal and Regulatory Framework**

- Develop a legal framework (for supervising the implementation of all public pension schemes) that will be part of the Law on Social Protection System.
- Establish a legal framework for the management and operation of voluntary pension schemes.
4.- Governance Structure

Geneval Overview (up to now)

- SP policies have been set forth by many ministries & institutions.

Challenges

- Lack of a unified coordination mechanism and the mechanism to monitor and evaluate the effectiveness of the management or operation of each program.
- Inconsistencies, gaps and overlaps of each policy which negatively impacts the effectiveness and efficiency in the use of resources, both financial and human.
- No consistent linking among programs or SP activities.
- Lack of unified policy for SP system.
4.- Governance Structure

• Establishment of NSPC and its Secretariat.

• Establishment of Social Security Regulator

• Integrating all social security operators; NSSFC, NFV, NSSF and PWDF into one single institution.

• Assessing the feasibility of setting up a social assistance agency to manage and govern social assistance fund.
4.- Governance Structure

Policy Level
- National Social Protection Council
  - Executive Committee
    - Sub-committee
      - Regulatory Level
        - Secretariat
          - Social Security Regulator
            - Operation Level
              - Social Assistance Programs
                - Social Security Fund
                  - Institutional Capacity
                    - Human Resource
                    - Infrastructure
                      (MIS, Settlement Sys.)
                  - Emergency Response
                  - Human Capital Dvlp.
                  - Vocational Training
                  - Social Welfare of Vulnerable People
                  - Health Insurance
                  - Employment Injury
                  - Pension
                  - Disability
                  - Unemployment
5- Appreciation & Suggestions

• WorldBank

• Technical Assistance from DPs

• Capacity Building

• Awareness & Behavioral Change Communication

• Investment guideline
THANK YOU