

Introduction

Heir to the ancient Khmer Empire, the Kingdom of Cambodia is a parliamentary constitutional monarchy located in Southeast Asia and bordering the Gulf of Thailand, between Thailand, Viet Nam, and Lao PDR. Its population of about 16 million is among the youngest in Southeast Asia, with half the population aged under 25. The population is predominantly Khmer. Other ethnic groups represent less than 10% of the population and are composed mostly of Vietnamese and Chinese. Cambodia is also among the poorest economies in Southeast Asia, with a gross domestic product (GDP) per capita of USD 1 225 in 2015.

The population of Cambodia has suffered substantially over the past decades from deep economic, social and political turmoil related to the rule of the Khmer Rouge in the 1970s, the Vietnamese occupation in 1978, and the ensuing civil war that lasted almost 13 years. Studies indicate that at least 1.5 million Cambodians died from execution, forced hardship or starvation under the Khmer Rouge regime.

The country has benefited greatly from the restoration of peace and stability achieved by the 1991 Paris Peace Accords. Since 2000, Cambodia's economy has posted one of the strongest and most sustained periods of growth in the world. The rapid expansion of the garment and footwear industry has driven economic development, increasing the role of the industrial sector and reducing agriculture's contribution to GDP and employment. This change in the structure of the economy has generated large-scale migration from rural to urban areas which, together with a rapid growth in the size of the working-age population, has transformed the labour market. This growth performance has been accompanied by a sharp drop in income poverty.

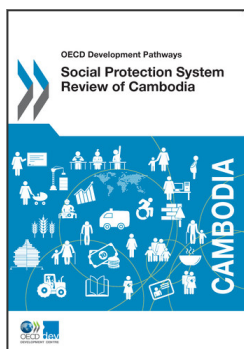
However, the challenge of securing livelihoods for all in the years to come remains enormous. Today, a large number of the population is near poor; informality and vulnerable employment are widespread, and human development indicators remain among the lowest in Southeast Asia. A range of social protection instruments aim to address these challenges but these operate on a relatively small scale and considerable gaps remain. Cambodia must also confront the profound threat proposed by climate change, harness the

potential of rapid urbanisation and prepare for ageing of the population. There are additional concerns that without action to secure livelihoods, a number of emerging trends threaten to undo much of the gains achieved in recent years.

Cambodia's Rectangular Strategy for Growth, Employment, Equity and Efficiency places the goal of economic development and poverty reduction at the centre of national policy making. With this in mind, the Government of Cambodia has developed a Social Protection Policy Framework (SPPF) with a view to harmonising, concentrating and strengthening existing schemes in order to increase effectiveness, transparency and consistency of the entire social protection system. Meeting these objectives requires a close monitoring of social protection needs together with an assessment of the adequacy and equity of existing social protection initiatives. It also calls for a holistic approach that supports policy coherence across different public actions.

A principal objective of this report is to contribute to the ongoing policy dialogue on social protection, sustainable growth and poverty reduction. It prompts a series of questions that are crucial for the implementation of Cambodia's SPPF. How will emerging trends affect the needs for social protection, now and into the future? To what extent are Cambodia's social protection instruments able – or likely to address current and future livelihood challenges? How does fiscal policy affect social protection objectives?

This report is organised as follows: Chapter 1 is a forward-looking assessment of Cambodia's social protection needs. Chapter 2 maps the social protection sector and examines its adequacy. An investigation of the distributive impact of social protection and tax policy is undertaken in Chapter 3. The last chapter concludes with recommendations for policy strategies that could support the establishment of an inclusive social protection system in Cambodia, as envisaged by the SPPF.



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