



Groupe de recherche et
d'échanges technologiques



Garment Manufacturers'
Association in Cambodia

Introducing Social Health Protection for the Garment Sector

The Health Insurance Project (HIP)

Cedric Salze

November 2008

I – Background and Rationale

Garment Manufacturers Association in Cambodia (GMAC) is the official association of garment manufacturers who are exporters registered with Ministry of Commerce. GMAC's has about 300 members and was officially registered with the Ministry of Labour and Vocational Training (MOLVT) as a employers' organization in compliance with the Cambodian Labour Law 1997. It was also incorporated as an association with the Ministry of Commerce.

GMAC members are mostly foreign investors from Taiwan, Hong Kong, China, Korea, Malaysia, Singapore, etc. Cambodian investors own only 6% of the factories. They employ about 3% of the total workforce. 68% of GMAC members are large-scale factories with about 500 to 9272 workers per factory.

GMAC members collectively employ approximately 360,000 workers.

GRET is a French International NGO active in Cambodia since 1987. GRET has been in several fields of economic development (agriculture, micro-finance, water sanitation, irrigation, etc.).

In 2000, GRET has designed and implemented a Social Health Insurance Scheme named SKY which is now active in 4 provinces of Cambodia and in Phnom Penh. SKY now protects more than 32 000 persons.

From its very first feasibility studies on developing Social Health Insurance in Phnom Penh, GRET/SKY identified the garment sector as an important target group; with salaries ranging from \$60 to \$90, garment workers remain highly vulnerable to health shocks.

During the last two years, discussions have been initiated between GRET and GMAC on the relevance of introducing social health insurance for the garment sector. From these discussions GRET and GMAC have agreed that setting-up a **health insurance scheme for salaried workers** could provide an adequate solution to address the needs of both the workers (improve health status and reduce vulnerability and hardship in case of illness) and the employers (healthy workforce improves productivity) It would also greatly contribute to the preparation of the health component of the National Social Security Fund (NSSF) due to start in 2010/2011.

II - Presentation of the project

2.1 - Links between the project and the future health component of the NSSF

- On March 2, 2007, H. E. Prime Minister signed a sub-decree establishing a National Social Security Fund¹ (NSSF). The “workmen compensation” component is currently being implemented. The “health” component of this fund should be implemented by 2010/2011 under the supervision of the Ministry of Labour.
- The proposed extension of health coverage to salaried workers of the garment sector through the HIP project can be seen as a temporary measure until health care for salaried workers be covered by the NSSF in 2010/2011. The outcome of the scheme will contribute to the development of the national social security’s policy, procedures, processes, budget and operating framework.
- The coverage of salaried workers of the garment sector should follow the minimum standards for health care defined by ILO convention 102, 130 and be as much as possible in line with NSSF plans.
- In this context, the Social Security Department of the MOLVT and the NSSF will be closely associated to the project.

2.2 - Key principles

- The scheme is a non-for-profit voluntary system in which garment factories can enrol;
- At enterprise level the employer will need to enrol all the salaried workers;
- In order to comply with the future NSSF, the workers family members living in the area should be ultimately covered. In the first stage of the pilot, coverage of family members will be optional.

2.3 - Target population:

- Salaried workers of the garment sector of the Kingdom Cambodia;
- From an estimated size of the target group: 350 000 persons, 10 000 persons will be covered in year 1. Depending upon its initial results, the scheme could then be extended to 100 000 workers in year 2 and 200 000 in year 3.
- Location, mainly Phnom Penh during the initial phase.

2.4 - Medical Service provided

- Extensive benefit package covering both basic, maternal, child, and advanced care;

¹. « Sub-decree concerning the establishment of a social security fund », No. 16 GRD, March 02, 2007

- Low cost but quality controlled health care (drugs, medical staff qualification, compliance of service with Ministry of Health requirement, availability of medical equipment, etc.) provided by public health facilities. Ministry of Health will be also closely associated to the program;
- Service easily accessible to workers; broad opening hours, several locations in Phnom Penh for delivery of services, cash free scheme for workers.

2.5 – Governance

- GRET and GMAC will co-manage the program;
- In a second step, representative of the employees could be associated to the management of the program, provided the employee will contribute to the premium;
- A steering committee will be created at project launch. It will gather representatives of NSSF, MOLVT, MoH, GMAC, GRET, ILO and donors. This steering committee will meet quarterly and provide advises to the scheme.

2.6 - Financing

- Premium for workers co-paid between employer and employee to comply with the provision of the future NSSF;
- Possibility for workers to enrolled their immediate family (spouse, children) into the scheme on a voluntary basis first;
- Scheme must be ultimately financially sustainable. Donors will provide initial seed money. Full sustainability should be achieved in year 3.

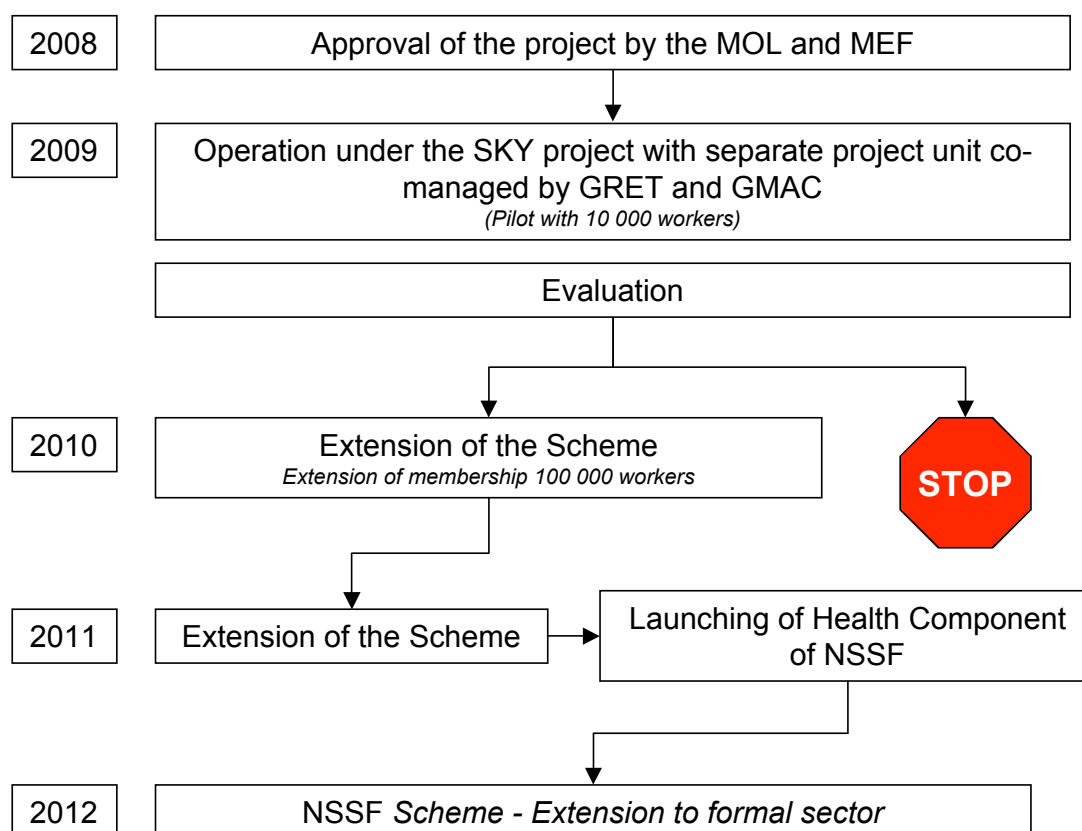
III – Implementation plan

A new project unit co-managed by GRET and GMAC will be created to run the scheme. The legal form of this entity will depend of the final outcome of the sub-decree on Micro Health Insurance, currently being prepared by MEF. For its first year of operation, the scheme could run as part of the SKY Community Based Health Insurance Project. A specific project unit will be in charge of HIP.

The scheme could then be registered within the Ministry of Economy and Finance and the Ministry of Health as “Micro-Insurance Provider” and comply with the “Guidelines for Developing Social Health Insurance” developed by the Ministry of Health.

This project will require support from the Government of Cambodia, and more particularly, from MOLVT, which is in charge of implementing the NSSF, and MoH who will be responsible for health care delivery. We do recommend that a close collaboration be established with MOLVT and MoH as soon the project starts.

The implementation plan could be summarized as follows:



3.1 –Pilot phase

The project will start with a one-year pilot phase phase. 10 000 workers will be covered (4 or 6 factories covered). It will give us the opportunity to validate the hypothesis of risk and the financial viability of the proposed system, test the practical arrangement with the factories and set-up the monitoring tools needed to measure the impact on workers and factories.

It will also allow us to verify the absorption capacity of the public health sector for large groups of workers as well as the quality of service delivered. Finally, during the pilot year, we will prepare for larger scale coverage with the partnering health facilities (referral systems, accreditation process, etc...).

This year also allows for in-depth discussions with the MOLVT on the future plans of the NSSF, so that best compliance between NSSF and the insurance program could be guaranteed to ensure a smooth transition at the time of its implementation.

Several immediate areas of collaboration can be identified such as :

- Adjusting the benefit package proposed by HIP to ensure the maximum compliance with the future benefit package covered by the health component of the NSSF;
- Including NSSF staff into the HIP team for building capacity in key areas such as risk management, pricing calculation or social marketing of social health insurance;

- Developing a joined awareness raising campaign on social protection, social health insurance and NSSF plans;
- Sharing information gathered by HIP on occurrence rates, financial model of the scheme, and lessons learned during the implementation process.

A complete external evaluation will be carried-on at the end of the first year to assess the first results and their impact, and define whether the program should be extended, adjusted, or stopped.

3.2 – Extension of the pilot and articulation with NSSF

At the end of the one-year pilot, and if the evaluation is positive, the scheme will be extended to 100 000 additional workers in year 2 and 100 000 additional workers in year 3.

This second phase will prepare the articulation of the scheme with the future NSSF.

IV – Funding

- GRET has obtained a funding from AFD for three years.
- The program could start in January 2009.
- Funding will cover the operation losses during the first years of operation, investment costs, and technical assistance.
- Discussions have been initiated with additional donor agencies to co-fund this project and provide assistance on health-related issues.

V – Possible workplan

	2008 Q4	2009					2009				2011		
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	Q1	Q2	Q3
0 Approval of the project from MOLVT													
I Pilot Project													
1.1 Preparation of a new project Unit within SKY													
1.2 Selection of the first factories involved													
1.3 Staff Hiring and training													
1.4 Practical arrangement and Investment													
1.5 Definition and validation of benefit package													
1.6 Contracting with health providers													
1.7 Orientation and information of factories & workers													
1.8 Registration of workers													
1.9 Insurance coverage of 10 000 workers													
1.10 Evaluation and adjustment of the model													
1.11 Institutional arrangement ofr HIP													
II Extension of the Project													
2.1 Staff Hiring and training													
2.2 Practical arrangement and Investment													
2.3 Contracting with health providers													
2.4 Orientation and information of factories & workers													
2.5 Registration of workers													
2.6 Insurance coverage of 100 000 workers													
2.7 Insurance coverage of 100 000 additional workers													
III Articulation with future NSSF*													
3.1 Collaboration with the NSSF, MoL and MoH													
3.2 Contribution to the preparation of the future NSSF													
3.4 Preparation of transfer to NSSF													
3.5 Formal transfer to the NSSF													
3.6 All workers insured under NSSF													
IV Management / Governance / Monitoring / Reporting													
4.1 Steering Committee													
4.2 External evaluation													
4.3 Quarterly report to Molvt and MoH													
4.4 Annual Reports													

* Tentative schedule. Will be adapted according to the pace of implementation of NSSF health component