

UNICEF REGIONAL OFFICE FOR CEE/CIS COUNTRIES

QUESTIONNAIRE ON CHILD POVERTY AND THE CRISIS

INTRODUCTION

This is a request to all UNICEF Country Offices in the CEE/CIS countries to help complete this questionnaire.

UNICEF has been asked to develop in close collaboration with ILO and UNDP an Analytical Paper on Social Protection for the Almaty Ministerial Consultation on the Financial Crisis.

The answers you will provide will feed into that background paper. However, coincidentally, in this year's programme of work we were planning a major comparative study of social protection/minimum income schemes in the CEE/CIS countries (with the support of Professor Jonathan Bradshaw at the University of York) using our country offices as national informants. Discussion of this proposal took place at an expert meeting in Morges in January. As these two projects overlap we have combined them into a single request.

What we are asking is for each of you as social policy officers to complete the attached questionnaire by 7 September 2009. The Ministerial Consultation is planned to take place in the last quarter of October (subject to final confirmation). This will give us time to develop a report based on your questionnaires and to consult you about the draft. It will also allow us to discuss the findings in the network meeting in the following week in Montreux.

The main focus of the questionnaire is children but there are also questions covering other major groups that may be affected by the crisis.

We envisage that you will be able to answer most of the questionnaire using your own knowledge and drawing on the knowledge of other staff in UNICEF offices. However you may need to consult officials in government departments, academics, research institutes or statistical offices from time to time. One option that may make sense is to invite a group of key informants to form a focus group to work through the questionnaire. Small amounts of funding may be available if this is required

The questionnaire is in three sections:

1. Description of the impact of the crisis.
2. What measures have been introduced or envisaged as a result of the crisis.
3. Social protection/minimum income scheme.

We suggest that you read the whole questionnaire through first and then tackle it in bits.

If you have any queries on organising the completion of the questionnaire please let me or Petra know. Any questions on the questionnaire itself please contact Professor Bradshaw jrb1@york.ac.uk copy to us.

Good luck.

COUNTRY: [Kyrgyz Republic](#)

NAME OF RESPONDENT:

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[Please do not be constrained by the layout of this questionnaire. You can use as much space as you need but as guidance we do not expect the responses to each section to exceed 10 pages – 30 pages in all]

PART 1: IMPACT OF CRISIS

Please start with a brief overview of the evolution of the crisis and its impact on the macro economy – on

For the Kyrgyz Republic, as for other economies in transition, the global financial crisis including energy resources and food prices rise has become a challenge to their sustainable development.

In Kyrgyzstan, inflation rate has lifted up to over 30% in the middle of 2008. The two neighboring countries, Kazakhstan and the Russian Federation, the main trade partners of the Kyrgyz Republic and major sources of remittances, were mostly affected by the global crisis. As a result, the economy growth was almost stagnated in 2009.

Therefore, the recent success of poverty reduction is under serious threat, partially due to decrease of remittances from labor migrants. This factor contributes to vulnerability of population.

Despite the “inflation splash” in September 2007 and influence of global financial crisis on economy of the Kyrgyz Republic in 2008, the country has managed to keep under control the macroeconomic stability and sustainability.

Until the recent times, the bank sector has met a crisis, for the share of non-serviced loans is steadily growing.

The government has undertaken efforts to strengthen the capacity of financial sector including through improvement of surveillance of commercial banks and development of emergency and preparedness plans to protect the system stability.

Source: Institute of Strategic Analysis and Evaluation (ISAE) under the President of the Kyrgyz Republic, 2009.

Growth

Over the past four years (2005-2008), the level of GDP has increased two times. The size of external debt to GNP decreased from 86% to 49% and has reached economically secure level; the volume of international currency reserves doubled (2.2 times), while foreign trade turnover increased by 3.1 times.

	01.01.2005	01.01.2009
GDP, billion Soms	94,4	185
GDP per capita, US dollars (calculated by mid-quarter course of appropriate year)	436	959

The GDP per capita in 2008 was 35,100 Soms (959 USD) and has increased by 6.8%. The social liabilities of the state have been implemented, the gold and foreign

currency reserves were increased, and considerable progress has been reached in the field of business and investment climate. The attained results of economic development have built up certain resources of country durability. These factors allow looking into the nearest future with definite hope.

The increase of state revenues by 2.5 times has permitted to pay more attention to social sector. Particularly, the expenditures on health, education, and public order and security have increased by 6.6 times, 2.5 times, and 3.8 times respectively. The real growth of GDP for January – June 2009 was 100.3%.

The positive rate of growth is provided in such sectors as agriculture, construction, and services. However, it is observed a decline of industrial production by 18.9% for January – June 2009 when comparing with the same time period of 2008.

The deposits base level in commercial banks has fallen by 1.9%, and credits portfolio – by 3.9%. The volumes of internal as well as foreign trade have decreased. Especially, it is concerned the trade relation with the Russian Federation. The export into Russia has decreased by 6.6%, and import – by 30.7%.

It is expected to have a growth of GDP at the level of 101 – 102% at the end of the year 2009.

Source: Institute of Strategic Analysis and Evaluation (ISAE) under the President of the Kyrgyz Republic, 2009 based on data of National Statistical Committee (NSC) and Ministry of Economic Development and Trade (MEDT) .

Earnings

Earnings has been steadily on rise in 2006-2008. During that period average income increase in real terms reached 13.3%.

Proportion of revenues and payments of Minimum Consumer Budget (MCB)

Description of indicators	2004	2005	2006	2007	For 1st six months of a year of 2008	2008	For 1 st six months of a year of 2009	% to 1st six months of year of 2008
Value of MIB per capita per month (Soms MCB)	1,725	1,837	2,377	2,796	3,540	3,571	3,776	106.6
- per capable population	2,009	2,128	2,617	3,083	3,891	3,930	4,148	106.6
- per pensioners	1,396	1,493	2,085	2,436	3,073	3,122	3,291	107.1
Value of food basket (Soms per month)	1,246	1,337	1,520	1,860	2,269	2,284	2,415	106.4
Average wage:								
- health workers	1,346	1,622	1,955	2,749	3,347	3,362	3,152	94.1
% to value of MCB of capable population	66.9	76.1	74.7	89.2	86.0	85.5	82.3	
- health workers and provision of social services	1,126	1,386	1,751	2,550	3,403	3,505	3,830	112.5
% to value of MCB of capable population	56	65.1	66.9	82.7	87.4	89.2	92.3	

Average size of work pension with compensations (Soms per month)	714	775	906	1,120	1,170	1,426	1,622	138.6
% to MCB of pensioners	51.2	51.9	43.5	46	38.0	45.7	49.3	
Average size of social allowances (Soms per month)	365.4	366.6	457	504.4	716.2	717.2	717.5	100.1
% to MCB of all population	21.2	20.0	19.2	18.0	20.2	20.1	19.0	
Average size of allowances to low income families and citizens	88.4	88.5	124	121.7	123.1	127.5	136.5	110.8
% to MCB of all population	5.1	4.8	5.2	4.4	3.4	3.6	3.6	

Source: National Statistical Committee, 2009.

The average monthly nominal wage increased by times, the proportion of 2008 to 2004 - by 2.4 times.

	2004	2005	2006	2007	2008	2009 январь-июнь
Average wage (Soms per month)	2,203	2,570	3,270	3,970	5,378	5,880
Average wage (\$ per month)	52	63	81	114	136.5	136.7

Source: National Statistical Committee, 2009.

Within the course of the year 2008, the measures to raise wages were undertaken; in the health, social protection, culture, education (for administrative and technical personnel) sector by 30%; their wages are defined in accordance with the Unified Tariffs Plan. The wages of state and municipal workers were increased by 60% in average. For workers of the state agencies without state workers status the wages were increased by 40% - 70% depending on the ranking system.

Law “On minimal wages rates in the Kyrgyz Republic” was approved; this serves as a basis for gradual increase of wages up to the level of living cost.

Prices

	2004	2005	2006	2007	2008
Inflation (% Dec./Dec.)	2.8	4.9	5.1	20.1	20.0
Inflation (% average annual)	4.1	4.4	5.6	10.3	24.5

The average annual growth of inflation for 2005-2007 was 10%. The goods and commodities prices growth was 21%, and for services –by 11%.

As a result of tough monetary and credit as well as budget policy the rate of inflation in the Kyrgyz Republic for January-December 2008 in comparison with December 2007 was not exceeding 20%. The rate of refinancing established by the National Bank of the Kyrgyz Republic rose from 8.28% in May 2008 to 15.85% in October 2008; the growth of money supply dropped from 38.5% in 2007 to 11.3% for the reporting period of time.

In order to keep the inflation in 2009, the Kyrgyz Government and the National Bank of the KR will continue its work to smooth the influence of economic fluctuations, to sustain prices stability, to manage the growth of money supply, etc.

After a period of prices shocks in 2007-2008, the dynamics of inflation in 2009 is showing its stabilization and expected to be reaching the level of the previous years. It is presumed that under conditions of prices reduction on goods and commodities and deceleration of internal demand growth, the rate of inflation would be lowering by the end of 2009 up to approximately 5%.

Source: ISAE, 2009

Public finances (public expenditure, tax revenue, budget deficit, borrowing)

State budget revenues

	01.01.2005	01.01.2009
State budget revenues in billion Soms	18.1	45.5
Including the revenues, mobilized by tax and customs agencies, billion Soms	14.4	37.0
- tax agencies, billion Soms	7.9	18.35
- customs agencies, billion Soms	6.5	18.66
Primary budget deficit (% of GDP)	-3.4	-2.0

State budget expenditures, 2004 and 2008 (billion soms)

Function description	years	
	2004	2008
Total expenditures of the state budget	18,298.9	46,251.4
Health	646.6	4,280.52
Public order and security	1,194.5	4,535.97
Education	1,634.5	4,154.74
Defence	1,406.2	2,438.3
Social protection	2,441.6	4,070.91

Expenditures of 2004 are brought in correspondence with the new classification (2001)

The tax and budget policies provide considerable stimulation in 2009 in the volume of 5.5% of GDP, which is possible due to donors support including from the Russian Federation. In the field of monetary and credits the National Bank continues to sustain its policy on supporting the stability of financial sector and keeping the inflation under control.

Impact on the labour market

Please describe trends in employment for men and women – how has employment, unemployment and vacancy rates changed since the start of the crisis.

Give the latest employment, unemployment rates and long term unemployment share and the period they cover.

How has unemployment affected different

Groups: young people, older workers, men and women, low skilled, ethnic

Sectors: manufacturing, services, agriculture

Regions: urban, rural

The crisis influence on unemployment in the Kyrgyz Republic was not so considerable, if to compare with Kazakhstan and Russia. Partially, it is linked with high level of external labour migration.

The labour market in Kyrgyzstan is characterized by considerable unemployment, informal and part-time employment, prevalence of employment in services (basically, in trade) and agriculture sectors. About 2,152,700 people were employed in 2008 in the Kyrgyz Republic. The main portion – 64.9% (1,398,100 people) of employees reside in the rural area, and 35.1% (754,500 people) live in the urban area.

In 2008, the total number of unemployed in the country dropped by 2,300 persons and was 268,200 people (comparison with 2007). The level of total unemployment rate was decreased by 0.43 points (from 11.5% to 11.07%). There were 40,000 people employed (data by 1 January 2009). Unemployment allowance was obtained by 1,400 jobless citizens. By 1 January 2009, 1,895 unemployed citizens (by 22% more than in 2007) received micro-credits; the total amount loans disbursed was 3,785,000 Soms. Over 9 months of 2008, there were created 93,200 new jobs, which is by 1.6 times more than in the same time period of 2007.

In the first six months of 2009, with assistance of the migration and employment committees, about 19,900 jobless citizens were employed; 4,400 persons went through vocational training (it is by 22% more than in the same time period of the last year). Approximately 11,800 people have been engaged in the paid public works as a temporary employment (it is by 11% more than in the year 2008).

	2004	2005	2006	2007	2008
Unemployment rate (%)	8.5	8.1	8.3	8.2	7.7

According to the 2007 data, out of total quantity the unemployment rate among males is 7.6%, females – 9%.

The number of unemployed by gender and age in 2007 (%)			
	Total	Males	Females
By age	100	100	100
15-19	13.2	14.4	11.9
20-29	37.5	38.4	36.6
30-39	23.3	20.6	26.4
40-49	17.4	15.7	19.3
50-59	7.9	10.0	5.5
60+	0.6	0.9	0.2

Young people are the most vulnerable layer of population in terms of employment. They require special attention of the state. The youth and university graduates are suffering from lack of employment opportunities.

Number of unemployed by gender and education in 2007 (%)			
	Total	males	females
By education	100	100	100
Higher professional	13,4	13,4	13,4
Not completed higher education	2,4	2,7	2,0
Medium professional	10,4	8,1	13,3
Primary professional	8,0	10,0	5,6
Compulsory	51,7	49,2	54,7
Basic compulsory	10,6	12,2	8,7
Primary and no education	3,6	4,4	2,7

Source: ISAE, 2009

Migration: Have there been any changes in migration flows (migrants returning, out-migration)? Are returning migrants being integrated in the labour market? If so, how?

Considerable unemployment, reduction of state social guarantees, fast economic growth in the neighbouring countries, brought many people in Kyrgyzstan to the thought to become labour migrants, both internal and external ones. High levels of migration deteriorate the human capital and considerably worsen total capacity of labour forces. For 2005-2007, the migration flows included about 108,600 people.

Nowadays, there are no reliable sources of information on the number of labour migrants living abroad. The reason for lack of data is that Kyrgyzstan exercises no-visa regime with Kazakhstan and Russia. Nevertheless, experts' assessments suggest that up to half a million people, or 10% of total population of the country have been or are working abroad.

- External labour migration is frequently characterized by long-term stay in the accepting countries, which weakens the ties with migrants' families and children living in Kyrgyzstan. Poor communication and long distances are contributing factors to it. Mass migration of male population forces women and children to work and work harder. Usually, women and children do not possess relevant educational background and skills and are engaged in low qualified works, which do not allow them earning sufficient amount of funds.
- The contributing factors to internal migration process are deterioration of social infrastructure, difference in the income level and relative decrease of living standards of population in the regions.
- The more intensively work the above-mentioned factors, the more active will be people's movements in to more economically developed parts of the country (e.g. Chui province, Bishkek city and Osh town).
- As far as internal migrants are concerned, despite the fact that many of them consider their life in the city as more successful than in the rural area, still they face poverty, unemployment, lack of housing. Children whose parents are migrants do not attend the schools, and instead of studying they work on the bazaars.

- Parents-migrants usually do not have sufficient quality time to spend with their children.

Remittances from family members working abroad: are there changes in volume or in the way they are transmitted (officially through banks, unofficial channels)?

An absolute majority of labour migrants are supporting their relatives living in Kyrgyzstan by remittances, which facilitate poverty reduction in the country. Cash remittances from outside the Kyrgyz Republic in 2007 amounted to a fraction over 27 % of its GDP (World Bank 2008). However, this money has been used largely for domestic consumption rather than for investment in the wider economy.



(Blue - sum of remittances; Red – average amount of 1 remittance;
Data provided by quarters of 2006 (2nd to 4th), 2007 (1st to 4th), 2008 (1st to 4th).
Numbers on the left side - USD mln; numbers on the right side – amount in USD

In the 4th quarter of 2008, the volume of cash remittances from labour migrants working in Russia has decreased by 25% (comparison with the previous quarter), in absolute amounts it has dropped from USD610 to USD500.

The outcome of the first half six months of 2009 has shown that the total sum of cash remittances reduced by 30%.

If the volumes of cash remittances from labour migrants will be falling by 5% to 10% each quarter, then by the end of 2009 the sum of remittance will be USD710 mln to USD810 mln. It is lower by 33% - 40% than the volume of remittances of the same time period in 2008; it will cause reduction of GDP by 8-10 per cent. As the consequences of remittances flows decrease, the real income of inhabitants and lowering their purchasing capacity of population. Therefore, there will be observed a growth of poverty.

It was expected that many labour migrants will be coming back home, however, their mass return is not observed yet. Nevertheless, the Kyrgyz Government has prepared Action Plan on regulation of migration and employment during the crisis (2010 – 2012), in which the appropriate measures are envisaged. The plan includes support migrants residing and working abroad as well as returning labour workers and unemployed population in the Kyrgyz Republic.

With assistance of the committees on migration and employment, there were 19,900 jobless citizens employed, 4,400 people went through apprentice training (it is more by

22% than in the last year). Approximately, 11,800 people were engaged in the paid public works as a temporary employment (it is by 11% more than in the last year).

Source: Kyrgyz State Committee on Migration and Employment, 2009

Poverty

Data on poverty is usually derived from sample surveys and will take some time to emerge. However what impact is the crisis likely to have on

According to the National Statistical Committee's data, about 35% of population live under the poverty line, and 6.6% - extreme poverty line. 10% of population are pensioners (526,000 people).

According to the state standards established in Kyrgyzstan, the poverty line is at the level lower than 963 Soms per month while the amount of 3,571 Soms per month is considered as a minimal cost of living (includes expenditures on food and various services including health services)

In 2000, the proportion of extreme poverty was 32.9%. In 2007, the extreme poverty level has reduced up to 6.6%. Since 2000, the total level of poverty in the country has decreased almost by 2 times.

Child poverty

Child poverty in 2007 was 43.3%, absolute child poverty 7.7%. Source: National Statistical Committee, 2008. *Child Poverty by regions 2001-2007 in Annex 1.*

It is likely that children in a family will be living in poverty if the family has three or more children; no able bodied adults; one or more disabled adults; no women with at least secondary and preferably higher education; they live in rural areas (particularly in the southern regions, i.e. Jalal-Abad, Osh and Batken).

Pregnant and nursing mothers

N/A

Pensioner poverty

N/A

Poverty of childless people of working age

N/A

Households with people with disabilities

Housing

How has the housing market (prices, availability) been affected?

Describe any impact on the rented sector

Describe any impact on house values, the mortgage market, and repossessions

Describe any impact on house building

Any consequences for new households

Any evidence on homelessness, overcrowding

Other

New housing in the Kyrgyz Republic

	01.01.2005	01.01.2009
Quantity of apartments and individual houses	5,294	7,959
Total living space (thous. square meters)	497.0	821.8

Houses by property forms put into operations				
	2004	2005	2006	2007
Total	497.8	538.8	579.8	691.2
State	4.7	-	8.4	-
Private	492.3	538.8	571.1	691.2

Over the 7 months of 2009, there were 2,792 individual houses with total living space of 298 thousands of square meters put into operation; or it is 96.1% in comparison with the level of January – July 2008.

Individual living houses put into operation, January – July 2009

	Put into operation, thous. square meters of total space	% to	
		Same time period of the last year	Total result
Kyrgyz Republic	298	96.1	100
Batken province	24.3	By 2.1 times	8.2
Jalalabat province	41.9	79.4	14
Issykkul province	16.9	103.8	5.7
Naryn province	7.2	By 2.1 times	2.4
Osh province	54.9	52.9	18.4
Talas province	15.4	106.8	5.2
Chui province	39.6	109.8	13.3
Bishkek city	69.9	138.3	23.4
Osh town	27.9	132.6	9.4

In the rural areas, over the seven months of this year (2009) there were 153,900 square meter of living space were put into operations, or it is more than a half of volumes of total planned quantity.

Within time period covering January – July 2009, more than 3,026.2 million Soms were invested in the housing construction; this is higher by 1.9 times than in the last year.

The real estate prices in the Kyrgyz Republic decreased in the first half of the year 2009 by 30%.

Source: ISAE, 2009 based on data/information NSC and MEDT, 2009

Health No official data/information is available for this sector

What impact if any has the crisis had on the health system including Co-payments/contributions/charges

Access to health provision

Inequality

What impact do you expect the crisis to have on inequalities in your country. (Note: there is a hypothesis that in some countries inequalities in income and wealth may fall due to changes in the labour market and in tax and benefit policies – is this possible in your country?)

Prices

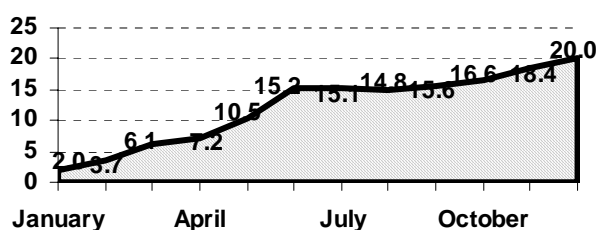
Describe what has been happening to prices over the last two years. In particular how have food prices and energy prices developed. (It would be helpful if you could provide commodity price index data)

The consequences of the global economic crisis for Kyrgyzstan were primarily a sharp growth of prices on imported production, raw materials, energy resources, inflation (gradual devaluation of US dollars in the global market, which stimulated growth of world prices on petroleum and raw materials), and reduction of foreign investments volumes.

Prices rise on food and energy resources in combination with drought season negatively influenced the situation in agriculture and energy sector of the Kyrgyz Republic.

Increased tariffs on electricity and utilities brought to the situation when inflation process negatively scaled down business activities. The outflow of capital caused foreign currency deficit in the market. The economic crisis influenced more urban inhabitants rather than rural ones creating new groups of poor people.

Inflation Level in 2008 (in % by December of the previous year)



Source: National Statistical Committee, KR

In order to control inflation growth, especially after sharp rise in the last months of 2007, the Kyrgyz Government developed relevant Action Plan on inflation containment and stable economic growth (2008). As a result, in the second half of 2008, the inflation rate was kept at the level of 4.5% - 5%. According to the report produced by IMF, the Kyrgyz Government has carried out efficient and appropriate policy; reduction of world prices on raw materials and deceleration of rate of demand growth contributed to the shrewd decrease of inflation, if to compare with the previous year.

Coordinated activities and efforts undertaken by the Kyrgyz Government and the National Bank of the Kyrgyz Republic in conducting monetary and credits as well as tax and budget policies, and also slowing down of world prices on main consumer good and commodities determined lower rate of inflation {commencing from 2009}. By 1 July 2009, the Consumer Price Index (CPI) in the country was only 100.4 per cent in comparison with December 2008, while in the same time period of the previous year the rate of inflation was 15.2%.

The lower rate of inflation can be explained by reduction of prices on food products – bread, flour, milk products, vegetable oil and fats, non-alcohol drinks. Moreover, according to National Statistical Committee’s data, there is a deflation observed (0.8% to December 2008).

Funded pension schemes

What evidence is there on the impact of the decline of capital values on funded pension schemes

Sizes of pensions and allowances

	01.01.2005	01.01.2009
Average size of fixed monthly pensions without compensation payments	668	1047

Within the year of 2008, the pension sizes were increased: since 1 January 2008 the growth of basic part of the pension was 12.5%. Starting from 1 July 2008 the insured parts of the pensions were raised by 10%; the monthly compensation payments attached to pensions were extended (to cover electricity tariffs). From 1 October 2008 the basic part of the pensions had been lifted up to 530 Soms and insured parts of the pensions raised by 17%.

The total size of pensions which includes compensation payments for electricity in 2008 was raised by 28%. On 1 January 2009, the number of pensioners in the country was about 526,400 people.

Source: Social Fund of the Kyrgyz Republic, 2009

Personal debt

What evidence is there of the impact of personal debt, access to credit and over indebtedness of households, including utility debts

To ensure sustainable development of the energy sector, commencing from 23 April 2008, the Kyrgyz Government has introduced the new energy tariffs policy (covers electricity and heating energy) for the time period from 2008 through 2012.

According to the new energy tariffs policy, the average tariff on electricity is established at the level of 1.66 Soms/kilowatt-hour. However, the debts of population and managing enterprises for the energy obtained is about 3.5 billion Soms.

The success of the tariffs policy implementation is directly correlated with the efficiency of social protection of population.

Nowadays, in accordance with the legislation the Ministry of Labour and Social Protection is rendering social assistance to 38 categories of population. Out of them, 29 categories receive electricity benefits – 100%, 50% and 25% of privileges. The issue of benefits is related to social protection of population; therefore, the principle of categories is being used.

Also, the legislation presumes benefits for inhabitants of remote geographical areas (mountains), low income families needing social assistance. There are two ways of subsidizing the tariffs benefits:

- 1) direct transfer of funds to distribution companies in accordance with the list beneficiaries;
- 2) commencing from January 2008, the benefits are being monetized, and cash is delivered physically to the receivers.

Compensations for utilities are rendered to all inhabitants except for those residing in the capital (Bishkek). This also includes compensations for electrical energy provided.

The gas tariffs are based on the price of imported gas including the cost for gas transportation within the country, technical maintenance and other related needs of delivering companies. By 1 June 2009, the debts of population was 268,700,000 Soms; in Bishkek the debts receivable of gas consumers was 158,273,000 Soms.

Pressures on services and NGOs

Is there any evidence on the impact on demand for and use of services arising from new needs produced by the crisis. Data not available

Debate

Briefly review any main debates that have taken place in the public domain about the impact of the crisis – in the media, between political parties and so forth.

There has been some discussions at the time Country Development Strategy (CDS) 2009-2011 and Action Plan of the Kyrgyz Government were made public with the data provided by the National Statistical Committee.

According to the bi-annual results there was carried out an evaluation of the Programme on mitigation of global economic crisis on Kyrgyzstan. The representatives of the state agencies as well as business community/entrepreneurs took part in the discussion. The outcome of the discussion was a new document which is currently being developed and will provide the direction of the activities for the future taking into consideration the situation change. Source: ISAE, 2009

Monitoring

Are you aware of any new efforts that have been taken to monitor the impact of the crisis?

Within the framework of the monitoring plan of the Country Development Strategy and Action Plan of the Kyrgyz Government implementation, the regular monitoring activities to track the country development as well as the crisis influence following will allow:

- 1) to undertake preventive decisions to align the process of priorities advancement of CDS; and
- 2) to evaluate their influence on the general country development.

The monitoring based on alternate evaluations for the first time is initiated within the CDS, which will be its distinction from the previous programmes and strategies of the country in the context of improving the partnerships with civil society.

Every indicator will be supported by secured and efficient system of statistical data and accounting. The National Statistical Committee will be playing the key role in supporting this work, as well as the Ministry of Economic Development and Trade, the Ministry of Finance, line ministries, other state agencies and commission are supposed to be equal partners in such activities.

The initiation of monitoring and evaluation system presumes keep tracking of the results on a regular basis and will provide appropriate information “flows” to the Ministry of Economic Development and Trade so as to form a comprehensive picture of monitoring indicators.

The sources of the data for external monitoring and evaluation carried out by the groups of independent experts may be official ones as well as independent researches, analyses and evaluations. At the same time, during the development of the country policy there will be an opportunity to have alternative options to choose data from official and unofficial sources of CDS monitoring.

PART 2: GOVERNMENT REPOSE TO THE CRISIS (Actions already implemented or due to be implemented)

Give a brief general overview of how your government has responded to the crisis.

The Kyrgyz Republic has decided to carry out a systemic anti-crisis strategic management with usage of appropriate criteria set to evaluate the performance of the state and government officials.

Within the framework of the new economic policy determined by the President of the Kyrgyz Republic, on 10 January 2008, the action plan of the Kyrgyz Government has been developed and approved; the new version of the Country Development Strategy for 2009-2011 has been developed.

By the end of 2008, the Kyrgyz Government developed the programme “Mechanism of counteraction to external shocks”. This programme is for 18 months, it is focusing on the three main directions – to provide sustainable economic growth; to undertake measures to decrease inflation; and to guarantee and provide protection of vulnerable groups of population.

- To introduce the contemporary principles of strategic management in the executive power as well to ensure unified procedures of decision making process of the Kyrgyz Government in the area of strategic management, there was established the Coordination Centre on Strategic Management of the Kyrgyz Republic.
- There was established the Reserve Fund of the Kyrgyz Republic. The main tasks of the fund are to support socially important measures during adverse time periods for the country including the consequences of the global financial crisis and to cover/mitigate various risks.

To implement anti-crisis activities a considerable financial assistance has been provided. According to the minister of the Ministry of Economic Development, all these activities will be financially guaranteed through creation of the four funds, which will provide stabilization and development of the country economy. These are Fund for banks refinancing (4 billion Soms), Stabilizing Fund (6 billion Soms), Development Fund (12 billion Soms), and the system of deposits security with guaranteed amount increased from 20,000 to 100,000 Soms.

According to optimistic scenario, some hope is given through assistance from the Russian Federation in the amount of USD450mln, out of which USD150mln are provided as a grant.

About USD100mln will be provided by the IMF as a lax credit. The agreement with IMF was discussed at the end of 2008 and covers time period of 1.5 years. The IMF has included the Kyrgyz Republic in the list of countries with transit and vulnerable economy; such countries may suffer from the third wave of the global financial crisis.

Source: ISAE, 2009

Detail changes that have been made to public spending

Despite the influence of the global financial and economic crisis, for the time period January – June 2009 about 102.6% of revenues was received by the national budget. The income has increased by 29.5% in comparison with the same time period of 2008. This is considered as a result of introduction of the new Tax Code of the Kyrgyz Republic. The growth of revenues of the national budget allowed funding activities on improving the quality of life and better provision of social protection of the population.

Detail changes that have been made to taxation (direct and indirect)

According to the Country Development Strategy, the new Tax Code was developed; in 2008, the document was approved; since January 2009, the code was enforced. The number of taxes was decreased from 16 to 8; the rate of VAT decreased from 20% to 12%; the property tax and sales tax were introduced, etc.

Decreased taxes rates, collections and insurance deductions, 01.01.2005 to 01.01.2009

	Types of taxes and collections	Rate	
		2004	2009
Taxes and deductions			

1	Income tax	20 %	10%
2	Profits tax	20 %	10%
3	VAT	20 %	12%
4	<p>Note: Out of 8 national and 16 local taxes and collections, in 2009, only 6 national and 2 local taxes remained.</p> <p>Eleven taxes were abolished; 3 taxes transformed into 1 tax; 2 taxes become non-taxes payments.</p>		
Social deductions			
5	For legal bodies	For employers - 25% of wages fund; for employees – 8% of wages	For employers - 19% of wages fund; for employees – 8% of wages

Describe efforts that have been made to protect the vulnerable and give any evidence of their effects

The social guarantees in the Kyrgyz Republic are provided as the state allowances to low income families (unified monthly benefit) and social monthly benefit. More than 10% of families receive either of state assistance. *See part 3.*

A lot of efforts are being undertaken to alleviate the influence of prices rise on to vulnerable groups of population at the expense of focused social assistance, through increase of efficiency of the state social assistance and social insurance; by increase of average size of pensions and decrease of unemployment rate.

To support the living standards of pensioners there was established the basic level of the pension (630.0 Soms) and the sums of insured parts of the pensions were increased by 12% (ref. Decree by the President of the Kyrgyz Republic “ On increase of pension rates commencing from 1 April 2009” dated by 4 March 2009).

There will be undertaken the efforts/measures to improve the current eligibility methodology for social assistance as well as reforming and further development of the system of social services provision.

Since 1 January 2008, the size of the guaranteed minimal consumption level was increased from 175 to 200 Soms, which affect the size of major cash transfer programme. *See part 3 for more details.*

To render social assistance to children-students lost bread-winner, there was changed the legislation that envisages the prolongation (up to 23 years of age) of the social allowances payments to those children who lost bread-winner.

Through **cash benefits** (increases in benefit levels, minimum wages, increasing duration of unemployment benefits, one off payments).

The Government continues to mitigate the impact of 2007-2008 rising prices on the poor through targeted social assistance. Even though the main social benefits—the Unified Monthly Benefit (UMB) and Social Monthly Benefit (SMB)—have weaknesses in terms of

targeting, increasing the benefit levels and expanding coverage is the most direct and efficient way to help cushion the impact of higher food and energy prices on the poor in the short term.

As a first step, the Guaranteed Minimum Consumption Level (GMCL)—which is the basis for the UMB and SMB calculations—was raised by 25 som (around 50 cents) on January 1, 2008. Furthermore, as of October 2008, the UMB is being topped up by 35 som (less than one dollar) per UMB recipient. This top-up of the UMB was initially funded by a World Bank grant (2008-2009), and is being continued with EC funding (2009-2010). The Government plans to sustain the augmented UMB level-- not less than the combined UMB and the top-up--after the donor resources have been exhausted.

Meanwhile, authorities are refining the eligibility criteria for the UMB to extend its coverage to deserving-but-not-covered poor households and reduce leakage to non-poor households, with new criteria to be implemented in 2010.

Base pensions increased by 50% since July 2009. UNICEF supported research study showed that pensions are more effective in reducing child poverty than current means-tested social assistance scheme.

Source: UNICEF, 2009 based on MLSA administrative data and reports

The funding (at the expense of the national budget) of boarding schools is increased by 7% in comparison with 2007. There are 2,300 children in 15 boarding schools fully covered by state social security. In 2008, there was done major repairing of buildings including sewage and heating systems in 8 boarding schools, the total amount spent on it was 35.3 million Soms. Since 1 January 2008, the nutrition intake norms as well as list of medicines was increased by 90% for children in boarding schools.

In 2008, the law of the Kyrgyz Republic “On state social contracting” was enforced; according to the law the state can sub-contract non-governmental organizations for social services as well as to support their activities in the area of social servicing of the population.

To improve the quality of life of people with disabilities the national law “On rights and guarantees for people with disabilities” dated by 3 April 2008 No. 38 was approved.

By 1 July 2009, the average size of social allowances was 717.5 Soms, which practically corresponds with the last year level (716.2 Soms). The average size of the unified monthly allowance was 136.5 Soms and is increased by 13% in comparison with the last year (123.1 Soms – the first half of 2008).

As a result of the efforts undertaken to better address the issues of allowances administration, the number of beneficiaries of state allowances has decreased by 7.9% for the first half of 2009 (to compare the same time period of 2008) and is now 417,700 citizens. Out of them, 355,900 persons are beneficiaries of the unified monthly allowance and 61,800 persons are receiving the social allowances.

Source: ISAE, 2009

Through **tax changes** (rebates, exemptions, raising thresholds, holidays)

The new Tax Code entered into force on January 1, 2009 reduces the value added tax (VAT) rate from 20% to 12%. IMF described this as the “top end” of fiscal stimuli options. Reducing the VAT also gives the Government future room to maneuver: in case it needs more revenue, it can raise VAT again.

VAT rates on grain and flour—which are the most vital items for the poor—have been temporarily reduced to 10 percent and could be reduced further.

Through **health services**

The Kyrgyz Government is implementing the National Programme “Manas Taalimi” which covers time period 2006-2010. This programme declares provision of the basic health services.

On 1 January 2009, 76.1% of population (3,951,200 of citizens) covered by mandatory health insurance schemes.

- The birth rate is 24.1 per 1,000 of population (23.5 in 2007), the growth is 2.5% in comparison with 2007;
- The death rate is 7.1 per 1,000 of population (7.3 in 2007); decrease by 2.7% in comparison with 2007;
- The natural population growth rate has increased and is now 17.0 per 1,000 of population (16.2 in 2007); growth by 4.9%;
- The infant mortality rate has decreased by 12.7% in 2008 and is now 26.7 per 1,000 live births (30.6 in 2007);
- The maternal mortality rate has decreased by 13.2% in 2008 and is now 54.3 per 100,000 live births (62.5 in 2007).

Through **personal services** *Data is n/a*

Through **job protection** or creation

The Kyrgyz Government is implementing the state policy in the area of migration and employment through realization of the state programmes “The National Policy of population employment until 2010” and “Regulation of migration processes”. These two programmes envisage acceleration of social and economic development and influence the stability and security in the country.

Through public **capital investment**

Capital investment programmes have been implemented in a routine manner. No data/information is available on special efforts related to crisis mitigation.

Through **employment policies**/services/job creation to maintain workers in employment; to support activation re-integration; anticipate and manage the impact of restructuring Kyrgyz Government has prepared Action Plan on regulation of migration and employment during the crisis (2010 – 2012), in which the appropriate measures are envisaged. The plan includes support migrants residing and working abroad as well as returning labour workers and unemployed population in the Kyrgyz Republic.

With assistance of the State Committee on Migration and Employment, there were 19,900 jobless citizens employed, 4,400 people went through apprentice training (it is more by 22% than in the last year). Approximately, 11,800 people were engaged in the paid public works as a temporary employment (it is by 11% more than in the last year).

Through the housing support/mortgage protection/mortgage support

In order to mitigate the risks when crediting the mortgage, the National Bank has developed and approved “Recommendations to standardize administration of mortgage loans” No. 27/3 dated by 25 December 2008.

In the city of Bishkek, a micro-district No. 15 “Jal-Artis” is being constructed. Out of planned 1,392 apartments approximately 400 units will be assigned as “social” and should be distributed among staff members of various state ministries and agencies of the Kyrgyz Republic. These apartments will be credited as long-term mortgage loans and the Ministry of Finance has to allocate about 90.0 million Soms for this purpose.

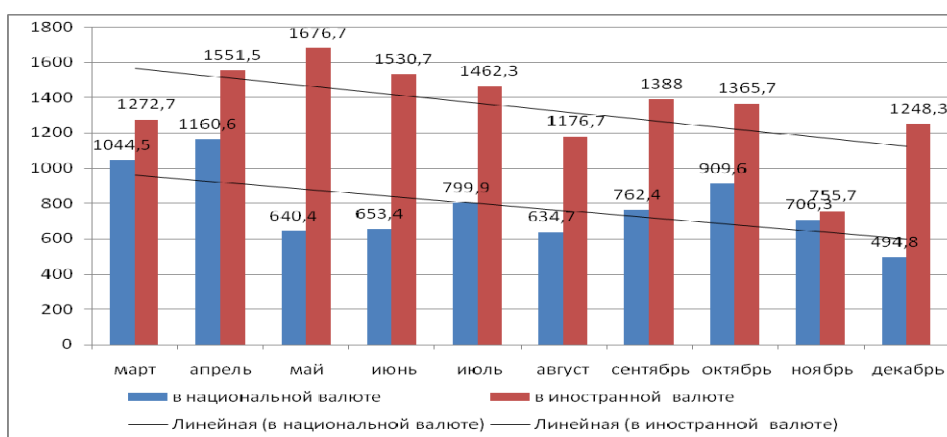
Through **education/training** *No evidence*

Through subsidies/price controls

- The Kyrgyz Government has approved the list of measures to improve the situation with food security. The farmers have obtained 2,101 tons of varietal seeds of winter wheat as an interest-free commodity credit. The total amount of such credits is 42 million Soms. The loans were issued by Ayil Bank and the level of financing of agricultural activities has increased from 100 million to 140 million soms. It has allowed to purchase needed seeds and mineral fertilizers, fuel, spare parts, as well as to pay for services to carry out field works.
- The actual assistance of national production and manufacturing through placement of state requests to produce needed goods and commodities. The Kyrgyz Government has approved the list of measures to support and promote the goods and commodities to be exported through decreasing/removing the trade barriers. Another direction is further development of trade with neighboring states.

Through access to **credit**:

The loans issued by commercial banks for the year 2008 (million Soms)



Source: Bulletin of the National Statistical Committee, Kyrgyz Republic, 3 (158) 2009

(Blue colour – amounts in the national currency; inferior straight line;
Red colour – amounts in the foreign currency; superior straight line;
Time period covered – from March through December 2008)

In the given time period, the volumes of long-term crediting had been reduced. As a result, its portion in the total amount of credits issued had decreased from 64.1% to 60% in January – December 2007. The volume of credits with time duration of longer than three years has been decreased by 36.8 %.

The average rate of refinancing on loans issued in the national currency was 25.9%, which was increased by 2.7% (2007). This was observed in all sectors of real economy. The highest increase of the refunding rate was noted on loans used in such sectors as agriculture, laying-in and processing, communication and on other types of loans. The exception was only for the loans issued on 1 to 3 months.

Micro-financing activities in the Kyrgyz Republic is a part of the state program, which is to facilitate development of entrepreneurship, broadening of access of population to financial resources and is considered as one of the key factors for further economic growth.

The level of micro-financing for the six months of 2009 has been increased by 18%. The Kyrgyz Government has authorized the Ministry of Finance to provide an additional state loan in the amount of 125 million Soms to the public corporation “Ayil Bank” (“Rural Bank”, financing agriculture). The above-mentioned bank will issue the loans on the following conditions:

- 1) no pawning;
- 2) the maturity of loans is 3 years since the moment of loan issuance;
- 3) the rate of refinancing – 3 % per annum;
- 4) Loans should be used for supporting agricultural activities.

Source: ISAE, 2009

What actions have the government taken that might weaken social protection? Which groups will be affected (children, pensioners, disabled, low paid, unemployed etc)

According to independent experts, measures undertaken by the Kyrgyz Government have not and might not weaken current social protection. Spending on cash transfers is protected item in the state/republican budget endorsed by the Kyrgyz Parliament.

In 2009, the level of financing of social sphere activities in the Kyrgyz Republic was not reduced.

IMF/WORLD BANK

Has either been involved? Has a loan arrangement been made and disbursed? What conditionalities have been attached? Are any of these pro-poor? Are they regressive?

IMF is giving \$102 million loan under The Exogenous Shocks Facility (ESF), another \$100 million potentially after the G20 Summit (ESF), and another \$50 million from other sources.

The IMF does not expect any major budget gap in the coming two years. However, in 2011, this situation may change and therefore IMF will recommend financial assistance in 2010 as well.

With regards to “social conditionalties”, while the IMF doesn’t usually impose conditionalities on governments, and they are not popular with governments, because of the

financial crisis, the IMF has placed a conditionality in Kyrgyzstan of increasing the level of Guaranteed Minimum Consumption Level (GMCL) by 40 soms (around one dollar). This will positively impact the current UMB threshold and this change is due in September 2009. Failure to meet such a structural conditionality does not bring any specific penalties. The conditionality for Kyrgyzstan is considered to be “highly desirable” by the IMF and failure to meet it will be frowned upon and might weaken future negotiations for assistance. IMF tries to convince the Government that they will attract more assistance if they also show they are socially responsible.

IMF informed UNICEF that when they place such conditionalities, they do not communicate with WB or EC to suggest they support the Government in meeting the conditionality; rather IMF said it was up to the Government to figure out where they find the necessary money. Specifically, the IMF was not involved in discussion when the WB and EC agreed to top up the UMB.

Support also is provided by IMF to improve governance and transparency in financial mechanisms through capacity building of civil servants and monitoring of the budget expenditure.

In response to significant increases in food and fuel prices during 2008, the World Bank announced a ten million USD grant to the Kyrgyz Republic under its Fast-Track Facility for Food Crisis, which aimed to reduce risks associated with the crisis among the poorest households. Approximately five million USD was directed at poverty reduction by topping up the existing cash transfer mechanism the Unified Monthly Benefit (UMB) by 35 som/month. This is being followed by the programme “EC response to food prices soaring” with 2 million in 2009 and 3 million in 2010. An increased level of the benefits will be further funded by the state budget.

Source: UNICEF based on meeting with IMF Representative in the Kyrgyz Republic, IMF and Ministry of Finance documents, 2009

How effective do you think the social protection system has been as an economic stabiliser and in cushioning the social impact of the crisis? Where changes have been made (for example in social protection) what is your judgement about their overall efficacy

Summarising abstract below is taken from the recent WB report “SOCIAL SAFETY NET IN THE KYRGYZ REPUBLIC CAPITALIZING ON ACHIEVEMENTS AND ADDRESSING NEW CHALLENGES” March 2009 presented at the second social protection meeting hosted by the Kyrgyz Ministry of Labour and Social Development (MLSD) in May 2009.

The May meeting was one in the series of consultations taking place since 2008 with participation of UNICEF, EC and the WB. Format and content of consultation was designed and initiated by UNICEF with growing ownership and improving coordination by MLSD. Such Forum provides excellent opportunity to share analytical and programme work done by the abovementioned international organizations, national experts and social protection specialists. UNICEF-commissioned ‘Assessment of State Benefits to Disabled Citizens and Poor Families in the Kyrgyz Republic: Observations and a Way Forward’ by A.Barrientos and M.Davies and child poverty analysis were presented at this Forum in 2008 and 2009; EC work on new UMB eligibility criteria and its social and budget impact and the WB social protection note in 2009.

The WB analytical work and report has been developed and finalised in cooperation with UNICEF and EC along with key national stakeholders. To some extent the findings and recommendations reflect current thinking shared and discussed within Forum setting. Still, final design of social protection system is very much work in progress.

“...There are old challenges and new opportunities for reforming the safety net in the Kyrgyz Republic within the existing benefit system but also going beyond the design and implementation of the current non-contributory benefits. Addressing them with adequate policies could bring savings which are very much needed in the context of the pressure for budget constraints coming from the emerging economic crisis. Dealing with them could contribute to improving the effectiveness of the safety net programs as instruments for immediate response to the crisis to protect the consumption of the poor and vulnerable, and could also protect and promote the human capital.

In the safety net there is room for coping with an ‘old’ challenge – the reform of the in-kind benefits and subsidies which are a legacy from the Soviet past, are not targeted to the poor and do not contribute to an effective and efficient safety net. The process of monetizing these benefits has already started and the reform can go deeper with more radical approaches. The study proposes four approaches which do not exclude but could rather complement each other: (i) *grandfathering / phasing out* over time following natural attrition of the remaining beneficiaries combined with gate keeping to the granting of new entitlements and reconsidering the relevance of certain benefits vis-à-vis the needs of recipients; (ii) *consolidation* through provision of one lump sum / single cash benefit instead of several fragmented entitlements going to the same beneficiary category without undermining the overall amount of the cash received before the reform; (iii) *integration / mainstreaming* through including the in-kind benefit into the regular pension or SMB where applicable as a one-time increase, and stop existing as a separate benefit; (iv) *scaling down* through (a) abolishment of certain already irrelevant categorical benefits and (b) targeting of the remaining benefits through a means test of the existing beneficiaries and shifting those under the threshold to the UMB and a categorical test for disability and inclusion in the SMB program.

In the safety net there exist instruments / programs which can be used for protecting the consumption of the poor and vulnerable in the context of the food, fuel and financial crisis, and the ascending economic crisis. With its two fairly well-targeted UMB program, the Kyrgyz Republic is well-positioned to channel resources and help protect the poor from the adverse impacts of the crises. In fact, the UMB has already offered an opportunity to respond to the food crisis, and the monthly benefits paid out under this program are being temporarily “topped-up” in value to help compensate for food price increases. These measures are temporary, and increased funding needs to be integrated into the budgetary process for longer-term sustainability of impact. Building on the UMB and SMB, there is scope for further consolidating the safety net, particularly through completion of the monetizing of privileges. Additional impact on the poor could be achieved through increased outreach (including through social passports and pro-active dissemination of information about the UMB program), measures to strengthen targeting (introduction of “proxy indicators” to use as “validators” or predictors of income to enhance means-testing), strengthening control over eligibility decisions by requiring social workers to document reasons for rejection, and establishment of a management information system (MIS,

registry) to expand the database for decision-making and oversight and controls mechanisms.

In the medium-term, additional impact on the poor could be achieved through linking cash benefits to social services. Enhancing the promotional role of the safety net in terms of positive behaviors and investments in children and labor market related skills is of increasing importance during the crisis when families will be faced with increased risks and vulnerability”.

DEBATE

Review debate in the media/parliament etc) that has taken place about government responses to the crisis.

Limited discussions on government response to the crisis were very much affected by the Presidential election taken place on 23 July 2009. Therefore, debates have been mainly of positive nature flavoured by still dominated Soviet style of formal reporting. There is shared by experts community view on Kyrgyzstan being not affected yet by the global crisis because the country has been in ‘silent’ crisis for many years already.

PART 3: SOCIAL ASSISTANCE/MINIMUM INCOME SCHEMES

This part of the project is designed to collect comparable information on social assistance/minimum income schemes for families with children. These are the **package of measures** – cash benefits, tax benefits, housing benefits, free or subsidised services, exemptions of charges for services or benefits in kind that provide a minimum. They are generally means-tested and tax funded. They may provide a floor under a contributory insurance based social security system or they may be an alternative to it. These benefits may be conditional on availability for employment, national status and so forth.

First we ask for a descriptive account of these schemes as they are now and then we ask you to complete a matrix to show what certain model families would receive **as at June 2009**.

The minimum income scheme may cover other groups. We are interested only in families with children (though in the matrix we shall ask for information on MIS for a childless couple and a pensioner couple).

DESCRIPTION AND EVALUATION OF THE PACKAGE

Source for this part is UNICEF-commissioned or supported reports and project documentation, 2008-2009

Please provide a brief Panorama containing

Social assistance programmes is a mix of “old-style” categorical benefits (“privileges”) and two relatively new targeted benefits, i.e. Unified Monthly Benefit (UMB) and the Social Monthly Benefit (SMB).

There are no less than 38 different categories of beneficiaries receiving privileges ranging from war veterans and handicapped citizens to pensioners with merits and families living in mountainous areas.

Non-contributory benefits, UMB mainly and SMB [to less extend] are in the midst of a reform aimed at improving their targeting to the poor and vulnerable.

A history of the current arrangements

The country inherited from the Soviet times a safety net consisting of a large number of categorical poorly targeted and costly benefits (“privileges”). In the middle of the 1990s, the government initiated reforms aimed at simplifying the benefit programs, reducing the overall costs and reaching the neediest of an increasingly impoverished population.

On one hand, the safety net includes a plethora of categorical benefits (“privileges”) ¹ that represent a legacy-of-the-past. These include cash benefits and in-kind subsidies for categories of citizens who are not necessarily poor. The categories are either considered vulnerable or having contributed to society in a way that they qualify for special support.

The list of the categories and the number of beneficiaries in each category in 2007 as well as in 2009 is presented in *Annex 3*. The benefits take the form of subsidies for energy, utilities, transport, sanatorium treatment, medicines, medical aids etc.

Spending on categorical benefits and subsidies although declining is still significant, at 0.42 percent of GDP in 2007 and 0.37 percent of GDP in 2008.

¹ These programs are referred to as ‘privileges’ (l’goti) in some of the quoted literature.

Two new targeted cash transfer programs were introduced after independence in 1991. These include: the Unified Monthly Benefit (UMB) and the Social Monthly Benefit (SMB), which together account for 0.74 percent of GDP in 2007 and 0.64 percent of GDP in 2008. Spending on UMB and MSB is also going down to less than 0.5 percent of GDP in 2009.

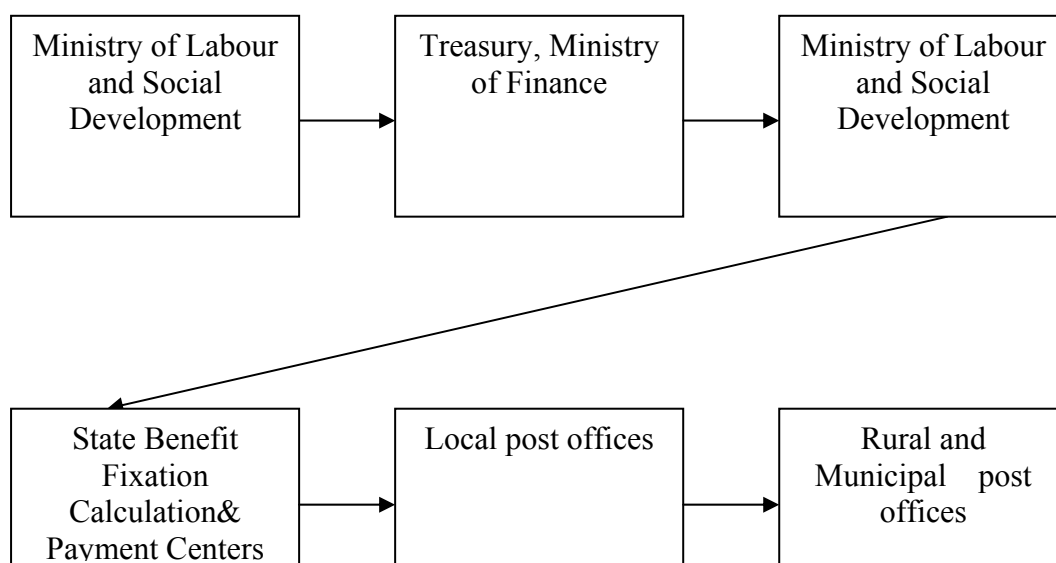
An overview of each of the elements that make up the package

- **The UMB** was introduced via a Presidential Decree in January 1995 as part of an important step in reforming the old-style safety net. After several amendments and improvements on how to assign the new benefit, the UMB was finally regulated in the Law on State Benefits, approved by the Kyrgyz Parliament (Jorgorku Kenesh) and signed by the President of the Kyrgyz Republic on 5 March, 1998. The UMB is a last-resort poverty-targeted variable cash benefit program that is mean-tested and categorically-targeted to children from 1.5 to 16 years of age (or up to 21 years of age when still studying) from low-income families. The UMB also includes payment of a fixed birth grant and allowance for children under 1.5 years old. In 2007, 97 percent of the UMB was allocated to children under 16 years of age. According to household survey data, UMB is received by 14.6 percent of the population. According to MLSD administrative data, in 2007 UMB was received by 145.1 thousand low income families (18 percent of all families with children) with 421 thousand children. In 2008, UMB was received by 387 thousand eligible beneficiaries.
- **The SMB**, was also established by the Law on State Benefits, and is a cash income-replacement program that is categorically targeted (but not means-tested) to disadvantaged groups, including children with disability up to 18 years of age and other categories of people with disabilities, also orphaned children, mothers of large families and elderly who do not qualify for pensions from the social security system. According to household survey data, SMB is received by 6.5 percent of the population. According to administrative data, in 2008, close to 60 thousand people were receiving MSB. *See Annex 2.*

A description of the governance (who makes the policy, who delivers the package, role and responsibilities of central/local government/agencies

The Ministry of Labour and Social Development (MLSD) is responsible for the administration of state subsidies, state benefits, and for the provision of social services. MLSD coordinates its lower and territorial bodies with other republican bodies of executive government as well as with institutions of local self governance, public and other organizations and structures that are independent on organizational and legal base. The staff engaged in administering state benefits is partly financed by the state budget, which provides social assistance, and to a certain extent by local budgets. Lowest self-governance layer [at village or cluster of villages level] – Aiyl Okmotuu ought to have appointed the position to simplify the UMB access procedures, and thus has reduced the administrative costs. It is especially relevant for households living in remote areas. The leading specialist at Aiyl Okmotu is administratively independent on the staff at regional and municipal departments. His/her official duties are to collect documents and to deliver them to regional department of social protection, which provides cash assistance. Cash benefits are delivered by post office system.

State Benefit Payments Process



ASSESSMENT OF THE PACKAGE

Coverage (what proportion of poor children are helped by it – what are the gaps)

UMB is received by 28.2 percent of the poorest quintile and 25.6 percent of the second poorest quintile.

How salient is social assistance in the social protection system (as % of total social protection expenditure)

Benefits	54.3 %
Privileges	32.3 %

Benefits: UMB takes 69.9% of cash transfer budget, and SMB - 30.1%. Source: Ministry of Labour and Social Development, 2007

Take-up (what proportion of those eligible receive the package)

60.5 percent of the beneficiaries belong the poorest 20 percent based on administrative income per capita receiving 77 percent of total UMB benefits

How adequate is the package (This may include answers to the following)

How are the benefit levels fixed

The UMB is a 'poverty gap' program which amount per eligible household member is calculated as the gap between his/her average monthly per capita income and an income threshold called the Guaranteed Minimum Consumption Level (GMCL). Thus the UMB is a variable benefit ensuring all households with eligible household members an income no less than a defined minimum social standard which applies to the eligible household members only. *See Annex 4.*

How often and how are they updated over time

According to Article 4 in the Law on State Benefits, the annual revisions of the GMCL aim at gradual convergence between the GMCL and the Minimum Consumption Budget (MCB).² The amount assigned for the GMCL in 1998 was 100 KGS, which at that time was almost half of the extreme poverty line, i.e. the cost of a basket of food comprising 2100 Kcal per day, and more than 12 percent of the MCB. In 2008, the GMCL was defined at 200 KGS, which represents less than a third of the extreme poverty line and less than 6 percent of the MCB.³ It is obvious that the objective to close the gap between the GMCL and the MCB is far from being realized. The fact that the GMCL supports only about a third of the minimal nutritional requirement in a food basket also indicates that this threshold is far away from a social consumption minimum.

How have they changed over time in relation to prices or earnings

The GMCL formula further reveals that the GMCL and subsequently the amount of the UMB (and MSB) rather are determined by fiscal considerations than by the needs of the poorest. There is a problem of the pro-cyclical nature of the GMCL formula.

How do they relate to the official poverty threshold/How successful are they in reducing poverty

The value of the Guaranteed Minimum Consumption Level (GMCL) which determines UMB eligibility is lower than the extreme poverty line. The UMB accounts only for 7 percent of total household consumption in poorest households receiving the UMB. The UMB reduces the extreme poverty rate from 11.3 to 10.9 percent, equaling to a relative reduction of just 3 percent. While the impact with respect to the absolute poverty line is limited, the UMB is more successful in reducing the extreme poverty gap - by 12 percent.

How effective is the administration of the package? What are the administrative costs?

Research study commissioned by the WB in 2005 showed 15% administrative cost for benefits. System works rather well, benefits are paid in time, however, there is a room for improvement. Improvement is critical for streamlining access procedures.

Is entitlement based on clear rules

Rules are clear and well written in certain regulations and instructions developed by the Ministry of Labour and Social Development (MLSD) and controlled by district level branches of the Ministry. However, the design of the UMB is rather complicated. Eligibility is calculated manually. Application of rules varies depending of capacity.

What part does officer discretion play in administering the scheme

Current means-tested design does not imply discretion for officer to exercise. System is centralised and regulated in line with the benefits methodology. Wrong decision by officer to access the UMB might be punished, i.e. salary of the officer is deducted to restore/reimburse benefit granted to non-eligible family.

² The average minimum consumption budget consists of food, nonfood, services and taxes, dues and payments

³ MCB figure for 2008 is a projection,

What links are there between the minimum income scheme and

Employment and training programmes

The support for the unemployed with benefits and active employment measures (re-training, public works, micro credits) is quite limited. The UMB and MSB not only reach specific groups of beneficiaries only, but also due to their low value, they cannot have significant immediate impact on poverty reduction. Their longer-term impact on poverty reduction is also limited because the benefit provision is not linked to services which could motivate employment and self-employment, improve employability and promote investments in children.

Services (including freedom from or reduced charges for health, education etc)

According to the law pregnant women and children under 5 years old are entitled to free health care. Law of education stipulates free and compulsory basic education (9 grades). Local authorities can make decision on reduction or exemption of fee to use textbooks, attend kindergarten etc, and cover meals expenses at pre- or schools. Local arrangements vary depending on local resources availability/size/level and social 'sensitivity' of local authorities.

Poverty thresholds

What is the current official/formal/government poverty threshold used in your country. (If there is no official/formal/government threshold, say so and tell us what the most common threshold used in research is.)

If there is more than one threshold used please also tell us about the lowest one.

How was this established (i.e. based on World Bank \$s per person per day norms; national budget standard; proportion of average/median earnings/incomes/consumption; social assistance)

Official poverty measurement follows the standard World Bank method of estimating a "basic needs" poverty line for consumption. All those who live in households where per capita consumption is below the poverty line are considered poor. The steps involved are as follows:

Compute a consumption aggregate based on food expenditures (including home produced food) and non-food expenditures. The consumption aggregate includes the computed user value of durables, but excludes housing rent.

Identify a reference group whose food consumption pattern can be used as a basis. The third, fourth and fifth consumption deciles were used.

Based on the consumption shares of this reference population, 2,100 calories per day is allocated across the most important food items. The resulting expenditure level is equivalent to the food poverty line that also delineates extreme poverty.

To determine the allowance for non-food consumption, the share of non-food consumption in total consumption of those individuals whose food consumption is just above the value of the food poverty line is used.

№	Indicators	Size of population and amount (soms) By 01.02.08.g.	Size of population and amount (soms) By 01.02.09.g.	%
According to the National Statistical Committee				
1	Size of available population	5,239.1 thousands	5,252.0 тыс. чел	
2	Poverty line in 2007	963 Soms		
	Extreme poverty line in 2007	640 Soms		

Source: The Ministry of Labour and Social Development, KR

	2000	2001	2002	2003	2004	2005	2006	2007
Poverty line, Soms per month	543.75	581.25	593.46	727.67	757.50	800.40	860.44	963.14
Extreme poverty line, Soms per month	362.33	387.33	395.47	457.49	476.22	509.56	557.97	640.10

Source: The National Statistical Committee, Kyrgyz Republic

MODEL FAMILY MATRIX

This section uses model family methods to map what policies exist in the CEE/CIS countries to combat child poverty. This method is a way of collecting comparable and up to date data on the efforts that states make on behalf of families with children. It is used in the OECD *Benefits and Wages* series and the University of York have undertaken a number of studies of child benefit packages using this method. We ask you to complete a matrix showing what a set of model families at different earnings levels would receive from the state. The model families are selected to be illustrative of a range of types and sizes and include families with children in employment and without employment. The estimates take account of taxes, cash benefits, housing benefits, childcare costs, health charges, education charges and other subsidies such as school meals. Using this data it is possible to explore the value and structure of the package and how it varies within and between countries.

In collaboration with the University of British Columbia we (University of York) are in the process of a new round of model family comparisons in 17 OECD countries, collecting data on the position of a range of standard families as at **June 2009**. We shall follow the same method here so that we can make comparisons with countries outside the region. However in this study the range of model families will be more limited.

Please complete the **three excel spreadsheets** attached. It would be helpful if you added notes in the sheets on the assumptions that you have made.

The model families are

Types

Childless couple (for a base line)

Lone parent with one child aged 3

Lone parent with two children aged 3 and 7

Couples with one child aged 7
Couples with two children aged 3 and 7
Pensioner couple (social assistance case only)

Earnings cases

One earner half average earnings
One earner average earnings
No earners and receiving social assistance/minimum income scheme.
Pensioner couple on social assistance/minimum income scheme

Average earnings

The income cases are organized around average income assumptions in each country. Given cross-national variations in the rates of part- and full-time labour force participation, particularly among women, we ask you to calculate *annual average full-time, full-year earnings* from employment and self-employment for *men* and *women* combined. 2009 earnings data will probably not be available, please adjust data from previous years in the light of consumer price index (CPI) information for your respective country.

Then give

- the national income tax payable on this income (after deducting any allowances or credits in respect of a partner or children)
- the compulsory social security contributions paid on this income
- any income tested and
- non income tested cash benefits payable in respect of children

Housing costs

Are very difficult to deal with in this type of comparison. We will follow the OECD assumptions that the model families are tenants and their rent is 20 per cent of average earnings in the country. Please insert the gross rent i.e. 20 per cent of average earnings and then the net rent after the deduction of any housing/rent benefits payable.

Other direct taxes such as property taxes, local taxes.

Childcare

For children aged 3 subtract the average cost of the most commonly used formal full-employment-day, full-week regulated child care service(s).

Health charges:

The baseline assumption is that health care is free at the point of demand and funded by tax and/or social security contributions already entered above. Include in the matrix only health insurance premiums that are required to match this assumption, and any costs that families have to pay for the following health care charges. Please do not include contributions to *private* health insurance unless they are statutorily required.

Health charges:

- Assume *no* inpatient episodes.
- Assume each member of the family visits the general practitioner once per year. Subtract any associated annual costs
- Assume each member of the family visits the dentist twice a year for a regular

check up, cleaning and scaling; and has a cavity filled on one of these visits. Working with these guidelines, any reasonable dental cost assumptions will do so long as you apply them consistently to all families. .

- Assume each family member is prescribed one standard antibiotic of a standard dosage for a standard duration. Again, working with these guidelines, any reasonable pharmaceutical cost assumptions will do provided you apply them consistently to all families.

Education costs

It is assumed that the seven year old children are attending school. We assume that children can walk to school, so no transport costs should be subtracted. Occasional small voluntary contributions to school funds or charges for outings (such as going to a museum) are ignored. Subtract only fees or costs that parents must pay for books or equipment or for their children to participate in school. We assume that the parents have to pay for a midday meal at school or provide a packed lunch. Please add the cash equivalent value of any free school meals that are provided because of national or local policy.

Other

Include here the value of any help in kind such as food stamps, free fuel allowances etc

Please direct queries on how to complete the matrix to Emese Mayhew at em626@york.ac.uk

Annex 1. Child Poverty in the Kyrgyz Republic by regions, 2001-2007.

Child Poverty Level										
(0-17)										
	The Kyrgyz Republic	Batken oblast	Jalalabad oblast	Issykul oblast	Naryn oblast	Osh oblast	Talas oblast	Chui oblast	Osh city	Bishkek city
(in %)										
2001	60.5	56.0	70.5	68.9	91.1	66.8	74.9	37.2	...	38.4
2002	64.5	67.4	70.8	62.2	89.6	69.4	72.0	42.1	...	45.4
2003	58.6	89.0	63.7	60.1	77.0	63.2	66.0	35.0	49.8	28.5
2004	54.5	82.4	56.5	61.2	72.0	63.8	57.5	28.9	50.7	19.9
2005	52.0	64.5	58.3	59.3	60.5	64.4	55.1	31.6	49.2	13.1
2006	48.5	55.4	62.8	49.6	53.1	61.2	48.4	29.7	43.6	6.6
2007	43.3	46.8	57.1	46.1	44.9	56.0	42.3	22.5	44.4	6.8
Extreme Child Poverty Level										
(0-17)										
	The Kyrgyz Republic	Batken oblast	Jalalabad oblast	Issykul oblast	Naryn oblast	Osh oblast	Talas oblast	Chui oblast	Osh city	Bishkek city
(in %)										
2001	27.0	18.0	25.4	38.1	65.0	34.2	41.6	12.3	...	9.9
2002	29.0	31.3	23.2	30.6	57.7	37.7	35.3	12.4		12.8
2003	21.3	41.3	19.2	18.3	33.0	23.7	23.2	12.5	8.3	8.6
2004	16.3	37.2	14.4	19.7	35.3	13.7	18.6	9.4	0.8	4.9
2005	14.8	25.2	20.5	17.1	24.2	13.0	18.3	9.2	11.1	0.9
2006	12.0	20.5	22.8	10.0	17.3	8.8	13.2	6.1	10.2	0.7
2007	7.7	10.0	14.0	9.5	11.9	6.2	10.4	1.9	4.5	1.0

Source: Kyrgyz Integrated Household Survey, National Statistical Committee 2008.

Annex 2: Categories of Social Monthly Benefit (SMB) beneficiaries and SMB amounts in 2008

Category of SMB beneficiary	SMB amount/ percentage of the GMCL and top ups
People with disabilities	
Children with disability (cerebral palsy (CP) (until the age of 18)	300% of GMCL +20%+335 KGS
Children with disabilities (until the age of 18)	225% of GMCL +20%+235 KGS
Children infected HIV/AIDS (until the age of 18)	225% of GMCL +20%+335 KGS
Children up to 18 months with HIV infected mothers	225% of GMCL +20%+335 KGS
People with disability since childhood – 1st group	300% of GMCL +20%+335 KGS
People with disability since childhood – 2nd group	225% of GMCL +20%+235 KGS
People with disability since childhood – 3rd group	150% of GMCL +20%+135 KGS
People with disability as a result of general disease 1st group (without pension rights)	225% of GMCL +20%+235 KGS
People with disability as a result of general disease 2nd group (without pension rights)	150% of GMCL +20%+135 KGS
People with disability as a result of general disease 3rd group (without pension rights)	75% of GMCL +20%+135 KGS
Children	
Survivor benefit to children without pension rights	150% of GMCL +20%+135 KGS
Full orphans (lost both parents) without pension rights	225% of GMCL +20%+235 KGS
Elderly	
Aged citizens without pension rights	105% of GMCL +20%+135 KGS
Aged citizens of mountainous regions without pension rights	150% of GMCL +20%+135 KGS
Mother-heroiners (more than 3 children) without pension rights	225% of GMCL +20%+235 KGS

Source: MLSD administrative data, 2008.

Annex 3: Categories of in-kind benefits and subsidies and number of recipients as of January 1, 2007 and January 1, 2009

	Categories of beneficiaries	Number of beneficiaries	
		2007	2009
1	Disabled veterans of the Great Patriotic War (WW2)	1809	1329
2	Veterans of the Great Patriotic War (WW2)	4282	3183
3	Disabled Soviet Army veterans including	1086	1155
	disabled Afghan War veterans including	193	176
4	Workers from reserved occupations	14422	11766
	disabled workers from reserved occupations	2120	1860
5	Heroes of the Kyrgyz Republic of the Soviet Union	3	3
6	Leningrad blockade survivors	56	49
7	Former minor prisoners of concentration camps	78	66
8	Participants in the Hungarian events	28	23
9	Veterans of international combat operations	6290	6225
10	Rehabilitated participants of the “national labor service army” (civilian duty)	36	30
11	Surviving members of families of the deceased military personnel, including	864	731
	Soldiers from WW2	393	248
12	Surviving spouses of WW2 veterans with disability	4604	3886
13	Surviving spouses of WW2 veterans with later disability	2583	2264
14	Surviving spouses of Leningrad survivors	3	4
15	Chernobyl NPP accident survivors 86-87	352	320
16	Chernobyl NPP accident survivors 88-89	83	90
17	Disabled survivors of the Chernobyl NPP accident	1041	892
18	Families with lost breadwinner in Chernobyl NPP accident	195	189
19	Beneficiaries of merit pensions	2272	2301
20	Persons decorated with State awards of the Kyrgyz Republic	22	19
21	Retired military personnel	1423	1485
22	Retired law enforcement personnel	5206	4973
23	Families of law enforcement personnel that perished in duty	159	178
24	Personnel of the criminal justice system	864	846
25	Retired personnel of the criminal justice system	198	502
26	Households living in mountainous areas (not receiving privileges under other categories)	1539349	154658
27	Single pensioner with pension of KGS 825 or less (owner-occupied house)	1223	1010
28	Single pensioner with pension of KGS 1,525 or less (owner-occupied house)	3337	3292
29	Families with unemployed pensioner and disabled member with income less than KGS 2,350	440	448
30	Unemployed disabled pensioners	26303	29604
31	Families with disabled children < 18 years	12736	13882
32	Unemployed recipients of survivor benefits	10634	9241
33	Unemployed pensioner with pension below the base pension of 450 KGS	372	253
34	Rehabilitated citizens	3101	3044
35	Hearing impaired persons	3142	3225
36	Visually impaired persons	9190	10258
37	Heroine mothers (<3 children)	15748	15179
38	Honorary donors	413	628
	TOTAL amount of beneficiaries of subsidies and benefits	290446	284571
	Financed from the republican budget	274202	269302
	Financed from the local budget	16244	15269

Source: MLSD administrative data.

Annex 4. Calculation of the UMB per household

The amount of UMB due to each household with eligible beneficiaries is arrived at as follows:

$$UMB = (GMCL - (HI_{tot} / Nh)) * Nel,$$

where:

GMCL = Guaranteed Minimum Consumption Level

HI_{tot} = Total household income per month

Nh = Number of persons in the household

Nel = Number of eligible members of the household

Categorical eligibility criteria

According to the Law on State Benefits, the following household members are eligible for the variable UMB:

- Children under 16 years (and pupils still in general educational institutions until graduation, however, maximum until the age of 18)
- Pupils of primary vocational schools and students of secondary and higher vocational educational institutions (professional colleges) up to the age of 21⁴
- People with disabilities⁵

Total household income

Total household income includes net income by all household members from all sources, cash as well as in-kind. Hence it includes income from among others; employment, bonuses, patented private commercial activities, leases, income from assets and deposits, crops (estimated by productivity coefficients⁶), pensions, private transfers, scholarships and inheritance. Income from livestock however is not included and neither are unemployment benefits, the MSB (see below) or single transfers such as funeral allowances or childbirth benefits.

Guaranteed Minimum Consumption Level

The GMCL is a cash social standard established by the GoK in 1998 and adjusted annually based on the following formula:⁷

$$GMCL = \frac{BF + 12 * PUMB * APMI}{(PUMB + 1.39 * PSMB) * 12}$$

where:

BF = earmarked budget funds for social protection

PUMB = predicted number of UMB recipients

APMI = predicted average per capita monthly income of UMB recipients

PSMB = predicted number of SMB recipients

UMB and SMB (Social Monthly Benefits) are to be paid out during 12 month, hence the number and 1.39 is an adjustment coefficient.

Source: Law of the Kyrgyz Republic on State Benefits.

⁴ Excluded are students studying per correspondence, during evenings or on a contractual basis

⁵ According to Article 3 this includes children under sixteen, persons with disabilities confirmed by a social expert commission and people of pension age (without pension)

⁶ The coefficients differs by regions and also reflects the type of land (arable or irrigated)

⁷ Provision on guaranteed minimum consumption level, approved by regulation #231 of the Government of the Kyrgyz Republic on April 29, 1998