Summary

In June 2017, the Government of Kyrgyz Republic legislated the reform of its system of child benefits, bringing in a universal, age-restricted, quasi-universal child benefit. The plan was to implement the following:

- A universal birth grant of around USD58 for each child.
- A universal categorical monthly grant for all children aged 0–3, worth around USD 10 a month.
- A monthly large family grant for the third and subsequent children in families with three or more children aged 3–16, of around USD 7.50 per child.

The Government had wanted to reform its existing antipoverty benefit – Kyrgyzstan’s Monthly Benefit for Poor Families – which provides cash support to children in such families. Over recent years, the number of children receiving support had fallen, and 60 per cent of poor children were not receiving any benefit. The design of the new proposed benefits also provided a simpler selection that would address fraud and maladministration – another major government concern. National implementation of the law was scheduled from January 2018.

However, in June and November 2017, the IMF and World Bank mission expressed concern about fiscal sustainability, repeatedly requesting the government to restore targeting and add conditions to the programme. Following deferral of implementation, the Government in 2018 released an amended law in which the mean tested design was restored. UNICEF engaged in technical discussions with IMF, World Bank and EU, emphasising the role the grant would play in addressing child poverty, improving nutrition, supporting ECD, and overcoming the deficiencies of the means testing. The UNICEF Kyrgyzstan country office continues to generate evidence to inform advocacy and influence the design of the new policy to achieve greater coverage and inclusion of poor and vulnerable children.

Background and Context

The Kyrgyz Republic is a land-locked, lower-middle-income country with a population of 6.2 million. Children (younger than 18 years old) constitute 2.2 million or 38% of the total population. The Kyrgyz Republic remains one of the two poorest countries in the Europe and Central Asia (ECA) region with a poverty level of 22.4 % and with child poverty at 28.3% in 2018 (National Statistical Committee). Regional disparities remain a critical issue due to the large gap in living standards between Bishkek, the capital, and the rest of the country. The Kyrgyz economy is vulnerable to external shocks owing to its reliance on one gold mine (accounting for 10% of GDP), and on worker remittances, equivalent to about 30% of GDP in 2011–16. More than 10% of the Kyrgyz population are migrant workers, mostly working in Russia.

Children, members of large households and rural populations are disproportionately affected by poverty. The latest estimates show that 36.6 % of children under the age of 3 live in a household that consumes below the poverty line (National Statistical Committee, 2018). While the likelihood of a three-member household being poor was just above 7% in 2016, more than half of the households with six members are poor (OECD, 2018). The Kyrgyz Republic has a high fertility rate and a young demographic structure, with almost a third of the population being under the age of 15 in 2017 (UNECE, n.d.). With such a demographic structure, there is a unique opportunity to
influence long-term development by reducing child poverty and investing in children.

While Kyrgyzstan government spends overall 10.6% of GDP on social protection, only 0.6% of GDP is directed at social assistance programmes. The Monthly Benefit for Poor Families (MBPF) was the only scheme that provides regular, predictable income support to poor households with children. However, the programme suffered from limited coverage, targeting errors (i.e. 60% exclusion error) and a low benefit value. To strengthen the performance of the programme and avoid issues relating to fraud and maladministration, the Parliament and the President passed in 2017 a new law to replace the MBPF through the provision of three ‘near’ universal new benefits. This three-benefit package has emerged from the ineffective means tested benefit/MBPF. The quasi-UCB was to replace the MBPF and assume a central role in the national social protection system. It was also supposed to compensate maternity care for parents of children 0-3, who predominately work in the informal employment sector (72%).

UNICEF has been continuously assessing barriers and bottlenecks in the performance of child-focused social protection programmes. The 2017 law introducing ‘near’ universal approach in part was influenced by UNICEF analysis and research. The latter shaped respective policy advocacy arguments and communication messages which contributed to the smooth adoption of the Law in July 2017. UNICEF was also part of consultation fora led by the Ministry of Labour and Social Development (MLSD) which aimed to develop by-laws and implementation guidelines. The MLSD together with the Ministry of Finance and Governmental/Prime Minister Office took a lead in costing and budgeting of the new law.

The law introducing the new approach was passed in July 2017 and was scheduled to come in force from January 2018. Funds were allocated and made available from the Government budget for 2018. The legislation was supported in Parliament and signed by the President in July 2017 for implementation to commence in January 2018. Prior to implementation, several issues arose. First, the effectiveness and fairness of the original design of the Law were publicly debated, due to lack of strategic communication to explain it to the public. Although a communication strategy with evidence-based messages had been prepared, the authorized government agency was not able to clearly explain the purpose and benefits of the novel approach. This opened space for other vulnerable groups to raise long-standing concerns; for example, mothers of children with severe disabilities demanded a carer’s allowance, and pensioners challenged the method of including pension income in the calculation of eligibility for state social support. These groups were ultimately successful in gaining the ear of Parliament.

Second, this was a time of political volatility, with a new President and changes to the executive and legislature. The general absence of a culture of evidence-based decision making meant that the notion of “targeting” became a stumbling block. There were a wide variety of assumptions and interpretations of targeting, and policy rhetoric centred on deserving versus undeserving poor (adults), with children as primary beneficiaries not prioritized. Thus, the drafters and supporters of the quasi-UCB Law were not able to convince decision-makers of the benefits of the universal approach.

Lastly, the IMF and the World Bank expressed concern about fiscal sustainability and requested that the Government reconsider the Law. Although several other areas of the state budget requiring reform were also identified, ultimately the child benefit was a relatively easy target. The IMF instead stressed the importance of “restoring targeted social benefits.” The Government then asked Parliament for a three-month deferment to amend the Law and reintroduce targeting. A Government working group was established to propose a way forward which considered proposals for a revised Law, including a joint position prepared by UNICEF, the World Bank and the EU in support of restricting the child benefit to the age of 18 months while restoring a means test for children above that age and up to 16 years. However, in early February 2018, the Government issued a new draft Law that omits any universal child benefit element and reinforces the means test methodology for targeting.

The latest version of the Law was under public discussion up until March 2018, then discussed in Parliament. It voted in favour on 29 March, and the President approved the Law on 30 March. It became effective as of 1 April 2018.
Intended quasi-UCB and related benefits summary

**Law:** (abandoned) 2017 law on the state benefits in the Kyrgyz Republic.

**Coverage:** All children that are citizens of the Kyrgyz Republic as well as non-citizen children that are permanent residents.

**Number of Children covered:** Total numbers of children aged younger than 16 equates to nearly 600,000 (30% of the total population).  

**Financing:** Non-contributory tax-financed benefits form state budget.

**Cost:** 1% of GDP. The total assigned amount was USD 77.9 million.

**Qualifying conditions:** For the q-UCB component the child must be younger than age 3 and live in a family environment.

**Benefit description:** A universal one-off birth grant of around USD 58 paid for each child (amount was linked to Minimum Subsistence Level (MSL) for Children); a universal categorical monthly benefit of approximately USD 10 a month paid for all children aged 0–3, worth around USD 10 a month; a monthly large family grant for the third and subsequent children in families with three or more children aged 3–16, of around USD 7.50 per child. Payments were to have been paid as a direct transfer to bank accounts and/or via the post office.

**Administrative Organisation:** Ministry of Labour and Social Development.

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Impact evaluations

Since the Law introducing the quasi-UCB and related benefits was deferred and then amended to reintroduce means test targeting, implementation and monitoring of the law did not take place. However, the combined impact of the new state benefits was modelled (see Figure 1). Simulations by the OECD suggest that the three benefits would have had significant impacts on the poverty headcount, extreme poverty and poverty gap and with relatively efficient poverty reduction.

Current Developments

It is important to note that the original 2017 law on the quasi-UCB and related benefits, although building from analyses produced by UNICEF, was developed by parliament and government. In the process of the approval of the law and after the law was passed, UNICEF engaged in technical discussions with the IMF, World Bank and EU, emphasising the role the grant would play in addressing child poverty, supporting early childhood development, and overcoming the deficiencies of the means-tested benefit. UNICEF continues to advocate for the universal element of benefits for children. However, we are also continuing to engage with the World Bank and the EU on the way forward to develop a more inclusive targeting method than the Monthly Benefit for Poor Families.

UNICEF Kyrgyzstan has engaged highly experienced international technical experts well familiar with the situation of Kyrgyzstan, in coordination with UNICEF’s

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Figure 1. Impact of the Three New Benefits

<table>
<thead>
<tr>
<th>Disbursed Amount (Million KGS)</th>
<th>Poverty Headcount Reduction</th>
<th>Extreme Poverty Headcount Reduction</th>
<th>Poverty Gap Reduction (Million KGS)</th>
<th>Extreme Poverty Gap Reduction (Million KGS)</th>
<th>Efficiency (Poverty Reduction)</th>
<th>Efficiency (Extreme Poverty Reduction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,479.06</td>
<td>228,201</td>
<td>46,231</td>
<td>2,490.82</td>
<td>68.40</td>
<td>45.46%</td>
<td>1.25%</td>
</tr>
<tr>
<td>(1.29% of GDP)</td>
<td>(11.82% Reduction)</td>
<td>(61.75% Reduction)</td>
<td>(22.19% Reduction)</td>
<td>(57.3% Reduction)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1. In 2016, the MBPF coverage was 14 % for children aged younger than 18.

2. Minimum Subsistence Level (MSL) is a national social threshold defining a guaranteed level of social support. It is based on a normative consumption basket, updated quarterly updated by the National Statistical Committee using consumer price indices based on registered prices. The MSL is established for different population groups (working-age men, working-age women, pensioners, and children of different age) and per provinces. Eligibility criteria for UCBs by the Law 2017.
Regional Office. The purpose of the assignment was to prepare a series of technical inputs to inform and influence the design of the new targeting policy to achieve greater coverage and inclusion of poor and vulnerable children. The evidence produced during the assignment will be used to inform UNICEF evidence-based advocacy and provide a basis for dialogue with the Government, Parliament, the World Bank and the EU, along with other stakeholders, on how to build a more inclusive and child-sensitive social protection system.

Lessons learned

Upon reflection, favourable policy and political momentum should have been fully gained in the summer of 2017. An interval between adoption of the law, i.e. July 2017 and its planned actual enforcement, i.e. 1 January 2018 was when the fatal strategic and tactical slip occurred. Though there was an opportunity to start the implementation of a quasi-UCB within next few months after the adoption of the respective Law in July 2017.

In addition to the analysis of effectiveness in terms of poverty reduction, it is critical to have an analysis of fiscal sustainability, ideally conducted in partnership with IFIs. Though MLSD and Ministry of Finance took care of costing part of the 2017 law, identified and formally confirmed earmarked funds’ availability for the three benefits, that was called in question by IMF and contributed to certain opposition to initiatives that would address child poverty in the country.

Certain global commitments of UN, IFIs and other international organisations, such as the World Bank Group and ILO Universal Social Protection Initiative, on universal approaches including those around SDG 1 and 1.3 seem to more declarative and have limited trickle-down effect at the country level. Hence there appears a disconnect with HQs and country-level operations. More advocacy and support to national governments on universal approaches to achieve SDG1 would be further explored within SDG nationalization in the Kyrgyz Republic.

Nonetheless, UNICEF Kyrgyzstan in partnership with key international stakeholders will continue its evidence-based high-level advocacy with the Presidential Administration, the Parliament and the Government with regards to political, financial and technical benefits of UCBs for children with the aim of re-introducing the universal benefit(s) for children in the near future, particularly in the context of SDG Goal 1 / indicator 1.3: better coverage of social benefits for the vulnerable population. Strategic communication and public advocacy to ensure continued public support will complement to policy advocacy. In addition to the continuous dialogue with IFIs to reach stronger consensus, communicating the rationale for universal approach in social benefits is the key to successful acceptance by policy-makers and the public.

This country profile was written by Gulsana Turusbekova of the UNICEF office in the Kyrgyz Republic and Ian Orton of UNICEF’s social protection team in New York. It builds on presentations and discussions at the International Conference on Universal Child Benefits in February 2019 hosted by UNICEF, ILO and ODI and is an output of a larger project on universal child benefits lead by UNICEF and ODI.