

SECTOR ASSESSMENT (SUMMARY): PUBLIC SECTOR MANAGEMENT—SOCIAL PROTECTION INITIATIVES

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. In 2018, out of a population of 6.39 million people, 1.429 million people lived below the poverty line, of whom 68.0% were residents of rural settlements.¹ Hence, social protection is a key component to enhance the livelihood of the population of the Kyrgyz Republic.

2. Social protection is the single largest component of public spending, exceeding expenditure on health and education combined. In 2018, it represented more than a quarter of the total government expenditure (9.9% of the gross domestic product [GDP]).² Nevertheless, despite the government's efforts to implement social protection programs, these pillars have not been equally developed, so social insurance programs achieved much greater coverage than social assistance and active labor market policies, which were established only after the collapse of the Soviet Union. As a result, this has led to a significant fragmentation of social protection provision and policy making that has remained to this day. Furthermore, since pension receipt is almost universal among the elderly, the cost of maintaining this system has imposed constraints on the development of a balanced social protection system. This situation is exacerbated by informality (48% of all jobs are in the informal sector),³ high levels of emigration (3.4% of total population in 2015)⁴ and declining female labor participation (45.0% for women compared to 75.4% for men),⁵ causing a mismatch between expenditure and contributions and an increasing reliance on transfers from the Republican Budget to subsidize the social insurance system, posing a serious threat to the sustainability of the pension system as the elderly population grows.⁶

3. In addition to the current challenges that social protection faces, the coronavirus disease (COVID-19) outbreak in the Kyrgyz Republic and the declaration of the state of emergency on 24 March 2020 has put a strain on the economy, the national budget and on its inhabitants. Regarding the labor market, the COVID-19 outbreak and the declaration of the state of emergency in certain cities and regions of the country has affected it severely. Many businesses have been forced to shut down their operations and many small and medium-sized enterprises are facing enormous difficulties to ensure their survival. As a result, there have been widespread income and job losses in many households and, since the social protection system does not cover informal workers and a considerable part of the unemployed, many citizens are falling into poverty. According to the Ministry of Labor and Social Development (MLSD), there will be around 1.8 million people who will need direct social protection support during the economic downturn. This figure is roughly 30% of the population of the Kyrgyz Republic, and it comprises (i) persons living below the poverty line (309,441 people); (ii) recipients of monthly social benefits, including people with disabilities, children, elderly people who have lost their breadwinners and people that are not eligible for pensions (93,520 people); (iii) pensioners with a pension below the cost of basic food

¹ Government of the Kyrgyz Republic. 2019. [Women and Men of the Kyrgyz Republic](#). National Statistical Committee. Bishkek.

² Government of the Kyrgyz Republic. 2019. *Ministry of Finance, Social Fund, and National Statistical Committee*. Bishkek.

³ Ajwad, M.I., and S.B. Gonzales (2018). [Jobs in the Kyrgyz Republic](#). World Bank, Washington, DC.

⁴ International Organization for Migration, Kyrgyzstan – Facts and Figures. <https://www.iom.int/countries/kyrgyzstan>

⁵ Footnote 1, Table 3.1.

⁶ Footnote 3.

(223,510 people); unemployed citizens (156,300 people); and people that have either lost their jobs or are likely to lose their jobs as a result of the economic downturn (1,050,000 people).

4. Women are more vulnerable to economic downturns, since they are the most likely not to be employed or in training programs and, hence, overall labor force participation rates for women are low, coupled with a widening gender wage gap.⁷ Public assistance to provide aid to achieve better vocational education and employability for women is scarce and operates in a very low scale, and measures to reduce the wage gap between men and women have been ineffective. Moreover, a considerable proportion of women works in the informal economy, so they will be ineligible for a social insurance pension or will have to rely on the basic component and thus receive inadequate pensions.⁸ The COVID-19 outbreak might leave 443,000 women unemployed, which accounts for 42% of the total number of layoffs. Female-headed households are particularly vulnerable, as women typically shoulder a greater burden of care. On average, women did three times as much unpaid care work as men at home even before COVID-19.⁹ Nowadays, formal sector female employees with children are balancing one or more of the following: work (if they still have it), childcare, homeschooling, elder care, and housework.

5. Social protection serves as a pillar of countercyclical economic policy by delivering financial support to those that need it as this crisis hits, providing resources to those that will use them to both directly protect themselves and support the economy. According to the World Bank,¹⁰ providing social assistance in the form of social allowances to new and existing beneficiaries has proven to be effective to avoid vulnerable target groups to fall into deep poverty and face the shutdown of non-essential businesses, higher food prices and higher medical costs. Furthermore, governments should strengthen and expand shock responsive social protection systems in the medium- and long-term so that aid can reach the vulnerable more quickly, efficiently, and transparently.¹¹

2. Government's Sector Strategy

6. The government's National Development Strategy of the Kyrgyz Republic for 2018–2040 (NDS 2040) envisages reforms in the social support system to make it more sustainable and attract workers that are in the informal economy and thus are not eligible to have access to the pension fund, being condemned to have a reduced income and not be able to enhance their livelihood. Moreover, strengthening the social support system is one of the main goals that have also been set up. Besides pension funds, family support, maternity and child support will be strengthened, as well as disabled citizens' social benefits, and programs to integrate them into society, creating equal opportunities to fulfill their potential, will be developed. As a result, these reforms will make the social protection system of the Kyrgyz Republic more resilient to negative socio-economic situations, enhancing the protection of vulnerable groups of the population in the event of difficult life situations.

7. The government has put in motion a countercyclical and health sector response plan to reduce the catastrophic consequences that the COVID-19 outbreak is having on the country's economy and population. The total amount of resources allocated is \$248 million. Regarding the health sector response, \$88 million have been assigned to enhance healthcare and provide it with the tools necessary to extend adequate assistance to fight the pandemic. The countercyclical part

⁷ Asian Development Bank (ADB). 2019. [Kyrgyz Republic: Country Gender Assessment](#). Manila.

⁸ Footnote 5.

⁹ Footnote 7.

¹⁰ World Bank. [How social protection can help countries cope with COVID-19](#). April 2020. Washington.

¹¹ UNICEF. 2020. [UNICEF Social Protection Response to COVID-19](#). New York.

of the plan entails measures to mitigate the impact on the poor and vulnerable, ensuring that they receive the necessary aid and have access to social assistance programs during the crisis. The government apportioned \$160 million to achieve the goals that were set up in the plan, which include (i) introducing price controls on certain categories of basic foods and exempt the value added tax (VAT) on imported flour and grain, (ii) provide social assistance in the form of food packages for 311,000 vulnerable households, including female-headed households, totaling to \$11.4 million, and (iii) maintain social contribution payments (\$6.8 million).

8. The government has, under the action plan, provided social assistance to socially vulnerable segments of the population such as the unemployed due to the pandemic or victims of domestic violence. As a result, since the mechanisms to provide social assistance need to be adapted to the sanitary measures to avoid the spread of the virus and the sudden increase of citizens requiring assistance, a toll-free “single window” (that is, a national hotline and informational portal) for citizens that need social protection due to the pandemic has been launched so that those in need of humanitarian aid can conveniently apply for it. Furthermore, the government has allocated funds and resources to ensure a rapid validation of the candidates that request the inclusion on social assistance and protection programs by using this tool (the period for reviewing the application generally ranges from 7 to 15 days). Since the introduction of the hotline, more than 471,000 people (around 7% of the population) have applied for support, which proves that this is a valuable and easy to access tool for citizens in need.¹²

9. In addition, the government has faced difficulties identifying the needs of certain vulnerable groups of the population, failing to attend them due to lack of data and being unable to design tailored programs to provide specific solutions for them. For that reason, in order to enhance a better targeting and alignment of the social protection programs offered by the MLSD, the program contemplates substantial changes to the social protection database such as offering information regarding sex, age and region of social recipients, and enabling the constant update of the data.

3. ADB Sector Experience and Assistance Program

10. The Asian Development Bank (ADB) has extensive experience supporting structural reforms to strengthen the foundations and enhance the development of social protection across the Asia and Pacific region. Furthermore, it has gained considerable experience in the Kyrgyz Republic and has a history of working with the country’s different ministries as well as involvement in poverty reduction, small and medium-size companies’ development, housing finance, and agricultural development.

11. The proposed policy-based loan will focus on supporting the government’s reform agenda to provide assistance to broaden and deepen the social protection system and ground it in a strong legal and regulatory framework that will make it more resilient to future shocks. The proposed program aims to ensure that the needs of the poor and socially vulnerable groups of the population are covered during this crisis, since they are the ones that suffer the most and are in danger of falling into extreme poverty. Furthermore, ADB has recommended the implementation of measures that have a more long-lasting approach so that the social protection system of the Kyrgyz Republic is enhanced, more resilient to external shocks, and improves the targeting and development of tailored strategies for vulnerable groups of the population. In addition, ADB will harmonize its efforts with other international donors and development partners to support the government’s reform agenda.

¹² Government of the Kyrgyz Republic. 2020. [Social Support in the Context of COVID-19 Pandemic](#). Bishkek.

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