

## **Social support in the fight against poverty**

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In the message of the President of the Republic of Uzbekistan to the Oliy Majlis on January 24, 2020, the fight against poverty was identified as a priority task. It was emphasized that "poverty reduction requires the implementation of a comprehensive economic and social policy - from stimulating entrepreneurial activity to mobilizing the abilities and potential of the population, creating new jobs".

Economic laws show that "poverty reproduces poverty". This happens for several reasons. First, poor countries cannot afford to spend enough to maintain affordable, free, and high-quality health care and education, and poor people cannot afford to pay for adequate private services. As a result, less educated and less healthy poor people cannot get out of poverty because of the low quality of human potential. Secondly, the poorer the population, the lower the effective demand, the lower the capacity of the consumer market, and, accordingly, the incentives for the development of industry, agriculture and, especially, services.

This, in turn, constrains the development of the economy, reduces budget revenues and in a closed cycle - the possibility of social support for the poor. Thirdly, the mentality of people from poor families often differs from those of wealthier families. Due to the above reasons, lesser people from poor families are with creative and entrepreneurial thinking. The crime rate among people from poor families is generally higher.

In other words, poverty constrains human development potential, productive forces in the country and the economic activity of the population.

Over the past three years, real total income per capita in Uzbekistan increased by 43,9%, and the average monthly nominal accrued wages by 79,7%, or from 126.54<sup>1</sup> USD in 2016 to 227.34 USD in 2019 year. According to the survey of households within the framework of the project "Listening to the citizens of Uzbekistan" in the World Bank, the average monthly income of one poor household in January-March 2020 is about 1,5 million soums or 146.70 USD , which is 12% more in comparison with the same period of the previous year.

President Sh.Mirziyoev poses the problem of poverty reduction in Uzbekistan as a task of strategic nature. On its solution significant efforts of the

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<sup>1</sup> AS for 17<sup>th</sup> of August, 2020

government is directed. Thus, the country has created the necessary institutions to fight poverty. This is the Ministry of Economic Development and Poverty Reduction, which will determine the policy to combat poverty. To support both socially vulnerable and low-income families, a Ministry for Support of Mahalla and Family was recently created. This ministry, as a responsible body for coordinating the activities of citizens' self-government institutions, should increase the effectiveness of identifying socially vulnerable segments of the population.

Programs are being implemented to improve living conditions in rural areas. In particular, due to the realization of the Obod Qishlok program, the living conditions of 1,7 million villagers have been improved. For the implementation of programs "Obod Qishloq" and "Obod mahalla" in 2019 in total 6,1 trillion soums have been allocated, or \$ 600 million equivalently.

However, despite the progress made, at present, more than 400 thousand families in Uzbekistan needs improvement of their living conditions, while their daily income per family member according to official statistics does not exceed 10-13 thousand soums (less than 1,5 dollars). According to World Bank criteria from October 2015, the global poverty rate is set at \$ 1,9 per day. The share of the informal sector in the labor market is 40-50%. At the same time, only 23% of vulnerable households receive social benefits.

During a pandemic intensified need to accelerate the reform of institutions providing social support and material assistance to the poor and most vulnerable. Therefore, these problems are being actively addressed. A transition is underway from the previously established insufficiently targeted and ineffective institutions for the distribution of material assistance to systemic solutions based on the digitalization of this area, providing the necessary control, transparency and targeting.

### Foreign experience

Social protection is a government policy, a package of measures and programs aimed at reducing poverty and inequality, and increasing the well-being of socially vulnerable groups of the population. The organized system of social protection of the state in the Western world began to enjoy success at the beginning of the 20th century - the period of the creation of social security systems in Germany and Great Britain, and a little later in the USA - during the Great Depression. If 100 years ago, systems of social protection of the population officially existed only in a few countries, today they are practically everywhere. The logic, tools and mechanisms for applying such schemes differ as countries

seek to build social protection systems based on their capabilities, national conditions and priorities.

Institutions of social support for the population play an important role in overcoming poverty, which are designed not only to help financially but also to help the most vulnerable groups get out of poverty. In developed countries, since the 1990s social assistance in the form of grants began to be provided with mandatory requirements for the involvement of its recipients in legal entrepreneurship. In those countries where such practices were used (Korea, US, New Zealand, UK and others.) active engagement of the population on employment was observed. The results of various studies show that a more accurate assessment of the needs of the beneficiary, which is based not only on the level of his income but also taking into account other unrecorded incomes provides more effective tools in terms of poverty alleviation. This mechanism of comprehensive criteria includes a comparison of the declarations of data with data of tax and other public authorities. These changes in the system of providing targeted social assistance is partly a factor of reducing official poverty rates in countries such as Austria, Belgium, Australia, Canada, Czech Republic, Denmark, etc. in the mid-2000s.

Different countries use different schemes to reduce poverty rates. The Swedish model considers the fulfillment of two goals: full employment and income equalization. In this Scandinavian country, they prefer to retrain the unemployed and return them to work in demanded areas.

China has adopted a wide range of measures aimed at rural development, including reforms in the agricultural sector, along with land reforms in rural areas.

In the Czech Republic in addition to basic assistance to the poor, an emphasis is placed on assistance in natural form and cash compensation as an additional tool to support the poor.

In the United States, assistance to the poor is provided within the framework of special programs that cover 15% to 20% of the population. In-kind assistance has become widespread: food stamps, low-cost housing, medical care of elderly and o early childhood care and others.

For the conditions of Uzbekistan, the most acceptable comprehensive approach to poverty reduction should be aimed at engaging as many working-age populations in employment, while simultaneously defining a package of state social support that will help those in need below the poverty line to get out of poverty trap. At the same time, in the conditions of the impossibility of immediate

eradication of poverty, it is recommended to gradually implement measures in the field of ensuring the social protection of the poor, creating additional opportunities for earning stable income and improving human capital.

## Social model

Uzbekistan belongs to socially oriented countries. In such countries, there is a significant presence of the state in the life of society, which implies a wide range of social obligations of the state in front of its citizens. This makes it necessary to provide state support to socially vulnerable groups of society.

Strong social policy, this means that state institutions carry out a certain redistribution of public goods in favor of the least protected and most vulnerable members of society. For all these years in Uzbekistan, unlike many other countries, the need for a strong social policy has not been questioned. That is, it can be stated that Uzbekistan a priori has chosen a model of state policy that corresponds to the concept of social justice. Why did it happen?

For thousands of years, a traditional worldview was formed on our land that people should help each other, and the poor and the vulnerable, who are in difficult life situations, should receive support from those who can provide it: from neighbors, from society. Our social contract is based on these centuries-old principles of public morality.

At the same time, for a long time, the existence of poverty for political reasons was practically not recognized at the official level, there were no normatively approved criteria for determining poverty rate, without which it is very difficult to pursue an effective social policy. Nevertheless, the problem of poverty has not disappeared, and in 2007, an attempt was even made to develop an appropriate strategy to overcome it. Together with UNDP, the World Bank and the ADB "Strategy for improving the well-being of the population of the Republic of Uzbekistan 2008-2010" was developed. However, until recently, there were no fundamental changes in terms of real social support for the poor, carried out through mahalla committees.

## Identified imperfections

The fact that this area does not function effectively enough and needs deep reforming became clear after the People's Receptions of the President of the Republic of Uzbekistan were opened in 2017, where citizens' appeals were received and carefully analyzed. Over the past two years, more than 3.6 million

citizens' appeals to the President were received, which reflected many problems related to both the standard of living and provision of employment, housing, high-quality utilities, healthcare and education services. Many of the issues raised were related to shortcomings in the system of social support for citizens, assistance to the poor and vulnerable groups of the population, which caused numerous complaints from citizens.

It is worth here to mention that the mechanism for providing material support is still determined by the " Regulations on the procedure for assigning and paying social benefits and material assistance to low-income families", approved by the Resolution of Cabinet of Ministers on February 15, 2013. In accordance with this provision, the decision on the appointment and payment of benefits to families with children, childcare benefits and material assistance was made by citizens' assemblies of villages and mahallas, or by the commission authorized by assemblies of citizens. The Commission was elected by the Citizens' assembly and chaired by the President of the Citizens' assembly.

Members to the Commission at choosing were for a period of 2 years, and the chairman of the citizens' assembly - for the entire period of his term. The number of members given to the Commission should have been at least 15 people.

On the one hand, such a mechanism involves a real understanding of the commission's members, those who really need support. However, on the other hand, this mechanism for collegial decision-making is very complicated, not transparent enough and does not exclude abuse, especially since it is accompanied by numerous procedures and requires the provision of a large number of documents and references. Apparently, all these difficulties and shortcomings in the mechanism for allocating social assistance have led to numerous complaints to the President's Receptions about the ineffective or even unfair practice of allocating material assistance.

### [In manual mode](#)

In this regard, there is an acute need to find out the real state of affairs on the ground, both in matters of aid allocation and in other areas of social support.

On January 17, 2019, the President issued a Decree "On measures further to improve the system of working with population problems". This Decree established that the People's Receptions, together with the sectors for the integrated socio-economic development of territories, state bodies and other organizations, identify the real problems of the population by going household-by-household, studying social and other objects, and ensure their solution

Based on the household bypass that the register of poor families was formed, popularly called "Temir Daftar<sup>2</sup>", which includes poor families and also takes into account the problems of socially vulnerable groups of the population. This register has become the basis for a targeted program of poverty reduction and welfare at the sectoral level. Problems that were not resolved at the local level were transferred to the regional or republican levels to solve systemic problems that are vital for the population. In 2019, more than 6.1 million households of the country were examined by working groups organized to study the problems of the population. As a result of interviews with citizens, 935.6 thousand issues were identified that require a solution, most of which were resolved. Among the most painful problems for the population were: supply of liquefied gas (18.9% of respondents), employment (11%), health care (8.5%), electricity (8.1%), bank loans (7%), material aid (5.7%), drinking water (5.5%), cadastral issues (5.3%), housing (4.4%), natural gas (3.4%), coal supply 2.3%), passport control (2.1%) and issues related to preschool education (1.5%).

In the current year, the situation in the sphere of living standards worsened due to the pandemic because of the deteriorating financial situation of many citizens as a result of coronavirus restrictions. Therefore, the work to identify social problems has become even more important and is actively continuing. As of August 1 of this year, the number of appeals on social protection issues has doubled compared to the same period last year. At the same time, the number of applications for material assistance and social benefits amounted to 48% of the total number of applications for social protection, which is 1.9 times more than in the previous year.

At the same time, it should be noted that there has been a 4% decrease in citizens' applications regarding the termination of the pension or benefit's payment. Applications for low pensions decreased by 52%. The number of requests for material assistance for treatment decreased by 19%, and requests for payments of benefits to disabled people decreased by 14%.

In the area of free medical care, the number of applications decreased by 37%, applications for obtaining an order to rehabilitation centers decreased by 29%, the number of applications regarding the provision of prosthetic and orthopedic products and rehabilitation equipment for disabled people also decreased by 64%. Nevertheless, at the same time, the number of requests for

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<sup>2</sup> List of poor and vulnerable families

medical assistance and medicines from the elderly and the disabled has sharply increased (by 20%), which is understandable by their home isolation under quarantine conditions. There are also new categories of complaints related to the pandemic. Appeals regarding the provision of citizens with material assistance, food and protective equipment during the quarantine period amounted to 16% of the total number of appeals, and about prices and shortages of food and necessities - 8%. Most of these appeals were resolved positively, and this shows that the issues of social assistance in manual mode during the pandemic was quite successful.

A household survey also gave a lot to understand the imperfection of the social assistance system. It turned out that many of the recipients of financial aid did not live in poverty at all, having well-appointed houses with modern renovation and interior furnishings, cars, and had bank accounts. At the same time, many poor families were not included in the lists for material assistance. This state of affairs sharply raised the question of the need for fundamental changes in the system of social support for the poor and the most vulnerable segments of the population, in particular, the criteria for the allocation of this assistance.

### On a systematic basis

As can be seen from the above, the problems accumulated over the previous years in the system of social support of the population have to be solved literally in the system of manual control - receiving information through the local sectors to solve existing problems and identify those families that really need state support. However, this is often a subjective solution to the issue, overly dependent on the "human factor".

The experience of foreign countries and the identified shortcomings in the process of the research carried out indicate that social support should be built on a systematic basis. Clear criteria for the allocation of certain types of assistance should be developed, the determination of compliance with which should be based on independent sources of information. The criteria and procedures for the allocation of aid and the specific data on which it is allocated must be transparent. In addition, it is precisely in the transition from manual management of social support issues to a clear and precise integral system of support for the population and poverty reduction that a lot of work has been done recently.

Important steps in this direction in the country began to be taken last year. According to the Decree of the Cabinet of Ministers dated April 15, 2019, the Information System "Unified Register of Social Protection" is being implemented, in which a transparent assessment of the degree of families need and the

compliance of applicants with the established criteria is carried out in real time. The degree of need is determined taking into account information about the income of family members, property, bank accounts, loans received, and cars available in the relevant databases of various departments. Based on these assessments, a unified database of applicants and recipients of state social services and assistance is formed. To develop this system, from October 1, 2019, a pilot project is being developed in the Syrdarya region.

For the effective implementation of this system, objective data on the support provided to the population are required to be included in the "Unified Register of Social Protection". And this task is also solved during household surveys. On their basis, and taking into account the negative impact of quarantine restrictions on the living standards of certain families, the Ministry for Support of the Mahalla and Family and the departments responsible for the socio-economic development of the regions this year compiled lists of those in need of material assistance and support. The lists include the poor; citizens with disabilities; families in need of social protection; lonely senior citizens; permanently unemployed citizens; citizens who have been unemployed due to quarantine; citizens returning from epidemiologically unfavorable regions. These lists include over 400 thousand families with more than 1,7 million members. For the provision of one-time assistance to these families, by the Decree of the President of the Republic of Uzbekistan dated July 30, 2020 № PD-6038 "On additional measures for material support of the population in need of assistance and social protection during the coronavirus pandemic" 380 billion soums were allocated from the republican budget. Assistance was allocated in the amount of 220 thousand soums for each family member.

The next important step in this direction is the Presidential Decree, issued on August 4, 2020, "On additional measures to automate the procedures for the provision of state social services and assistance to the population". The decree established that from September 1 of this year, the procedures for considering applications and the appointment of social benefits are carried out in stages through the information system "Unified Register of Social Protection", which is an integral part of the "Electronic Government" system and will be introduced in all regions of the republic by the end of this year.

Among the main goals of the implementation of this system is the need to eliminate the subjective approach in decision-making by objectively assessing the neediness of low-income families in accordance with certain criteria; a radical reduction in the number of certificates and documents required for the provision of

public social services and assistance by automating procedures for interdepartmental electronic interaction for the exchange of documents, as well as automating the processes of providing public social services and assistance.

From January 1, 2021, the list of documents required to receive state social services and assistance is sharply limited. Certificates of recognition of low income will be issued through the Single portal of interactive public services and are valid for twelve months. 30 billion soums are allocated from the republican budget for the translation of documents stored on paper in the archives of the registry office into electronic databases.

The implementation of this presidential decree should create a modern and transparent system for providing material assistance to the poor and vulnerable groups of the population, which will become an important tool in the process of overcoming poverty in Uzbekistan.

## Conclusion

This paper deals with only one of the areas of poverty reduction in the country - increasing the effectiveness of social protection, which in general can be overcome successfully only with an integrated approach through an integrated approach to solving this problem. In recent years, significant efforts have also been made in other areas that contribute to overcoming poverty. This is the creation of new jobs, support of entrepreneurship, rural and agriculture development, improvement of infrastructure in rural areas, improvement of healthcare, professional education and training, and issues of economic migration. In all these areas there are already positive changes.