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Protecting Vulnerable Families in Central Asia: Poverty, vulnerability and the impact of the economic crisis

By Franziska Gassmann

Maastricht Economic and social Research institute on Innovation and Technology (UNU-MERIT)
email: info@merit.unu.edu | website: http://www.merit.unu.edu

Maastricht Graduate School of Governance (MGSoG)
email: info-governance@maastrichtuniversity.nl | website: http://mgsog.merit.unu.edu

Keizer Karelplein 19, 6211 TC Maastricht, The Netherlands
Tel: (31) (43) 388 4400, Fax: (31) (43) 388 4499

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Protecting Vulnerable Families in Central Asia: Poverty, vulnerability and the impact of the economic crisis

Franziska Gassmann*

*Maastricht Graduate School of Governance, <franziska.gassmann@maastrichtuniversity.nl>

Abstract: Since the end of 2007, countries in Central Asia have been struck by two major consecutive shocks: the food and fuel price increase in 2007-08, and the global economic and financial crisis that began at the end of 2008. Households, both poor and not poor, are directly and adversely affected by the crisis. The multi-dimensionality of the crises and the volatile economic environment challenge the ability of vulnerable households to cope and to maintain their living standards. Social protection programmes play an important role in the response to a crisis. This paper provides an overview of the social and economic vulnerabilities of households with children in the five Central Asian countries, and assesses the ability of national social protection systems to address these, with the main focus on the role of non-contributory cash transfers financed from general government revenues. The paper concludes that the existing social cash transfer systems are not effective in addressing the needs of poor and vulnerable children and families in Central Asia. Limited coverage together with limited funding reduces the potential poverty reduction impact of the programmes. The paper discusses potential strategies for improving existing systems by consolidating and protecting government spending, streamlining existing benefits and transfers, improving the identification of beneficiaries and strengthening administration, monitoring and evaluation systems.

Keywords: social protection, social assistance, economic crisis, poverty reduction, Central Asia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan.

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Защита уязвимых семей в Центральной Азии: бедность, уязвимость и воздействие экономического кризиса.

Франциска Гассманн

Высшая школа управления г. Маастрихт, <franziska.gassmann@maastrichtuniversity.nl>

Тезисы: С окончания 2007 года страны Центральной Азии были потрясены двумя главными событиями, последовавшими друг за другом: повышение цен на продукты питания и на топливо в 2007-8 годах и глобальный экономический и финансовый кризис, который начался в конце 2008 года. Кризис оказал непосредственное неблагоприятное воздействие как на малоимущие, так и на благосостоятельные семьи. Многоаспектность кризиса и постоянно меняющаяся экономическая ситуация ставят под угрозу слабозащищенную способность семей справляться с ситуацией и сохранять уровень жизни. Программы по социальной защите играют важную роль в реагировании на кризис. Данная работа включает обзор социальных и экономических слабых сторон семей с детьми в пяти странах Центральной Азии и оценивает возможность систем национальной социальной защиты в решении данных вопросов, с основным фокусом на роли перевода денежных средств, не предусматривающих взносов, финансируемых из доходов национального правительства. В данной работе подводится итог, что существующая социальная система перевода денежных средств не является эффективной для защиты интересов малоимущих и незащищенных детей и семей в Центральной Азии. Ограниченная степень охвата в сочетании с ограниченными средствами финансирования уменьшает потенциальное влияние програм по уменьшению бедности. Данная работа рассматривает потенциальные стратегии по улучшению существующих систем путем консолидирования и защиты государственных расходов, оптимизации существующих льгот и переводов денежных средств, улучшения идентификации льготников и ужесточения систем администрирования, мониторинга и оценки.

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ACRONYMS

ADB	Asian Development Bank
CARRA	Central Asia Risk Reduction Assessment
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
CSB	Categorical State Benefit
ECE	Economic Commission for Europe
EUROSTAT	European Statistics
GFS	Global Forecast System
HA	Housing Allowance
ICG	International Crisis Group
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
ISAE	Institute of Strategic Analysis and Evaluation (Kyrgyzstan)
KIHS	Kyrgyz Integrated Household Survey
MSB	Monthly Social Benefit
OECD	Organization for Economic Cooperation and Development
SSA	Special State Allowance
TSA	Targeted Social Allowance
WB	World Bank
WDI	World Development Indicators
WFP	World Food Programme

1. INTRODUCTION

Since the end of 2007, the five countries in Central Asia[1] had to face two major consecutive shocks: the food and fuel price increase in 2007-08, and the global economic and financial crisis that started at the end of 2008. Households, both poor and not poor, are directly and adversely affected by the crisis. Kazakhstan, Kyrgyzstan and Tajikistan were especially hard hit (World Bank 2010b). In many countries in the region, inflation rose by almost 20 per cent in 2008. The worst seems to be over. Economies are slowly recovering from the global economic crisis as recent data indicate (IMF 2010a, 2010b). However, labour markets may remain under pressure for a while. High food and fuel prices are likely to persist. While the global economic crisis brought the first spike in food prices (early 2008) to a halt, international prices for staple food such as cereals rose again sharply in the second half of 2010 (Ortiz et al. 2011).[2]

Between 1998 and 2006 the major reduction in poverty in the region was driven by growth in average incomes and rising real wages among the working poor (World Bank 2010b) but this trend came to a halt after the food and fuel crisis took hold at the end of 2007 and early 2008. The recent crises may affect human development in different ways: by halting or even reversing the poverty trends, worsening food security, reducing the utilization of education and health services and by depleting the productive assets of the poor (World Bank 2008). Reduction in the use of education and health services and the depletion of assets by the poor will have long-lasting effects.

The world is going through a period of economic volatility with crises hitting households at various levels. First was the food and fuel price crisis which seemed to have abated in 2009, but resumed in late 2010. The global economic and financial crisis, which affected households through incomes, employment and remittances, is presumably over as indicated by positive growth rates and recovering remittances. Finally, natural disasters and internal conflicts further threaten fragile economies. The multi-dimensionality of the crises and the volatile economic environment challenge vulnerable households' ability to cope and maintain their living standards.

Social protection programmes play an important role in the response to a crisis. They help households maintain access to food, energy, education and health. They support families, individuals and communities to better manage risks by helping to prevent, mitigate and cope with adverse events. The objectives of social protection are to reduce poverty and vulnerability, reduce inequality of living standards and opportunities, enhance consumption by smoothing the capacities of individuals and households, enable households to manage risks, and redistribute income between groups and/or over the life cycle. The countries in Central Asia all have social protection systems in place, though the relevance, focus and mix of instruments varies.

[1] Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.
[2] In Tajikistan, for example, the local food price index increased by almost 35 per cent between May and November 2010 (Ortiz et.al. 2011).

Starting in 2007, the CARRA (Central Asia Risk Reduction Assessment) process brings together major development partners including ECE, WB, ADB, the UN system and bilateral donors. It provides a forum for the assessment of development risks (especially around the interplay of vulnerability to natural disasters with potential political conflict, with respect to water, energy and ethnicity) and for improving coordination around the development/humanitarian nexus.

In 2009, the forum was broadened further to include social policy, and social protection in particular, as a way of recognizing the real vulnerabilities at household level that come from poverty, access to poor quality services, ineffective social protection systems, and the impact of migration and remittances. This paper aims to contribute to the discussion on social policy effectiveness, particularly in terms of mitigating the impact of high food and energy prices on vulnerable households.

Objective of the paper

The objective of this paper is to provide an overview of the social and economic vulnerabilities of households with children in the five Central Asian countries, and to assess the ability of national social protection systems in addressing these, with the main focus on the role of non-contributory cash transfers. The findings will support the CARRA process by identifying priority areas for future coordinated actions in that context. Finally, the paper aims at identifying data and knowledge gaps and making suggestions for future research.

More specifically the paper aims at addressing the following questions:

- To what extent are existing vulnerabilities of children and their families in a number of dimensions (poverty, food, energy) in the five Central Asian countries being addressed by the existing social protection systems?
- What are the underlying factors hindering or facilitating the ability of social protection systems from addressing vulnerabilities?

Scope of the paper

Social protection covers a broad array of instruments and includes social insurance systems, labour market policies, and social safety nets.[3] The focus in this paper is on non-contributory social cash transfers which are considered to be the main social protection instruments targeted specifically at poor and vulnerable households, and which are financed from general government revenues. Eligibility for non-contributory transfers does not depend on employment records and contributions made in the past. Rather, they function as a safety net or act as a form of last resort assistance. Eligibility is defined either based on categorical indicators or on needs.

[3] Note that there is no single definition of social protection. The ILO definition further includes the provision of health care (ILO 2010:13), while, for example, the World Bank treats labour market policies separately from social protection (Grosh et al. 2008:5).

The need for non-contributory social assistance schemes depends directly on the availability of other social protection instruments. The presence of pensions, disability and other social insurance programmes or labour market policies, such as unemployment benefits or active labour market programmes minimizes the need for social assistance in the event of a shock.[4] Although pensions primarily serve the objective of income redistribution over a lifetime,[5] they play an important role in poverty reduction. In the absence of pensions, poverty rates would be significantly higher. For example, in the Kyrgyz Republic absolute poverty would have been almost five percentage points higher in 2005 in the absence of pensions (World Bank, 2009c). As such, a strong argument can be made in favour of basic social pension schemes, as also promoted by the Social Protection Floor Initiative (ILO, 2010). But pensions are not an adequate instrument for addressing income shocks triggered by macro-economic crises or natural disasters.

The focus of this paper is on the recent global economic crises. It does not directly discuss the impact of natural disasters or political events that took place in the region. The food and fuel crisis and the subsequent economic crisis were triggered by global events. All countries in the region were affected. This allows the analysis of commonalities and differences between the countries in terms of the impact on child well-being and the social protection policy responses adopted.

Finally, this paper is based on an extensive review of existing literature, including published and unpublished material from various sources. It does not contain any original data analysis and is therefore limited.

Structure of the paper

The next section provides the context for this study summarizing the main macro-economic and fiscal trends. Section three presents the available evidence on family and child poverty and vulnerability focusing on monetary poverty, food poverty and material deprivation. The capacity of existing non-contributory social cash transfer schemes to support poor and vulnerable households before and during the crisis is discussed in section four. Section five presents avenues of reform to strengthen the effectiveness of social protection in Central Asia and concludes with potential areas of involvement of the CARRA process.

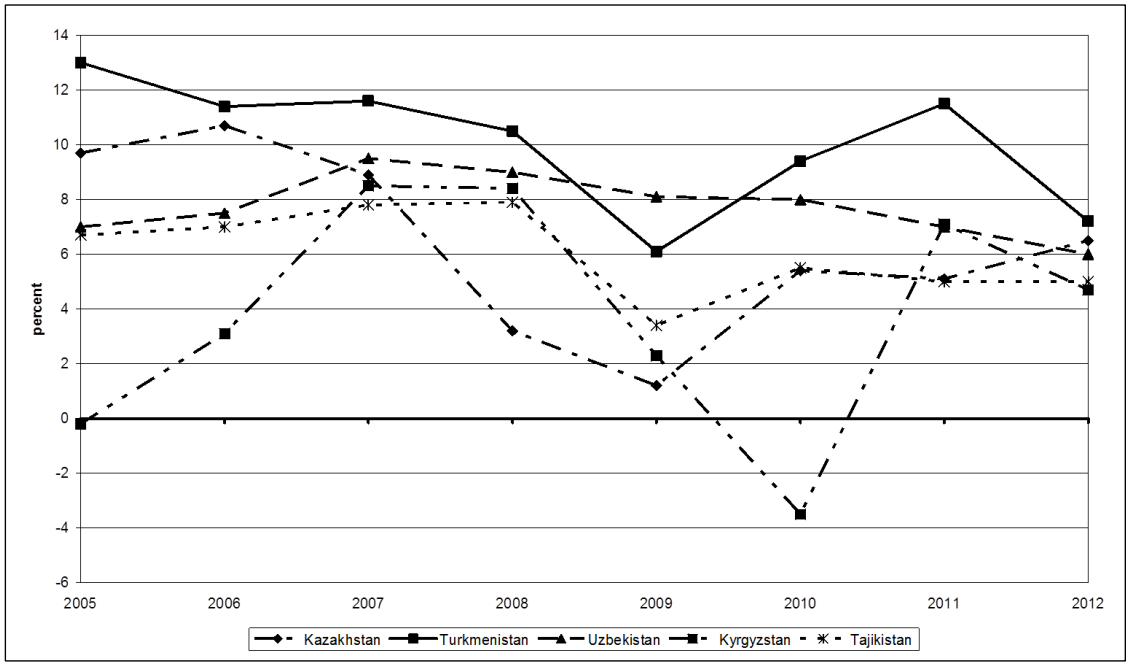
2. CONTEXT

From a macro-economic perspective the worst seems to be over. In hindsight, the impact of the global economic crises in the countries of Central Asia was relatively mild (Slay, 2011). Countries in the region are expected to return to their growth path at latest during 2011 as projections from the International Monetary Fund indicate (IMF, 2010b). Growth is expected

[4] A shock is an event that affects the income generating capacity of a household or individual.
[5] Social transfers can play a similar role to social insurance in the case of social pensions, child or disability allowances. They equally cover life-cycle risks.

to be strongest among the energy–exporting countries. Kyrgyzstan is the only country in the region that experienced an economic contraction in 2010, where the fragile economic situation was exacerbated by the internal conflict (Figure 1). Notwithstanding the positive growth prospects, disposable incomes of households have not recovered yet in many countries (IMF 2010a). Inflation rates, after a hike in 2008, are back to pre-crisis levels (Figure 2), but consumer prices will remain under pressure. In the oil-importing countries (Tajikistan, Kyrgyzstan), one can expect further rounds of energy price increases following the developments of global energy prices and ongoing utility reforms necessitating further rounds of tariff adjustments (World Bank 2010b). The recent increase in international wheat prices could put further upward pressure on consumer price indices in the region if international prices are passed through to domestic consumers (IMF 2010a).

Figure 1. Real GDP Growth, 2005-2012

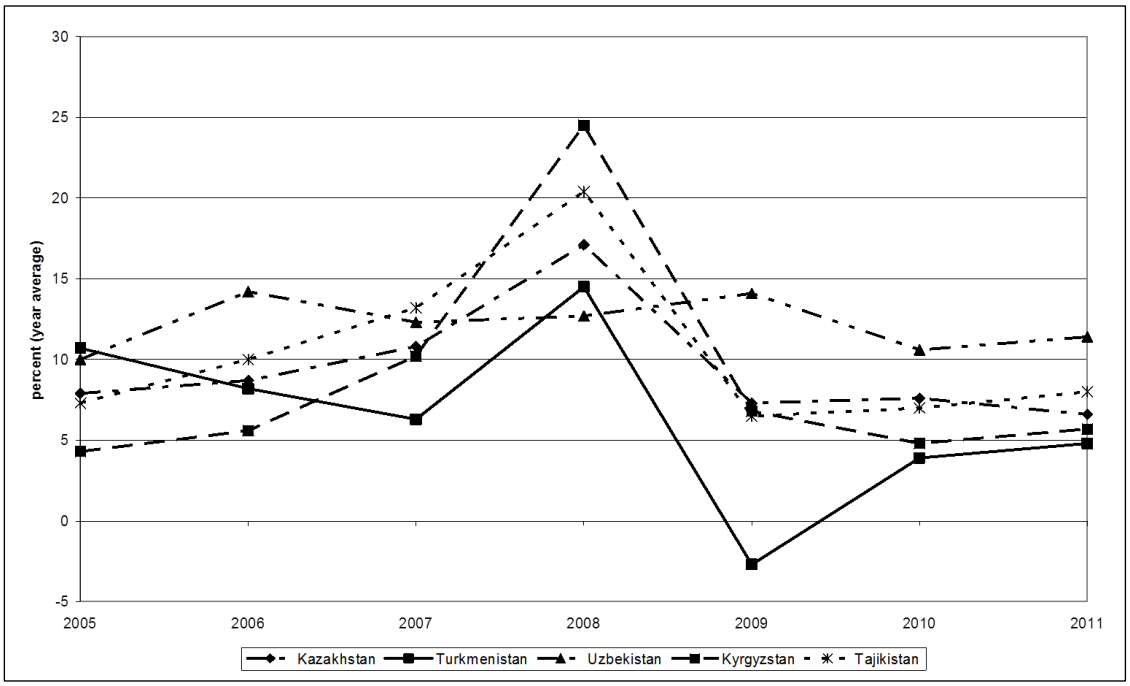


Note: Projections for 2010 and onwards
Source: IMF (2010b)

The fiscal position of the countries in Central Asia differs between energy exporters and importers (Figure 3). Fiscal space is less a problem in the oil-exporting countries as they entered the period with substantial reserves (World Bank 2010b). The oil-rich countries managed to keep a positive fiscal balance, with the exception of Kazakhstan. Positive growth prospects and the withdrawal of fiscal stimuli will aid further fiscal consolidation in the oil-rich countries. The fiscal situation is entirely different in the two poor countries. Tajikistan has been running a fiscal deficit since 2007 and it is not expected to have a positive balance in the near future. In Kyrgyzstan, the economic contraction combined with a fiscal expansion in 2010 produced a fiscal deficit of 12 per cent of GDP. Projections for 2011 expect a continuing fiscal deficit of 8.5 per cent of GDP (IMF 2010a). Donor support is expected to return to pre-crisis levels by 2011 and public debt is expected to rise. As a result, fiscal space to increase social expenditures is extremely limited. This does not however apply to the oil-

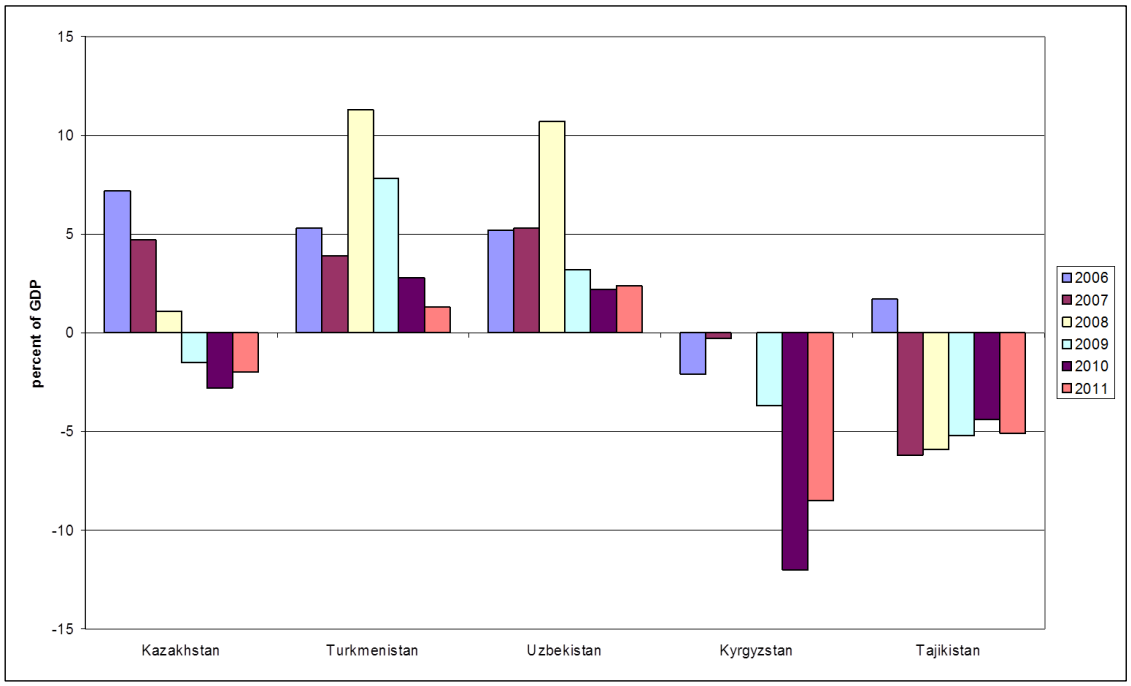
exporting countries, notably Turkmenistan and Uzbekistan, where fiscal space is less of a constraint for the extension of social protection.

Figure 2. Consumer prices, annual per cent change, year average, 2005-2011



Note: Projections for 2010 and 2011
Source: IMF (2010b)

Figure 3. Fiscal balance as per cent of GDP, 2006-2011



Note: Projections for 2010 and 2011
Source: IMF (2010a)

At the onset of the crisis, it was expected that remittance flows to Central Asia would contract. Remittance flows in USD terms to Tajikistan and Kyrgyzstan indeed declined by an estimated one third in 2009 as a result of the economic recession in the Russian Federation and the depreciation of the Ruble relative to the US Dollar (World Bank 2010c). However, recent data indicate that remittances remained more resilient than expected. Remittance inflows are expected to reach almost pre-crisis levels in 2010 (Table 1). The recovery of the Russian economy and increasing oil prices spurred a new wave of migrants. For example, the number of temporary workers abroad from Tajikistan has returned to pre-crisis levels in 2010.[6]

Table 1. Remittance inflows, million USD, 2006-2010

	2006	2007	2008	2009	2010*
Kyrgyzstan	481	715	1,232	882	1,037
Tajikistan	1,019	1,691	2,544	1,748	2,065

* Estimates
Source: World Bank (2011)

Little data is available on the impact of the economic crisis on the labour markets. Between 2009 and 2010 official unemployment data remained hardly unchanged in Kazakhstan, Uzbekistan and the Kyrgyz Republic, the countries for which official data are available (IMF 2010b).

3. FAMILY WELL-BEING AND VULNERABILITY TO CRISES

A global economic shock affects households and eventually children through different transmission channels at different levels (Harper, Jones and McKay 2009; World Bank 2010b). At the micro-level, the crisis has an impact on the consumption capacity transmitted through declining real wages and benefits, price increases, job loss and reduced access to credit. An economic shock mainly transmitted through the labour market will directly affect poverty. Poverty will rise among households depending on remittances[7] and those employed in sectors such as construction (World Bank 2010b). These direct effects are followed by second order effects when families may be forced to reduce their investments in health and education as a response to lower purchasing power. An economic shock may also lead to social unrest, disrupt community and inter-ethnic relations or even bring down fragile governments (World Bank 2010b; Slay 2011).

The net effect of a food price shock depends on whether households are net producers or consumers of food, how much they consume and whether they can substitute with cheaper food items. It also depends on whether they have access to livelihood strategies such as access to agricultural assets and inputs. The poor are not necessarily the worst affected,

[6] The number of temporary workers abroad from Tajikistan almost halved from 600,000 in 2008 to 350,000 in 2009 (Gallup Survey quoted in World Bank, 2010c).
[7] Remittance inflows have grown rapidly over the past five years. Between 2003 and 2007, remittance inflows grew by 74 per cent in the Kyrgyz Republic and 84 per cent in Tajikistan. The level of remittance inflows in these countries exceeds other capital inflows. These countries are therefore vulnerable to shocks related to employment and wage reductions in migrant host countries. (World Bank 2010b)

although the food share falls with rising income levels. In reality though, the poor are most affected in countries such as Kyrgyzstan and Tajikistan, where they are net consumers with limited access to agricultural assets and inputs (World Bank 2010b).[8] Higher food and fuel prices erode disposable income. Given that poor households spend more than half of their total budget on food (in some countries this share is as high as 80 per cent), households have even less to spend on other items when food prices rise (Ortiz, et al. 2011).

Depending on whether a country is an oil exporter or importer, the effect of an increase in fuel prices varies. In the oil-rich countries, higher fuel prices have a positive effect on the living standard as a result of increasing aggregate demand. In the oil-importing countries, a fuel price increase can have a direct poverty effect through the consumption of energy and an indirect effect via higher prices for commodities whose production requires energy. The poverty impact of an energy price increase may vary for different geographical locations and depending whether a household is connected to the utility infrastructure. In urban households, the share of energy consumption is usually higher compared to rural households.[9] If the utility infrastructure is insufficient, households may not even be connected to central sources of energy. Nevertheless, these households are also affected by higher energy tariffs as they will have to pay higher prices for alternative energy sources, such as gas bottles, kerosene and possibly even firewood.

In the period 2000-2008 the overall situation of children improved in the region, although disparities between and within countries remain significant (Menchini et al. 2009). Many reports have been produced recently on the impact of the food and fuel price crisis and the subsequent global economic crisis on poverty and child well-being. However, so far there is little evidence on the impact of the recent crises on child well-being and vulnerability. Many authors refer to experience from earlier crises extrapolating those outcomes to the current situation (e.g. Harper, Jones, McKay 2009). It will take a while before household survey data will be available for assessment of the impact of the crisis on household living conditions (Ravallion 2009). The few estimates available draw on projections based on the poverty incidence before the crisis, and on recently released data for 2009. Poverty rates were declining in all countries. In the absence of the crisis, this trend would most probably have continued. Country averages, though, mask within-country disparities.[10] Eventually, the impact of the crisis depends on the extent to which it affects average consumption and the respective income distribution (Ravallion 2009).

[8] Kyrgyzstan: 53 per cent of population lives in households that are net food consumers. Of those, 35 per cent are poor. 19 per cent of the population are net food consumers and live in poverty and were estimated to have been hurt most by the food price increase in 2007. The impact was partially offset by rising wages, and thus the net impact was not clear. The number of those in extreme poverty was estimated to increase with 8 percentage points (from 9 per cent in 2006).

[9] A low share of energy consumption can also reflect non-payment or arrears, or access to less expensive sources (World Bank 2010b).

[10] Different population groups have benefited differently from the overall reduction in poverty.

In the remainder of this section, we present the available evidence on poverty and vulnerability in Central Asia, focusing on monetary poverty (consumption poverty), food poverty and material deprivation.

Box 1. Measuring poverty – differences in methodologies

Kazakhstan: The poverty measures are based on average household consumption per capita. The poverty line is set at 40 per cent of the national subsistence minimum, which is based on an objectively defined minimum consumer basket. The minimum consumer basket consists of food (70 per cent) and non-food goods and services (30 per cent) (Gavrilovic et.al. 2009).

Kyrgyzstan: Poverty measures are calculated using average household consumption per capita. Poverty lines are calculated by the National Statistics Committee. The extreme (food) poverty line is equivalent to the costs for an individual to purchase 2100 kcal per day taking into account the actual food consumption patterns of a representative share of households. The absolute poverty line includes an allowance for non-food goods and services based on households around the food poverty line. The most recent update of the poverty line took place in 2008 (Gassmann, 2010b; World Bank, forthcoming).

Uzbekistan: Poor households are defined as those that do not have the necessary material resources to ensure the national minimum consumption standard (UNICEF 2009a). According to Tahlil (2009), the methodology follows standard World Bank methodology (comparable to Kyrgyzstan).

Tajikistan: Poverty is measured based on average household consumption per capita. Poverty lines are established similar to those of Kyrgyzstan and Uzbekistan. The food poverty line is based on the costs of purchasing 2,250 kcal per person per day. Within the value of the absolute poverty line, food consumption accounts for 64 per cent (World Bank, 2009a).

Consumption poverty

Over the last decade, poverty rates declined significantly in the region as a result of real growth of income and consumption.[11] The absolute poverty incidence (based on national poverty lines) varies considerably between countries, although the poverty rates are not directly comparable due to methodological differences (see Box 1). While international poverty lines and measures would allow a direct comparison of poverty levels and trends across countries,[12] the available data presented in Table 2 describe country level trends. Tajikistan, the poorest country in the region, has the highest poverty rate. Almost one in two persons is absolutely poor. 16 per cent of the population was living in extreme poverty in 2009 (World Bank, 2010a). Kazakhstan, the richest country in the region, has also the lowest poverty incidence level. 16 per cent of the population is absolutely poor.[13] Most of the available data refer to the period at the onset of the crisis. Preliminary data from Tajikistan and Kyrgyzstan indicate that poverty rates may have fallen slightly in Tajikistan between

[11] In Tajikistan, for example, migration and related remittances are estimated to have accounted for about 50 per cent of the decrease in poverty between 2003 and 2007 (World Bank, 2009a).

[12] There is no consistent use of international poverty lines in national poverty assessments. The most recent MDG report for Eastern Europe and Central Asia also uses poverty rates based on national poverty lines (UNECE 2010). The Innocenti Social Monitor 2009 presents poverty rates based on international poverty lines, but the data refer to around 2005 (UNICEF 2009c).

[13] Note that the poverty rate reported on the website of the National Statistics Committee was 12per cent for 2008 (www.eng.stat.kz).

2007 and 2009, and remained largely unchanged in the Kyrgyz Republic between 2008 and 2009 (Slay, 2011). Poverty rates for Kazakhstan also continued to decline in 2009 and the first quarter of 2010 (www.eng.stat.kz).

Table 2. Poverty incidence (different years)

		Absolute Poverty		
	Year/Source	**Total**	**Urban**	**Rural**
Tajikistan	2009 (WB 2010a)	47%	42%	49%
	2007 (WB 2009a)	54%	49%	55%
Kazakhstan	2008 (WB 2009b)	16%	12%	21%
	2006 (Gavrilovic et al. 2009)	22%	16%	29%
Uzbekistan	2007 (UNICEF 2009a)	24%	18%	27%
	2003 (UNICEF 2009a)	27%	22%	29%
Kyrgyzstan	2008 (WB forthcoming)	32%	23%	37%
	2005 (WB 2009c)	43%	30%	51%

Note: Poverty rates are based on national poverty lines. They are not directly comparable.

Although poverty rates (and methodologies to calculate them) differ across the countries, the characteristics of poverty are the same. In all countries, the population in **rural areas** has a higher risk of living in poverty, while the capital cities have the lowest poverty incidence rates. All countries, with the exception of Kazakhstan, are predominantly rural. Three out of four poor people live in rural areas in Tajikistan, Uzbekistan and Kyrgyzstan. Poverty in rural areas is not only more widespread, but it is also deeper. Within countries, there are also significant regional differences in terms of poverty incidence. In the two most mountainous countries, Kyrgyzstan and Tajikistan, living in a high altitude area is also correlated with a significantly higher risk of poverty (World Bank 2009a; World Bank 2009b). Higher food prices may actually have benefited rural households that derive their income from agriculture, i.e. for those who are net producers of food. However, recent data on Tajikistan and Kyrgyzstan show that between 2007 and 2009 poverty reduced to a lesser extent in rural areas compared to urban areas (Slay 2011). This may indicate that the rural poor indeed lack access to agricultural input. The poverty risk in rural areas is further exacerbated by the lack of non-farm employment opportunities[14] and large household size.

[14] For an analysis of Kyrgyz non-farm employment see Atamanov (2011).

Table 3. Populations living in rural areas, or families with many children

		Share of population living…				
		in rural areas		with children		
	Year/Source	Total	Poor	Total	Poor	***
Tajikistan	2007 (WB 2009a)	74%	78%	53%	62%	(three children <15)
Kazakhstan	2008 (WB 2009b)	43%	57%	7%	15%	(two children <6)
Uzbekistan	2008 (Tahlil, 2009)	64%	73%	30%	44%	(three children)
Kyrgyzstan	2008 (WB forthcoming)	64%	74%	27%	62%	(two or + children <16)

*** Note that different studies use different breakdowns with respect to age and number of children. Therefore, the poverty rates are not directly comparable.

In all countries, poverty is closely related to the **presence of children** in a household. The larger the household and/or the more children present in a household, the higher the poverty risk for individuals living in these households. Recent and directly comparable data are lacking since most poverty assessments use different breakdowns with respect to the number of children and/or age of the children (see e.g. Table 3).[15] Overall, children have a higher probability of living in a poor household than the average individual. The poverty risk increases rapidly with each additional child. In Tajikistan, poverty incidence for individuals living in a household with two children is 51 per cent. In households with three children, the risk increases to 62 per cent (World Bank, 2010a). In the Kyrgyz Republic, 39 per cent of all poor are children aged 0-14 (30 per cent of the total population) (World Bank, forthcoming). Families with three or more children have the highest poverty risk (UNICEF and ISAE, 2009). Young families also have a higher probability of living in poverty. This may be related to the lack of affordable day care and kindergarten options. Once a child is born into a family, usually the mother has to reduce her employment in order to take care of the child.[16] Family income is reduced while, at the same time, the available income has to be shared with more members. In Kazakhstan, for example, households where the head is between 30 and 44 have the highest poverty risk (World Bank, 2009b). Evidence from Uzbekistan shows that a new baby in the family increases the poverty risk for all family members, including older children living in the same household (UNICEF 2009a). In addition, improved economic conditions that result in overall lower poverty rates are slower to take effect in families with children. Between 2006 and 2008, poverty declined to a lesser extent in large households and families with children in Kazakhstan (Gavrilovic et al, 2009). The risk of living in poverty increases with the presence of young children. In Kazakhstan, 32 per cent of the population is living in a household with at least one child under the age of six, of which 22 per cent are poor. If two young children are present in the household, the poverty risk increases to 34 per cent, which is double the risk of an average individual (World Bank, 2009b).

[15] The most recent comparable data refer to data around 2005 (UNICEF 2009c).
[16] This assumes that there is demand for labour. The argument may be less applicable for rural areas in Central Asia.

Having employment is by no means a guarantee for avoiding poverty. In all four countries for which we have data, the **working poor** make up a significant share of the total poor. Although children in families with working parents are usually better off, especially if the parent is highly educated, the share of the working poor remains significant due to low wages in many sectors, especially in agriculture and the public sector. The salaries are not sufficient to lift families out of poverty (Baschieri and Falkingham, 2007). In Uzbekistan, 50 per cent of the poor are either working in the public sector, are low-paid employees or self-employed (UNICEF 2009a). In Kyrgyzstan, 70 per cent of the poor are living in a household where the head is employed (World Bank, forthcoming). A good education is essential for a life out of poverty. The negative correlation between the risk of poverty and **educational attainment** of the household head holds in all countries. Individuals living in a household with a head having completed higher education have the lowest probability of living in poverty. This emphasizes the need for continuous investment in human capital development, both by households and the government. A recent report by the International Crisis Group (ICG) presented a very grim picture of the situation as regards education in Central Asia and especially in the two poorest countries. The decay of the educational system, especially in terms of quality, may have long-standing consequences for the societies in these countries, making them ever more vulnerable to future economic shocks (ICG 2011).

Food poverty

Consumption-based poverty, or monetary poverty, does not tell the whole picture of child well-being. Food insecurity can also be an issue in households not poor according to a monetary standard. Malnutrition may not only be an issue in rural areas, but also affects households in urban areas. Food insecurity can have long-term effects especially on children. Chronically malnourished children lag behind in their physical development. Cognitive development can also be seriously affected leading to long-term problems during their school years and later on in life (Ravallion 2009; Ortiz et al. 2011; Bloem et al. 2010; IFPRI 2009; World Bank 2008).

There is a clear link between household wealth and child nutritional status. In Tajikistan, 15 per cent of non-poor households indicated in 2007 that their food consumption was inadequate. Among the poorest quintile, 44 per cent had insufficient food (World Bank, 2009a). Malnutrition is more severe in rural areas of Tajikistan and among poor households. Of Tajik children in rural areas 42 per cent were either moderately or severely stunted in 2007 (compared to 31 per cent in urban areas), which is the result of inadequate nutrition over a long period. Children of the poorest quintile are almost three times as likely to be underweight or stunted than children of the richest quintile (Baschieri and Falkinham 2007). In Uzbekistan, more than half of the poor families cannot ensure a sufficient and adequate level of nutrition. One child in five does not eat enough to satisfy daily nutritional needs (UNICEF 2009a). In 2006, 15 per cent of Uzbek children three years or younger were stunted, down from 31 per cent in 1996 (CER/UNDP 2010). In the Kyrgyz Republic, one third of the population was food insecure in 2008. The nutritional status of children has

deteriorated since 2006 especially among severely food insecure households. However, only 1.3 per cent of children under five were threatened by acute malnutrition (WFP Food Security Update 2010, cited in World Bank, forthcoming). Fourteen per cent of children are stunted indicating chronic malnutrition (UNICEF and ISAE 2009).[17] Table 4 summarizes health and nutrition indicators for the five Central Asian countries. Based on the Global Hunger Index (IFPRI), Tajikistan is in the worst condition of all countries in the region.. With the worst indicators in every aspect, also with respect to the level of infant and under-five mortality rates, the situation is considered to be serious.

Table 4. Health and nutrition indicators for Central Asia

	% of children under 5 stunted	% of children under 5 under-weight	% of children under 5 wasted	% of population under nourished	Mortality rate, infant (per 1,000 live births)	Mortality rate, under five (per 1000 live births)	Global Hunger Index as calculated by IFPRI
Central Asia average	23.4	8.1	5.6	12.5	40.3	45.1	
Kyrgyzstan	18.1	2.7	3.4	5	33.3	38.0	< 5 or low
Kazakhstan	17.5	4.9	3.7	5	28.0	30.2	< 5 or low
Uzbekistan	19.6	4.4	4.5	13	33.7	38.4	7.5 or moderate
Tajikistan	33.1	14.9	8.7	26	56.6	64.2	18.5 or serious
Turkmenistan	no data	no data	8	6	43.1	47.6	6.3 or moderate

Source: WDI and IFPRI 2009 cited in World Bank (forthcoming)

Environmental and material deprivation

Poor access to safe water and sanitation poses a serious health risk. Dependence on contaminated water, e.g. surface water, increases the probability of diseases such as cholera, typhoid and intestinal infections. In Tajikistan, almost 40 per cent of the population does not have access to safe water, and 34 per cent lack access to hygienic facilities (World Bank, 2009a). Twenty-eight per cent of all children depend on surface water as their main water source (Baschieri and Falkingham, 2007). In Kazakhstan, a quarter of the population is using unsafe drinking water (UNICEF 2006 cited in Gavrilovic et al. 2009). In Uzbekistan, four out of ten children are deprived of adequate housing. They live in households without access to piped water and houses that cannot be heated. More than half of children are confronted with material deprivation. This includes the lack of warm winter clothing and footwear. In families without the presence of the mother, this share is even higher (UNICEF 2009a).

Concluding comments

Families and children in Central Asia remain vulnerable in many areas. Although living standards have been improving over the last decade, large groups of the population remain

[17] Note that indicators vary significantly across different sources.

highly vulnerable to economic shocks. The lack of employment opportunities especially in rural areas and the deterioration of social services, mainly in the area of education and health care, render the lives of the poor precarious. From the above, it is not clear what the immediate and long-term effect of the global crisis on children and their families will be. There are indications that the food security situation has worsened for vulnerable households. Based on the limited evidence already available, poverty rates are not expected to rise significantly as a result of the global economic crisis. However, the trend in poverty reduction witnessed since 1998 has come to a halt.

Households are vulnerable due to low family incomes. Most of the poor are working adults and children. Household incomes are threatened by worsening labour markets with declining employment opportunities and decreasing real wages, especially for workers in low-wage sectors. Many of those currently employed have just escaped poverty and are therefore highly susceptible to modest falls in income and economic activity, pushing them back into poverty (World Bank, 2010b). Women are especially threatened: in most countries, labour market participation of women is lower and unemployment rates are higher. The lack of affordable child care prevents women from participation in the labour market once children are present in the family. Furthermore, the concentration of women in low-paid jobs results in low earnings and increased vulnerability to poverty. Women are forced to look for additional jobs further reducing the time they have to spend caring for their children (Gavrilovic et al 2009).

The households most vulnerable to poverty are the least likely to withstand an economic shock and will feel the consequences both in the short and the long run. In these households, incomes are already low. Usually they are large and have many children, or they are single parent families or families with disabled children, or migrant families. Families with livelihoods yielding only low returns (such as subsistence agriculture or urban informal sector work) are affected by lower aggregate demand (Gavrilovic et al 2009).

The increase of food and fuel prices and increasing inflation lowered the purchasing power of families. A study by the World Bank (see World Bank 2010b) indicates that a relative increase in food prices of five per cent could worsen poverty rates by up to three percentage points in the region, with rural households being hit harder. Higher prices for food and fuel translate into a higher share of a household's consumption in order to maintain current consumption of food and fuel thus crowding out other vital expenditures such as on education and health which will have long-term implications for a country’s human capital. In Tajikistan, households had difficulties paying for their health care even before the crisis. Of the poorest households 46 per cent had difficulties in paying for health care compared to 28 per cent of the richest households in 2007. Family members delay visiting a doctor or do not seek help at all mainly for financial reasons. Forty-five per cent of the poorest quintile found it difficult or even impossible to pay for health care (World Bank 2009a). In Kazakhstan, the loss of purchasing power was already visible in slightly lower consumption in the first half of 2009 (real consumption decreased by 2.2 per cent compared to same period in 2008). In 2008, food prices increased by 11 per cent, while annual CPI was 17 per cent. Results from qualitative field work confirmed these findings: families experienced a decline in living standards due to

the inflation, the devaluation of the tenge, the rise in prices of food and energy and reduced income (or even loss of income) (Gavrilovic et al. 2009). In the Kyrgyz Republic, household consumption reportedly declined by 15 per cent in 2009 (Slay, 2011).

At the onset of the crisis it was feared that households would be threatened by a decrease in remittances. Migrant households are highly vulnerable to external shocks affecting the flow of remittances. In Tajikistan, 24 per cent of households had at least one migrant in 2007. Migrants earn on average six times the monthly income of workers in Tajikistan. In 2006, Tajik households financed around 60 per cent of their consumption with remittance money (World Bank 2009a). The fall in the demand for foreign labour in countries like Russia and Kazakhstan and the concomitant decline in remittances flowing back to the countries of origin was however of rather short duration. Although formal remittance outflows from Russia to CIS countries contracted by 31 per cent in the first quarter of 2009, latest data indicate that remittance inflows to Kyrgyzstan and Tajikistan in 2010 are almost back to 2008 levels (World Bank 2011).

4. TO WHAT EXTENT DO SOCIAL PROTECTION SYSTEMS IN CENTRAL ASIA ADDRESS VULNERABILITIES?

The global economic crisis can truly be considered as a covariate shock affecting almost every individual.[18] Resilience of households to macroeconomic shocks depends upon the economy's readiness, flexibility of the economic policy regime and the ability of the population to adjust (World Bank 2010b). The idiosyncratic component[19] of the shock is reflected in that not all families are affected equally. Some are better able to protect their living standard than others. In the event of a shock, households refer to various coping strategies. Although they may never fully compensate for the loss in income, they can smooth their consumption to some extent, thereby decreasing fluctuations in consumption. However, the more children living in a household, the greater the poverty risk and the lower the ability to smooth consumption (World Bank 2010b). For poor households, the strategies available are even more limited and can have detrimental effects impacting their well-being in the future, leading to chronic poverty and the transmission of poverty over generations (Ravallion 2009; Ortiz et al. 2011).

Compared to previous crises, the scope for coping strategies is limited because of the global nature of the shock hitting households on multiple fronts. For the poorest households, subsistence farming may be a viable option. However, evidence from the recent food price shock showed that the poorest households lack access to agricultural assets and inputs. Transition into informal secondary employment may be possible, though earnings may be insufficient to offset the poverty impact of the crisis (World Bank 2010b).

[18] A covariate shock is an event that affects the entire community. It can be a macro-economic shock, but it can also be a natural disaster or even a war affecting the well-being of households.
[19] An idiosyncratic shock affects the well-being of an individual household.

Households have exhausted their coping strategies (Ortiz et al. 2011). The volatile environment and multidimensionality of the crises may force households, in the absence of effective social safety nets, to resort to strategies that are detrimental in the long run. The social consequences of the crises can have immediate and long-term effects. If households cut back on health care, take their children out of school and reduce other essential basic needs, the costs related to human capital formation and the intergenerational transmission of poverty and sustainability of long term economic growth will be immense (World Bank 2010b). Public policies, and especially social protection policies, are key in supporting households in the event of a shock and in protecting their living standards.

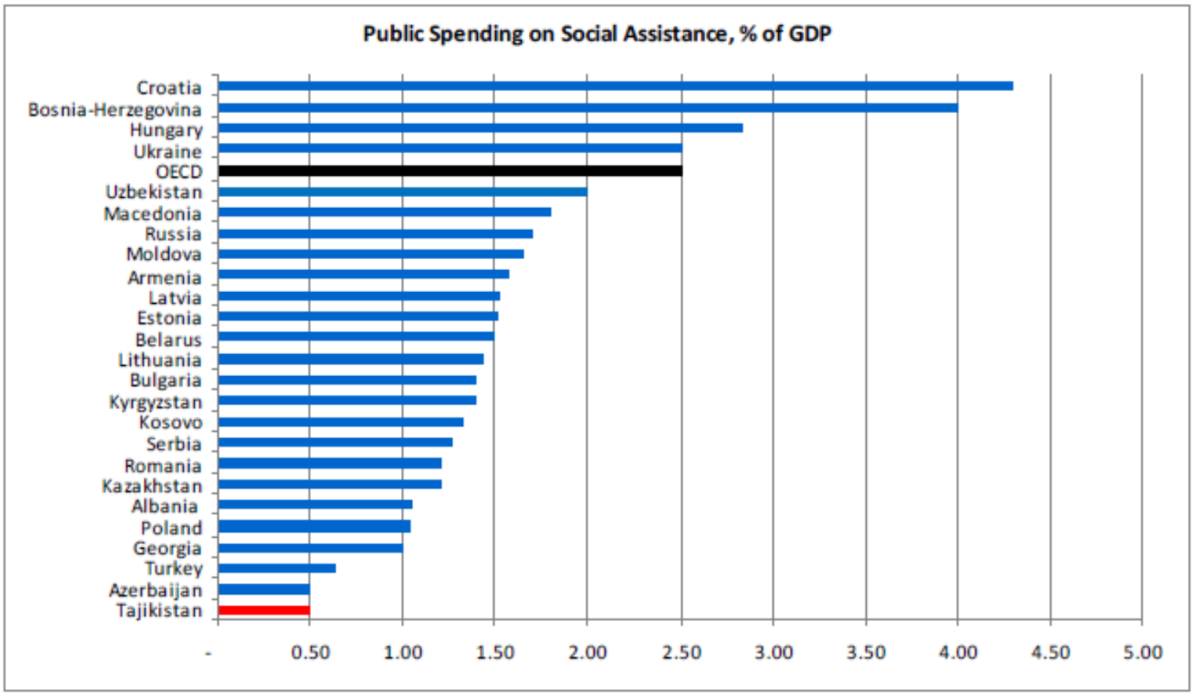
Current social protection systems are ineffective in protecting vulnerable families

The countries in Central Asia all share the same heritage from the Former Soviet Union and its socialist system of social protection policies. Over the past two decades, all countries reformed (parts of) their social protection systems. Some countries merely adjusted the design of specific programmes, while others reformed the overall system (Hoelscher and Alexander 2010; Mitra et al. 2010). Non-contributory benefit schemes co-exist with contributory social insurance systems. Narrowly targeted social assistance benefits aimed at the poorest households have been introduced in all countries. In some countries, these benefits replaced the 'old-style' categorical benefits, privileges and subsidies, while in others they are created in addition to the existing categorical benefits. Still, governments face difficulties in reaching the poor, and especially poor children (Menchini et al. 2009).

Overall, the impact of non-contributory social cash transfers on poverty is limited in the region. Social assistance schemes are not the priority of governments and as such receive only very limited funding. Due to different definitions of social protection measures by different institutions, it is difficult to reconcile the available information. Based on data from the World Bank (see Figure 4), countries in Central Asia spend between 0.5 and 2 per cent of GDP on social assistance. Data from the ADB (see Table 5) indicate spending levels between 0.4 and 2.9 per cent of GDP, though the country rankings are entirely different. Coverage with non-contributory transfers is low, and those that receive cash transfers are not necessarily the poor. Due to low benefit levels, the poverty reduction impact is negligible. In fact, pensions and remittances play a greater role in ensuring the living standard of families. Although remittances are very important for recipient households, they cannot replace public social safety nets. Remittance income can be volatile and not all households benefit while, in addition, better-off households may also receive more remittances.[20]

[20] Evidence from Kyrgyzstan shows that coverage with remittance income is rather equal across welfare quintiles, but richer households receive more remittances (World Bank, 2009c).

Figure 4. Public spending on social assistance in Eastern Europe and Central Asia



Source: World Bank (2009a).

Table 5. Social protection expenditure by type (ADB classification), % of GDP, 2008

	Social insurance	Social assistance	Labour market	Micro area based	Child protection
Uzbekistan	7.9	0.5	0.0	0.2	2.4
Kyrgyzstan	5.3	2.9	0.1	2.4	0.3
Kazakhstan	3.4	0.7	0.1	0.2	0.2
Tajikistan	0.3	0.4	0.1	0.1	0.1

Source: ADB 2008 in ILO (2010).

In the absence of pensions, poverty rates would be considerably higher. Pensions cover a large part of the population. In multi-generation households, pensions also benefit children and positively impact child poverty (Hoelscher and Alexander 2010).[21] In the Kyrgyz Republic, 38 per cent of the population lives in a household receiving a pension. Among the poorest quintile, coverage with pensions is 51 per cent. They contribute 26 per cent to total household consumption of the poorest recipient households (Gassmann, 2010b). In the absence of pensions, poverty rates would have been five percentage points higher (World Bank 2009c). Pension coverage is similar in Tajikistan. One third of the population is living in a household benefiting from old age pensions. In the bottom quintile, coverage is 40 per cent. However, pensions are small and contribute less than 10 per cent to total household consumption of the poorest households receiving a pension (World Bank 2009a). Pensions are an important component of social protection and contribute significantly to poverty reduction, although this is not their main objective. Pensions form a stable source of income

[21] As evidence on intra-household distributions of income and consumption is lacking, we can only assume that part of pension incomes is also to the benefit of children living in the same household.

for beneficiaries (mainly elderly) with transfers that are significantly higher than most non-contributory transfers. But pensions are a comparatively inefficient instrument to mitigate poverty from a cost-benefit perspective. Analysis for the Kyrgyz Republic showed that in order to reduce the poverty gap by one unit, pensions costs twice as much as the targeted monthly benefit. On the other hand, pensions are more cost effective than categorical state benefits (privileges and subsidies) (World Bank, 2009c). But pensions are not an adequate instrument for addressing other income shocks such as the loss of employment or business, volatile income from farming activities, or changes in family composition. Neither have pensions the capacity to act as an effective safety net in the event of macro-economic shocks or natural disasters. Furthermore, after accounting for pension and other social insurance transfers, poverty rates are only marginally lower. Within a comprehensive social protection system, social assistance plays an important role as a social safety net aimed at supporting poor and vulnerable households.[22]

In the remainder of this section, the available evidence on the effectiveness of existing social assistance schemes is summarized and system shortcomings are discussed. Each of the countries in Central Asia has at least one social assistance programme targeted specifically at families with children. Kazakhstan, Uzbekistan and Turkmenistan have universal child benefits (birth grants or child care benefits for very young children). Kyrgyzstan and Tajikistan provide benefits only to children from poor families. All countries have an anti-poverty social benefit specifically targeted at low-income families or children. By all standards, the available budgets for these programmes are small. Countries spend between 0.4 and 1.4 per cent of GDP on social assistance programmes of which the largest share is spent on categorical benefits for special groups of the population. [23] Except for Turkmenistan, countries have abolished most in-kind benefits. Benefits have been either completely abolished or were monetized and paid out in cash instead. More details on the specific non-contributory benefits per country can be found in Annex 1.

Kyrgyzstan

The social assistance system of the Kyrgyz Republic consists of three non-contributory types of social cash transfers: categorical state benefits, monthly social benefits, and a monthly benefit (previously called Unified Monthly Benefit). In 2010, Kyrgyzstan allocated USD 85.7 million to non-contributory cash transfers, representing 1.65 per cent of GDP (Gassmann, 2010b).

Based on data from the Kyrgyz Integrated Household Survey (KIHS) 2008, almost ten per cent of the population is benefiting from the monthly benefit (MB), the only programme specifically targeted at poor families with children (down from 15 per cent in 2005). In the poorest consumption quintile, coverage with the MB is 18 per cent, pointing at a large

[22] See also ILO (2010).

[23] Unfortunately we do not know how much Kazakhstan spends on social assistance. The total social protection budget including social insurance is 5.2 per cent of GDP in 2009. It might be safe to assume that spending on non-contributory benefits is between one and two per cent of GDP.

exclusion error.[24] Of beneficiaries 38 per cent belong to the poorest twenty per cent of the population (68 per cent are in the bottom forty per cent). In terms of targeting accuracy, the MB manages to transfer the majority of funds to the poorest households. In 2008, more than 50 per cent of the MB transfers were received by the bottom twenty per cent of the welfare distribution.[25] As such, the MB compares favourably with other targeted programmes in the region. However, the value of the transfer as a share of total household consumption remains very low. In beneficiary households belonging to the poorest quintile, the MB accounts for just 7 per cent of total consumption representing the inadequacy of the benefit value.[26] It is no surprise therefore that the poverty reduction impact of the MB is limited. Low coverage and low transfer values limit the effectiveness of the benefit. In 2008, the MB reduced extreme poverty by 13 per cent and the extreme poverty gap by 10 per cent.[27] [28]

The poverty reduction impact of non-contributory transfers is rather limited. Coverage is extremely low and more than 80 per cent of the poorest are excluded from the targeted MB. Coverage with the monthly social benefit (MSB) is even more limited. Categorical state benefits (CSB) had a higher coverage in 2008, but as a result of the reform in 2010, this is expected to decline significantly, as 83 per cent of the beneficiaries will loose their entitlements.[29] The reform of the MSB is not expected to have an impact on coverage and distribution of beneficiaries as the groups remain unchanged. The reform of the MB may have a minor impact on the performance indicators. However, limiting coverage to children only will have no significant impact on coverage rates. It is estimated that less than two per cent of current beneficiaries will lose their entitlements.

Tajikistan

The social assistance system in Tajikistan is small. In 2009, the total budget spent on social assistance (including social pensions) was USD 22 million, representing 0.45 per cent of the country's GDP (World Bank, 2010a). Social assistance comprises two types of benefits: electricity and gas compensations and a cash compensation for children from poor families. Of the USD 4.8 million allocated to energy and gas compensations in 2009, half of the budget was used to purchase and distribute energy-saving light bulbs. The budget for compensations for poor families with children was USD 2.8 million in 2009 (World Bank, 2010a).

Coverage with social assistance benefits is extremely limited and benefit levels are low. In 2009, the two benefits together made up less than 3 per cent of total household consumption

[24] For comparison, 30 per cent of the population (28 per cent of the poorest 20 per cent) benefit from private transfers, mainly in the form of remittances.
[25] For comparison, only 7 per cent of total private transfers were received by the bottom quintile. In 2005, this share was more than 20 per cent.
[26] For comparison, private transfers account for 14 per cent of total household consumption of recipient households in the poorest quintile
[27] Note that these figures refer to a relative reduction.
[28] For comparison, private transfers were much more important for poverty reduction. Due to private transfers, the extreme poverty rate was reduced by 24 per cent, and the respective gap by 29 per cent.
[29] Simulations predict a reduction of coverage from 18 to 6 per cent (Gassmann, 2010b).

per capita for beneficiaries belonging to the poorest 20 per cent of the population.[30] Coverage is limited as well. Of the poorest quintile, only 20 per cent benefited from social assistance.[31] This figure is somewhat misleading, as the number is mainly driven by the distribution of light-bulbs as part of the electricity and gas compensation. 14 per cent of the population received such a light-bulb (18 per cent in the poorest quintile), but only 2.6 per cent received an actual cash transfer (3.4 per cent in the poorest quintile). Even fewer households benefited from the Compensation for Poor Families with Children. Overall, 2.2 per cent of the population was covered with this benefit. In the poorest quintile, coverage remains low at 2.7 per cent. Social assistance benefits do not reach the poor in particular. Of all transfers (including light-bulbs), almost half of the transfer value was received by the bottom forty per cent. Twelve per cent of social assistance was benefiting households belonging to the richest twenty per cent (World Bank, 2010a).[32]

The targeting performance of the electricity and gas compensation is rather weak. This is partly due to lack of incentives for the commissions at the jamoat[33] who are not paid for this work and to insufficient monitoring from the district and central level. Anecdotal evidence suggests that nepotism at the local level is a serious obstacle for better targeting of the compensations to the poor. Village heads (rais-mahalas) involved in identifying eligible beneficiaries have a conflict of interest, as they are also responsible for the collection of fees for use of electricity and gas, garbage collection and other purposes. Potentially eligible households are withheld from the list of beneficiaries unless they pay their fees. A limited understanding of the rules for selecting beneficiaries is also cited as a reason for the poor targeting performance (World Bank, 2010a).

Coverage with the cash compensation for children from poor families is extremely limited. Although 15 per cent of school children should be targeted, only two per cent of households receive the transfer. Even taking into account that one family can receive a transfer for up to three children, actual coverage is significantly lower than the targeted 15 per cent. A number of reasons may explain this situation. Firstly, the compensations are financed from district budgets, which receive a block grant from the Ministry of Finance. However, the block grant also includes benefits for Afghan War veterans and a special fund for one-time compensations for poor households. At the central level, no separate budget exists for the cash compensation for children. As a consequence, districts are not accountable to the Ministry of Finance for benefit delivery. Districts have the liberty to divert funds to other purposes. Funds are diverted to special funds and may remain unspent within the fiscal year and can then be used for any other purpose in the subsequent year. Beneficiaries are selected by local school committees that prepare lists of eligible children. There is no verification whether the list indeed includes the poorest children. Beneficiaries are paid in cash by the treasurer of the

[30] For comparison, pensions account for 15 per cent of monthly household consumption per capita for households in the poorest consumption quintile (World Bank, 2010a).
[31] For comparison, 41 per cent of households are benefiting from a pension payment. In the poorest quintile, this share is 44 per cent (World Bank, 2010a).
[32] Pensions are rather uniformly distributed across the welfare distribution. 17 per cent of all pension transfers go to the poorest quintile, 22 per cent to the richest quintile (World Bank, 2010a).
[33] Lowest administrative level.

school committee who collects the money at the local bank. Some school principals choose not to pay the full transfer to households thereby directly withholding outstanding school contributions from poor households (World Bank, 2010a).

Kazakhstan

The overall social protection system of Kazakhstan covers social insurance, social assistance and social services. Expenditures on social protection (including social insurance and pensions) were expected to increase from 3.9 (2008) to 5.2 per cent of GDP in 2009 as a response to the crisis (Gavrilovic et al. 2009). Kazakhstan allocates a whole range of different non-contributory transfers within social assistance, some of which are categorical and others depending on household income: Targeted Social Allowance (TSA), Social Allowance (SAC), Special State Allowances (SSA) and Housing Allowance (HA).

According to data from the Household Budget Survey 2007, 28 per cent of the population was living in a household receiving some kind of social assistance.[34] Among the poorest twenty per cent, coverage with social assistance is more than 50 per cent. Coverage with specific programmes shows large variation. Less than one per cent of the population was benefiting from TSA in 2007. Coverage in the poorest quintile was a low three per cent. Social allowances reached 12 per cent of the population (25 per cent of the poorest quintile), and special state allowances benefited 15 per cent of the population (32 per cent of the poorest quintile). With the exception of housing allowances, social assistance transfers are targeted to the poor; 37 per cent of all beneficiaries of social assistance belong to the poorest quintile, who receive almost 40 per cent of total transfers. The most strictly targeted programme, TSA, distributes 72 per cent of total transfers to the poorest twenty per cent. Slightly less than 40 per cent of social allowances and special state allowances are received by households belonging to the poorest quintile. However, the value of the transfers is small and contributes little to total household income. Taken all together, social assistance transfers make up for 10 per cent of total household consumption in recipient households. For the poorest households, social assistance accounts for almost 20 per cent of total household consumption. Looking at the different programmes separately, social allowances have the largest impact. They account for 23 per cent of total consumption among the poorest households that receive social allowances. TSA, although benefiting only very few households, contribute on average ten per cent to the household budget in recipient families, and 13 per cent for those belonging to the poorest quintile. In the absence of social assistance, the poverty rate would have been three percentage points higher, representing a relative reduction of 19 per cent. The poverty gap is reduced by 41 per cent after social assistance transfers. By far the largest impact is related to social allowances. The poverty reduction impact of social allowances is estimated at 12 per cent (in relative terms), and the relative reduction of the poverty gap is 22 per cent. On the other hand, TSA has almost no measurable effect on poverty (World Bank, 2009d).

[34] This section is based on World Bank (2009d).

Uzbekistan

The main social assistance instruments in Uzbekistan are family allowances targeted at poor families with children, a maternal allowance for unemployed mothers, disability allowance for disabled children and social aid to families in need. Allowances (unless they are categorical) are allocated using a community-based targeting methodology. In 2007, expenditures for social assistances amounted to 1.4 per cent of GDP. Targeted family allowances alone represent 1.2 per cent of GDP (UNICEF 2009a and 2009b).[35] The share of GDP allocated to social assistance has been decreasing since 2005, when expenditures accounted for 1.8 per cent of GDP. Due to the elimination of most privileges, expenditures on such categorical transfers declined from 0.2 per cent in 2004 to 0.01 per cent of GDP in 2007 (UNICEF 2009a). Due to the rather low amount of the transfers, the impact on poverty reduction is limited.[36] The transfer amounts are based on the minimum wage, which in itself is not related to actual living costs.[37]

In 2008, local self-government bodies provided monthly allowances to 14 per cent of all families with children under 18 and 36 per cent of unemployed mothers with children under 2 (Cabinet of Ministers, cited in UNCEF 2009b). An estimated 40 per cent of all children receive direct financial support (UNICEF 2009a). Parallel to the decline in funding available for social protection, coverage of child benefits declined as well. In 2006, 32 per cent of households with children under 16 and almost 50 per cent of unemployed mothers with children under 2 were receiving an allowance (UNICEF 2009b).

Based on a survey among families with children in 2008, 11 per cent of families received a child allowance for a child under 2, and 22 per cent for children aged between 2 and 18. Less than two per cent of families received social aid. Of all recipients of any social allowance, 95 per cent belong to the poorest 50 per cent of the population (Tahlil, 2009). For the poorest ten per cent, the different social allowances contribute between one fourth and one third to the total household income. Nevertheless, the impact on absolute poverty is limited due to the small size of the allowances and the effective targeting of the very poorest as most recipients have an income below the consumption poverty line. The allowances have a measurable impact on extreme poverty. Without any social allowances, extreme poverty would increase by about 10 per cent (Tahlil, 2009).

The system of community-based targeting has its limitations. Under the current system, inter-local differences in welfare levels are not taken into account in the allocation of funds. Effectively re-distribution only takes place within a *mahalla* but not between *mahalla*s.[38] This reduces the potential effect on poverty and inequality reduction (UNICEF 2009b). A possible

[35] For comparison, expenditures within the pension system account for 6.5 per cent of GDP (UNICEF 2009a).
[36] The abolition of child allowances would lead only to a one per cent increase of poverty among the recipients (UNICEF 2009b).
[37] The minimum wage is periodically increased and was UZS 28,040 as of 16 November 2008 (UNICEF, 2009b).
[38] The *Mahalla*s are organs for the self-administration of citizens. Their role is to solve social problems and conflicts within the community. These traditional local community groups have existed for centuries in the Uzbek culture.

bias in the selection of beneficiaries cannot be excluded. *Mahalla*s only verify the documents that have to be submitted with the application, but the accuracy of the information is not checked. The efficiency of the system is further undermined by payment delays[39] and deductions made from allowances.[40] Several administrative obstacles further reduce the efficiency of the system and exclude large groups of vulnerable families. If a family cannot submit all necessary documents, the *mahalla* has to deny the right to a benefit by law. However, the biggest obstacle is that of required registration with the unemployment service. Becoming officially unemployed is difficult due to various administrative limitations depriving the poor of their right to social assistance. A similar argument applies to migrant families (Tahlil, 2009).

Turkmenistan

In 2007, the Government of Turkmenistan introduced a new Social Code governing the country's social protection schemes. The social protection system of Turkmenistan consists primarily of a number of contributory work-related benefits (old age pension, sickness and maternity benefits), non-contributory allowances for vulnerable groups, social services for the elderly and disabled, and subsidies and privileges covering large parts of the population. Benefits are paid either through the employer or through the banking system. As such, Turkmenistan has retained most of the previous Soviet-era system with a strong focus on universal subsidies for housing, food, energy, transport, etc. In 2007, the Government spent an estimated 0.6 per cent of GDP on state allowances. Note that this figure does not include the costs of subsidies. Unfortunately, for Turkmenistan no data are available that could provide information on the size and effectiveness of the available social protection programmes or anti-crisis measures taken by the Government.

Anti-crisis measures

From the onset of the food and fuel price crisis in late 2007 and throughout the subsequent macro-economic shocks, some countries in the region took social protection measures to mitigate the impact of the crises and protect affected households.[41] Measures included scaling up targeted social assistance schemes, raising the pensions and salaries of public employees and strengthening active labour market programmes.

Kyrgyzstan

As a response to the food and fuel price crisis, the Government of Kyrgyzstan increased the value of the Monthly Benefit in 2008. This was possible thanks initially to a grant from the World Bank: continuation of the top-up was subsequently made possible over a longer period by funding from the IMF and the European Commission.. The rapid response was facilitated by the existence of a well-functioning targeted cash transfer, the Monthly Benefit, as

[39] About one in five beneficiaries receive the payment with a delay of 1.5 months on average (Tahlil, 2009).

[40] Two out of three beneficiaries claim not to have received the full amount. Direct withdrawals from allowances are made for payments of public utilities as well as for administrative costs of the local self-government bodies (Tahlil, 2009).

[41] We only have information on Kyrgyzstan, Tajikistan and Kazakhstan concerning crisis measures that were taken in the field of social protection.

evidenced by an empirical analysis of its targeting performance (World Bank 2009c). However, coverage with the monthly benefit remained low as the increase in transfer levels only benefited existing recipients. Additionally, pensions and other cash allowances were increased as well. From January 2010, the Government introduced a number of reforms to the social protection system in order to mitigate the planned increase of energy tariffs. Categorical state transfers became fully monetized, all cash transfers were raised and small pensions and low public salaries were increased. However, the increase of pensions and other cash allowances in early 2009 did not fully compensate the effects of higher food and fuel prices following the food and fuel price shock in 2008 and the global financial crisis in 2009 (WB forthcoming).

In the aftermath of the conflict in 2010, the Kyrgyz Government introduced a 'post-conflict' monthly cash benefit for families that lost their breadwinner or victims who became disabled. The value of the benefit is ten times the level of the Guaranteed Minimum Income. Currently, this amounts to KGS 3,100 (USD 65) per month. As of November 2010, 2,383 beneficiaries were registered. The children of families with persons reported missing receive a temporary stipend of KGS 1,000 per month (limited to six months).[42]

Tajikistan

The absence of effective and reliable social assistance programmes in Tajikistan was especially damaging during the recent crises. Donors looking for avenues to transfer funds to the most vulnerable households using existing transfer schemes, as in some other countries were left with empty hands. The country lacked a programme which could be improved or scaled up with little effort, for example by raising the level of benefits or extending coverage to more poor households. As a consequence, food aid provided by WFP remained the major crisis response (World Bank, 2009a).

Kazakhstan

The Government of Kazakhstan (GoKZ) was the first country in Central Asia to adopt specific measures to mitigate the impact of the crisis. As early as 2007, the government responded with an expansionary monetary and fiscal policy in order to stimulate economic growth and protect employment (Gavrilovic et al., 2009). In 2009, the Kazak government launched a new initiative called the 'Road Map' aimed at addressing rising unemployment, raising the purchasing power of the population, slowing down internal migration and improving core services (Gavrilovic, et al. 2009). The central focus of the programme was job creation through a combination of public works and vocational training. The programme created 252,277 jobs according to a report from the ADB (2009, cited in Gavrilovic et al., 2009). Almost 45,000 people participated in retraining programmes, 58,000 found a social job and almost 34,000 persons participated in internship programmes (ibid). In addition to job creation, the government raised public sector wages and pensions by 25 per cent in 2009 in order to protect the purchasing power of this group, which belongs predominately to the

[42] Based on information provided by A. Alexandrova, World Bank (email 3 Feb 2011), and G. Turusbekova, UNICEF Bishkek (email 28 March 2011).

lower welfare quintiles. The plans foresaw a further increase of public sector wages in 2010 and 2011 (Gavrilovic, et al., 2009).

Conclusion

The social safety nets in Central Asia are not effective in protecting the living standard of poor and vulnerable households. Coverage levels are very limited and benefits are too small to have an impact. High food and fuel prices threaten the sustainability of existing social protection programmes from two sides. The costs of food assistance and energy subsidies increase, while at the same time government revenues from taxes and tariffs decrease (Ortiz et al. 2011). High consumer prices erode the value of cash transfers thereby further reducing the already meager impact of these programmes (Ortiz et al. 2011).The systems are characterized by large exclusion errors and in some countries sizeable inclusion errors. Targeting procedures are cumbersome both for applicants and for administrators. The presence of large informal sectors, widespread reliance on subsistence agriculture and the inflow of remittances make it difficult to identify households in need based on means-tests. Community-based targeting approaches, as used in Uzbekistan and Tajikistan, are prone to unequal interpretation of rules, nepotism, corruption and capturing of benefits by the elite. The sheer size of the poverty problem in these countries and the dense income distribution at the lower end make it difficult to distinguish the poorest from the poor.

The large exclusion errors point towards costly application procedures and insufficient outreach.[43] Potential beneficiaries have to submit various documents with their application, including birth certificates, passports, residence permits (propiska's), employment certificates, unemployment registration cards and more. Obtaining these documents in the first place can be too high a cost for very poor households. Costs relate to repeated travel expense and potential (unofficial) payments to obtain the document. The application process itself may require repeated travel to a district centre. These direct costs together with opportunity costs may be too high especially if the result of the application is uncertain and/or the benefit is too low. Low take-up rates may also indicate the presence of social costs for the applicant. Feelings of shame and stigmatization of 'needy' households may prevent poor families from benefit application. Finally, unawareness of the existence of anti-poverty benefits may further contribute to a low coverage of poor households. Regarding the latter, local social assistance administrators are not particularly pro-active in finding potentially eligible households. Incentives or directions from the central government level may actually deter local administrators from registering more households in order to limit transfer expenditures.[44]

Financing of cash transfers is another problem in the region. Transfers from the central government budget are usually better protected than those financed from local budgets.

[43] This is a common problem of social cash transfer schemes. A general discussion can be found in Grosh et.al (2008).

[44] This happened for example in the Kyrgyz Republic in 2007/2008, when the Ministry of Finance asked the Agency of Social Protection to further reduce expenditures on the Monthly Benefit.

However, most transfers targeted towards poor households are financed from local budgets. As such, these benefits are not protected and depend on available local finances, as the example of Tajikistan has shown. Local financing creates inequality between richer and poorer communities with the latter often having to juggle between expenditures for, among others, public servants' salaries, subsidies for specific groups, and targeted transfers. It also contributes to 'creative bookkeeping' where communities withhold the payment of transfers during one fiscal year in order to have the freedom to allocate the funds to projects of their own choice in the next year. The way social budgets are set also reduces the flexibility needed to adjust to changing numbers of beneficiaries. In most countries, probably with the exception of Kazakhstan, budgets are based on the previous year and at best adjusted for inflation. It rarely happens that an analysis of current and potential beneficiaries is used to determine next year's budget. The lack of evidence-based policy making is a result of both the lack of analytical capacities in sector ministries, and the lack of relevant data.

The conclusion from the above is that existing social cash transfers are not effective in addressing the needs of poor and vulnerable households and children in Central Asia. Limited coverage together with limited funding seriously hampers the poverty reduction impact. Nevertheless, it should not be forgotten that the situation would be even worse for the most vulnerable households if these transfers did not exist. The little money transferred through these systems remains essential for the poorest households as it is often the only cash they have. The existing systems have potential to help the poorest in the societies and can serve as a basis for ad-hoc assistance in the case of external shocks. But we also need to be aware that social protection in general and social cash transfers in particular cannot solve all problems and that the poor countries in Central Asia have extremely limited fiscal resources. Since the working poor are the majority of the poor, policy measures need to be directed towards wage policies and the increase of real wages in these countries. Employment of women lags behind not the least due to the unavailability of affordable child care and pre-school education.

5. THE WAY FORWARD

Social protection programmes play an important role in the protection of vulnerable households against shocks. They help households to smooth consumption and maintain access to food, energy, education and health. Governments have to balance spending on social protection against other social policies, such as education and health. There are likely to be shortfalls in education and health spending worldwide due to growth slowdown (World Bank 2010b). Governments unable to find alternative sources of financing may have to resort to across-the-board cuts in spending. As a result, existing social safety nets may be at risk. Protecting and even expanding these programmes will be an important element in confining the current and future crises and protecting the households affected. The ability of governments in Central Asia to effectively use social protection instruments for poverty reduction and crisis mitigation is constrained by limited fiscal space and insufficient capacity to improve and/or rationalize existing systems.[45] The lack of fiscal resources is currently the

[45] Political will is another essential factor determining the chances of a social protection reform.

most constraining factor in Tajikistan and Kyrgyzstan, the two poorest countries in the region. The need for macro-economic stability and fiscal balance limits the potential for extending current non-contributory cash transfer systems. Uzbekistan and Turkmenistan are in a much more favourable fiscal situation. Their positive fiscal balance leaves space for an extension of the existing social safety net in order to better protect the poor and vulnerable families and children.

The crisis is also a chance to transform fragmented social protection schemes or introduce new programmes (Hoelscher and Alexander 2010; Ravallion 2009; Harper, Jones and McKay 2009; Mitra et al. 2010). Countries can use this opportunity to abolish ineffective privileges and subsidies in favour of more effective safety nets (Ravallion 2009). In Mexico and Argentina the crises in the late 90s and early 2000s highlighted the need to reform and strengthen the existing social safety nets. Mexico introduced a conditional cash transfer programme 'Progresa/Opportunidades', and Argentina launched a cash-for-work programme (Harper, Jones and McKay 2009). But there is also the risk that governments refer to badly designed and hastily implemented programmes which are difficult to withdraw once the crisis has passed (Ravallion 2009; Green et al. 2010). Governments may be drawn to the introduction of general food and fuel subsidies with all its negative implications. Although politically attractive in the short-term, across-the-board subsidies come at huge fiscal and economic costs (Ravallion 2009; Grosh et al. 2008). They are difficult to reverse and are most often regressive, i.e. they distribute relatively more resources to the non-poor than to the poor.

Countries that have functioning social protection systems in place before a crisis find it easier to respond to the crisis (World Bank, 2010b; Mitra et al. 2010; Green et al. 2010; Harper, Jones and McKay 2009). Scaling-up existing cash transfer schemes is easier than installing a programme from scratch. The ability to respond quickly depends on the quality of the existing programmes (Mitra et al. 2010). Well-targeted programmes should be protected and expanded, either in coverage or by increasing transfers (Mitra et al. 2010). Measures so far taken in Central Asia have focused on topping-up existing benefits (pensions, cash transfers) and public work programmes. However, cuts in public expenditures and reduction of donor support threaten social protection spending especially in Tajikistan and Kyrgyzstan.

Fiscal policies aimed at stimulating employment, provision of social services and incentives to increase consumption can have positive effects on economic growth (Harper et al. 2009; Harper, Jones and McKay 2009). Kazakhstan is one of the countries that responded with policies aimed at the protection of employment and stimulation of economic activity.

Cash transfers and/or public work programmes can be effective instruments for protecting the vulnerable from immediate as well as longer term second round consequences on non-monetary dimensions of welfare, including human capital (World Bank 2010b). Well-designed cash transfer programmes can have an important impact on child well-being by securing their access to nutrition, education and health services, but scaling up these programmes can be challenging for low-income countries due to limited fiscal space and running government deficits (Harper et al. 2009).

In view of the analysis of the previous sections, this section proposes potential avenues for reform for the governments in Central Asia aimed at improving the protection of vulnerable families and children and strengthening the impact of social protection spending on poverty reduction. The opportunities for reform and/or extension of social protection systems are much more limited in the two poorer countries, Tajikistan and Kyrgyzstan. The other countries, being oil-exporters, are in a better financial position to strengthen their social safety net.

The scant evidence so far available showed that poor households were forced to adopt problematic coping strategies in response to the food and fuel price shock at the end of 2007 and the subsequent global economic crisis. Higher food and energy prices combined with local currency depreciations resulted in high inflation thereby reducing the purchasing power of households. The global crisis brought a shock to external and internal labour markets, further limiting household incomes. And it may not be over. Food prices are still at a higher level than pre-2007 and are increasing again. Energy prices may increase further, especially in the energy-importing countries, as countries continue with energy sector reforms and move towards full cost-recovery prices. On the other hand, the situation on the external labour markets is improving, especially since the Russian economy has gained speed again. This is also evidenced by remittance inflows which are almost back at pre-crisis levels. The recovery of local labour markets may take more time.

In the short term, the focus should be on extending coverage with existing social protection systems, ensuring the protection of those most at risk: families with many children and those living in rural areas. Countries with at least one targeted safety net programme should scale up the programme in response to the crisis, either through increasing the value of benefits, and/or by extending coverage and enhancing outreach such as proactive registration, communication campaigns and social worker engagement as far as is possible within their overall fiscal constraints and as far as incremental aid flows allow.

In the long-term, steady economic growth will provide the best protection for households in the region, as the experience of steadily declining poverty rates over the past decade has shown. In the short and medium-term, the real incomes of households need to be protected by other measures. The creation of employment opportunities in the short-run, for example through public work programmes, is a potentially effective measure against high unemployment rates and returning migrants who currently fall through the existing safety nets. The increase of salaries (especially in the public sector) and social protection benefits (including pensions) may partly compensate for the loss in purchasing power. Economic growth alone, although pertinent, does not suffice. There will always be households that do not benefit from economic growth, either because they are too poor or because they lack the ability to participate in the economy. Protecting and supporting these households is exactly the role of social protection policies.

Within the field of social protection, several actions can and should be taken. They focus on: (i) methods of financing, (ii) the menu of benefits and transfers, (iii) identification of beneficiaries and (iv) monitoring and evaluation.

Financing

Current social cash transfer programmes in the region are severely under-funded. In order to increase benefit levels and extend coverage, additional financing is needed. The issue is how this can be achieved given the limited fiscal space and current budget deficits, especially in Tajikistan and Kyrgyzstan.

- *Consolidate existing social cash transfers:* abolish badly targeted cash-transfers, such as privileges and subsidies that benefit the non-poor rather than the poor. The funds freed by this measure can be reallocated to transfers for families and children in need. It enables raising targeted transfers and extending coverage. It should be noted that this requires the presence of at least one social transfer that performs well. It also requires a political strategy to protect the reforms against protests from those middle and higher income groups that are losing their benefit entitlements.

- *Protect spending on social protection and make it a central government budget item:* Cash transfers that rely on local funding create inequalities and suffer from unpredictability. The poorer the local community, the less local funds are available for social transfers. Financing social transfers from central government revenues increases their predictability and sustainability. Moreover, donors will be more inclined to financially support social protection measures if expenditures are protected and centrally monitored. Central government financing will also facilitate anti-cyclical adjustments allowing the extension of cash transfers in bad times and cutting back in good times.

Streamline the existing menu of social protection measures

Current social protection schemes are often badly aligned. Social insurance coverage is only for formal workers with a contribution history, leaving workers in the informal sector, farmers, self-employed and returning migrants unprotected. Existing non-contributory social protection measures fill these gaps only partially.[46] Measures to be taken include the reform or removal of not functioning transfers, unification of parallel transfers with similar objectives, and the introduction of new transfers.

- Replace regressive transfers (in cash and in kind) with transfers directed at poor and vulnerable households. Countries still using privileges and subsidies or old-style categorical

[46] The expansion of social insurance systems (including health insurance) to informal workers and the self-employed (especially farmers) should also be considered (Hoelscher and Alexander 2010).

transfers for veterans and other groups based on merit can use the crisis as an opportunity to abolish badly targeted transfers.[47]

- Unify different means-tested benefits into a single cash transfer using one targeting methodology with flexible cut-offs.

- Move towards a comprehensive safety net,[48] consisting of:

  Social pensions for the elderly and disabled without formal pension entitlements: evidence from other countries (notably also from low-income countries in Africa) shows that social pensions are effective in reducing poverty not only of the elderly and disabled, but also of other family members living in the same households, including children.[49] This measure is especially effective in countries where multigenerational households prevail. Social pensions also effectively protect single elderly who represent one of the groups most at risk in many countries. The level of a social pension should be such that it covers the most basic needs without creating disincentives for current workers to contribute to formal pension schemes.

  Family allowances (universal or targeted): family (or child) allowances are important for the protection of children and the reduction of child poverty. The higher risk of poverty for families with children in Central Asia provides a strong argument for family allowances. They mitigate the higher consumption needs in a household with children and a potential fall in household incomes. They can be made conditional on school attendance, use of health care services, etc. The actual design of a family allowance may take into account the number and age of the children.

  Last resort cash transfers act as a safety net for those households falling below a certain minimum threshold or not covered by other transfers.

A well-designed and functioning social protection system can cover many of the risks that confront households. Some specific problems may require additional measures. In order to improve the nutritional status of children in Central Asia, social cash transfers may not be sufficient. They relieve immediate cash constraints in very poor households, but they do not address some of the underlying problems such as unbalanced diet patterns, insufficient intake of micronutrients or access to agricultural inputs. Other measures, such as targeted food programmes, complement the cash transfer schemes.

[47] Reform strategies need to include measures aimed at counterbalancing the potential protests of benefit losers in order to mitigate the political risks.
[48] This recommendation is in line with the Social Protection Floor Initiative (ILO 2010).
[49] This assumes that income from a pension is indeed shared, which is difficult to prove due to lack of data on intra-household distribution.

Identification of beneficiaries

Targeting in crisis can be challenging, as family situations change (e.g. return of migrant workers), the informal economy expands and 'new poor' emerge. The targeting performance of existing social cash transfers needs to be improved. Coverage is limited in all countries especially among the poorest households. Benefits are at best slightly progressive, with more benefits going to the poor than to the non-poor. Measures to be taken in this area should focus on improving the targeting methodology and extending coverage of the poor.

- *Targeting based on need:* if eligibility for social cash transfer depends on household income, administrators need tools to identify those households with the lowest income. Methods applied in the different countries are either means-tested or community-based. Ideally, one targeting method should be applied to all income-dependent transfers. The presence of large informal sectors, widespread dependence on subsistence agriculture and inflow from remittances influence the applicability of the different methods. The use of filters and/or moving to proxy-means testing may improve the targeting performance, by both reducing exclusion and inclusion errors.

- *Categorical targeting:* categorical targeting should be considered as an alternative if needs-based targeting methods fail, coverage remains low and if there is a strong correlation between the risk of poverty and specific demographic or geographical characteristics. Demographic categories can be narrowly defined in order to limit budgetary requirements. Based on the poverty profile of a given country, the characteristics of the poor can be identified. If poverty is related to the number of children in a family, eligibility can be related to number and/or age of the children. Geographical targeting (combined with demographic categories) may be an option in countries with large regional disparities. However, the latter requires detailed data at the lowest administrative level of government possible. Other disadvantages include the exclusion of poor families and children in non-targeted areas.

- *Extending coverage:* low coverage of the poorest households with targeted benefits may also be the result of non-take-up related to social costs and unawareness, or failed applications due to lack of necessary documents. Efforts to increase outreach to poor households, information campaigns and reducing the documentation requirements (or the provision of documents for free) may help to increase coverage among the poorest households.

Administration, monitoring and evaluation

In some countries, local administrators have little incentive to allocate and administer social cash transfers. Caseloads are usually high and local salaries are low. The additional costs of household assessments and benefit allocation are not always accounted for, as is the case with the Cash Benefit for Children in Tajikistan. If benefit assignment is at the discretion of the local administrator, the risk of unequal treatment of households exists. Some of the poor may be considered as 'undeserving' due to their behaviour (either current or in the past) as an

individual or within the community. The administration of applications and benefit payments is often incomplete. By improving the local administration, both local and central government agencies will benefit. Information on approved and rejected applications is essential for policy-making in general, and the budgeting process in particular. At the central government levels, little emphasis is placed on monitoring and evaluation. Improving the collection and use of administrative data will strengthen the position of sector ministries within the government and towards the ministries of finance. It allows for better planning and realistic budgeting based on actual needs. Measures to be taken:

- Improve administrative systems both at the local and central level.
- Introduce regular and systematic monitoring and evaluation activities, especially at the central government level.
- Build capacity at the local level (use of administrative systems) and the central level (analytical capacity).
- Regular collection of household budget survey data by the National Statistical Offices in support of policy evaluation.

Potential responses to specific crises

The above section addressed general problems with existing social safety nets. Next, we provide an overview of potential social protection measures that can be taken in response to specific crises.

Food price crisis

Social cash transfers, either in cash or in kind, can offer short-term solutions to mitigate the impact of rising food prices on vulnerable households. They limit the impact on poverty and inequality, support food security, ensure access to health and education and reassure the population. In a crisis situation, measures are required that can be introduced quickly, that do not require major administrative structures or new institutions and that can be stopped or phased out once prices and wages have adjusted. Table 6 provides an overview of policy options that may be used to mitigate the impact of a food crisis. Food support programmes are highly visible, politically popular, but can be difficult to remove. If the goal is income support, cash transfers are the preferred option. If the goal is increased food consumption, food stamps or food subsidies may be more effective. However, the costs are higher compared to cash transfers, and removing the measure, especially food subsidies, may prove to be extremely difficult.

Table 6. Overview of social protection instruments for food crisis mitigation

Policy intervention	Appropriate context	Advantages	Disadvantages
Cash transfer	• Food market functions properly • No food shortages • Functioning safety net exists	• Supports income of the poor • Lower administrative costs • Do not distort prices • Consumer sovereignty • Benefits can be adjusted	• Need for targeting mechanism • Cash might be used for other purposes
Food stamps	• Food market functions properly • No food shortages • Reliable retail and banking system	• Politically popular • Increase food consumption more than cash • Can be restricted	• High initial start-up costs • Higher administrative costs • Need for targeting mechanism
In-kind food transfers	• Market functions poorly • Foreign aid in-kind • Need to rotate grain reserves	• Effective in alleviating hunger • Can increase school attendance	• Higher administrative costs per unit transferred • Logistically demanding • May distort market
Food price subsidy	• Prices of essential products too high • Used within defined time period	• Can be introduced quickly	• May distort local production incentives • Often regressive • Expensive • Difficult to remove
Public works	• High unemployment • Projects ready on shelf	• Creation of infrastructure	• Administratively demanding

Source: adapted by author, based on World Bank (2008)

Energy price crisis

Removing subsidies and raising tariffs to cost-recovery levels has implications for the consumers. Confronted with higher energy prices, households can either reduce consumption, or increase the share of total household income spent on energy. Once energy consumption is reduced to a minimum, consumption of other (basic) goods may have to be sacrificed for the payment of the energy bill, resulting in substantial welfare losses (Lampietti et al., 2007). Therefore, the government can take mitigation measures protecting the poor against such welfare losses.

Basically, there are two main types of mitigation measures: direct income transfers or tariff-based subsidies, such as lifeline tariffs. Life-line tariffs, or volume-differentiated tariffs, are only meaningful with appropriate billing and metering systems in place. Households need to be able to control their consumption. The drawback of volume-differentiated tariffs is the risk of corruption and incentives for tampering. If poor households are relatively less connected to the energy network, lifeline tariffs may also ultimately be regressive. The provision of cash transfers aims at protecting the welfare level of poor and vulnerable households. It prevents households from depleting their limited assets or reducing consumption to such an extent that their livelihoods are threatened.

Studies from Armenia and Georgia have shown that cash transfers are also benefiting energy companies (Lampietti, 2007). Households use the transfers to pay their energy bills. In

Armenia, the cash transfer softened the impact of the tariff increase for those households receiving transfers. While receiving households still reduced consumption by about 20 per cent, their average monthly payments for utilities were higher than non-receiving poor households. The cash transfer may have prevented an even larger reduction of consumption and accumulation of payment arrears.

Table 7. Overview of social protection instruments for energy crisis mitigation

Policy intervention	Appropriate context	Advantages	Disadvantages
Cash transfers	• Functioning safety net exists • Households use different energy sources	• Supports income of the poor • Lower administrative costs • Consumer sovereignty • Benefits can be adjusted	• Need for targeting mechanism • Cash might be used for other purposes
Life-line tariffs	• Poor are connected • Metering system in place • Functioning billing system	• Minimum consumption protected	• Risk of corruption • Incentives for tampering
Energy subsidy	• Prices of essential products too high • Used within defined time period	• Can be introduced quickly	• May distort investment incentives for producers • Often regressive • Expensive • Difficult to remove

Employment crisis

The global economic and financial crisis created a shock on the labour markets. Real wages declined and many jobs were lost. Returning migrants further acerbated the situation of local labour markets. Prioritizing labour-intensive investments could be one option to address labour market consequences of the crisis while accounting for constrained fiscal resources. For example, investments in rural road projects or rehabilitation of irrigation systems can create short-term employment opportunities while creating the conditions for longer-term growth (World Bank 2010b). Existing social cash transfer schemes are not tailored to meet the needs of the surge in unemployment and returnees. In order to protect the unemployed and returned migrants, prevent loss of skills, and restore economic growth, public work programmes (or workfare programmes) may present a policy option mitigating the impact of the employment crisis. Public works (or workfare) programmes feature among those programmes having potential to mitigate the short term effect of the crisis while at the same time investing in the country's future (e.g. through infrastructure rehabilitation). Kazakhstan reacted quickly and introduced a public works programme, together with retraining and internship activities (see section 4 above).

Public works programmes are attractive in the event of a crisis or after an emergency. They protect the incomes of the poor and at the same invest in infrastructure building or social service provision. They are especially appropriate in a situation of high unemployment. However, certain conditions need to be in place in order to render a public work programme effective. A well-designed public work programme is structured in such a way that only those

in need participate, and that they drop out as soon as there are better employment opportunities (Ravallion 2009). The wage is low and work is on projects initiated by communities. The low wage ensures that only those who have no opportunities in the regular labour market participate. But public work programmes need to be supplemented with targeted support to those that cannot work for various reasons, because they are physically incapacitated, including those with poor nutritional status, or because they are occupied with other valuable activities, such as attending school (Ravallion 2009). Finally, in order to stimulate female participation in the labour market, programmes need to be supplemented with affordable child care, kindergarten and pre-school services.

Closing the knowledge gaps

During the collection of material for the present study, the output of reports and assessments dealing with the impact of the recent crises on households was increasing almost exponentially. However, the new evidence presented in these papers and reports is minimal. This can be explained by the lag with which new micro-data becomes available. Regular household budget surveys may not be sufficient to capture the impact of a crisis at household level and could be complemented with quick assessment surveys covering a smaller sample and qualitative survey instruments to capture the experience of households and individuals.

Not all countries in the region have systematic household surveys yet. There is clearly a need for timely and systematic data collection and more systematic assessments of poverty and vulnerabilities. Regular poverty updates are essential for policy evaluation and policy development. Ideally, poverty rates are calculated using different poverty lines, both national and international. It is striking that the latest available comparable poverty rates using international poverty lines date back to 2005 and earlier.

The difficulty of finding up-to-date comparable government finance statistics on social protection was also striking. Again, most available data date back to the mid-2000s at best. Another difficulty is the definition of social protection, social security, social assistance, etc. used in the available databases from different institutions (e.g. WDI, IMF GFS, ILO SSI, ADB, EUROSTAT, OECD). A similar problem concerns up-to-date information on labour market statistics.

Little empirical evidence is available on coping strategies of households that went through several waves of difficulty. We generally know the strategies that households have at their disposal to cope with a shock. But we do not know for how long households can cope, under what condition and what they do if they have exhausted the available coping strategies. Regarding the predicted long-term global economic volatility, it is important to understand how households protect themselves given a volatile current and future environment.

The fact that remittance flows in 2010 were almost back at 2008 rates also merits further research in the field of migration. How does a crisis in the host country affect migrant

labourers? Under what condition do they return home (temporarily) or stay in the host country waiting for the local economy to pick up again?

Priority areas for coordinated action in the context of the CARRA process

- Recognize the importance of monitoring poverty: support the countries (financially and technically) with the design and implementation of regular household budget surveys (or living standard measurement surveys), encourage a free data dissemination policy and build the analytical capacity of national researchers.

- In countries with a well-functioning social transfer system (e.g. Kyrgyzstan): contribute to the funding of the scheme allowing coverage extension and increase of transfer.

- In the energy sector: since energy reforms are far from finished and countries invariably will move to full cost-recovery levels, ensure that all households have individual (functioning!) meters allowing them to control their energy consumption; invest in the billing capacity of the energy providers.

- Social protection sector: provide sector budget support conditional upon reforms of financing (central financing, protected budgets), consolidation of existing social cash transfers (removal of old-style categorical benefits, privileges and subsidies), and regular assessments of policy effectiveness.

- Monitoring and evaluation: support countries with their regular data collection and analysis, build capacity of civil servants for policy monitoring and evaluation, and financially support the introduction of benefit administration systems both at local and central levels.

It is striking that the positive evidence from other countries, such as Mexico, does not seem to convince governments in Central Asia of the potential of social cash transfers to address household poverty and vulnerability. The inherited norms and values of the former Soviet Union are still present in social protection, as is the notion of 'the undeserving poor'. This may explain why the existing targeted social assistance schemes are entirely marginal. Renewed effort is needed from the international community to convey the message to the governments in the region that social cash transfers are a powerful tool in protecting vulnerable families and their children, and are worth investing in. Advocacy needs to be supported with strong evidence.

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ANNEX

KYRGYZSTAN

Categorical state benefits are a legacy from the former Soviet era benefiting specific categories of privileged or vulnerable citizens. Eligibility is categorical and independent of household income. Until 2009, the system had 38 different categories of beneficiaries and 14 types of different benefits and subsidies, most of which were paid in-kind, for example, as a direct transfer to utility companies. In 2009, 285 thousand beneficiaries received a categorical state benefit (CSB), costing more than KGS 800 million[50] (Gassmann, 2010b). With effect as of January 2010, the GoKG introduced a major reform to the system of CSB initially planned as a mitigation measure against the major increase of energy prices foreseen for 2010.[51] [52] The previous system of mainly in-kind benefits and subsidies was replaced with flat cash transfers and the number of eligible categories was reduced to 21. As a result of the reform, the number of beneficiaries is expected to drop to 26,000 entitled beneficiaries. The reform also entailed the full monetization of previous in-kind transfers and subsidies, including a compensation for the energy tariff increase.[53] Government expenditures were expected to double as a result of the reform (KGS 1.6 billion for 2010). Although CSBs are not specifically targeted at families with children, prior to the reform, two of the 38 categories identified vulnerable families: families in high mountain areas and families with disabled children up to the age of 18. However, the value of CSB was very small and mainly in the form of a small utility subsidy. Under the new system, neither of these groups are any longer eligible (Gassmann, 2010b).

The **Monthly Social Benefit** (MSB) is a categorical transfer targeted to vulnerable groups with limited income opportunities. It is in fact a 'social pension' for people (including children) with disabilities, orphans and elderly persons without pension rights. Eligibility is independent of household income. Until 2009, the value of the MSB was based on the Guaranteed Minimum Income (GMI), and varied between 75 and 300 per cent of the GMI for different categories (World Bank, 2009; Gassmann, 2010b).[54] The MSB is financed entirely from the Republic's budget. Between 2005 and 2009, the average MSB has increased from KGS 367 to KGS 715 per month. The number of beneficiaries has been gradually increasing, rising from 37,000 beneficiaries in 2000 to 65,000 in 2009, of which 54 per cent are children

[50] 1 USD = 45.27 KGS (xe.com, 16/6/2011)
[51] Presidential Decree on Providing Monetary Compensations to Selected Categories of Citizens in Connection with Energy Prices
[52] The energy tariff increase was eventually reversed after a couple of months and after the unrest it created in the country (see Slay, 2010).
[53] The reversal of the energy tariff increase had no impact on the established benefit levels.
[54] The GMI is a social standard established by the GoKG in 1998 and adjusted regularly. The level of the GMI depends on the available budget envelope and the predicted number of beneficiaries. In 1998, the GMI (then called GMCL) was set at KGS 100, which at that time was about half the value of the food poverty line. In 2008, the GMI was KGS 200, representing only 20 per cent of the food poverty line (Gassmann, 2010; WB 2009c).

(Gassmann, 2010b).[55] The new Law on State Benefits, which became effective in January 2010, introduced major changes to the MSB. First, the value of the MSB is no longer tied to the GMI, but determined as a flat rate benefit.[56] The 15 categories of MSB recipients receive transfers between KGS 1,000 and KGS 2,000 per month depending on the respective category. As a result, the average monthly MSB increased to KGS 1,295.

The **Monthly Benefit** (MB), formerly known as Unified Monthly Benefit, is the only transfer specifically targeted to poor households with children. Eligibility depends on household income (means test) and is categorical upon the presence of children. Prior to 2010, poor households with disabled persons or elderly people without pension entitlements were also eligible for the MB. The MB is a variable transfer covering the gap between the GMI and the average per capita family income. Total household income includes net income of all household members from all sources, in cash as well as in kind.[57] In addition to the variable MB, fixed transfers are granted to eligible families for the birth of a child and children up to the age of three. The MB is entirely financed from the republican budget. The available budget is based on fiscal considerations and lacks a regular adjustment mechanism. As a result, the value of the MB has eroded over the years, thereby undermining its potential to mitigate hardship and protect poor families and their children. In 2009, the average MB was KGS 135 per month. The number of beneficiaries has decreased from 475,000 beneficiaries in 2007 to 362,000 in 2009, of which children are the majority (87 per cent in 2007). The increase in real incomes over the past and the substantial reduction of poverty partly explain the decline. On the other hand, the sluggish and irregular adjustment of the GMI and the revision of the land coefficients used to impute income from land had a significant impact on the reduction of eligible families. With the most recent reforms (effective January 2010), the MB will be targeted to children only.[58] The formula for the calculation of the GMI, although slightly modified, will still depend on the budgetary resources available. In response to the (planned) energy tariff increase, the GoKG raised the GMI from KGS 204 to KGS 282. Currently (January 2011), the GMI equals KGS 310 per capita per month.[59] Further reforms are planned in order to improve the targeting performance of the MB. Plans include the introduction of filters (possession of livestock and of durable goods) and a greater role for ail okmotus[60] in eligibility assessments (Gassmann, 2010b).

The increase of the GMI is a first and important step towards a more generous and more effective MB. However, the measure is not appropriate to reduce exclusion and inclusion

[55] The increase in beneficiaries can be attributed to the growing number of children born with disabilities. Based on a report by CASE in 2008 (cited in Gassmann, 2010), the deterioration of health care for pregnant women, worsening nutrition of pregnant and lactating women and young children, poor living conditions and limited access to health care are potential reasons for the growing incidence of disability among children.
[56] Decree on determining the amounts of state benefits.
[57] Among others, the incomes included are: employment, bonus, commercial activities, leases, income from assets and deposits, imputed income from land (based on productivity coefficients), pensions, private transfers, scholarships, inheritance. Not included are income from livestock, unemployment benefits, MSB, and single transfers such as funeral allowances or child birth grants.
[58] Law on State Benefits in the Kyrgyz Republic.
[59] Information provided by A. Alexandrova (World Bank); email 3 Feb 2011.
[60] Village council

errors. With support of the European Commission, the Agency for Social Protection (ASP) has simulated the alternative targeting criteria using administrative data from a number of districts. Introducing filters such as the possession of selected durable goods would reduce the number of potential beneficiaries by 16 per cent compared to the current situation. Excluding pensions from the calculation of eligible family income, on the other hand, would increase the number of eligible beneficiaries by 46 per cent (Delarue and Nikaj, 2009).

TAJIKISTAN

Electricity and gas compensations are targeted at poor families connected to the electricity and/or gas network. Eligible families are identified through a mix of community-based targeting and means testing. A commission chaired by the deputy-chairman of each district (*hukumat*) is responsible for the final selection of beneficiaries. At the *jamoat* level, a sub-commission prepares a list of candidate beneficiaries. Households apply for the compensation at the *jamoat*. The sub-commission then assesses eligibility based on the household's receipt of electricity and/or gas, and the level of household income. A household is eligible if its income is less than TS 35[61] per person per month, or if headed by a disabled person, or concerns an elderly person living alone with a pension income less than TS 35 per person per month. The amount of the benefit is equivalent to the cost of a basic allocation of electricity and natural gas.[62] Poor households not connected to the electricity or gas grids are not eligible for the compensation. Compensation is financed from the Republic's budget and, although the objective is to cover 18-20 per cent of the population,[63] the funds made available are inadequate to reach this level. Annual budgets are based on current beneficiaries and adjusted for changes in electricity and gas prices and for general inflation (World Bank, 2010a).

The **Compensation for Poor Families with Children** is conditional upon school attendance of the children. The aim of the programme is to reach the poorest 15 per cent of children in the first nine grades of school (age 6-14, approximately). The programme pays TS 20 every six months or TS 40 per year. The size of the benefit is considered to be too low to have any influence on school attendance. The value of an annual transfer covers about 30 per cent of direct annual school expenditures per average female pupil (World Bank, 2010a).

The Government of Tajikistan has recently embarked on reforming the social assistance transfers, supported by the European Commission and the World Bank. The reform aims at consolidating the two social assistance programmes into one single transfer programme. This would lower the administrative costs and separate social assistance from gas and/or electricity consumption. Since many of the poorest households live in high mountain areas and are not connected to electricity or gas supply, they are by definition excluded from receipt of this transfer. Even after consolidation, the available budget is far too limited to have any meaningful impact on poverty reduction. In order to close the extreme poverty gap, the GoT

[61] 1 USD = 4.63 TS (xe.com, 16/6/2011)
[62] The basic allocations differ per season (winter versus summer) and whether a household uses gas, electricity or both.
[63] Government Order #379.

would have to allocate an estimated TS 312 million per year (about 1.4 per cent of GDP) (World Bank 2010a). A second component of the reform aims at improving the targeting performance of social assistance. During 2011, the GoT will test a new targeting methodology based on a proxy means test in two districts. Simulations based on the Tajik Living Standard Survey 2009 have shown that targeting could be improved significantly with proxy means testing. The 'new' social assistance benefit would still focus on households with children and require regular school attendance.

KAZAKHSTAN

As regards social assistance, Kazakhstan allocates a whole range of different non-contributory transfers, some of which are categorical while others depend on household income. **Targeted Social Assistance** (TSA) is the main anti-poverty programme directed at families and individuals with incomes below 40 per cent of the minimum wage.[64] It is means-tested and eligible families receive the difference between the average household income per capita and the regional poverty line.[65] Applications need to be renewed on a quarterly basis (Gavrilovic et al, 2009). The programme is funded from local budgets. The average benefit in 2009 was KZT 1,790 per person per month.[66] The number of TSA beneficiaries decreased dramatically during the past decade, from 1.2 million recipients in 2002 to 244,000 persons in 2008, representing 1.6 per cent of the total population. 60 per cent of the beneficiaries are children (Kovalevsky, 2010).

A whole range of **Social Allowances** are targeted towards families and children (SAC). Some of the benefits are targeted to the poor (income dependent), while others are universal. The transfers are fixed and expressed in MCI (Minimum Calculation Index).[67] The child birth allowance (30 MCI in 2008 with a planned increase to 50 MCI in 2010) and the allowance for families with children up to one year are universal (transfer depends on the number of children). For poor families (with income per capita below 60 per cent of the minimum wage), a family allowance of one MCI per child is paid until the child reaches the age of 18. Foster families receive 10 MCIs per child and a salary of about KZT 26,000 (Kovalevsky, 2010). Social allowances, with the exception of the child allowance for poor families, are paid from the budget of the Republic.

Special State Allowances (SSA) are categorical transfers for disabled persons, individuals who were affected by the Chernobyl disaster, families of soldiers who died during service, individuals with special merits, victims of political repression and mothers with four or more children. Families with four or more children (3.9 MCI) and families with a disabled child

[64] The minimum wage is calculated based on a basket of goods and services, of which food accounts for 60 per cent. The minimum wage differs per region reflecting different price levels (Kovalevsky, 2010).
[65] The regional poverty lines are adjusted for differences in living costs across regions.
[66] 1 USD = 146 KZT (xe.com, 16/6/2011)
[67] One MCI was equal to KZT 1,413 in 2010 (Kovalevsky, 2010). Note that the MCI is the same for the whole country.

(until the age of 18[68]) are entitled to an additional allowance of one MCI. These allowances were introduced in 1999, replacing earlier cash and in-kind privileges and subsidies. SSA are financed from the Republic's budget (Gavrilovic et al., 2009).

Housing Allowances (HA) are provided to recipients of SSA and low-income families. The allowance contributes to the payment of housing and utilities. Poor households are eligible if actual housing and utility costs exceed a certain percentage of total household income. HA are financed from local budgets (Gavrilovic et al, 2009).

UZBEKISTAN

In the second half of the 1990s, Uzbekistan moved from social protection systems, which primarily provided support through universal subsidies, to a system of targeted social assistance. **Family allowances** targeted to poor families with children under 18 were introduced in 1997, followed by targeted **maternal allowances** for unemployed mothers with young children in 1999 (UNICEF, 2009a). Another innovation introduced at the same time was the use of community-based targeting through the local *mahalla* system (local bodies of self-government).

In addition to the family and maternal allowances, poor families may benefit from **social aid to families in need**, and a free set of winter clothing and footwear. There is also a categorical **disability allowance** for disabled children and a school set for first-grade students (UNICEF 2009b). Family allowances vary between 50 and 175 per cent of the minimum wage, depending on the number of children present in a family and are initially awarded for a period of six months (UNICEF, 2009b).[69] Social aid for needy families is more generous with transfers ranging between 150 and 300 per cent of the minimum wage. Disabled children receive an allowance of one minimum wage. The two targeted family benefits are financed from local budgets, whereas the in-kind benefits and the child disability allowance are paid from the national budgets.

TURKMENISTAN[70]

Disability allowances are considered to be state allowances. Those eligible for disability allowances are disabled children under 16 years of age, persons disabled since birth, and persons whose disability was caused at work or non-work related accidents or diseases. The benefit level depends on the individual's work record and the level of disability. For those without a work record, the allowance is equal to the base amount[71] in case of disabled children and persons disabled since birth; for other disabled persons the sum is determined by the minimum allowance for the respective disability group.

[68] Available information on the age limit is contradictory: Gavrilovic et.al (2009) refer to an age limit of 16, while Kovalevsky (2010) refers to an age limit of 18 years.
[69] Based on UNICEF (2009b), the benefit for unemployed mothers with children under 2 is 200 per cent of the minimum wage.
[70] Based on Gassmann (2007).
[71] The level of most state allowances refers to a base amount, which is determined by the Government of Turkmenistan.

In case of the loss of breadwinner the social code foresees in the payment of a **survivor allowance** to dependent family members of the deceased breadwinner. The survivor allowance is a family based allowance and the amount of the allowance is determined as percentage of the base amount depending on the number of dependent family members.

The social code introduced major changes to the **child care benefit**. Under the new code, a universal child care benefit for children up to 1.5 years is granted to all parents, guardians or relatives taking care of the child. The monthly benefit level is set at 50 per cent of the base amount.

One of the major reforms introduced in 2007 is the introduction of a universal **birth grant** for all newborn children. The birth grant is paid as a lump sum and is equal to one base amount for the first and the second child, twice the base amount for the third child and four times the base amount for the fourth and any subsequent child.

The provisions in the new social code changed the previously means-tested **social allowance** for persons above the retirement age into a categorical benefit for retired persons without pension rights. Eligibility for the social allowance starts immediately after the official retirement age (57 for women, 62 for men). Other eligibility criteria require that the beneficiary is without work and that he is not entitled to a pension or any other state allowance. The value of the social allowance is set at 60 per cent of the base amount.

State support is a locally financed and means-tested social assistance benefit for persons without pensions or state allowances and with an average household income below the minimum consumption budget. It is a family based allowance with a maximum duration of three months. The benefit value is one base amount per month. A local commission assesses the living conditions of the applicant and issues a statement with which the applicant can apply for state support.

Subsidies and privileges still form an essential part of the Turkmen social protection system. Gas, water, electricity and salt are provided free of charge to the population up to certain consumption limits. Nationally produced bread and flour, housing (rent and utilities), national and international transport, and phone charges are available at subsidized prices for all residents. Veterans and invalids enjoy further privileges. The Social Code provides an extensive list of services available to veterans and invalids free of charge or at reduced tariffs, distinguishing between different types of veterans and invalids. The list includes privileges such as free medical and dental care, medicines, sanatorium treatment, priority housing and housing repair, free land plots, interest-free loans, free use of water, gas and electricity beyond the consumption norms, free or reduced transport, etc. In some cases, privileges are also granted to families of deceased veterans.

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