

## Effectiveness of Social Safety Net in the Kyrgyz Republic

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- [www.worldbank.org/kg](http://www.worldbank.org/kg) -> Publications and Reports
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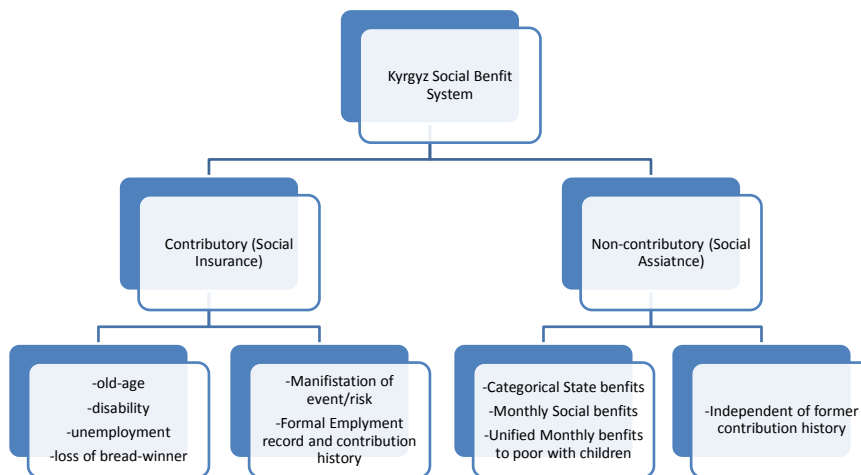
## Background

- The objective of SPP is to mitigate the impact of economic hardships for individual's welfare.
- SPP are interventions to support vulnerable, and assist the HH to better manage economic risks.
- Evaluation of country's SSN requires measuring the effectiveness of the SSN using primary, survey data.
- In 2010 the WB conducted such study using KIHS 2008 (2005) to assess the effectiveness of the Kyrgyz SSN in protecting the poor focusing on non-contributory social benefits.

## Background

- This study looked at:
  - Empirical measures of coverage, distribution, adequacy of social benefits
  - Poverty reducing impact of social benefits/system
  - Impact of proposed reforms in social protection policies (in the context of higher energy tariffs)
- As such study is an ideal example of utilizing survey data for policy analysis rendering policy options for reforms

## Overview of the current\* system of social benefits



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		2005	2006	2007	2008	2009	2010
Total spending on non-contributory benefits	mil KGS	1,323	1,605	1,670	1,905	2,204	3,790
<i>as percentage of GDP</i>	%	1.31	1.41	1.18	1.01	1.12	1.65
Total number of beneficiaries	'000	975	972	837	789	708	487
<i>as percentage of the population</i>	%	19.2	18.9	16.1	15	13.3	9.1

## Overview of the current\* system of social benefits

- SSN is a mix of old categorical benefits/privileges and two “new” targeted benefits
- SSN consists of UMB, MSB and categorical subsidies/privileges
- SSN is in the midst of reform process

## Unified Monthly Benefit

- UMB is poverty targeted cash benefit program, means tested and categorically targeted to children from low income families.
- UMB is variable benefit covering the gap between GMI and the Average Per Capita Family Income for eligible beneficiaries (these are: children > 16, students > 21, disabled children).
- In 2009 average UMB amounted to 135 KGS per month (2.9 US\$), which is small amount by all standards and is limited to protect the poor.
- In the past spending on UMB was not stable and does not appear to be related to economic condition and inflation.

## Unified Monthly Benefit

		2005	2006	2007	2008	2009	2010
Total spending on UMB	mil KGS	508	773	695	673	755	1,147
<i>as percentage of GDP</i>	%	0.5	0.68	0.49	0.36	0.38	0.5
Total number of beneficiaries UMB	'000	482	481	475	434	362	396
<i>as percentage of the population</i>	%	9.4	9.3	9	8.2	6.7	7.3
Average amount of UMB per month	KGS	89	124	125	120	135	205

### Reforms:

In order to reduce the inclusion error: to introduce livestock and durable goods filters and involve ail okmotu. Also to target children only. To raise the GMI.

## Monthly Social Benefits

- MSB is a cash income replacement program. MSB is categorical benefit (not means-tested) targeted at vulnerable with limited income generating abilities (orphans, disabled, elderly etc) irrespective of the income of the beneficiary. [Table](#)
- Until 2009 MSB was also based on GMI. The average value of MSB was 715 KGS in 2009 (15.6 US\$). This and number of recipients have been steadily increasing over the years (growing incidence of disability among children, 54 % of recipients are children).

## Monthly Social Benefits

		2005	2006	2007	2008	2009	2010
Total spending on MSB	mil KGS	220	329	365	542	619	1,033
as percentage of GDP	%	0.22	0.29	0.26	0.29	0.32	0.45
Total number of beneficiaries, MSB	'000	54	57	59	59	61	65
as percentage of the population	%	1.1	1.1	1.1	1.1	1.1	1.2
Average amount of MSB per month	KGS	367	456	461	656	715	1,295

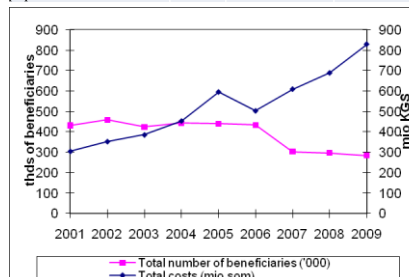
Reforms: Introduction of flat rate (1000-2000 KGS per month, average is 1295 KGS, 28.3 US\$).

## Categorical privileges

- L'goty-privileges are legacy of Soviet era. Specific categories of privileged and/or vulnerable citizens are eligible for state subsidies or benefits. Eligibility is categorical and independent of household income, financed from state budget. Until 2009 there were 38 different categories and 14 subsidies. →
- The value is differentiated for different categories. →
- By 2008, majority of categorical benefits were monetized. Despite shrinking number of recipients the cost has increased (partly due to monetization).

## Categorical privileges

		2005	2006	2007	2008	2009	2010
Total spending on Categorical state benefits (l'goti) as percentage of GDP	mil KGS	595	503	609	689	829	1,609
	%	0.59	0.44	0.43	0.37	0.42	0.7
Total number of beneficiaries, Categorical state benefits (l'goti) as percentage of the population	'000	439	434	303	296	285	26
	%	8.5	8.3	5.8	5.6	5.3	0.5



Reforms: flat cash benefits (1000 KGS - 7000 KGS per month) and reduction in number of eligible groups (21, from 38). Expected that number reduced to 26 000, but the cost is 1.6 billion, due to full monetization and benefit increase compensating energy tariffs rise.

## 1) Empirics of KIHS for SSN: coverage

**Table 7: Benefit coverage of social protection benefits and private transfers, percentages, 2008**

Type of benefit	Quintile I	Quintile II	Quintile III	Quintile IV	Quintile V	Total
Any social transfer	65.2	56.7	39.1	41.3	28.8	46.3
Pensions	50.7	45.4	30.3	36.8	25.2	37.7
Scholarships*	1.9	1.7	0.9	1.1	2.8	1.7
Monthly Social Benefit	3.5	2.3	2.3	1.8	0.2	2
Unified Monthly Benefit	17.9	14.5	10.4	3.7	1.4	9.6
Other social insurance benefits*	2.4	3.5	1.4	1.3	0.6	1.8
Utility and housing subsidies*	21.7	16.8	20.2	18.5	15.1	18.5
Money from relatives*	28.3	34.5	30.9	26.1	29.6	29.9

Note: Quintiles are based on annual per capita consumption before transfers, assuming a marginal propensity of 25 percent.

\* Differences between groups are not significant at the 10 percent level (Chi-square test).

## 2) Empirics of KIHS for SSN: distribution

**Table 8: Distribution of beneficiaries from social protection and private transfers across groups, %, 2008**

Type of benefit	Quintile I	Quintile II	Quintile III	Quintile IV	Quintile V	Total
Any social transfer	28.7	24	16.9	17.9	12.5	100
Pensions	27.4	23.6	16.1	19.5	13.4	100
Scholarships*	22.8	20.2	10.3	12.9	33.7	100
Monthly Social Benefit	35.1	22	22.6	18	2.3	100
Unified Monthly Benefit	38	29.6	21.7	7.7	3	100
Other social insurance benefits*	26.8	36.9	15.3	14.2	6.8	100
Utility and housing subsidies*	23.9	17.9	21.8	20.1	16.4	100
Money from relatives*	19.3	22.7	20.7	17.5	19.8	100

Note: Quintiles are based on annual per capita consumption before transfers, assuming a marginal propensity of 25 percent.

\* Differences between groups are not significant at the 10 percent level (Chi-square test).

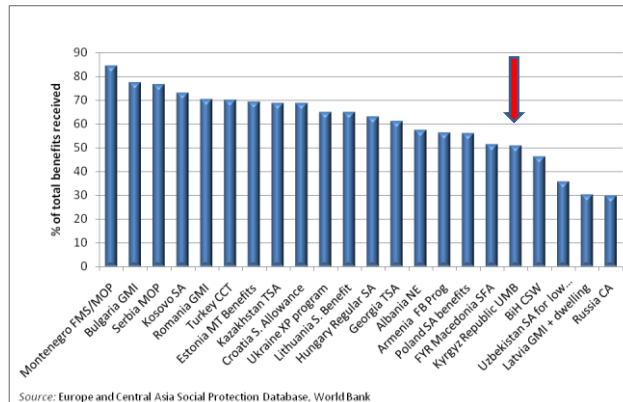
## 2) Empirics of KIHS for SSN: distribution and targeting accuracy

Table 9: Distribution of social protection benefits and private transfers across groups, %, 2008

Type of benefit	Quintile I	Quintile II	Quintile III	Quintile IV	Quintile V	Total
Any social transfer	26.9	21.9	14.8	17.3	19.1	100
Pensions	25.7	22	14.7	17.8	19.8	100
Scholarships	16.7	21.1	8.5	16	37.8	100
Monthly Social Benefit	52.6	5	17.1	19.7	5.7	100
Unified Monthly Benefit	51.9	22.7	19.7	4	1.7	100
Other social insurance benefits	39	24.9	7.8	8.2	20.2	100
Utility and housing subsidies	13.2	11.1	22.5	19.6	33.6	100
Money from relatives	7.2	14	13.4	19.3	46.1	100
Total consumption	9.8	14	17.6	22.7	35.9	100

Note: Quintiles are based on annual per capita consumption before transfers, assuming a marginal propensity of 25 percent.

### Targeting accuracy of the UMB compared to targeted social assistance programs, selected ECA countries\*



\*Data is the most recent available for the respective country and is subject to further update.  
Source: Lindert (2008).



## 4) Empirics of KIHS for SSN: adequacy (relative importance)

Benefit adequacy (ratio of benefits/consumption) for beneficiary households (excluding non-beneficiaries)					
	Quintile I	Quintile II	Quintile III	Quintile IV	Quintile V
Total social transfer	18%	15%	15%	15%	15%
Pensions	21%	18%	18%	17%	16%
Monthly Social Benefit	8%	2%	3%	3%	3%
Unified Monthly Benefit	7%	3%	3%	1%	1%
Other social insurance benefits	0%	0%	0%	0%	0%
Utility and housing subsidies	1%	1%	1%	1%	1%
Money from relatives	14%	12%	13%	17%	21%
Note: Quintiles are based on annual per capita consumption after transfers.					
Source: own calculation based on KIHS 2008.					

## Impact of SSN on poverty rate and gap

- Methodological notes:
  - Extr. poverty line is NSC level of poverty based on estimated per capita consumption
  - Extreme poverty rates and gaps are measured before and after transfers (benefits)
  - Before-transfers is counterfactual per capita consumption (with substitution of 25 %), estimated using regression (PCC on HH characteristics, income and benefits)
  - After-transfer is based on factual/reported data (KIHS)
  - By definition social transfers by affecting income and thus per capita consumption reduce poverty rates or/and poverty gap. Of the primary interest is the magnitude of the impact and comparison between incidence and rates.

## Impact of SSN on extr. poverty rate

	Poverty rate before benefit	Poverty rate after benefit	Absolute reduction	Relative reduction
Any social transfer	10.2	6.4	3.8	37.5
Pensions	9.2	6.4	2.8	30.7
Monthly Social Benefit	6.5	6.4	0.1	1.9
Unified Monthly Benefit	7.4	6.4	1.0	13.8
Other social insurance benefits	6.4	6.4	0.0	0.3
Utility and housing subsidies	6.4	6.4	0.0	0.3
Money from relatives	8.4	6.4	2.0	24.1

## Impact of SSN on extr. poverty gap

	Poverty gap before	Poverty gap after	Absolute reduction	Relative reduction
Any social transfer	2.3	1.2	1.1	46.1
Pensions	2.0	1.2	0.8	38.0
Monthly Social Benefit	1.3	1.2	0.1	4.6
Unified Monthly Benefit	1.4	1.2	0.2	11.4
Other social insurance benefits	1.3	1.2	0.1	4.6
Utility and housing subsidies	1.2	1.2	0.0	-3.3
Money from relatives	1.7	1.2	0.5	27.1

## Impact of SSN on poverty rate and gap

- Main conclusion: impact of SSN is limited
- Specification: results apply to pre 2009 system

## Impact of reform proposals on absolute and extreme poverty (and gaps)

Table 11: Poverty reduction impact of safety net reforms, percentage of individuals, 2008

	Poverty incidence		Poverty gap	
	Before reform	After reform	Before reform	After reform
Absolute poverty	31.5 (1.7)	28.8 (1.7)	7.6 (0.7)	7.0 (0.7)
Extreme poverty	6.4 (1.1)	5.8 (1.1)	1.2 (0.4)	1.1 (0.4)
Standard errors between parentheses.				
Source: own calculations based on KIH08.				

The impact is moderate: reduction in abs. pov. by 2.7 p.p. in extr. pov. by 0.6 p.p.

## Impact of reform proposals on coverage and distribution

**Table: Benefit coverage and distribution before and after the reform, percentages, 2008**

	Quintile I		Quintile II		Quintile III		Quintile IV		Quintile V		Total	
	Bef. Reform	Aft. Reform	Bef. Reform	Aft. Reform	Bef. Reform	Aft. Reform	Bef. Reform	Aft. Reform	Bef. Reform	Aft. Reform	Bef. Reform	Aft. Reform
<b>Coverage</b>												
UMB	17.3	17.9	14.4	14.5	10.4	10.4	3.5	3.7	1.4	1.4	9.4	9.6
Categorical state benefits*	8.4	21.7	4.8	16.8	5.6	20.2	6	18.5	5	15.1	6	18.5
<b>Distribution of beneficiaries</b>												
UMB	37.3	38	30	29.6	22.1	21.7	7.5	7.7	3.1	3	100	100
Categorical state benefits*	28.7	23.9	15.9	17.9	18.7	21.8	20.2	20.1	16.6	16.4	100	100
<b>Distribution of benefits</b>												
UMB	47.7	51.9	24.9	22.7	20.3	19.7	4.6	4	2.6	1.7	100	100
Categorical state benefits*	16.7	13.2	20.8	11.1	25.5	22.5	19.3	19.6	17.7	33.6	100	100

\* not significant at 10% level.

## Remarks

- -Positive, but not significant changes after reform
- UMB is only benefit purposefully targeted at the poor, but coverage is not full and amount is small
- Since categorical is most expensive and with least number -> redirecting funds to increase UMB is a way to enhance the poverty reducing potential of UMB

Table 3: MSB: before and after reform (changes introduced per January 2010)

	persons	% of total	Average monthly benefit (KGS)	
			old	new
Disabled children with CPIP	3,864	6	1164	2000
Disabled children	18,013	27.8	848	1500
Children with HIV or AIDS	120	0.2	948	2000
Children born from mothers with HIV/AIDS	108	0.2	948	2000
Disabled from childhood - I category	4,012	6.2	1164	2000
Disabled from childhood - II category	15,449	23.8	848	1000
Disabled from childhood - III category	5,189	8	532	1000
Disabled - I category	444	0.7	848	2000
Disabled II category	2,144	3.3	532	1500
Disabled III category	672	1	316	1000
Elderly citizens	1,602	2.5	402	1000
Elderly citizens of high-mountainous areas.	442	0.7	532	1000
Hero-mothers	167	0.3	848	2000
Children, in the event of breadwinner loss	12,237	18.9	532	1000
Orphans without both parents	332	0.5	848	2000
Total beneficiaries	64,795	100		

Source: ASP. [BACK](#)

Categories	# of beneficiaries			as % of total
	2007	2008	2009	
1 Disabled from WW2	1809	1645	1329	0.47%
2 Participants of WW2	4282	3919	3183	1.12%
Disabled Soviet Army, of which:	1086	1127	1155	0.41%
3 Disabled DRA (Afghanistan)	193	196	176	0.06%
Home front workers of which:	14422	13700	11766	4.13%
4 Disabled	2120	2029	1860	0.65%
5 Military heroes of KR in the USSR	3	3	3	0.00%
6 Survivors of the Leningrad siege	56	55	49	0.02%
7 Under aged survivors of Concentration camps	78	76	66	0.02%
8 Participants of the Hungarian "events"	28	27	23	0.01%
9 Internationalists	6290	6336	6225	2.19%
10 Military workers later rehabilitated.	36	35	30	0.01%
11 Families of fallen soldiers of which	864	825	731	0.26%
Soldiers in WW2	393	338	248	0.09%
12 Widows of disabled soldiers in WW2	4604	4443	3886	1.37%
13 Widows of soldiers in WW2 with later				
14 disabilities	2583	2543	2264	0.80%
15 Widows of Leningrad siege survivors	3	3	4	0.00%
16 Participants of clean up of Chernobyl 86-87	352	342	320	0.11%
17 Participants of clean up of Chernobyl 88-89	83	76	90	0.03%
18 Disabled due to Chernobyl	1041	988	892	0.31%
19 Families that lost breadwinner in Chernobyl	195	194	189	0.07%
20 Personal pensioner due to medals etc	2272	2285	2301	0.81%
21 Recipient of orders/medals by the Kyrgyz				
22 Republic ...	22	20	19	0.01%
23 Pensioners from the military	1423	1501	1485	0.52%
24 Pensioners from MOI	5206	5231	4973	1.75%
25 Families of MOI staff that died in duty	159	134	178	0.06%
26 Staff of criminal justice system	864	918	846	0.30%
27 Pensioners of criminal justice system	198	224	802	0.18%
28 Families in mountainous regions not receiving				
29 other privileges	159349	161288	154658	54.35%
30 Alone living pensioners with less than 660				
31 soms in pension	1223	1002	1010	0.35%
32 Alone living pensioners with less than 1220				
33 soms in pension	3337	3511	3292	1.16%
34 Alone living pensioners with less than				
35 1880soms in pension (gas)	440	463	448	0.16%
36 Non working pensioners; of which	26303	27795	29604	10.40%
37 Alone living (gas)	5154	5071		
38 Families with disabled children up to the age				
39 of 18 years	12736	13916	13882	4.88%
40 Non working pensioner that lost breadwinner	10634	11558	9241	3.25%
41 Non-working pensions with pensions less than				
42 the base pension of 363 soms	372	354	253	0.09%
43 Rehabilitated and victims	3101	3084	3044	1.07%
44 Deaf people	3142	3241	3225	1.13%
45 Blind people	9190	9614	10258	3.60%
46 Heroine mothers (=>3 children)	15748	15652	15179	5.33%
47 Blood donors	413	561	628	0.22%
<b>TOTAL</b>	<b>290446</b>	<b>295879</b>	<b>284571</b>	<b>100%</b>
From the republican budget	274202	280151	269302	
From the local budget (16+37+38)	16244	15728	15269	



**Table 1: Examples of state categorical benefit package: most and least generous, KGS per month, 10/2009**

Utilities	Sanatorium/resort vouchers	Free travel within CIS once a year (round trip ticket)	Compensation for medicines	Lump sum cash benefit for 9th of May occasion	Additional cash benefit for 9th of May occasion	Free glasses once in 3 years	Hearing aid once in 3 years	Dental work	Free public transport	Free travel within the country	Free travel within suburb	Compensation for transportation services	Subscription to newspapers
Sample 1: Disabled veterans of World War II													
1040	867	3195	66.6	50	250	11.1	116.6	140	80	210	40	67	34.6
Sample 2: Families living in mountainous regions													
60													

Source: ASP.

