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## RECENT DEVELOPMENTS IN IMPROVING TARGETING AND ADMINISTRATION OF SOCIAL ASSISTANCE PROGRAMS IN KYRGYZ REPUBLIC AND A PROPOSED ROADMAP

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*The purpose of this Note is to provide an update on most recent developments related to improving targeting of social assistance programs in Kyrgyzstan, including the new Law on State Benefits<sup>1</sup>. The Note also highlights the ongoing sector support by the World Bank and other development partners and suggests a roadmap for further sector dialogue with the Government of Kyrgyzstan.*

### 1. INTRODUCTION

The World Bank Social Protection and Labor (SPL) Team, in coordination with other development partners, has been involved in a dialogue with the Government of Kyrgyzstan (GoK) concerning the policy of social assistance reform and design of effective targeting mechanisms. As part of this technical assistance, the Bank team has also been advising the Ministry of Labor and Social Development (MLSD) in improving targeting of its social assistance programs. This support has been especially timely, as the GoK has recently adopted the new Law on State Benefits, which aims to improve coverage of target beneficiaries and efficiency of public spending.

The new Law introduced (i) a universal childbirth grant, and (ii) assistance to needy families with small children. The latter program has been modeled on the existing social assistance scheme but introduced some changes both in design and administration, such as: exclusion of pensions from family income, imputation of a cattle ownership to family income, transfer of responsibility over administration of benefit applications from the local authorities to the Ministry's district offices, full verification of all applications, etc.

The GoK has started implementation of the Law, though the World Bank (WB) and other development partners have expressed some concerns regarding the potential impact of the new Law and its operationalization.

### 2. THE LAW ON STATE BENEFITS

#### **Key features**

Between 1995 and 1998, the GoK introduced a new model of social protection system, which included a targeted approach to the most vulnerable groups of population. Within the framework, the Monthly Benefit for Poor Families with children (MBPF) was one of the six social protection mechanisms implemented in the country.

The MBPF was the only social cash transfer specifically targeted at the poorest households. Household's eligibility for receiving the MBPF was determined based on family income, which had to be below the Guaranteed Minimum Income (GMI), and the presence of children. In 2016, the GMI was set to KGS 900 (USD 13.2) per person. If the per capita income of the household was below this threshold, then for each child the Government transferred KGS 873 (USD 12.8). Both the GMI level and the MBPF benefit had

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<sup>1</sup>The Note draws heavily on World Bank and other development partners' project documents related to supporting social protection reforms in Kyrgyzstan

been periodically reviewed and increased for all MBPF beneficiaries. According to the MLSD, in 2016, families of 275,00 children received the MBPF out of the 2.1 million children between 0-16 years old (13%).

According to the new Law on State Benefits adopted in July 2017 (Law No. 163, July 2017) the following new social allowances are introduced starting from 2018:

- The *balagasyynchy* (a child grant) - a onetime allowance for supporting the birth of a child;
- The *balagajolok* (child support) - a monthly allowance for each child until the age of 3;
- The *yibylogokomok* (family support) - a monthly allowance for families, who have three or more kids in the age of 3 to 16 and/ or children with disabilities;

Based on the rounds of discussions within the Government and with development partners, the amendments to the Law resulted in the following final parameters:

- Each household receives a one-time allowance of KGS 4,000 (USD 59) for each newly born child;
- Each household receives a monthly allowance of KGS 810 (USD 12) for each child until 16 years old and until 18 if a household has been getting monthly social allowances before enacting the law, subject to meeting income and asset eligibility criteria. The monthly amount is adjusted for the highland residency.

The amount of the allowances is to be adjusted every year by the Government considering the budget and the minimum living subsistence cost. The minimum living subsistence cost was set at KGS 4,794 (USD 70.5) in 2016. In 2017, in the country there were 623,443 children between 0-3-year-old and 1.6 million children between 3 and 16. Each year between 100,000 and 150,000 children are born in the country.

The preparation work on the rollout of the new Law on State Benefits is ongoing. Following the adoption of the Law, the MLSD has developed several by-laws that regulate: (i) state social allowances application and granting rules; (ii) identification of the eligibility of the families with children under 16 to the monthly allowances; (iii) complaints handling mechanism; (iv) amount of allowances; and (v) newly born child allowances granting rules.

### ***Implementation challenges***

The Bank team raised certain concerns over implementation issues of the new Law on State Benefits, which are shared by other development partners. The following changes are anticipated to take place at the same time:

- Doubling of the number of applicants and beneficiaries (due to exclusion of the pension income);
- Transfer of responsibility to process applications to the district MLSD offices, and
- A new requirement to verify 100 percent of application cases by the district staff.

Without additional resources, the assumption about sector capacity to support these complex changes seems unrealistic. Furthermore, the MLSD is considering a consolidation of its district offices, which may further reduce the number of service points of the Ministry and make the access to the benefits by general public more difficult. On the policy side, while it is expected that the number of beneficiaries would increase due to exclusion of pension income, it is unclear how the new design will address the inclusion and exclusion errors that largely triggered the reform.

The decision to transfer the responsibility of collecting and processing applications from the local authorities to the district offices of the Ministry offers both opportunities and challenges. In the context of instituting an electronic process of data exchange and verification, the new centralized administrative arrangements could help eliminate discretion in decision making over eligibility. At the same time, this decision poses serious challenges to both the clients and administration. The reach-out effort cannot be efficient unless properly funded and supported with some local resource; and some or most clients may find it difficult to travel to district centers to apply (noting families with multiple children), hence potentially excluding some of the needy households. The Bank team's view is that provision of services of information, reach-out, and intermediation remains a serious gap and needs to be addressed at the local level. The Ministry is working to identify viable options.

### **3. TARGETING MECHANISMS**

The Bank support for the reforms has put a particular focus on introducing new targeting mechanisms for social assistance programs. Through the ongoing dialogue with the GoK, it has been agreed that the Bank and the MLSD would work on the design of improved eligibility determination mechanisms to be piloted under the Second Health and Social Protection Project financed by the World Bank. It has been emphasized that this work has strategic importance and constitutes a priority activity for the Project as it links to subsidized health financing and potentially to other areas of provision of public benefits where welfare status plays role in eligibility determination.

#### ***Analytical support***

As part of this dialogue, the Bank team has provided support via a number of analytical works, including:

- *Child allowances: Preliminary assessment of poverty and fiscal impact* – this assessment was focused on the potential poverty and fiscal impact of the new social assistance allowances envisaged in the new Law on State Benefits. Based on the analyses carried out, the study concluded that the new program could have a very significant impact on poverty, but budget constraints should be carefully considered during implementation. The study put a lot of emphasis on the necessity to replace the current poverty-targeting methodology with a well-designed proxy means test (PMT) formula, while in principle agreeing with the policy of having child as a main categorical eligibility factor. To address concerns around dependency, it suggested that eligibility could be capped at 18 months within 24-month cycle, and would require reapplication by end of the cycle. As a transition strategy, it indicated that a new PMT could be developed and gradually introduced in 2019, while the current GMI income testing methodology would apply in the interim.
- *Considerations for the Policy of Targeting for Kyrgyz Republic*– this technical Note provides a brief and concise outline on most important points regarding the policy of targeting – why targeting is important; which strategic considerations should be kept in mind when developing the policy of targeting; what are the options in terms of forms of targeting; and what key actions need to be taken in this area. The full text of the Note is presented in Annex 1<sup>2</sup>.
- *Selected Examples of Targeting in The Region*- the purpose of this Note is to provide some examples of targeting reforms in the post-Soviet countries. The methods and mechanisms of targeting as well

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<sup>2</sup> The note has been prepared in coordination with UNICEF technical team

as policies to deal with early child development in the region vary, so this Note is not meant to provide a comprehensive overview but only selectively highlight some of the experiences in Kazakhstan, Moldova, Georgia and Tajikistan. The full text of the Note is presented in Annex 2<sup>3</sup>.

### ***Operational support***

In addition to the analytics, the World Bank has been also assisting the GoK via operational interventions. For instance, to assess issues of the current system and help the Ministry to smoothly introduce the new schemes presented in the new Law of State Benefits, the Bank Project has hired two international consultants to support business process analysis and the ICT management.

As part of this operational support, the Bank team contributed to two roundtables organized by MLSD, focusing on policy discussions around the broader agenda of social assistance reform and on inter-institutional collaboration in data exchange for delivery of social benefits and services. The following are key messages from the meetings:

- The approach to the policy of targeting should be unified across agencies and programs.
- Electronic data exchange in the context of the *Tunduk* e-Government project is anticipated to contribute to improved administration and outcomes of the targeting process. Specifically, (i) it would help to remove significant discretion from assessment of eligibility and reduce administrative costs, and (ii) reduce burden on applying families to collect and provide formal evidence in support of their application.
- The new mechanism of inter-institutional data exchange will require changes in business processes around it on the side of the participating agencies.
- A unified approach to benefit application and data storage should facilitate coordination between MLSD and other public entities in provision of social benefits and services, including for example winterization benefits provided by municipalities.

Based on the discussions above, the Bank team advised the Ministry to unify the “social passport” with a new single application for benefits and services. So far, these two processes and corresponding databases (paper and electronic) have not been properly coordinated. Data collection in support of the social passport remains quite a tedious process and not directly connected to any of the programs, hence quality and reliability of data in the social passports deteriorates over time. The data updates are very resource intensive. Furthermore, it is anticipated that with a transfer of benefit application to the district offices, resources would be fully consumed by the on-going needs of the program management and the social passport will be pushed further down on the priority list. It has been proposed that in a context of a single unified application (and more broadly, a one-stop-shop paradigm) and the institutional interoperability enabled by *Tunduk* project, the social passport may serve a basis for such new benefit application across various public social programs.

## **4. STRENGTHENING IMPLEMENTATION MECHANISMS AND INFORMATION SYSTEMS**

Under the project, the Ministry hired two international consultants to take a stock and produce recommendations on improvements in business processes and information systems of the Ministry. The following summarizes key findings of that work:

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<sup>3</sup> The note has been prepared in coordination with UNICEF technical team

- The Corporate Information System of Social Assistance (CISSA) has not been fully implemented. Social allowance award and payment, disability certification and rehabilitation are still being processed by using largely paper based procedures;
- The data procedures around CISSA have not been fully streamlined;
- Some important data sharing provisions between MLSD branches and with external stakeholders have not been implemented due to lack of electronic data exchange and poor coordination on data policies;
- There are no officially designated unit or a position in MLSD responsible for CISSA integration and further business process development;
- There is lack of reporting and analytical systems, which limits the policy making and budgeting capacity.

Recommendations, correspondingly, are as follows:

- Review and modernize functionality of CISSA and streamline business processes around it, in order to provide flexibility, reliability and usability of the whole CISSA system;
- Set up an inter-agencies electronic data exchange system to improve social assistance eligibility verification process;
- Design and implement relevant reporting and analytical system in CISSA and ensure access to CISSA for a range of key MLSD users.
- Implement a distance learning system to provide accessible and effective training courses for end users of the CISSA across the country;
- Set the system of staff development and training with HR department responsibility for the training planning, monitoring and results evaluation;
- Establish a CISSA integration working group comprising its experienced users and representing all departments of the Ministry, to guide and supervise the rollout;
- Produce and executive order eliminating the paper-based functions, replacing them with CISSA electronic data processing.

## **5. LOOKING FORWARD: A ROADMAP**

International experience shows that the reform of the social assistance system is a laborious process and it requires time and continued political will and sufficient resources. Since gaining independence in 1991, Kyrgyzstan has made a lot of efforts to modernize the country's rather expansive social protection system, including social assistance. Throughout these years, the World Bank, along with other development partners, has been providing technical and financial support for the sector, and the Bank will continue this cooperation in the years to come.

The Bank team encourages the MLSD to expedite the work on design and pilot of alternative targeting mechanisms, in line with previous agreements, including assessment implications for the broader national social protection agenda. In fact, developing better targeting mechanisms is set as one of the key objectives in the draft Kyrgyzstan Social Protection Vision for 2030. The Bank team will continue working with the MLSD to assess options of effective targeting and assist in fine-tuning of the new policies and implementation mechanisms. The Bank team also encouraged the Ministry to review and implement recent recommendations to improve business processes and information systems produced by two international consultants under the project.

The following Action Plan is currently under discussion with the MLSD:

- An international and local consultants hired to take stock of the current policy and implementation challenges in targeting process
- Revisions in the targeting approach proposed and targeting pilot defined
- Targeting pilot completed and evaluated
- New targeting mechanism proposed, including governing and operational documents
- The new targeting mechanism launched
- Recommendations produced by the project consultants on CISSA's data procedures, improved business processes, and reporting reviewed by the Ministry and implemented
- A local consultant hired in coordination with the two current international consultants to support the process of implementation of the recommendations on CISSA and corresponding business processes around it
- A system of interoperability in data management to support application process and eligibility verification adopted and implemented

## **ANNEX 1: CONSIDERATIONS FOR THE POLICY OF TARGETING FOR KYRGYZ REPUBLIC**

### **Importance of the targeting mechanisms**

The importance of targeting goes beyond the cash based social assistance and touches on several other important areas of public service delivery, including social care, health care services, energy cost compensation, old-age assistance, various subsidies, etc. All those programs directly or indirectly rely on some form of targeting mechanism(s). In fact, bulk of the social assistance expenditures often are found in non-cash transfers or in programs that are not directly managed by the central government. Indeed, some of the benefits in the Kyrgyz Republic are delivered by the district, municipal, and community authorities and organizations, and use variety of the ad-hoc selection mechanisms. Donors, in delivering their aid, also rely on various forms of targeting. Finally, emergency response systems require mechanisms of coordination and benefit delivery that need to be informed by the system of vulnerability assessment.

### **Strategic considerations**

Therefore, an approach to the policy of targeting and reform of the system of social assistance should be holistic, incorporating considerations across sectors as well as plans of reforms in other areas in the near future. It is also important to be considerate of administration. First, fragmented administration of various selection mechanisms is costly and burdensome for the beneficiaries. Second, the level of administration (central ministry vs. local government vs. a community) will define a degree of control over the outcomes and may have implications for the local social dynamics and politics. Third, modern technologies need to be creatively utilized to streamline business processes and reduce burden of proof on the applicants and beneficiaries, increasing level of satisfaction with public service provision.

### **What are the options in terms of forms of targeting?**

Broadly, there are several targeting methods: (i) means-testing is a mechanism that relies on the direct assessment of household incomes and/or assets based on household declaration and/or record in public databases, (ii) proxy-means testing (PMT), or indirect mechanism of assessment of needs, relies on a set of socio-demographic and quality-of-life indicators that produce an integral index of welfare for each household, (iii) community based mechanisms delegate assessment and decision on eligibility to the local communities that rely on their knowledge, wisdom, and observation of circumstances of life of a particular household, (iv) categorical mechanisms focus on individual members of specific groups, often related to a stage in the life cycle, e.g.: childhood or old age, or another form of vulnerability such as disability, (v) geographical targeting prioritizes certain communities over the other on the basis of hardship or other living conditions often reflected in “poverty maps”. Finally, an increasing trend is to link the provision of assistance to compliance with active labor market measures and/or to condition household eligibility on achieving certain human development objectives (in health, education, nutrition, etc.). All methods are limited in what they can achieve but a combination of methods usually produces best results in terms of minimizing errors of inclusion and exclusion and assisting households to cope with temporary crisis, building opportunities for the future. Kyrgyz Republic utilizes a combination of almost all the above forms of targeting – but concerns remain in regard to (a) optimal mix of instruments, (b) quality of application of each method, (c) proper division of labor in administration of various methods, and (d) degree of utilization of the technology.

### **What needs to be done?**

The work of reform of the social assistance is a very laborious process. First, one needs to take a stock and review the current mechanisms in the Kyrgyz Republic and carefully assess what has worked and what has not. Second, regional and international experiences need to be assessed with a view of their

applicability to the context of the Kyrgyz Republic. Third, a round of consultations needs to be conducted with a view to generate a concept, detailing policy and administrative parameters. Fourth, a pilot will need to be prepared, implemented and evaluated (at least, operationally). Finally, a new solution will need to be endorsed and codified in the Government decree(s) and procedural documents, including training to staff.

**Proposed implementation time-line**

- National and international experience studied and a concept produced (May 2018)
- Pilot designed and launched (July 2018)
- Pilot completed and evaluated (September 2018)
- New mechanism proposed, including governing and operational documents (December 2018)
- The new system launched (January 2019)



## **ANNEX 2: SELECTED EXAMPLES OF TARGETING IN THE REGION**

The methods and mechanisms of targeting as well as policies to deal with early child development in the region vary. This note is not meant to provide a comprehensive overview but only selectively highlight some of the experiences.

### **Kazakhstan**

Kazakhstan provides a range of categorical benefits for children and their families, including: universal birth grants (lump sum), grant for all children paid monthly from birth up to 12 months old, grants for children with disabilities and parents caring for children with disabilities, and grants for families with four or more children. It also provides poverty targeted benefits the State Child Allowance and the Targeted Social Assistance (TSA). The TSA was targeted at only those households with incomes below 40% of the subsistence minimum income, while the State Child Allowance aimed to reach households with incomes below 60% of the subsistence minimum. The two means tested benefits, plus the grant for families with four or more children are currently being consolidated into one means tested benefit with less restrictive eligibility criteria, while the categorical benefits including payments for children up to 12 months old is retained.

### **Georgia**

Georgia implements a targeted social benefit based on a proxy means test (PMT). The original PMT was reformed in 2014 to make it more effective, for example by removing assets that could be easily concealed by beneficiaries. The PMT includes variables related to household location, household characteristics including education and employment status, ownership of assets, and household wellbeing indicators such as clothing. The PMT score is adjusted according to a “needs index” that relates to the nutritional / calorific needs and non-food of individuals within the household. This means the consumption of the household is adjusted to reflect the different needs of household members according to characteristics such as age, gender, disability status. In addition to the TSA, in 2014 the government introduced a supplementary child benefit that uses the same targeting method, and provides a small additional payment for households with children under 16. This preserves the poverty targeting of the combined benefit but ensures that more children are supported, at no additional overall cost.

### **Moldova**

Combines poverty targeted social assistance (Social Aid and Winter Support) with monthly grants for all children under 1.5 years of age. The Social Aid and Winter Support utilizes a combination of direct and indirect targeting mechanisms. It targets households whose income is below the minimum guaranteed level, and who do not have able bodied adults. At the same time, eligibility is subject to a welfare or proxy means test. The program is managed through a network of municipal social workers, who are responsible for outreach and enrolment. An important feature of the program administration is that key information available in the public databases (including on pensions; land, real estate, and car ownership; border crossing status; etc.) is sourced electronically – both at the time of the household application and, subsequently, every month before the payment, as part of the regular re-certification of eligibility.

### **Tajikistan**

Tajikistan has been actively working to reform its social assistance system. The reform has focused on: (i) consolidating old social assistance schemes (programs of energy subsidies and school allowances) and

replacing them with a new general poverty Targeted Social Assistance (TSA) program; (ii) introducing a new targeting mechanism based on Proxy-Means Testing (PMT); and (iii) improving administration of the system by establishing a National Registry of Social Protection (NRSP). In the past, the old programs were administered largely by the local communities, whereby they would be responsible for identification of the needy families. The new system elevated that responsibility to a specially created new Agency for Social Protection. The original pilot in 2011 was supported by the EU, and covered only two districts of the country. Today the program operates in 40 districts (out of 65), with the national rollout scheduled for the year 2018. The PMT formula naturally provides preferential treatment of large families with children. Additional weights in the formula were created to recognize special cases of household of a single elderly (mostly of Russian origin) and families with disabled children.