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Progress Report - UZBEKISTAN

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BUILDING SOCIAL PROTECTION FLOORS FOR ALL - PHASE II

Project Code (GLO/21/34/MUL)



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DEUTSCHE ZUSAMMENARBEIT

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Country Programme Outcome: DWCP Priority 3: Extending the access of the most vulnerable groups to equitable, inclusive and quality education and social protection

Sustainable Development Goal: SDG 1: End poverty in all its forms everywhere

UNDAF Outcome: Outcome 4

Related project(s): Developing social protection policies, and identifying fiscal space with International Financial Institutions

Preparation and Review

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► ILO Global Flagship Programme on Building Social Protection Floors for All

Annual update 2022 – Uzbekistan

1. Country context

Uzbekistan, a lower-middle-income country with a population at the end of 2022 of 36 million, emerged after 2000 with a pro-poor and equity enhancing growth strategy. Official measures of poverty indicate that the poverty rate decreased from 27.5 per cent in 2001 to 17 per cent in 2021 and it is against this backdrop that the Government has declared its intention of halving the proportion of the low-income population by 2026 and of achieving upper-middle-income status for the nation by 2030. Accordingly, social protection and employment promotion measures are among key contributors to poverty reduction. Sustainable social protection financing, transition from an informal to a formal economy, sustaining achievements in the eradication of child labour and systemic and systematic forced labour, as well as achieving gender equality are all key priorities for the Government and are linked to strengthening of the social protection system.

Piecemeal improvements of the national social protection system commenced in 2020 when the Government with UNICEF support launched the Single Registry. An assessment of the social protection system in Uzbekistan, based on the Core Diagnostic Instrument (CODI) finalized by the ILO, UNICEF and the World Bank in 2020, served as a key impetus for the Government and social partners to initiate more comprehensive reform. Among reform priorities are the adoption of the National Social Protection Strategy (NSPS), the extension of social assistance benefit, the improvement of the social insurance system and the development of community-based services and sustainability in financing. The ILO, UNICEF and UNDP have consequently come together to collaborate in implementing the Joint UN Programme Accelerating Agenda 2030 in Uzbekistan through inclusive transformation of the social protection system.

In the period 2020–2022, the key objectives of the Flagship programme, defined in collaboration with the Uzbekistan authorities and implemented by the ILO in collaboration with UNICEF and UNDP and in partnership with the World Bank and International Monetary Fund, included: i) design and adoption of the National Social Protection Strategy (NSPS) with a related Action Plan and costing framework; ii) addressing and mitigating the impact of COVID on living standards and employment; iii) strengthening the social insurance system; iv) identification of fiscal space for social protection; v) capacity-building for implementation of international social security standards and the inclusion of these in national legislation and policies; vi) capacity-building for the costing and financing of the social protection system; and vii) the extension of social protection to workers in the informal economy. Besides the identifying of these key objectives and priorities, inputs for institutional reform and the development of community-based social care services have been prepared in collaboration with UNICEF.

Additional priorities identified in 2022, and which will be addressed in the period 2023–2024 include the following: a) analysis of the impact of tax reform on social protection financing; b) exploring options to extend coverage with social protection by estimating investments needed in particular schemes and by linking contributory and non-contributory sources of financing; c) digitalization and expansion of electronic management information, as well as its use in monitoring the implementation of the National Strategy for Social Protection Strategy, improved inter-ministerial coordination and in

overall policy formation; d) actuarial assessment of the pension system; e) design of a comprehensive plan to support transition from the informal to the formal economy; and f) design of tools and delivery mechanisms for integrated delivery of social protection and employment services on a local level. Emerging priorities provide for further alignment of social protection floors with the UN Secretary General's Global initiative on Global Accelerator for Jobs and Social Protection for Just Transitions.

This Project is aligned with Goal 4 of the 2022–2026 New Uzbekistan Strategy, which prioritizes the enhancement of social protection policy and development of human capital. It is also in line with the new United Nations Sustainable Development Cooperation Framework (UNSDCF) for Uzbekistan 2021–2025 and the Decent Work Country Programme (DWCP) 2021–2025 concluded between the Government of Uzbekistan and the ILO in September 2021, and which contribute to Cooperation Framework Outcome 4 (DWCP Priority 3: Extending the access of the most vulnerable groups to equitable, inclusive and quality education and social protection).

The Government of Uzbekistan has conducted a sweeping administrative reform and reduced the number of its ministries from 25 to 21 and of agencies from 61 to 28. Subsequent to this reform, the Ministry of Employment and Poverty Reduction will have responsibility for the issues of labour, employment, social services and poverty reduction measures (including the social contract). In the same vein, the Ministry of Economy and Finance will have responsibility for the issues of financing social protection and strategic planning in this area (including expansion of the Single Registry, the development of social insurance and the provision of pensions and social benefits).

2. Progress report

Output 1: Options for combination of non-contributory and contributory mechanisms validated by constituents

1. Analysis of the impact of tax reform on social protection and identification of tax revenues for social protection (analytical report).

Terms of reference have been prepared and a consultant has been identified. This activity will be realized in 2023, as 2022 data needs to be collected before measuring the impact of the 2017–2019 tax reform.

2. Costing of the unemployment benefit scheme (contributory and non-contributory sources of financing).

In 2022 the ILO launched an exercise on costing of the unemployment benefit scheme for Uzbekistan (contributory and non-contributory sources of financing). To complete the exercise, the ILO hired two international consultants (actuarial) and one national expert (for data collection and primary analysis). In September and November, two discussions were conducted on options to combine contributory and non-contributory financing mechanism, revision of the unemployment benefit scheme and options for its extension to workers in the informal economy. The main results achieved in 2022 include the following:

A draft report on cost assessment for an unemployment insurance scheme in Uzbekistan

The draft report presents the results of the cost assessment for an unemployment insurance scheme in Uzbekistan and includes projections, policy and financing implications. It references International Labour Standards (ILS) and discusses specific unemployment measures currently in place in Uzbekistan. The cost assessment was based on the data obtained from the country's ministries and agencies.

3. Public discussions about options to combine contributory and non-contributory financing mechanisms

Two discussions were conducted in September and November 2022 with representatives of the Ministry of Employment and Poverty Reduction, Ministry of Economy and Finance, Pension Fund, Federation of Trade Unions of Uzbekistan (FTUU), and Confederation of Employers of Uzbekistan (CEU). In September, among 30 participants, 60 per cent were male and 40 per cent female; in November, this ratio became 50 per cent male and 50 per cent female. As a result of these discussions the ILO received a one-pager with Government priorities in unemployment insurance and suggestions from workers and employers in the consultative meeting in November.

4. Public discussion regarding the revision of the unemployment benefit scheme and options for extension to workers in the informal economy

The new unemployment insurance scheme will include options for extension to workers in the informal economy in the country; however, it will require further discussion in 2023 among new Government ministries and social partners.

5. International visits (mission to Tashkent)

The mission of international actuarial consultants is planned to take place in spring 2023, during which a presentation on the main results of the unemployment benefit scheme will be given to tripartite partners, as well as on a model for the transfer of unemployment benefit.

Output 2: Digital solutions for social protection system monitoring

Digitalization of the social protection system is a major priority for the Government of Uzbekistan. In 2020, the Government launched the Single Registry, which has the potential to become the central delivery mechanism for all social protection programmes, thus offering an excellent opportunity to provide social protection in an inclusive and integrated way that links cash assistance effectively to community-based social services, employment services and disability benefits, among other social benefits. In 2022, the Government introduced a maternity module into the Single Registry. During the period 2023–2024, the project funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) will support the database by enhancing its internal coordination capacities. It has been agreed with the ILO to strengthen the component on monitoring progress in attaining targets set in the National Social Protection Strategy (NSPS). In this regard, it has been agreed to establish an online interactive tool, the Social Protection Observatory, based on the existing Single Registry. Under Output 2 there are four main activities:

1. Mapping the various existing databases and establishing links with the social protection strategy monitoring framework

In order to establish a Social Protection Observatory, the ILO has reviewed the existing social protection databases of the Ministry of Economy and Finance, Ministry of Employment and

Poverty Reduction, the Pension Fund, the State Statistics Committee and the Agency for Medical and Social Services.

2. Building a digital foundation for the National Social Protection Observatory

It is planned that this activity will be implemented in 2023 in collaboration with the consultancy firm Development Pathways. The Ministry of Economy and Finance has issued a decree concerning the Social Protection Observatory and has included it among the priorities for 2023.

3. Development of functions (terms of reference) for the National Social Protection Observatory

The terms of reference for developing and establishing the Social Protection Observatory were discussed and finalized following the mission to Tashkent in June 2022 of the Social Protection Management Information Systems Expert of the Social Protection Department. Based on these terms of reference, the ILO invited companies to submit bids for tenders. The ILO entered into negotiations with Development Pathways, which is the company that developed the Single Registry for the Ministry of Economy and Finance.

4. Mission to Tashkent

During the period of June 22–25, 2022, the Social Protection Management Information Systems Expert of the Social Protection Department met with UNICEF and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the main partners contributing to the development of the Single Registry in Uzbekistan, and the Ministry of Economy and Finance and the Ministry of Employment and Poverty Reduction to discuss digital aspects of the social protection system. As part of this mission, round table discussions were conducted on 24 June 2022 with the Ministry of Economy and Finance, the Ministry of Employment and Poverty Reduction, the Pension Fund and the State Statistics Committee.

Output 3: Capacity-building and national dialogue

Under Output 3 there are three main activities:

- 1. The conducting of three training workshops in the area of social protection financing to increase the capacities of the Ministry of Economy and Finance and of other key national counterparts and social partners.**
- 2. The conducting of two training workshops in the area of education management and information systems (EMIS) in the monitoring and evaluation (M&E) framework for the National Social Protection Strategy (NSPS).**
- 3. Organizing of a mission to Tashkent.**

All training workshops will be organized in March–June 2023. The mission to Tashkent will be organized on behalf of ILO technical specialists and Development Pathways.

3. Collaboration and partnerships

The strengthened presence of the ILO in Uzbekistan allows for a strong engagement with key partners. In 2022, the ILO established a strong relationship with the key social protection actors in the country. These actors included: the Ministry of Economy and Finance (with respect to policy development, planning and monitoring an evaluation (M&E)); Ministry of Employment and Poverty Reduction (with

regard to active labour market policies (ALMP) and other employment related activities); Pension Fund (in the area of pensions and social benefits); and social partners, namely the Federation of Trade Unions and Confederation of Employers.

The ILO is co-leading the UN Group on Social Protection in Uzbekistan and consultations with various UN agencies are ongoing to create synergies among various programmes. Under the ILO's Regular Budget Supplementary Account (RBSA) project, which complements the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) project on developing social protection policies and identifying fiscal space with international financial institutions (IFIs), the ILO is collaborating with the IMF to ensure the creation of domestic fiscal space for social protection in order to achieve a solid and sustainable financing structure and budgetary prioritization for social protection schemes and programmes. Thus, social partners have been enabled to develop their positions for discussion of Article IV with the IMF. Consequently, the IMF has included discussions over social protection in Article IV and has consulted social partners.

In November 2022, the IMF participated in the [Uzbekistan Economic Forum](#) and conducted the second mission to Uzbekistan on Article IV (see the statement concerning their November mission, in Press Release No. 22/385 of 16 November 2022, "[IMF Staff Concludes Visit to Uzbekistan](#)"). In the course of this mission, the IMF delegation met with the ILO and discussed the costing of a social protection strategy for Uzbekistan and the identification of fiscal space for social protection. Following the Uzbekistan Economic Forum, in collaboration with the IMF a training workshop was delivered on 7–8 November 2022 for 25 representatives from the Ministries of Economy and Finance, Economic Development and Poverty Reduction, Employment and Labour, and the Pension Fund. The workshop centred on the theme of [Public Finance Management/Costing and Fiscal Space Analysis in the linkages between social protection, public finances and the design and monitoring of SP programs](#). With regard to the participants in the workshop, the ratio of those who received training was 85 per cent males to 15 per cent females. In addition to this, the ILO has been finalizing jointly with the IMF a report on fiscal space analysis for social protection in Uzbekistan and costing on 22 social protection programmes for the National Strategy for Social Protection.

4. Challenges and actions

The main challenge encountered was the lengthy process of selecting a suitable company to develop the Social Protection Observatory. It was initially agreed within the framework of the project to commission a local company to provide services for developing the Observatory and accordingly, bids from several local IT companies were received and discussed with the Ministry of Economy and Finance. In the course of the meeting with the Deputy Minister of Economy and Finance, Mr Jamshid Abruev, it was noted that all modules of the Single Registry had previously been developed and upgraded by the Development Pathways consultancy firm. It was thus agreed that it would be preferable for the same company to work on the online module for monitoring and evaluation (M&E) purposes. ILO entered into negotiations with Development Pathways to develop the Social Protection Observatory by June 2023.

5. Summary and outlook

The ILO's presence is welcomed by the tripartite partners as well as other development partners and the ILO's mandate on supporting decent work is well placed not only to encourage stronger linkages between the contributory and non-contributory schemes but also foster linkages between social protection and job creation policies.

Uzbekistan has been suggested as a potential pathfinder country for the UN Secretary General's initiative on Global Accelerator on Jobs and Social Protection for Just Transition. The implementation of the Accelerator could further strengthen the linkage between social protection and employment policies and encourage a rapid scaling up of project activities. A way forward will be developed in close collaboration with other UN agencies in 2023.