

# Evaluating the Effectiveness of Cash Transfer Programs in Alleviating Poverty and Promoting Social Inclusion in Uzbekistan

Kuziyeva Gulnoza Rashidovna

Assistant Teacher at Tashkent State University of Economics,

Fundamental Economics Department

e-mail: g.kuziyeva@tsue.uz

## Abstract

This research paper aims to assess the effectiveness of cash transfer programs in Uzbekistan in reducing poverty and promoting social inclusion. Cash transfer programs have emerged as an important social protection tool globally, and Uzbekistan has implemented several cash transfer programs targeting vulnerable populations. The study employs a mixed-methods approach, combining quantitative analysis of household survey data with qualitative interviews and case studies. The findings provide insights into the impact of cash transfer programs on poverty reduction, social inclusion, and the well-being of recipients. The research also examines the targeting mechanisms, delivery mechanisms, and policy implications of cash transfer programs in Uzbekistan.

## INTRODUCTION

In recent years, cash transfer programs have gained significant attention as a powerful tool for poverty reduction and social inclusion in many countries worldwide. These programs provide direct monetary assistance to individuals and households, aiming to alleviate poverty, improve well-being, and promote social and economic development. In Uzbekistan, a country with a significant portion of its population living below the poverty line, the implementation of cash transfer programs has emerged as a key strategy to address the challenges of poverty and inequality.

This paper focuses on evaluating the effectiveness of cash transfer programs in Uzbekistan in alleviating poverty and promoting social inclusion. Uzbekistan, a Central Asian nation with a population of over 34 million, has made considerable efforts in expanding its social protection system to provide support to vulnerable groups and enhance social welfare. Cash transfer programs play a crucial role within this system, providing direct financial assistance to individuals and households facing economic hardships.

The primary objective of this research is to assess the impact and effectiveness of cash transfer programs in Uzbekistan, with a particular focus on their ability to alleviate poverty and promote social inclusion. By analyzing the design, implementation, and outcomes of these programs, this study aims to shed light on their strengths, weaknesses, and potential areas for improvement.



Key research questions to be addressed include: How effective are cash transfer programs in reducing poverty levels in Uzbekistan? What is the impact of cash transfers on the well-being and livelihoods of beneficiary households? Are these programs reaching the most vulnerable and marginalized populations? What are the factors influencing the success or failure of cash transfer programs in Uzbekistan? How can these programs be optimized to ensure greater effectiveness and social impact?

To answer these questions, a comprehensive analysis will be conducted, drawing on both qualitative and quantitative data sources. The study will involve a review of relevant literature, an examination of program documents and reports, and an analysis of survey data and other empirical evidence. Additionally, interviews and consultations with key stakeholders, including program beneficiaries, government officials, and experts in the field, will provide valuable insights into the real-world experiences and perceptions of cash transfer programs in Uzbekistan.

The findings of this research will contribute to the existing knowledge base on social protection policies and poverty alleviation strategies in Uzbekistan. The insights gained from this study can inform policymakers, program implementers, and other stakeholders in refining and strengthening cash transfer programs to achieve better outcomes in reducing poverty, enhancing social inclusion, and fostering sustainable development.

In the following sections, the paper will delve into the methodology, empirical analysis, and key findings, culminating in a comprehensive evaluation of the effectiveness of cash transfer programs in Uzbekistan. Through this research, we aim to provide evidence-based recommendations and insights for policymakers and practitioners to enhance the impact and efficiency of cash transfer programs, ultimately contributing to the overarching goal of poverty reduction and social inclusion in Uzbekistan.

### Results and discussions

In the period prior to the pandemic, Uzbekistan's expenditure on social assistance as a percentage of GDP was significantly lower compared to other countries<sup>1</sup>. The funding for social assistance, social care services, and labor market programs in Uzbekistan primarily relies on the state budget, with some labor market programs being financed by the Employment Support Fund, which includes contributions from workers. This analysis follows an internationally accepted framework for social assistance and encompasses various types of programs in Uzbekistan, including unconditional cash transfers, food and in-kind benefits, social pensions, and public works. To enable cross-country comparisons, the estimate of social assistance spending utilizes a standardized approach using the World Bank ASPIRE database, excluding health fee waivers.

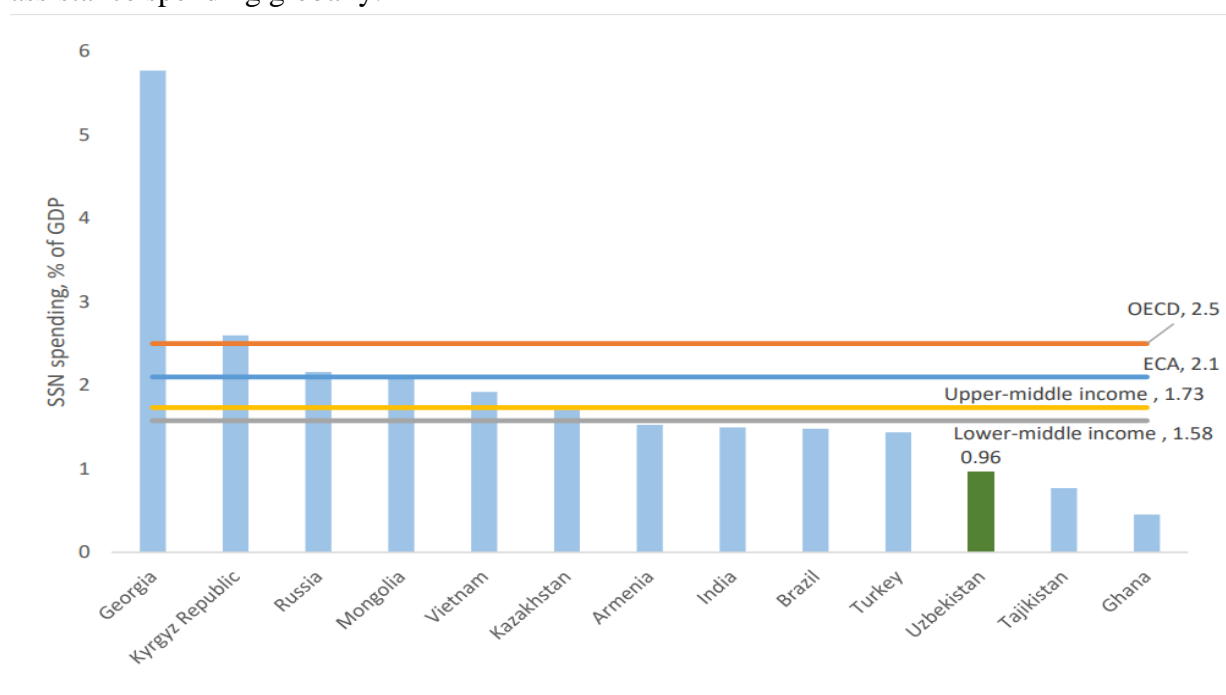
Although there has been consistent growth in nominal budget allocations to social assistance programs in Uzbekistan in recent years, the proportion of social assistance spending as a share of GDP has been declining since 2012 until 2018. However, it started to increase again due to

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<sup>1</sup> A detailed description of Uzbekistan's SP programs can be found in "An Assessment of the Social Protection System in Uzbekistan" (2020), a joint report by ILO, UNICEF, and the World Bank, based on the Core Diagnostic Instrument (CODI).



the expansion of low-income family allowances and the public works program. Despite this upward trend in nominal social assistance spending, Uzbekistan's expenditure remains significantly lower than that of comparator countries (Figure 1). On average, developing countries allocate 1.5 percent of GDP to social assistance programs, while the global median spending, excluding health fee waivers, stands at 1.1 percent of GDP. Comparatively, Uzbekistan's expenditure on social assistance is less than half the average amount spent by countries in the Europe and Central Asia region (ECA), which is 2.1 percent of GDP before the COVID-19 crisis. Even lower-middle-income countries, on average, allocate around 1.58 percent of GDP to social assistance programs, surpassing Uzbekistan's expenditure<sup>2</sup>. Examples include Armenia, Brazil, India, Turkey, and Kazakhstan, which allocate approximately 1.5-1.7 percent of GDP to social assistance programs. Notably, there are significant variations in social assistance spending globally.



**Fig. 1. Spending on SSN in Uzbekistan, 2019**

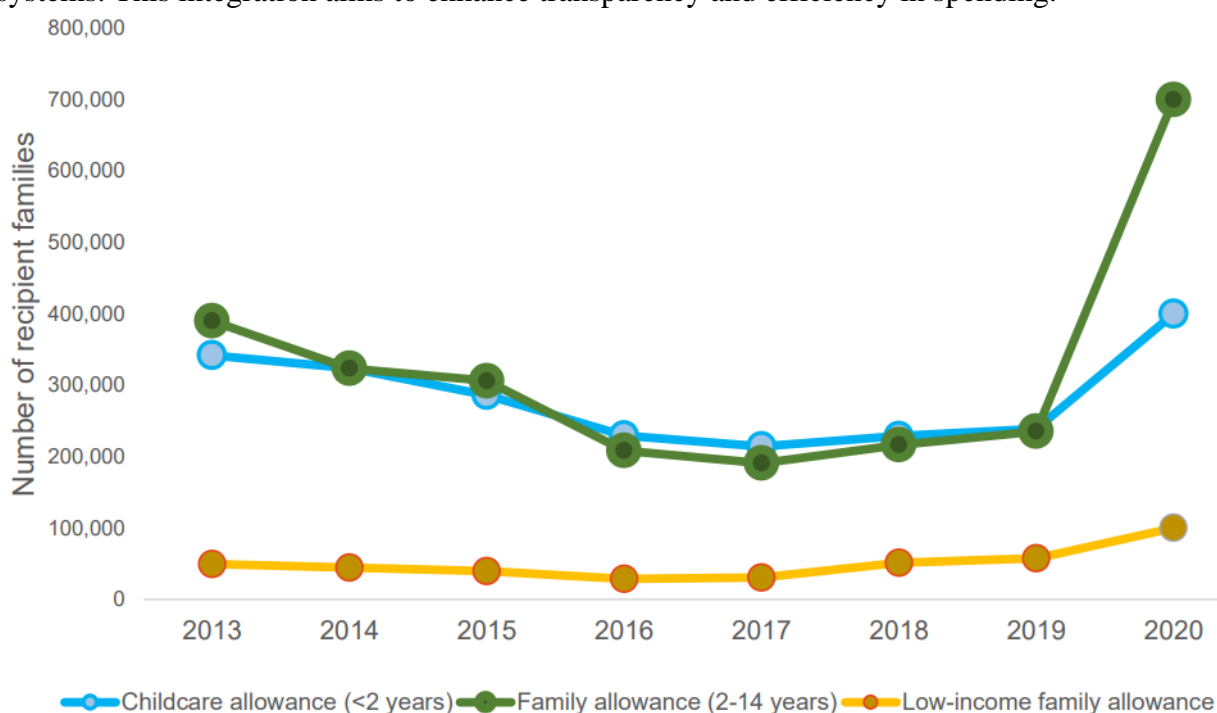
Source: World Bank staff calculations.

During 2020-21, Uzbekistan, like many countries worldwide, experienced a significant increase in social assistance and active labor market program spending as a response to the COVID-19 pandemic (Box 4.1). Social assistance spending rose from 0.96 percent of GDP in 2019 to 1.3 percent of GDP in 2020, further reaching 1.4 percent of GDP in 2021. A similar budget allocation is planned for 2022. It is worth noting that social assistance expenditures are typically countercyclical, meaning they increase during crises or disasters and tend to decrease once the crisis subsides. Therefore, the question arises: to what extent will social assistance spending return to pre-pandemic levels in Uzbekistan?

Moving forward, it is crucial to address the following key considerations:

<sup>2</sup> World Bank. 2018. "State of Safety Nets." World Bank, Washington, DC.

1. Ensuring sufficient yet sustainable financing for social assistance in the future.
2. Ensuring that social assistance expenditures effectively reach the intended beneficiaries, emphasizing the analysis of performance of the largest safety net programs.
3. Streamlining and integrating any additional social protection measures that were implemented in response to the pandemic, such as one-off payments utilizing Uzbekistan's Iron Notebook and Women's Notebook beneficiary lists, into the centralized social protection systems. This integration aims to enhance transparency and efficiency in spending.



**Fig. 2. Number of Low-Income Family Allowance Beneficiaries, 2017**

Source: World Bank staff calculations using administrative data from the MoF of Uzbekistan.

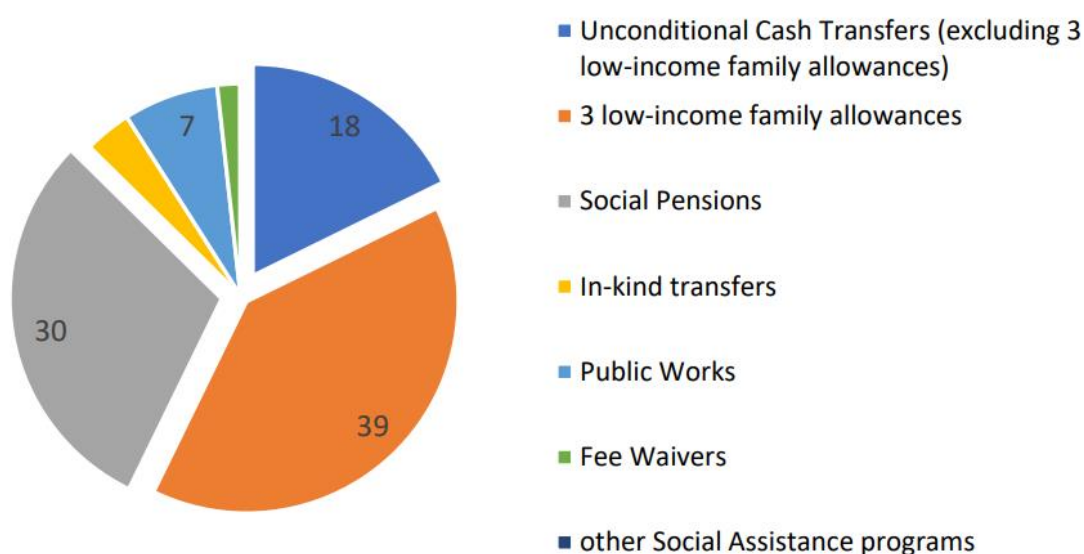
In Uzbekistan, over 85 percent of the total social safety net (SSN) expenditure is allocated to cash transfers to the population. This aligns with the trend observed in countries within the Europe and Central Asia (ECA) region, where more than 75 percent of the SSN budget is typically allocated to various forms of cash transfers, such as unconditional and conditional cash transfers, as well as social pensions. The remaining 25 percent of the budget is directed towards public works and in-kind programs, including school feeding initiatives, in-kind food and goods distribution, and fee waivers (Figure 2.).

Uzbekistan follows a similar pattern in terms of preferred SSN instruments, with cash transfers accounting for over 85 percent of the total SSN expenditure. Approximately 40 percent of the SSN budget is allocated to three low-income family allowances, which are poverty-targeted social assistance programs. Around 30 percent of the SSN budget is dedicated to various types of social pensions, which encompass non-contributory allowances for the elderly, individuals with disabilities, and survivors.

The remaining 18 percent of the SSN expenditure is allocated to other forms of unconditional transfers, such as cash transfers compensating for increases in bread prices, lump sum birth grants, and different types of allowances for orphans, children with disabilities, or those

affected by HIV. These programs are also categorical in nature, targeting specific groups. The proportion of the SSN budget allocated to poverty-targeted programs versus categorical benefits, such as bread price compensation or social allowances, is an important factor to consider in terms of spending efficiency.

For instance, in Armenia, over half of the SSN expenditure is directed towards poverty-targeted programs, which include a flagship cash transfer program as well as health, education, and energy benefits for households with lower incomes. Importantly, the recent program-based budgeting reform aims to align national development strategic planning with budget planning, fostering a more coordinated approach.



**Figure 3. SSN Spending, by Instrument, Percent, 2019**

*Source: World Bank staff calculations using administrative data from the MoF of Uzbekistan.*

The public works program in Uzbekistan holds significant importance as an adaptive component of the social assistance system, resulting in high spending. Notably, approximately 7 percent of Uzbekistan's social safety nets (SSN) budget is allocated to public works programs, surpassing the average expenditure share of ECA countries (Figure 4.6). In terms of this indicator, Uzbekistan's investment in public works is more comparable to that of Latin American, East Asian, and Sub-Saharan African nations, which also allocate a similar proportion of their SSN budgets to such programs (93). However, public works expenditure in Uzbekistan exhibits volatility, reaching approximately 0.07 percent of GDP in 2019 (twice the amount recorded in 2018, which was 0.14 percent of GDP). Moreover, the spending was further increased in 2020 as part of the COVID-19 response measures (94). Among ECA comparator countries, only Turkey's public works spending has remained relatively stable.

While the public works programs play a crucial role in supporting the population in Uzbekistan, they primarily aim to provide temporary employment rather than creating permanent jobs through active labor market policies. Therefore, it becomes imperative to augment spending on these policies to facilitate sustainable employment opportunities. Additionally, it is crucial to establish a strong linkage between the design, implementation, and budgeting of the public



works program not only with the national Employment Strategy, which is currently being developed, but also with the national Social Protection Strategy (also under development). This coordinated approach will ensure synergy and maximize the effectiveness of public works programs in achieving their intended objectives within the broader social protection framework.

**Conclusion:**

In conclusion, Uzbekistan's expenditure on social assistance as a percentage of GDP has historically been lower compared to other countries, indicating a need for further investment in social protection programs. Although there has been consistent growth in nominal budget allocations to social assistance programs in recent years, the proportion of social assistance spending as a share of GDP has been declining, except for a recent increase due to the expansion of low-income family allowances and the public works program. Despite the upward trend in nominal social assistance spending, Uzbekistan's expenditure remains significantly lower than comparator countries in both the Europe and Central Asia region and lower-middle-income countries.

The COVID-19 pandemic prompted a significant increase in social assistance spending in Uzbekistan, reflecting the countercyclical nature of such expenditures during crises. As the country moves forward, it is essential to ensure sustainable financing for social assistance, effective targeting mechanisms to reach the intended beneficiaries, and the integration of additional social protection measures implemented during the pandemic into centralized systems for transparency and efficiency.

Cash transfers constitute a substantial portion of Uzbekistan's social safety net expenditure, consistent with regional trends. However, there is a need to strike a balance between poverty-targeted programs and categorical benefits to maximize spending efficiency. Learning from countries like Armenia, where a significant portion of the budget is allocated to poverty-targeted programs, can provide valuable insights for Uzbekistan's social assistance policies.

Furthermore, the public works program in Uzbekistan plays a crucial role in providing temporary employment but needs further investment to create sustainable job opportunities through active labor market policies. Coordinating the design, implementation, and budgeting of public works programs with the national Employment Strategy and Social Protection Strategy will enhance their effectiveness within the broader social protection framework.

In summary, this research emphasizes the importance of evaluating the effectiveness of cash transfer programs in Uzbekistan to alleviate poverty and promote social inclusion. By addressing key considerations such as financing, targeting, and program integration, Uzbekistan can enhance the impact and efficiency of its social assistance programs, ultimately improving the well-being and inclusion of vulnerable populations. These findings can inform evidence-based policy decisions to strengthen the social protection system in Uzbekistan.



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