

PROBLEMS IN THE SYSTEM OF ASSIGNING ALLOWANCES IN UZBEKISTAN AND THE WAYS OF THEIR SOLUTION

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Abstract. *This article is devoted to the consideration of issues related to the social security of the population, as well as its types. In addition, the article considers organizational, economic and legal aspects of the social allowances as the basic pillar of the social security. Moreover, the article deals with the significance of creating social security system, in particular, in terms of the problems related to paying allowances and ways of their solution.*

Key words: *social security, social insurance, social risks, social allowances, legal framework of the social security.*

Introduction. Social protection and material support of low-income and vulnerable groups of the population is one of the priority directions of social policy of any country, including Uzbekistan. Strong social policy is considered to be the basis of the national prosperity. In the state program devoted to the “Year of active investments and social development” of the Action Strategy for five priority directions of the development of the Republic of Uzbekistan for 2017-2021” (Decree, 2017) such issues as reducing the unemployment rate of the population, raising the income of people, enhancing social support of women and the youth, improving living standards of the population, promoting healthy life-style in the general public are crucially important and aimed at rendering social support of the population. Herewith, improving the system of providing social allowances to the low-income and vulnerable layers of the population is one of top-target objectives.

In turn, social allowances, which constitute one of the most important forms of material support for the population, are provided by the state to citizens who, for a specific reason, are unable to work and need constant assistance. For the first time social allowances were introduced by the Decree of the Cabinet of Ministers of the Republic of Uzbekistan as of June 24, 1994 “On the procedure for assigning and paying allowances to the persons disabled from childhood, the elderly people and the people unfit for work”. However, later on this Decree was abolished and currently provision of citizens with social allowances is regulated by a number of statutory documents. In particular, these statutory documents are Resolutions of the Cabinet of Ministers of the Republic of Uzbekistan №107 as of April 7, 2011 “On the procedure for assigning and paying allowances for the elderly who don't have adequate working experience, disabled citizens, as well as mothers of the persons disabled from childhood” and “Procedure for assigning and paying allowances for the persons disabled from childhood and HIV-infected persons under the age of 18”, the Regulation “On the procedure of assigning social allowances and financial aid to the low-income families” approved by the resolution №44 as of February 15, 2013, the Regulation “On the procedure of assigning and paying one-time financial aid to the needy families of the Republic of Kapakalpakstan and Khorezm region” approved by the resolution №165 as of March 30, 2017, the Regulation “On the procedure for assigning and paying allowances by the state social insurance” registered under №1136 by the Ministry of Justice of the Republic of Uzbekistan on May 8, 2002, as well as Decree of the Cabinet

of Ministers of the Republic of Uzbekistan №350 “On measures for further improving assigning and paying social allowances” as of December 12, 2002.

Literature review The issues of social security were researched by various scientists. For example, English scholar Gerbert Spencer in his book “Social statics”(Spencer, 2014) emphasizes that allocation of funds by the government to social security does not wipe out property completely. In addition, financial aid should be rendered within the framework of strict standard limits. In future this financial aid may create additional tax burden for taxpayers. According to French scientist Eten Claver, the increasing number of recipients of state social aid means that they are not being employed and that this category of people needs less production (Rosanwallon, 1998). Russian scientist V. Roik believes that social security is a system of material support and services for citizens in the old age, provided for by law, in case of illness, complete or partial disability, loss of the bread-winner, as well as families with children. He has emphasized the urgency of introducing the system of paying financial aid to the needy layers of the population. (Roik, 2007).

We will learn about the types and amounts of social allowances aimed at strengthening social protection of citizens in the Republic of Uzbekistan, supporting vulnerable and needy families, and providing material assistance to persons with disabilities.

1. Allowances for the elderly people who do not have adequate working experience, people unfit to work, persons disabled from childhood and for mothers who have disabled children (Regulations, 2011)

1.1. Age allowances. This type of allowance is assigned to the people with working experience less than 7 years. Age allowance is assigned: for men – when they reach the age of 65, and for women – when they reach the age of 60, and for a woman with a child disabled from childhood – when they reach the age of 55. Since August 1, 2019 the amount of this allowance constitutes 267650 UZS. Persons completing paid work or having a different source of income (except for receiving alimony or scholarships) are not assigned an age allowance.

1.2. Disability allowances. Disability allowance is assigned and paid in case of disability to persons with disabilities of groups I and II who do not have enough working experience, regardless of age. Disabled people of group I and people with disabilities of group II who work or have other sources of income (except for alimony or scholarships) are not assigned disability allowances. Disability allowance is granted for the entire period of disability. Currently the amount of this type of allowance constitutes 267650 UZS.

1.3. Allowance for the loss of breadwinner. The right to get allowance for the loss of the breadwinner is provided for disabled family members who were dependent on a person who is not entitled to a state pension. The amount of the allowance for the loss of the breadwinner to the family members of the deceased is determined as a percentage of the allowance that the deceased citizen received or had the right to receive, in the following amounts: a) for three or more disabled family members - 100 percent of the allowance; b) for two disabled family members - 75 percent of the allowance; c) for one disabled family member - 50 percent of the allowance.

It should be noted that since January 1, 2019 paying age allowances, disability allowances and allowances for the loss of breadwinner is made at the expense of the sources of the State Budget of the Republic of Uzbekistan. Until that moment financing of these allowances was implemented at the expense of the Extrabudgetary Pension Fund.

2. Social allowances for low-income families (Regulations, 2013), as well as one-time financial assistance rendered to the low-income families of the Republic Karakalpakstan and Khorezm region (Regulations, 2013).

This type of allowance is paid to families with children under the age of 14 years, includes childcare allowances until they reach the age of two years and material assistance to low-income families. Allowances for families with children and material aids are assigned for a period of 6 months, and childcare allowances - for 12 months, but not more than a month old for a child of two years inclusive. If care is provided for two or more children born, adopted or taken into custody, then the childcare allowance is paid in a single amount until the youngest child reaches the age of two. The allowance for families with children, childcare allowance and material aid are assigned to families with an average monthly total income per family member in the amount of not more than 1,5 times the average monthly minimum wage set in the period for which the total income was accumulated. Currently this amount constitutes 334500 UZS. The average monthly total income per family member is determined as the sum of the average monthly income of each able-bodied family member, calculated over the last three months preceding the month of applying for benefits for families with children, childcare benefits or material assistance, divided by the number of family members, included in the family.

The consolidated income of the family, taken into account when calculating the average monthly total income, includes the following income received by family members: income in the form of wages; property income; income of an individual entrepreneur; the amount of cash receipts from family members working or doing business abroad; pensions, scholarships and allowances; income from maintaining a personal subsidiary (dekhkan) farm; other income determined by the legislation of the Republic of Uzbekistan. The income received from the microloans for doing business within the framework of the state program “Each family – an entrepreneur” during 12 months since the date of receiving a microloan is not included in the consolidated income of the family.

The amount of one-time financial aid assigned and paid to the low-income families of the Republic of Karakalpakstan and Khorezm region is determined in the decrees of the President of the Republic of Uzbekistan. One-time financial aid to needy families is assigned to the following categories of families (citizens) who find themselves in difficult life situations that are not fully supported by the state.

Until January 1, 2019 one-time allowances for families with children under 14 years, childcare allowances until they reach the age of two years and material assistance to low-income families in the Republic of Karakalpakstan and Khorezm region was calculated in reliance upon minimum wage. It should be noted that with the aim of improving procedure to determine the amount of wage, as well as eliminating the obstacles existing in relation to taxes, state duties, fines, tariffs and other compulsory payments, on May 21, 2019 the President of the Republic of Uzbekistan adopted the Resolution №5723 “On improving the procedure to determine the amount of salaries, pensions and other payments”. According to this Resolution, since September 1, 2019 the following basic calculation value was accepted instead of the minimum wage: minimum amount of the wage – 634880 UZS, basic calculation value – 223000 UZS and basic calculation value for pensions - 223000 UZS.

Since January 1, 2019 new basic values of social allowances have been introduced. These values are not related to the minimum wage and determined at the fixed rates. From the data provided in Table 1 it is clear that fixed amounts of social allowances are not quite different from the previous amounts except for financial aid provided to low-income families in the Republic of Karakalpakstan and Khorezm region. In 2019 the amounts of these social allowances increased by 17,7 percent and this aspect is considered to be favorable for the families with children under the age of 14 years, childcare allowances until they reach the age of two years and material aid to low-income families.

Table 1

The data on social allowances to low-income families, as well as one-time financial aid granted to low-income families of the Republic of Karakalpakstan and Khorezm region (Decree, 2018)

№	Types of social allowances	Amount determined since January 1, 2019, UZS	Amount determined before January 1, 2019, UZS	Financing source
1.	Allowances for families with children under the age of 14, including:			
1.1.	Families with one child	122000	60 % of minimum wage	At the expense of local budgets, extrabudgetary sources (public and donation funds, funds of enterprises, voluntary donations of citizens and others)
1.2.	Families with two children	203000	100 % of minimum wage	
1.3.	Families with three and more children	284000	140 % of minimum wage	
2.	The allowance for the care of a child until he/she reaches the age of 2 years	406000	200 % of minimum wage	
3.	Financial aid to low-income families	305000 – 610000	From 1,5 up to 3 minimum wage	
4.	One-time financial aid to low-income families of the Republic of Karakalpakstan and Khorezm region	406000 – 1014000	At the beginning of a year determined in the amount from 2 up to 5 minimum wages	At the expense of the funds of budgets of the Republic of Karakalpakstan and Khorezm region, including extrabudgetary sources (public and donation funds, voluntary donations of individuals and legal persons, and other persons)

Allowances to families with children under the age of 14 years, childcare allowances until they reach the age of two years and material assistance to low-income families are paid from the local budgets and extrabudgetary sources (public and donation funds, funds of the enterprises, voluntary donations of citizens and others).

3. Allowances paid to people disabled from childhood and HIV-infected, under the age of eighteen (Decree, 2018). Persons over 16 years of age recognized by the medical and labor expert commissions as disabled from childhood of group I, disabled from childhood of group II (hereinafter referred to as a disabled person from childhood over 16 years), HIV-infected persons who have not reached the age of eighteen years, have the right to receive allowances from the stage of the disease, as well as children with

disabilities under the age of 16 years (hereinafter referred to as a disabled child) in the presence of a medical certificate giving the right to receive this allowance. The allowance is assigned in the amount determined by the statutory documents. At the same time, for HIV-infected people under the age of eighteen, the allowance is assigned in the amount established by law for disabled people from childhood.

Assignment of this type of allowance is executed by the Extrabudgetary Pension Fund under the Ministry of Finance of the Republic of Uzbekistan and is paid at the expense of this Fund.

4. Allowances by state social insurance (Regulations, 2002) are allocated for maternity; at the birth of a child; for an additional day-off; for burial ceremony.

4.1. Temporal Disability Allowance. The temporary disability allowance is issued: for a disease (injury) associated with temporary disability; with spa treatment; in case of illness of a family member, if necessary, care for him; under quarantine; upon temporary transfer to another job due to tuberculosis or occupational disease; upon restoration of disability or prosthetics with placement in rehabilitation institutions. The basis for the assignment of temporary disability benefits is a sick leave certificate (disability certificate) issued according to the established manner.

The following indicators are taken into account when establishing the amount of the temporal disability allowance: average monthly salary, average daily salary, daily amount of the allowance, amount of the allowance for the entire disability period.

The following table determines the amount of temporal disability allowance in percent in relation to the average salary.

Table 2

Amounts of temporal disability allowance in percent in relation to the average salary (Regulations, 2002)

Employee's grade	Total working experience	Amount of social allowance (in percent in relation to salary)
Employees registered for diseases of social importance (tuberculosis, oncological diseases, dangerous neoplasms, sexually transmitted diseases, AIDS, leprosy, mental illnesses), temporary disability allowances are paid depending on the length of time they pay state social contributions insurance (total working experience).	8 years and more	100%
	from 5 years to 8 years	80%
	up to 5 years	60%
working participants of World War II; internationalist soldiers and persons equated with them; workers with dependent three or more children under 16, students under 18; employees involved in Chernobyl post-accident clean-up; workers evacuated and resettled from the radioactive contamination zone as a result of the Chernobyl accident with diseases of the blood-	irrespective of the working experience	100%

forming organs (acute leukemia), thyroid gland and malignant tumors (adenoma, cancer); workers who have become temporarily incapacitated due to work-related injury or occupational disease.		
Full orphans under age of 21	irrespective of the working experience	80%
Other employees	8 years and more	80%
	up to 8 years	60%

Temporal disability allowance in any case must not be lower than the basic calculation value and must not be higher than amount of salary subject to allowance calculation. The expenses on paying this type of allowance are born by an employer.

4.2. Maternity allowances. A disability certificate issued according to the established manner constitutes the basis for assigning and paying maternity allowances. All employees are provided with the days-off for 126 calendar days. This allowance is paid in the amount of 100 % for the entire period of days-off. Maternity allowances are calculated in reliance upon the actual salary of the employee. Working women are paid maternity allowances at the expense of the employer.

4.3. Allowance at the birth of a child. A one-time allowance at the birth of a child is issued in 2-fold the amount of the monthly minimum wage established within the territory of the Republic of Uzbekistan (as of December 1, 2019 this amount constitutes 446000 UZS). Working women, as well as women undergoing on-the-job training at higher, specialized secondary, vocational and technical educational institutions, master's programs, post-graduate studies, clinical residencies, doctoral studies, one-time allowance is paid from the corresponding place of work or study. In cases if the child's mother does not work and does not study, the allowance at the birth of a child is provided to the father or persons replacing the parents who are working or studying separately from the work at the expense of the Extrabudgetary Pension Fund. Allowance at the birth of a child is not issued if the child was born dead.

4.4. Allowance granted for an extra day-off. One working parent (trustee, caregiver) raising a disabled child is provided with one additional day off per month, paid in the amount of one-day earnings, at the expense of state social insurance until the child reaches 16 years of age. It may be used by one of parents. The amount of allowance paid for an extra day-off equals to one-day wage calculated on average from the monthly salary of an employee and bonuses if available. This amount is not subject to income tax, single social payment and insurance contributions.

4.5. Allowance provided for a burial ceremony. An allowance for a burial ceremony is provided in the event of the death of the employee or in the event of the death of the following family members who were dependent on the employee: spouse; under 18 years of age or disabled (regardless of age) children, brothers and sisters; parents grandparents. In the event of the death of the employee, the burial allowance is issued to his family members or to those who have undertaken the burial. The burial allowance for a deceased family member is issued to the employee. As of December 1, 2019 the amount of this allowance constitutes 4-fold basic calculation value, i.e. 892000 UZS.

5. Unemployment allowance. In accordance with Article 65 of the Labor Code of the Republic of Uzbekistan, unemployment allowances are granted to a person recognized as

unemployed from the date of registration with the local labor authority as a person seeking employment. Unemployed men under thirty-five years of age who have their dependants, have the right to get unemployment allowance if they participate in paid public works according to the procedure established by the Cabinet of Ministers of the Republic of Uzbekistan. An unemployed person has the right to get this allowance upon the date not later than the eleventh day from the time of his registration as a job seeker.

Unemployment allowance shall not exceed: twenty-six calendar weeks over a period of twelve months for a person who is deprived of work and wages (earnings) or who is seeking to resume his employment after a long break (over one year); and those who have never worked before and are looking for a job for the first time are paid during thirteen calendar weeks.

Within the period of getting unemployment allowance the unemployed are obliged to seek a job during their retirement and apply to the local labor authority at least once every two weeks to obtain a job or vocational training, retraining, qualification upgrading.

Analysis and results. In accordance with the Law of the Republic of Uzbekistan “On Employment of the population”, unemployment allowances for persons who have lost work and earnings (income) shall be established as a percentage of the average wage of the previous year. In other cases, the unemployment allowance is determined as a percentage of the basic calculation value established by law. The allowance for unemployed persons with dependent children and other persons under sixteen years of age shall be increased by ten percent. In case of loss of work and earnings (labor income), persons who have the right to get unemployment allowances shall be entitled to fifty percent of the average wage received in the previous workplace, but not less than the basic calculation value established by the legislation in the Republic of Uzbekistan.

In reliance upon the statements specified above, the social allowances which are currently operating in Uzbekistan can be categorized as follows (Figure 1). From the peculiarities of social allowances it is obvious that they can be paid on the regular basis or may have one-time character. In addition, they are aimed at providing social support to low-income families to enhance their living standards in case of absence of any source of income. Furthermore, social allowances can be paid in the certain amount or within a particular period of time.

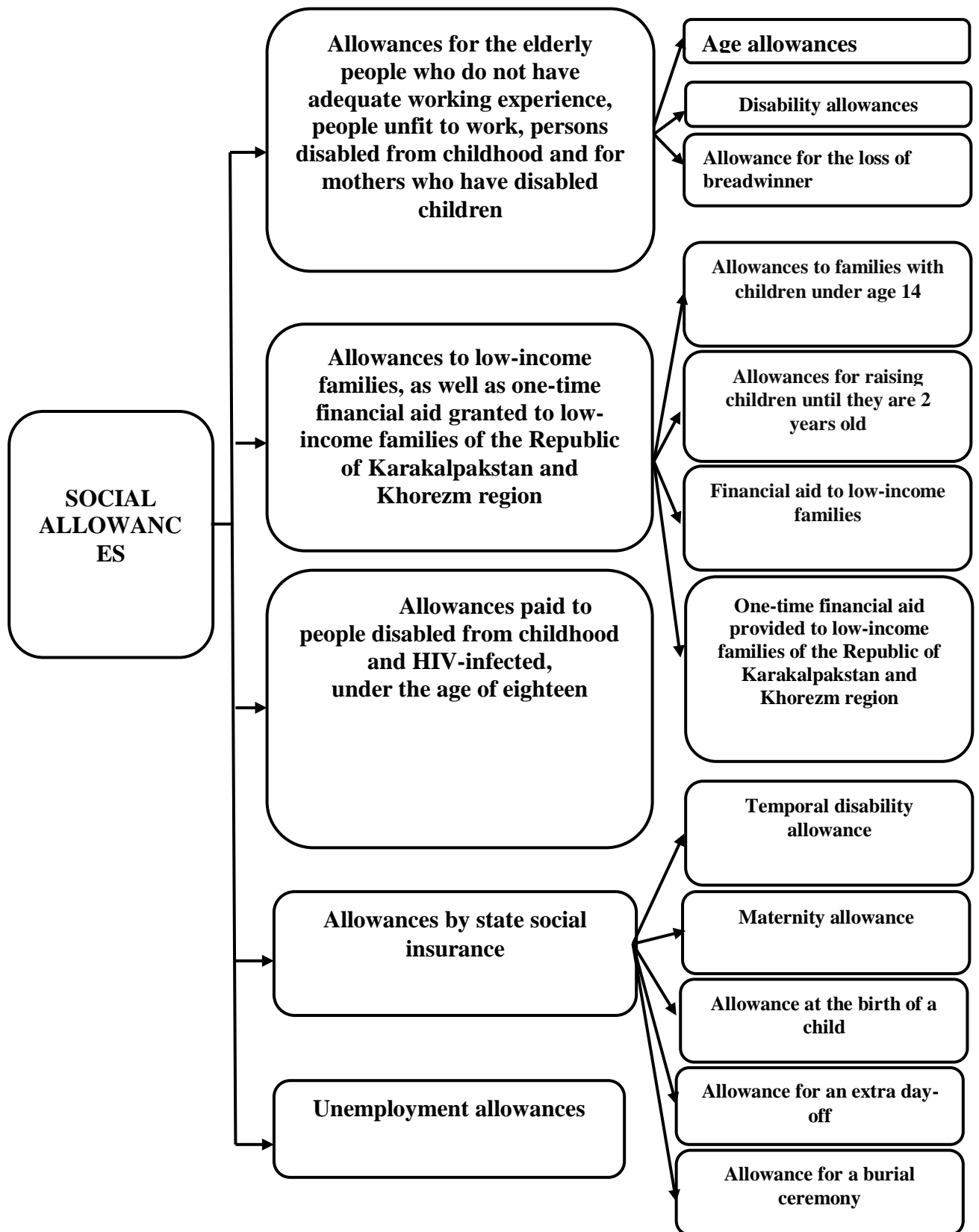


Figure 1. Classification of social allowances*

* Developed by the author.

It should be noted that expenditures on social sphere constitute the major part of the State budget. In 2018, over 50 percent of the State budget expenditures were directed to the social sphere and social security of the population. In 2019 it was planned to allocate 57,8 trillion UZS to social expenditures out of which 5.3 trillion UZS were directed for the social support of low-income families[†].

As can be seen from the data in Table 2 below, the amount of social allowances, financial aid and compensation payments will increase by 1,8 times in 2020 compared to 2018. Meanwhile it is expected that families with children under the age of 14 years, the elderly and disabled citizens, will get more allowances for burial ceremony, allowances at the birth of a child and the share of these indemnities is relatively high.

Table 3**Pay-outs of social allowances, financial aid and indemnities, in billion UZS[‡]**

№	Types of social allowances	2018	2019 (expected)	2020 (forecast)
1.	Allowance for raising a child until 2 years old	921,3	1228,6	1537,6
2.	Allowance to families with children under 14	443,0	703,2	949,4
3.	Financial aid to low-income families	210,8	268,1	336,6
4.	Allowances to persons disabled from childhood	883,7	1315	1512
5.	Indemnities for public utilities instead of incentives	76,6	87,1	94,3
6.	Other expenditures aimed at social support of the population (allowances for the elderly and disabled people, for burial ceremonies, indemnity of the flour price, allowance at the birth of a child)	615,4	701,4	1392,3
	Total	3150,8	4303,4	5822,2

In 2018, social allowances, material aid and indemnity payments accounted for 5,1 percent of total state budget expenditures and 9 percent of total social expenditures. However, according to forecast, in 2020 these indicators will correspondingly amount to 4,4 and 8,8 percent which is 0,6 and 0,2 percent less in relation to 2018.

[†] <https://www.gazeta.uz/uz/2018/11/13/byudjet/>.

[‡] https://www.mf.uz/media/file_uz/state-budget/pub/fuk_uchun_byudj.pdf;
https://www.mf.uz/media/file/state-budget/pub/citizens_budget_2020_uz.pdf.

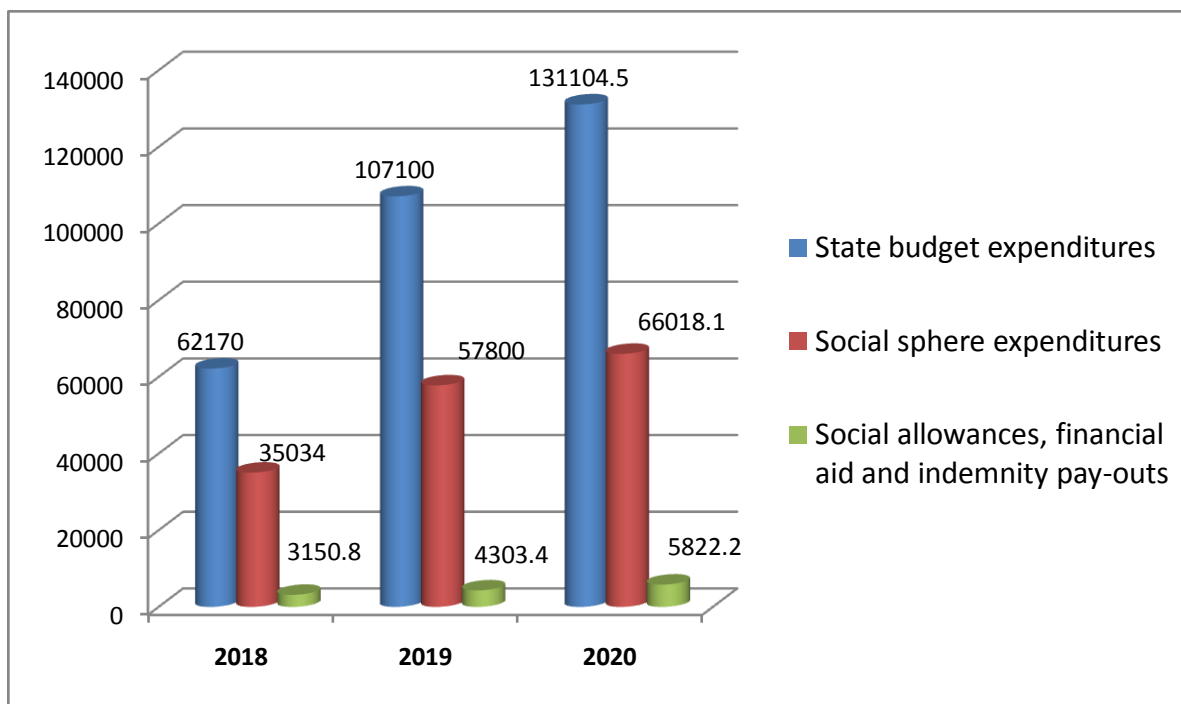


Figure 2. Social sphere expenditures and social allowances, financial aid and indemnity pay-outs in the structure of the State budget expenditures[§], billion UZS

This is not due to the reduction of social allowances, material aid and indemnity pay-outs, but rather the increase in the expenditures of the state budget and social sphere. In particular, the growth rates of the expenditures of the state budget and social sphere were higher than the growth rates of social allowances, material aid and indemnities. And this is a positive aspect in terms of social security of the population and material support of low-income families.

It should be noted that in recent years, a new system of social security of population has been launched in the country. The United Nations Children's Fund (UNICEF) has implemented the project "Strengthening the System of Social Welfare in Uzbekistan" worth 50 million. According to this project, a single register of citizens "Single register of social security" will be developed. This register will enable the citizens to get social allowances, which, in turn, will ensure coverage of vulnerable and needy people through social protection programs.

In compliance with the Resolution of the President of the Republic of Uzbekistan "On measures of improving social security of the population with the application of interdepartmental electronic mutual cooperation" as of April 13, 2019 within the project framework in Syrdarya region since October 1, 2019 the issues of providing social allowances and financial aid to low-income families are considered through "Single register" information system. As a result of this pilot project a new system was launched in Syrdarya region and 1691 citizens were provided with social allowances and financial aid through a new system**.

[§] Developed on the basis of the data of the Ministry of Finance of the Republic of Uzbekistan and the State Committee on Statistics of the Republic of Uzbekistan.

** <http://protoday.uz/uz/archives/267758>

It should be noted that a national survey conducted by UNICEF to assess social protection systems in Uzbekistan in 2018^{††}. During 9 months of 2019 the Public Reception rooms received 36 thousand complaints related to the assignment of social allowances^{‡‡}. Basically these complaints reflected the following problems:

- lack of targeted use of various types of social allowances and financial aid implemented for social and material support of citizens;
- there are deficiencies in the criteria for identifying low income families and families in need of financial aid, including the lack of a single criteria for its identification and registration;
- low level of literacy of citizens in the issues of social security, when some citizens are not fully aware of their rights;
- inadequate information and communication systems and technologies operating in the social security system;
- a lack of transparency in the system aimed at enhancing social security of citizens, supporting low-income families, providing financial support to persons with disabilities.

Conclusions and proposals. In reliance upon the statements provided above, it is recommended to use the following proposals and recommendations aimed at further improvement of the social allowances system in the Republic of Uzbekistan:

1. It is necessary to develop a new draft of the Law “On the Social allowances provision”. This Law shall specify the conditions and procedure for assigning and paying all types of social allowances. First and foremost, it is necessary to develop a certain methodology for identifying and accounting for the vulnerable and needy layers of the population.

2. On the basis of the results and experiences of “Single register” information system it is recommended to introduce “Single register for social security” in all regions. This system will ensure electronic interaction, exchange of databases of various agencies and organizations (Pension Fund, tax authorities, banks, the Ministry of Employment and Labor, cadastre, internal affairs, health and mahalla authorities) in relation for the need for social allowances and financial aid. Herewith, the degree of their need for social security on the basis of applications submitted by citizens will be objectively evaluated. This will help to prevent corruption, provide targeted use of social allowances, as well as save citizens’ time required for getting social support.

3. There is no system to regulate and coordinate the area of working with low-income families and socially vulnerable segments of the population. In practice, some of these issues are referred to the competence of the Extrabudgetary Pension Fund and others are within the competence of the Ministry of Employment and Labor relations of the Republic of Uzbekistan. Taking this fact into account, it would be advisable to establish a single system responsible for the regulation and coordination of social security activities.

4. Rendering practical assistance to the low-income population and creating necessary working environment are indivisible part of the social security system which will facilitate further improvement of the social security system of the Republic of Uzbekistan.

^{††} <https://www.gazeta.uz/uz/2018/11/13/byudjet/>

^{‡‡} <https://www.gazeta.uz/uz/2019/11/22/social-protection/>

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