

Government and business' joint efforts to support the vulnerable groups of the population during the Covid-19 pandemic in Uzbekistan

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Until mid-March, residents of Uzbekistan – a doubly landlocked state - experienced the coronavirus epidemic with some degree of surprise: the epidemic, which originally found in China, circled the center of Asia and began to spread in Europe. On March 15, Uzbekistan officially announced the detection of the first case of coronavirus infection in a citizen who arrived from France. 2 months passed and during this time the number of infected COVID-19 on May 19, 2020, has reached 2802 people, of which 2314 (82.6%) - recovered, and 13 - died. The mortality rate in Uzbekistan remains extremely low - 0.46% of the total number of cases.

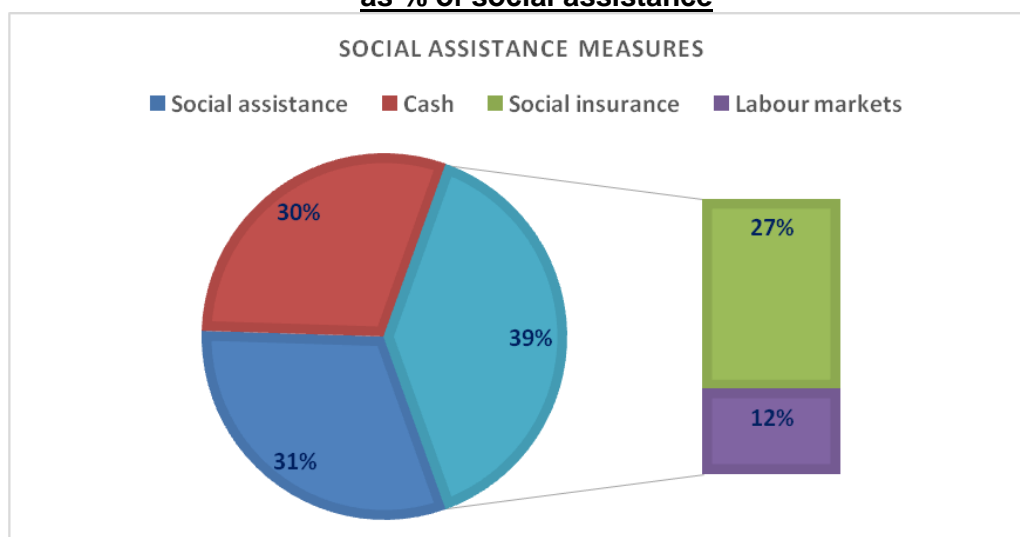
In the fight against coronavirus in Uzbekistan, the best features of the Uzbek society were manifested: general support of the population and quickly mobilized government apparatus.

On the other side, the introduction of restrictive measures against the pandemic paralyzed both formal and informal economies, which left most of the country's population without a subsistence.

Social protection systems are crucial to safeguarding the poor and vulnerable during coronavirus pandemic and crises hit. As of May 8, 2020, a total of 171 countries (12 more since last week) have planned and adapted 801 social protection measures in response to COVID-19¹.

Social assistance transfers keep remaining the most widely used class of interventions (60.7% of global responses, or 487 measures). These are complemented by significant contribution in social insurance and labor market-related measures (supply-side measures). In addition, 246 (30.7%) of COVID-related measures goes to cash transfer programs.

Composition of global social protection response and cash transfers as % of social assistance



Cash transfers are being implemented in three ways, including expanding coverage, increasing benefits, and making administrative requirements simpler and more user-friendly. Combined, those adaptations in social assistance benefit over 1.46 billion people. Specifically, for cash transfers administrative adaptations are occurring in 27 countries.

Increases in benefits among preexisting programs are implemented in 37 countries, including transfer value being increased in 29 countries and additional payment cycles taking place in 11 countries.

Coverage extension is underway in 88 countries: this includes expanding coverage of existing programs (6 countries) and one-off programs provided in 38 countries (5 universal and

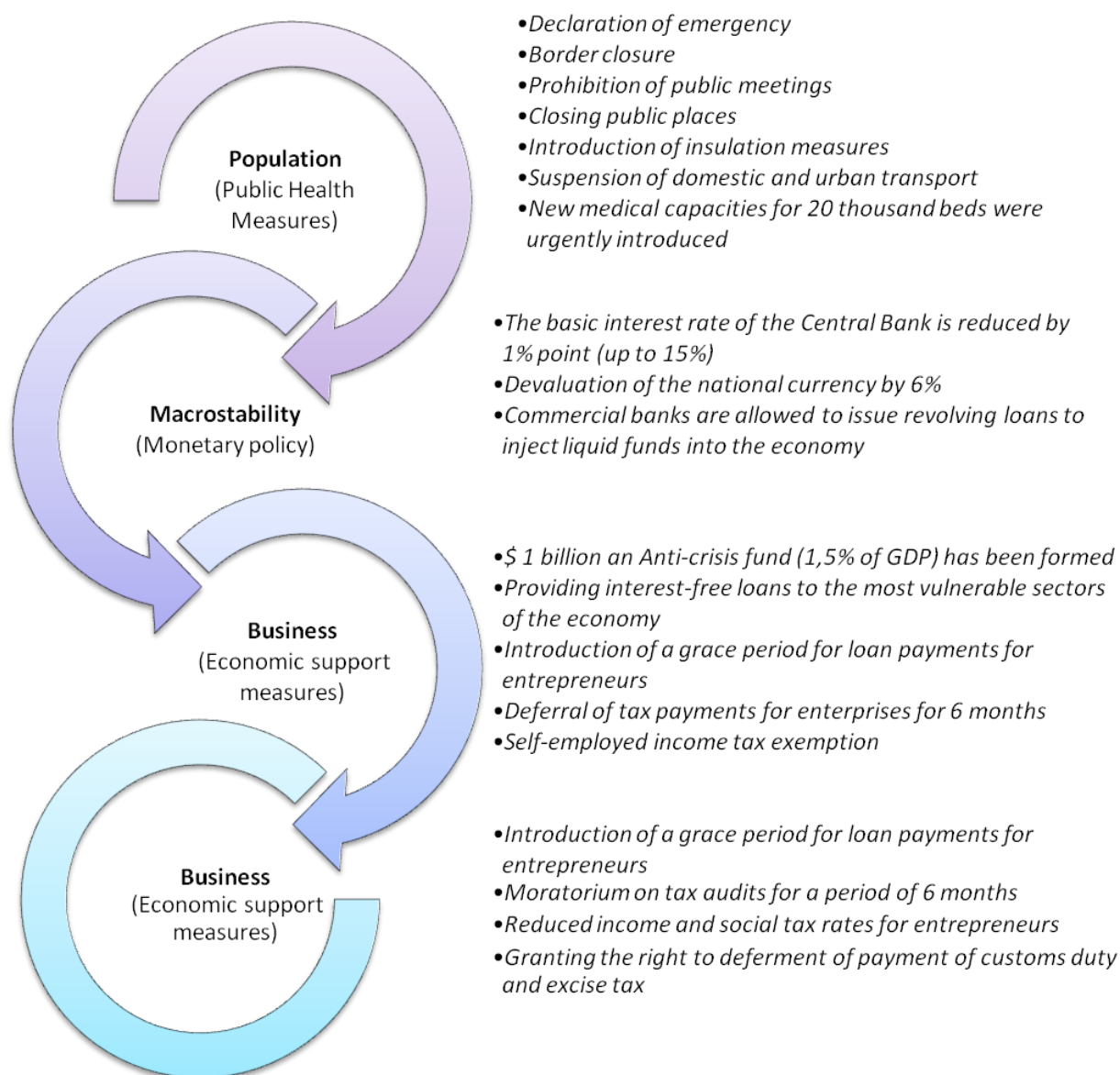
¹ <http://documents.worldbank.org/curated/en/448321588971503966/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-May-8-2020.pdf>

34 targeted). Combined, those adaptations across administration, generosity and coverage in cash transfers benefit over 1.04 billion people. If only consider coverage (horizontal expansion) of new and existing cash transfer schemes, these cover an estimated 577.2 million people.

There has also been a remarkable growth in measures related to social insurance - 215 measures. Developing countries have introduced selective top-ups in favor of the lower income pensioners (countries such as Serbia, Slovenia, Sri Lanka and Tunisia). Other countries like Costa Rica, Colombia, Kosovo and Mexico, have decided to anticipate pension payments. Social security contributions have been subsidized in 49 programs – a level equal to paid sick leave measures. Unemployment benefits are present in 61 cases.

The number of labor market interventions is also growing. Wage subsidies continue to dominate those interventions. There is considerable diversity in generosity and accompanying conditions. Together with wage subsidies, countries are strengthening their active labor market programs, particularly intermediation services and skills training².

Graph. 1. Key measures taken by the Government of Uzbekistan in response to the coronavirus pandemic.



² <http://documents.worldbank.org/curated/en/448321588971503966/pdf/Social-Protection-and-Jobs-Responses-to-COVID-19-A-Real-Time-Review-of-Country-Measures-May-8-2020.pdf>

Uzbek government is also announced 3 packages of social assistance measures and labor market interventions by the Government of Uzbekistan³⁴⁵(Graph 1) .

Social Security Priority

As a result of quarantine, economic activity of 196 thousand enterprises were significantly dropped, and about 95 thousand individual entrepreneurs suspended their activities. The service sector has been affected too, where 13 thousand food service enterprises, 45 thousand trade enterprises, 19 thousand service companies, and 7 thousand transport enterprises stopped or experienced significant losses in revenue. As a result, the number of unemployed has grown significantly. During the quarantine period, the number of visits to employment centers increased to 150 thousand, which is three times more than in January-February of this year.

It is clear that the poverty level in Uzbekistan is already quite high. During a video conference on February 27, the President of Uzbekistan noted that 12-15 percent or 4-5 million of the population of our country are remaining in poverty. This means that their daily income does not exceed 10-13 thousand UZS. The World Bank estimates that the impact of coronavirus infection through declining household incomes and remittances will increase poverty in 2020.

Pandemic Risk Groups

At the same time, direct state aid cannot always reach all objective groups, mainly the groups of people whose income plummeted due to coronavirus and lockdown measures. First of all, this concerns the informal economy and labor migrants. Accounting for the incomes of citizens employed in these sectors is very difficult for some objective reasons, which further creates difficulties in classifying them into the support group.

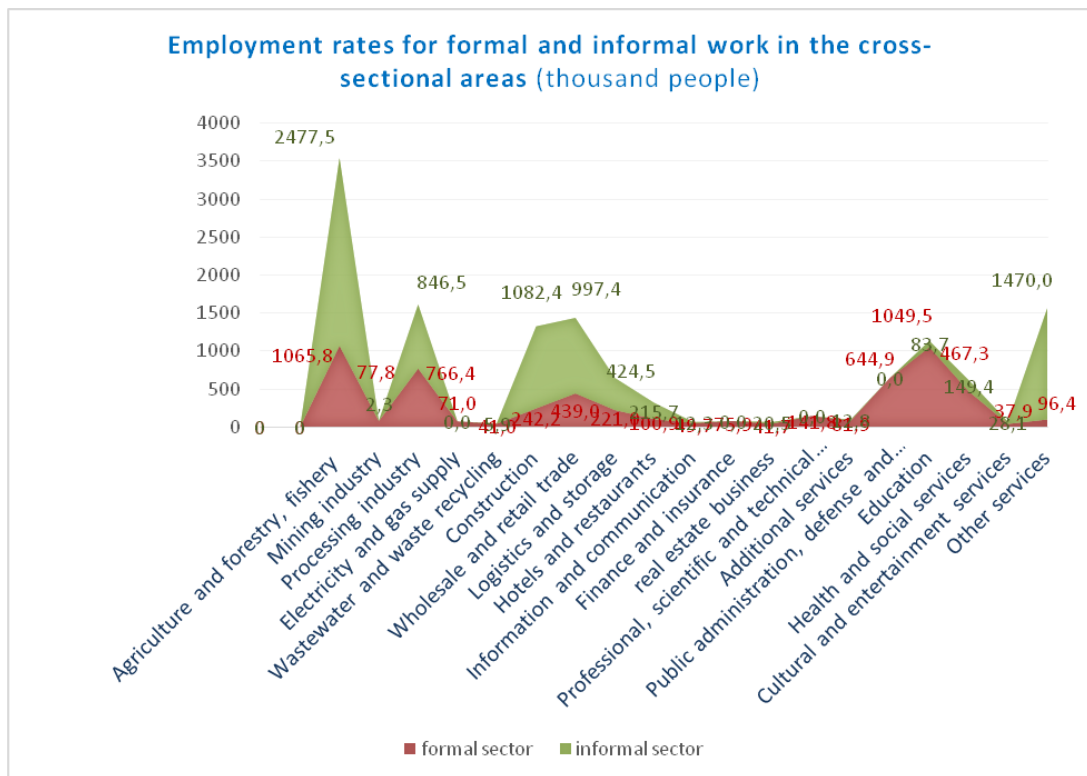
Even in the most developed countries of the world, the shadow economy is at least 7.5% of GDP. According to UNDP estimates in 2019, the size of the shadow economy in Uzbekistan varies between 40% and 50% of GDP. Furthermore, according to the international non-governmental non-profit organization BUYUK KELAJAK, the size of the shadow economy in Uzbekistan reached 50% of GDP in 2019. On the report of World Bank, the total number of employees in Uzbekistan in 2019 amounted to 13.2 million people. Of these, 7.9 million informally employed (59.8%) and 5.3 million formally employed (40.2%).

The ratio of formal and informal employment by type of activity in Uzbekistan* (thousand people)

³ <https://lex.uz/docs/4770763>

⁴ <https://lex.uz/docs/4780477>

⁵ <https://lex.uz/pdfs/4815482>



* As of the 1 st January 2020

This implies that more than half of the economically active labor force of the country is not covered by social insurance, which makes them more vulnerable to the consequences of pandemic.

Labor migration is important for Uzbekistan, as it provides an inflow of foreign exchange earnings and income for migrant families in Uzbekistan. For instance, in Russia alone, there are more than 2 million labor migrants from Uzbekistan. Due to the situation with the coronavirus pandemic, many labor migrants cannot return to their homeland and have fewer opportunities to earn money due to the self-isolation regime introduced in Russia, which significantly reduces ability to support their families. Moreover, migrants returning to their homeland are faced with work absence. The World Bank predicts that remittances, a vital source of income for many of the poorest households, will fall by more than 50% due to the pandemic.

To solve the problems of population groups, both employed in the informal economy, and related to labor migration, which can be classified as self-employed, the state is making significant efforts. Thus, during the video conference, the President emphasized the need to create a convenient and simple legal system to support and legalize the activities of those self-employed people.

If previously, self-employed citizens were engaging in 85 types of activities, then in the meeting officials were instructed to extend the classification of these activities and to introduce a mechanism for notification registration of self-employed.

In addition, on May 19 the President Mirziyoev announced the exemption of more than 60 professions from payment of income tax^[4]. These include hairdressers, shoemakers, bakers, smiths, carpenters, tailors, taxi drivers, translators, designers, programmers.

Moreover, the “Hunarmand” Association, the Ministry of Investments and Foreign Trade was entrusted with the task of creating an online platform for marketing handicraft products abroad under the brand of Uzbekistan. Freelancer activity also falls into the category of self-employment, which faces a number of obstacles, in particular, when opening a bank account remotely and accepting payments. In this regard, it was instructed to create various benefits and preferences for such categories of workers.

Declining levels of household income and consumer demand do not fully prevent a sharp drop in living standards and incomes of vulnerable groups of the population only due to social support and support for self-employment. Improving the situation in this area can be helped by expanding the creation of new jobs by the private sector and charity by those entrepreneurs and commercial structures.

However, the state does not relieve itself of responsibility for providing support to these groups of the population, despite the fact that a significant part of these groups did not fully pay taxes. But, not being able to provide this support directly, the state provides an opportunity for businesses to provide appropriate support to citizens, compensating for its costs in this direction through various benefits and preferences for taxes, leasing, loans, access to necessary resources, that is, by reducing revenues in the budget.

According to international organizations, entrepreneurs donate 12% more to charity, if the state provides various preferences for this. And this mechanism has already been effectively used in Uzbekistan.

The social partnership between government and business

On April 20, the President of Uzbekistan Sh.M. Mirziyoyev launched an initiative to create a nationwide movement “Sakhovat va ko’mak” – “Charity and Support” to provide voluntary targeted charity and sponsorship assistance to low-income and needy families. The Fund activity is targeted for social assistance during the quarantine period for vulnerable families and people in need of social protection, persons with disabilities, and temporarily unemployed people who have lost income.

They will receive support with money, food, everyday consumer goods, and medicines. Fund managers are the Board of Trustees of the “Makhalla” Fund, at the level of regions, districts, and cities – the respective members of local Councils of People's Deputies. The activity of the nationwide movement "Charity and Support" is carried out in cooperation with the territorial offices of the Chamber of Commerce and Industry, Banks, and Departments of social protection.





Charity activities of business entities within the framework of the national movement " Charity and Support " in the Republic of Uzbekistan

The volume of work performed within the framework of the nationwide movement "Charity and Support"

Charity activities of business entities

Types of business entities	Quantity	Number of families in need of social support
Manufacturing enterprises	22232	153365
Cluster enterprises	153	22741
Farms specializing in the production of raw cotton and grain crops	22155	49034
Farms specializing in fruit, vegetables and gardening	10871	24017
Entrepreneurs in other areas of activity	38391	112507


Measures taken to ensure employment during the coronavirus pandemic

-  Farms specializing in the production of raw cotton, grain crops and horticulture
-  Fruit and vegetable clusters
-  Large manufacturing enterprises
-  Other spheres



The President instructed to create special operational groups for coordinating the activities of ministries and local authorities, they were assigned to compile a list of unemployed and vulnerable citizens who need assistance for each district and city, as well as the organization of targeted assistance within the framework of the “Charity and Support” movement, including the employment of people who were unemployed before quarantine or depended on daily earnings.

The volume of employment provided within the framework of the national movement "Charity and Support" in the Republic of Uzbekistan



Total number of Makhallas	9128
Total number of families	8557375
Number of families receiving social assistance from the state budget	667976
Number of citizens who do not work due to a pandemic	341348
Number of citizens who could not go to work abroad	143351

Employment Measures



- 99949** Production of raw cotton and grain crops
- 82176** Additional involvement in construction projects
- 23208** Attracting to the construction of facilities at the expense of the fund to combat the crisis
- 60192** Employment at projects introduced this year (livestock, poultry, fisheries, rabbit breeding, etc.)
- 95359** Employment by the programs "Every Family is an Entrepreneur", "Youth is Our Future", "Woman-Entrepreneur"
- 11800** Employed at the greenhouses created on the basis of cooperation
- 37241** Employed through the allocation of new land under development
- 173063** Employed (disinfection, recruitment, etc.) on a temporary (on a public basis) jobs
- 4662** Jobs created in accordance with the regional program projects
- 41166** Employed at seasonal silkworm breeding jobs

On April 27, 2020, the Presidential Decree "On Additional Measures to Support the Population and Entrepreneurship during the Coronavirus Pandemic" was issued. This decree establishes that the gratuitous transfer of funds to the «Makhalla», «Charity and Support», Public Fund «O'zbekiston mehr-shafqat va salomatlik», as well as individuals who are on the list of people in need of social support, cash, goods, and services are deducted when calculating income tax. Goods and services transferred for charitable purposes are not included in the object of VAT taxation and are exempted from value-added tax. Also the amount of financial assistance is not subject to tax on personal income, paid employees, increased from 4.22 - 7.5 times of the minimum wage.

Assessment of government actions by the population

Public Opinion Center «Ijtimoiy Fikr» conducted a series of surveys to assess the impact of restrictive measures in connection with the Covid-19 coronavirus pandemic on the population⁶⁷.

The respondents revealed a highly positive attitude of the respondents to the consolidation of efforts of state authorities and local governments, non-governmental organizations, civil society institutions aimed at the effective implementation of comprehensive measures to combat coronavirus.

The majority of survey participants (88.1 percent) perceive positively the measures taken in our country to provide assistance and support to citizens. They noted that they support the introduction of a self-isolation regime, considering it the most optimal solution that can save people's lives and health.

Respondents emphasized that, despite all the difficulties that have to be encountered, Uzbekistan has established effective work to ensure the vital needs of the population, to prevent rising prices for food and essential goods, and to support low-income families, elderly, single citizens, and people with disability and disabilities.

Conclusion

Thus, analyzing the social policy pursued in a pandemic, we can say that it uses all possible mechanisms and tools to mitigate the decline in incomes and living standards of as many citizens of all population groups as possible, especially the most vulnerable. And the use

⁶ http://ijtimoiy-fikr.uz/ru/novosti/telefonniy_opros_prinimaemie_meri_gosudarstva_po_protivodeystviyu_koronavirusnoy_infekcii_v_uzbekistane_v_ocenke_grajdan_strani

⁷ http://ijtimoiy-fikr.uz/ru/novosti/centr_provel_telefonniy_opros_na_temu_socialnie_nastroeniya_i_socialnoe_samochnuvstvie_grajdan_v_period_deystviya_rejima_samoizolyacii

of the mechanism of social partnership between the state and business expands the possibilities of the policy pursued in this direction.

According to incoming reports, the creation of the popular movement “Sakhovat va ko’mak” – “Charity and Support” has received widespread approval from the public. Already, many entrepreneurs are actively assisting the state in assisting vulnerable groups of the population, including by participating in the activities of the Center for the Coordination of Sponsorship, established under the Mahalla and Family Support Ministry. Moreover, this initiative is implemented exclusively on a voluntary basis, and any actions aimed at forcing the business to sponsor assistance will be strictly suppressed.

The creation of new formal jobs by entrepreneurs, in view of the preferences provided to them by the state, will also become an important factor in the reduction of the informal sector and informal employment in the economy, which is in the interest of working in accordance with all business rules. Thus, according to a survey of top managers by the World Bank last year, 21.5% of respondents believed that they were competing with unregistered or informal enterprises, and for 11.5% of respondents, the main obstacle to doing business was the activity of competitors in the shadow sector.

Solving the tasks set in this direction will not only significantly mitigate the social consequences of the pandemic but will also help expand the country's economic potential by creating new jobs and increasing output, which in the long run will increase incomes and living standards of the population.

A number of administrative and economic measures have been taken to prevent the growth of prices for foodstuffs and other consumer goods, as well as the restructuring of commercial loans to business entities that have suffered from the current situation with coronavirus.