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## **Supporting for vulnerable groups during the Covid-19: The People's Movement for "Generosity and Support" in Uzbekistan**

In the days after the first coronavirus cases were confirmed, Uzbekistan has implemented bold and early health and social distancing measures to depress the spread of COVID-19. As observed in many other countries, the global economic slowdown and domestic containment measures have affected on households and businesses negatively nationwide in Uzbekistan. To lessen the impacts, the government has adopted a package of anti-crisis measures to increase health spending and enlarge social and business safety nets. In particular, the President of Uzbekistan has signed a US\$ 1 billion economic relief plan to boost the economy and aid vulnerable population groups.

Severity of the current crisis requires from countries to take extraordinary responses. Several advanced countries implemented unconditional cash transfer programs that imply handing out money directly to the population. While these countries have an ample fiscal space, most developing countries have no choice but to be creative in terms of finding additional sources for more supporting measures. In this sense, Uzbekistan has decided to go with unique path which guarantees the macro stability.

In addition to abovementioned mechanisms, on April 20, the President of Uzbekistan, Shavkat Mirziyoyev put forward an initiative to establish a nationwide movement called "Sakhovat va Kumak" ("Generosity and Support"), a joint effort of state and entrepreneurs to provide, on a voluntary basis, targeted charitable and sponsorship assistance to low-income and needy families. "Obviously, distribute money to everyone might look an easy solution. But no economist can predict what this will lead to tomorrow. Thus, we want to create a nationwide movement, "Generosity and Support" – said the President.

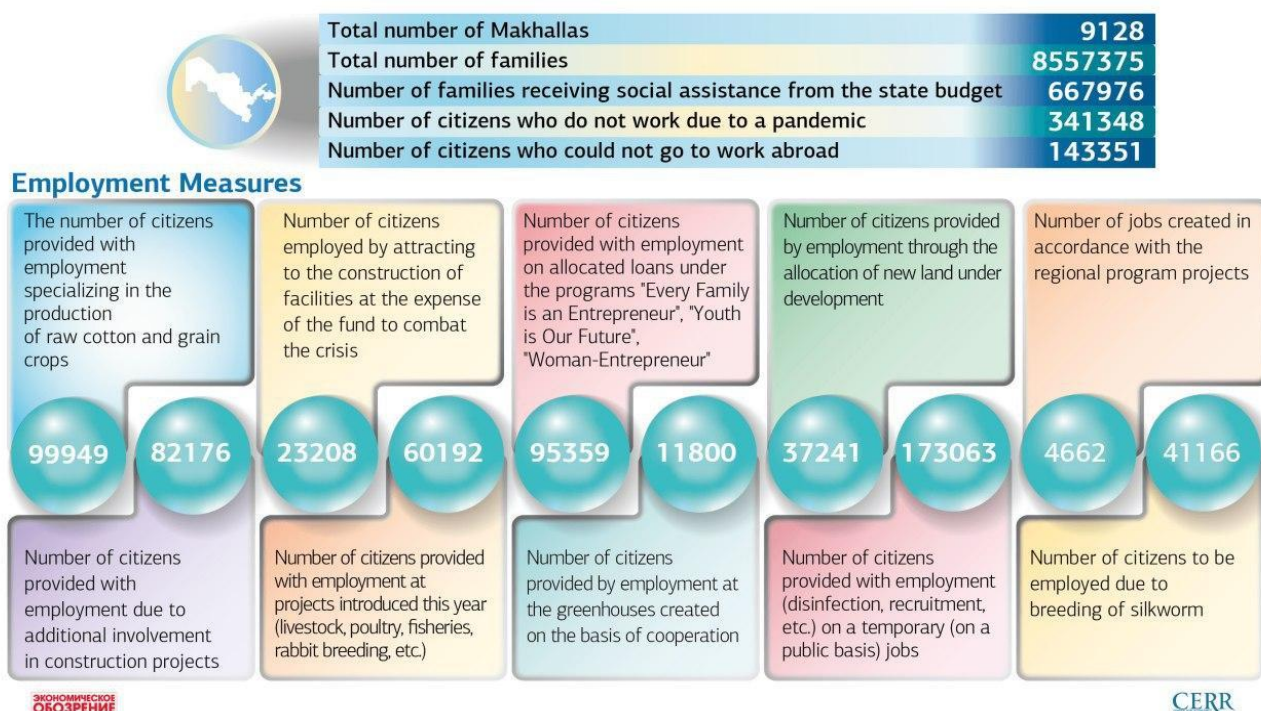
In order to implement this initiative, "Sakhovat va Kumak" Fund was established with the Government Decree of 22 April. The budget of the fund is set to be accumulated from the sponsorship and charitable funds of businesses and individuals and to be used primarily for targeted assistance during the quarantine period for families with many children and in need of social protection, persons with disabilities, elderly persons living alone, persons who are temporarily unemployed and who have lost their income. Means of support includes giving cash, food, daily consumer products and medicines. The Board of Trustees of the Fund "Makhalla" manages accumulated funds at this fund, at the level of oblasts, districts and cities - corresponding Councils of people's Deputies in regions. The activities of the people's movement "Generosity and Support" are carried out in

cooperation with the territorial offices of the Chamber of Commerce and Industry, banks and territorial divisions of social protection agency.

On April 27, 2020, the Presidential Decree «On additional measures to support the population and businesses during the Coronavirus pandemic» was issued. This decree establishes that the donation of funds, goods and services to «Mahalla», «Generosity and Support», «Mehr-shavkat va Salomatlik», as well as to individuals who are on the list of persons in need of social support are deducted from income tax. Goods and services transferred for charitable purposes are not included in turnover tax and are exempt from value added tax.

The Decree also stipulates that grants shall not be regarded as income of individuals if the beneficiaries are included in the list of persons in need of social support. Also, individuals are given an interest-free deferral on the payment of tax on the income of natural persons derived from the lease of residential and non-residential properties. Besides, the Decree introduces a procedure whereby, in 2020, the amount of material assistance exempt from income tax paid to an employee is increased from 4.22 to 7.5 times the minimum wage.

### The scale of work in the framework of the nationwide movement "Generosity and Support" in the Republic of Uzbekistan



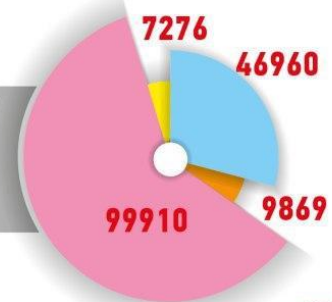
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### Charity activities of business entities

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



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What is the rationale behind this decision? Given the financial constraint that countries face in crisis times, the best approach would be supporting the most affected people, not everyone. Secondly, as is the case in many developing countries, informal sector or people who work unofficially accounts for the significant part of employed population. That means, local entrepreneurs are equipped the most reliable information who are really in need of support. In other words, helping people through “Generosity and Support” mechanism will minimize the problem of information asymmetry.

Thus, in analysing the social policies adopted in the context of the pandemic, it can be seen that it uses all possible mechanisms and instruments to mitigate the decline in the income and living standards of as many citizens as possible, particularly the most vulnerable. And using the mechanism of social partnership of the state and business, expands the possibilities of the implemented policy in this direction.

The creation of the popular movement “Generosity and Support” is reportedly widely welcomed by the public. Many entrepreneurs are already actively assisting the State in assisting vulnerable sectors of the population, including through participation in the Sponsorship Coordination Centre of the Ministry of Makhalla and Family Support. It should be emphasized, however, that this initiative is entirely voluntary and that any action aimed at forcing business to sponsor assistance will be severely suppressed.

The creation of new formal jobs by entrepreneurs, in view of the preferences granted to them by the State, will also be an important factor in the reduction of the shadow sector and informal employment in the economy, which is in the interest of and operating under all business rules. Going forward, as pointed out by the President, “We must resolve without delay such pressing issues as guaranteed food

and other necessary supplies for the 34-million people, prevention of loss of income of citizens, support of citizens needing help”. The President indicated that 14,000 new jobs could be created through agricultural cooperatives and home-grown greenhouses. In so doing, the State will grant a deferral or tax installment or credit to those farmers and entrepreneurs who will help poor families to farm on household plots, to allocate plots in their lands for the cultivation of secondary crops, promote home-based work.

This will not only significantly reduce the social impact of the pandemic, but also contribute to the country’s economic potential through the creation of new jobs and increased production, which in turn help to improve the long-term income and living standards of the population.