



Technical Briefing Note 0

The Relationship between the Poverty Reduction Strategy Paper (PRSP) and the National Strategy for Social Protection (NSSP)

A Conceptual and Organising Framework to Guide the NSSP

09 June 2020

Introduction:

1. The aim of this Technical Briefing Note is to provide key decision-makers and policy advisers in Uzbekistan with an overview of the key characteristics surrounding the relevance of both Poverty Reduction Strategy Papers (PRSPs) and National Strategy for Social Protection (NSSP). The guide is divided into the following sub-topics:

- What is a Poverty Reduction Strategy Paper (PRSP)?
- What is the rationale behind the PRSP?
- Principles and Processes guiding PRSPs
- How does the PRSP process work?
- Links between the PRSP and the National Strategy for Social Protection (NSSP)
- What is the purpose of the NSSP?
- The NSSP 2030: Key Objectives
- From NSSP to Costed Sector Plan
- Governance preconditions for designing the NSSP in Uzbekistan
- Preparing the NSSP: Key Planning Issues for the UN

What is a Poverty Reduction Strategy Paper?

2. A Poverty Reduction Strategy Paper (PRSP) is a national document that analyses the causes for poverty in a country and sets out a strategy to overcome them. A Poverty Reduction Strategy is meant to be a national process steered by the government and involving domestic stakeholders as well as external development partners. PRSPs were introduced in the early 2000s by the World Bank and the International Monetary Fund (IMF) as the basis for multi- and bilateral support by international development partners.

What is the rationale behind the PRSP?

3. The initial framework for PRSPs was adopted by the Executive Boards of the World Bank and IMF in September 1999 as a mechanism for linking poverty reduction with debt relief. The PRSP also emanated from a reaction to a more general debate on international development. The ‘traditional’ project-based development cooperation had been criticised for undermining national capacity by creating parallel systems, weakening country-ownership through conditionality of aid and for falling short of poverty reduction goals.

4. The PRSP approach later evolved to address structural deficits within government

systems, together with operation and management deficits of projects and the fragmentation of approaches adopted by international development partners, which together created unsustainable working environments. Over the last 20 years countries that initially adopted the PRSP as their central policy framework have broadened them into **National Development Strategies** to guide and inform domestic policy priorities covering economic growth, climate change, poverty reduction, and governance reforms and the alignment of domestic and international resources based on medium-term budgetary perspectives. **PRSPs essentially provide the macro-economic framework for the formulation of national strategies in specific sectors.**

5. Uzbekistan's last PRSP was formulated for the period 2008- 2010¹ and was entitled the *Welfare Improvement Strategy Paper (WISP)*. The goals and objectives set in the WISP called for development and implementation of a range of economic and poverty reducing policies covering state governance, enterprise development, agriculture, industrial policy, private sector development, education, health, social protection, and employment - all critical aspects of Uzbekistan's reform process. The overall aim of the WISP was to increase the effectiveness of the measures undertaken by the Government to foster economic growth and improve the livelihoods of the population.

6. In 2020 the Government of Uzbekistan initiated a course towards developing a new PRSP that will guide and inform a national reform programme aimed at targeting poverty reduction that facilitates inclusive economic growth. Tackling obstacles to growth and the incidence of poverty has become an even more urgent task in the context of the COVID-19 pandemic.

How does the PRSP process work?

7. Usually, the PRSP process started by setting out an Interim PRSP (I-PRSP). This document is drafted by the government, with some form of consultation and advice from a combination of representatives from the IFIs, international development partners, various parts of the government, the private sector and civil society. The I-PRSP is intended to become a road map for the drafting of the full PRSP. This process should involve: (a) macro-economic modelling and poverty analysis linked to sector-based measures that enable a country to meet the Sustainable Development Goals (SDGs), (b) public consultations, (c) policy prioritisation and (d) the costing of actions.

8. Governments usually formulate Annual Progress Reports of PRSP implementation in order to assess progress. These reports are also meant to enhance performance on poverty reduction and accountability to citizens. The intention is that the PRSP is revised after 2 – 5 years.

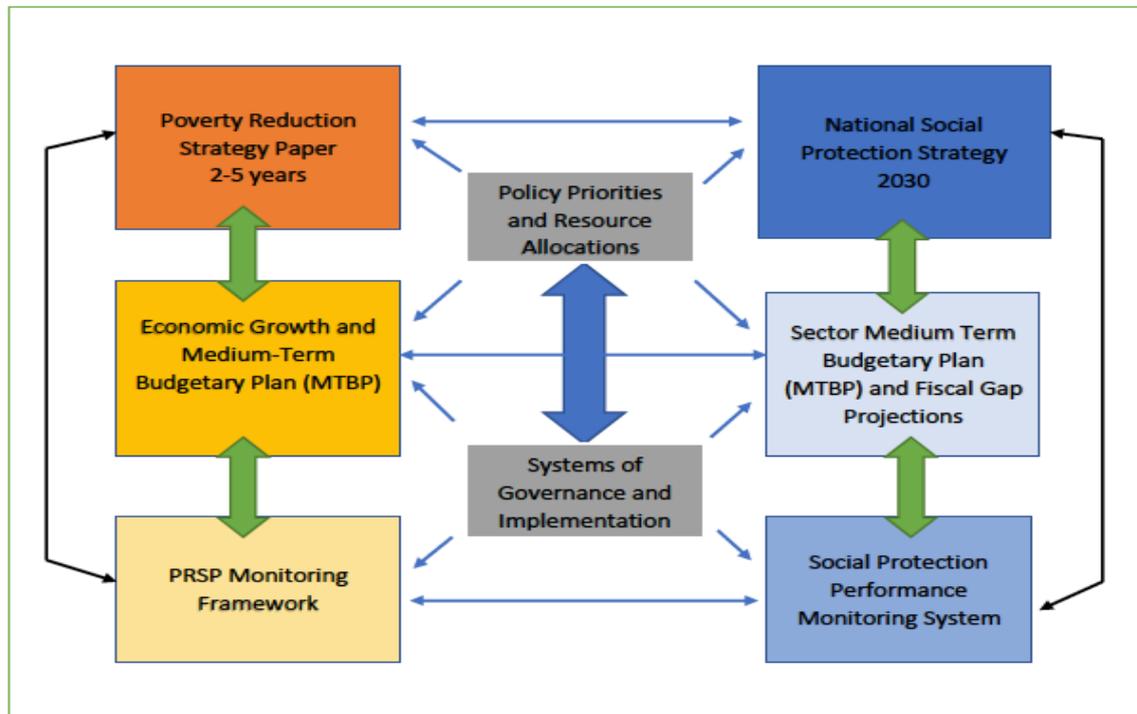
Links between the PRSP and the National Strategy for Social Protection

9. A key issue determining how the process of preparation and implementation of the PRSP relates to the National Strategy for Social Protection (NSSP) is linked to two key

¹ See <https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Republic-of-Uzbekistan-Poverty-Reduction-Strategy-Paper-21636>

financial instruments at the national level: the annual Budget; and the Medium-Term Budgetary Framework (MTBF) which are based on **costed plans**. The figure below illustrates this.

Figure 1: An Illustration of the linkages between the PRSP and National Strategy for Social Protection



Source: Author

10. The MTBF is a planning tool, typically over 3 years, in which an estimate is made of the resource ‘envelope’ available for public expenditure, together with indicative plans for allocating those resources between competing priorities. The intended role of the MTBF is that of a linking framework to ensure expenditure is driven by policy priorities and disciplined by budget reality.

11. The priorities set out in the PRSP clearly need to be reflected in expenditure of funds and since the national budget is the key instrument for allocating public funds, successful implementation of the PRSP entails designation of resources in national budgets for poverty reduction objectives. Each sector which is concerned with poverty reduction needs to make its case in the budget process with clear enunciation of why the investments proposed are appropriate.

What is the purpose of the National Strategy for Social Protection (NSSP)?

12. The NSSP provides a common focus for **sector specific reforms** and **sector-wide policy planning and implementation**. The national sector strategy for social protection overlaps with the PRSP framework in that it follows similar principles and aims at gearing activities towards output-based policies. The NSSP is used to create a system for ensuring linkages across specific social protection programmes and services, budgets, and outcomes. The

NSSP will take account of the following policy dimensions:

- Measures for improving programmes aimed at reducing risks and vulnerabilities at different stages of the life cycle – i.e. children, people of working age, and older people
- Funding streams for social programmes – i.e., social insurance contributions, employer contributions and liabilities, and public finance contributions
- Enhancing governance and organisational arrangements for programme and service delivery
- Strengthening informatics and communication management systems
- Enhancing professional skills and workforce planning
- Unifying indicators and performance management systems
- Improving inspection and quality assurance systems

National Strategy for Social Protection 2030: Key Objectives

13. In Uzbekistan the NSSP will need to take account of social insurance schemes, social assistance, active labour market programmes that link social assistance to employment, social care services, and other measures linked to education, health and housing that enhance social inclusion²;

14. The objective of the NSSP is help the Government of Uzbekistan and other stakeholders with setting priorities that consolidate and strengthen social protection practices, and that enable the system respond to a new and rapidly changing environment. The social protection system will have to respond to the new challenges that stem from further economic liberalisation, reduction in the size and scope of state presence in the economy through increasing privatisation of enterprises, and a rise in energy and communal service rates. The NSSP will have a key role to play in mitigating the negative impacts of reforms on disadvantaged groups and protecting those at risk of being left behind.

15. The NSSP therefore will need be clear in terms of its short-, medium-, and long-term goals, based on the SDGs and must be adequately resourced. It will also need to be agile in adapting to structural challenges, based on a clear strategy with overall coordination, and vision that aims to expand the coverage of the population by key programmes, and issues that relate to system financing. To achieve these objectives, the NSSP will be developed in line with international child and adult social protection standards, to ensure that:

- Social protection floors³ are established based on a **nationally defined set of basic social security guarantees** that help progressively build a comprehensive social protection system;
- Social protection is extended to all members of the society along the life cycle and the links are made between social insurance, social assistance, social support

² See Annex 1 for figurative overview of components that constitute Uzbekistan's social protection system

³ Based on Social Protection Floors Recommendation 2012 (No. 202) and Social Security (Minimum Standards) Convention 1952 (No. 102). The social protection floors are to ensure, at a minimum that, over the life cycle, all in need have access to essential social protection without risk of hardship and increased risk of poverty, and basic income security through the life course, including in the case of maternity, sickness, disability, employment injury and old age

services, and employment programmes;

- Social protection priorities are aligned with needs and rights;
- Institutional capacities are strengthened with a view on long-term benefits;
- A common system for planning, monitoring, evaluating, and accountability is established with a focus on reducing transaction costs and improving performance;
- There is coherence between policy, budgeting, and actual results;
- A framework is established for the overall co-ordination and effectiveness in the allocation of government and development partner resources;
- Broadened ownership over decision-making regarding sector policy, strategy, and spending;
- Better coordination among Ministries, Agencies and Departments (MADs) involved in design and delivery of social protection at national and sub-national levels of government.

From NSSP to Costed Sector Plans:

16. Moving from strategies to implementation requires operational guidelines that coherently map every operational step along the way. These roadmaps are referred to as **costed sector plans** and provide a detailed outline of the country's social protection strategy in terms of the individual programmes' lifecycles and their interaction effects with other programmes. They paint a lucid picture of the potential synergies of cross-sectoral cooperation and holistic policy-approaches. Costed sector plans also include a **phased implementation strategy** that precisely documents operational features, such as programme location and coverage as well as benefit modalities and size. Additionally, a typical plan also includes a quantitative estimate of phased delivery systems and a monitoring and evaluation strategy.

17. Costed sector plans contribute to the overall coherence of the social protection strategy and build a credible framework for scale-up and sustainability. The consolidated costing provides measures of total resources – financial and other – required for implementation. Furthermore, they succinctly show stakeholders in all relevant MADs – especially the finance ministry or the budgetary authority – how social protection fosters inter-sectoral synergies and contributes to inclusive social development and equitable economic growth on a national scale.

18. Overall, the costed plan provides a blueprint for implementing large-scale programmes from the pilot to the national stage and charts linkages within and across sectors that build synergy and multiply development impact. They generate evidence for the social and economic returns- on-investment of a well-implemented social protection strategy. Ultimately, a detailed costed sector plan also serves as a nodal evidence base for future adaptations, additions and feedback loops. It therefore offers policymakers with a tangible resource to transparently maintain, update, optimise and innovate social protection strategies and their underlying programmes.

Governance Preconditions for Designing the NSSP In Uzbekistan:

19. Uzbekistan has a relatively comprehensive social protection system, partly inherited from the Soviet. However, social protection in Uzbekistan is fragmented without a comprehensive

approach leaving some vulnerable groups exposed to economic shocks and undermining inclusive economic growth. Currently the main actors involved in Social Protection in Uzbekistan are the Ministry of Finance, and its agency the State Pension Fund, the Ministry of Employment and Labour Relations (MELR), and the *mahallas* (local communities committee). The Ministry of Health and the Ministry of Education have also some social assistance programmes, but overall their role is much smaller. However, until very recently, there was not a single government body in charge of social protection and no mechanism to coordinate the various actors. Furthermore, there have been frequent changes in institutional responsibilities, especially in relation to social assistance policy and administration, as well as in the responsibilities for social protection of persons with disabilities.

20. In 2019 the Government of Uzbekistan took the decision to create an independent agency responsible for social protection. Once established, this agency is expected to absorb the Pension Fund. It is also expected that the creation of this new institution will put emphasis not only on the implementation but will also provide national leadership for social protection and on the development of more coordinated policy.

21. The policy framework of the NSSP will therefore not only need to set out strategic programme priorities and identify fiscal gaps and priorities for future expenditure in the social protection sector, but take account of outcomes from an **institutional review and functional assessment**⁴ (comprised of functional analysis; business process analysis; human resource and skills capacity assessment; physical assets assessment and a change management plan) that helps to identify and elaborate politically feasible options for the effective coordination and integration of Uzbekistan's social protection programmes (i.e., social security, social assistance, social care services and active labour market programmes) at central and sub-national levels. The institutional and functional assessment will provide the road map for future mandates, functions and sub-functions for the governance and administration of the social protection system nationally and identify provide inputs for the **costed plan** associated with implementation of the NSSP strategy.

Preparing the NSSP: Key Planning Issues for the UN

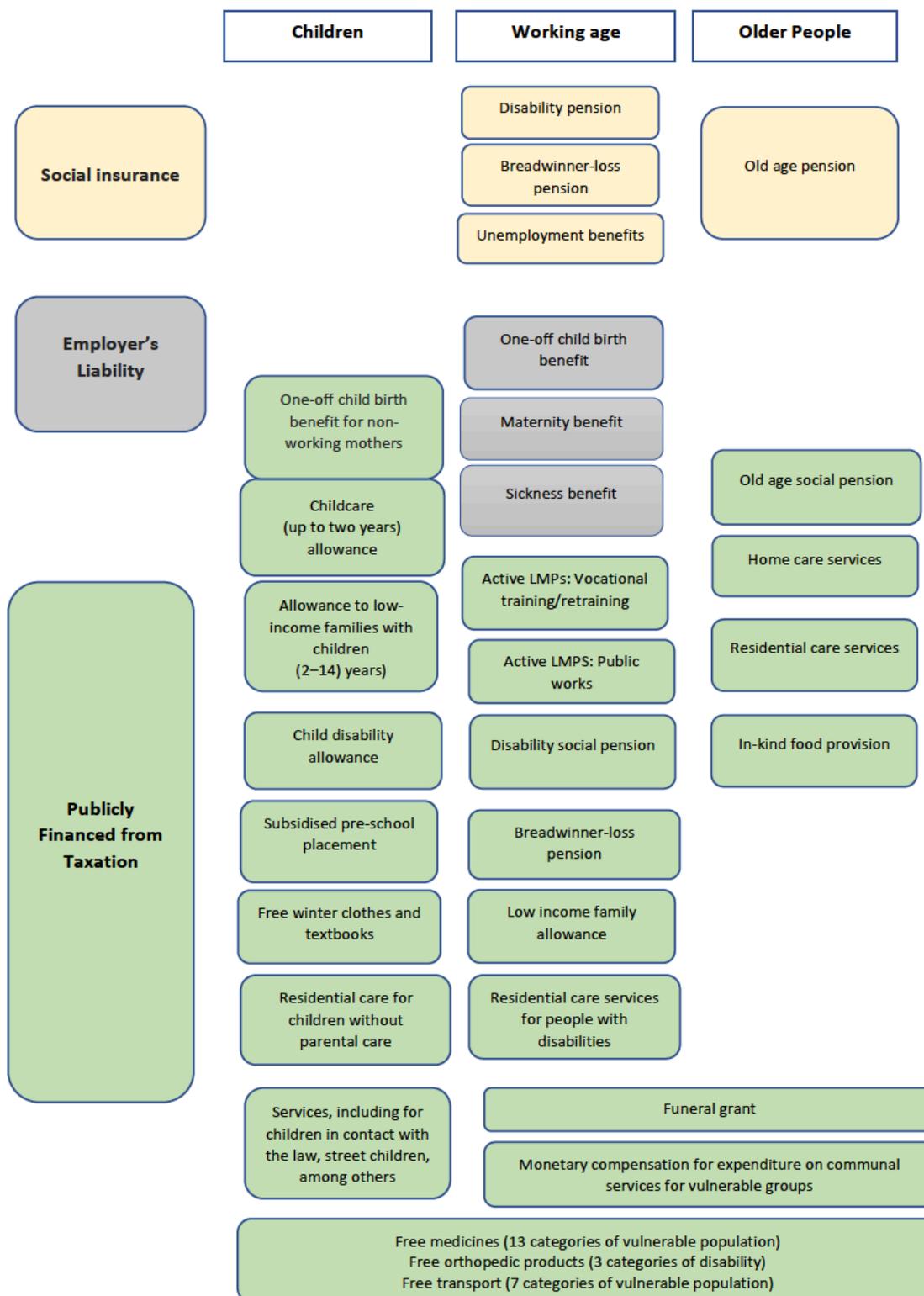
22. A number of issues need to be answered relating to planning and sequencing prior to commencement of the NSSP:

- Strategic **leadership** – which organisation will provide institutional leadership for the Government and define the vision and strategic priorities?
- Which **programmes** will be part of the NSSP – scope, priorities, links with other sectors, indicators for measuring performance?
- **Working Groups and Thematic Groups** – leadership, membership, terms of reference, analytical and reporting templates, modes of working, timelines, deliverables and outputs?
- **Public consultations** – with whom, when and how?

⁴ UNICEF is leading on the design and preparation of the institutional and functional review.

- **Resource allocation criteria** and links to budget cycle management?
- What is **the sequence for manging inputs, throughputs and outputs** for the PRSP (led by UNDP), the institutional and functional review of social protection governance (led by UNICEF), preparing the NSPP and the costed NSSP plan (led by the ILO)

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Source: Modified and Adapted from CODI Uzbekistan - ILO, UNICEF, World Bank (2019)