



International
Labour
Organization

Progress Report – Uzbekistan

01/01/2023 – 31/08/2023

BUILDING SOCIAL PROTECTION FLOORS FOR ALL - PHASE II

Project Code GLO/21/34/MUL



Donor: Germany, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Admin Unit: ILO DWT and Country Office for Eastern Europe and Central Asia (DWT/CO-Moscow)

Project title:	ILO GLOBAL FLAGSHIP PROGRAMME ON BUILDING SOCIAL PROTECTION FLOORS FOR ALL PHASE II - UZBEKISTAN: ACCELERATING PROGRESS ON SDG TARGET 1.3 SOCIAL PROTECTION SYSTEMS AND MEASURES FOR ALL
Report type (pick one):	Annual
Reporting period:	From January to August 2023

Linkages

ILO Strategic Policy Outcome: Outcome 8: Comprehensive and sustainable social protection for all

ILO Country Programme Outcome: DWCP Priority 3: Extending the access of the most vulnerable groups to equitable, inclusive and quality education and social protection

Sustainable Development Goal: SDG 1: End poverty in all its forms everywhere

Preparation and Review

Report prepared by: Nilufarkhon Kamalova, 31/01/2024

1. Country context

From 2016 to 2021, Uzbekistan, a lower-middle-income country with a population of 36.8 million (Jan 2024), embarked on an ambitious path of socio-economic reforms that have had a profound effect on the country's development agenda. Official figures suggest that the poverty rate decreased from 27.5 per cent in 2001 to 14.1 per cent in 2023. The Government has announced its intention to halve the share of the lower-income population by 2026 and achieve upper-middle-income status for the country by 2030. These objectives are formalized in an overarching policy document – the Uzbekistan-2030 Strategy. The Government has set out the details for implementing this strategy in several development programmes and legislative acts. Social protection and employment measures are among the key features of this policy.

Piecemeal improvements to the social protection system began in 2020 when the Government launched the Single Registry with support from UNICEF and the World Bank. Also in 2020, an assessment of the social protection system in Uzbekistan by the ILO, UNICEF and the World Bank, based on the Core Diagnostic Instrument (CODI), provided key impetus for the Government and social partners to initiate more comprehensive reform. To date, the Government is maintaining a positive momentum in the allocation of public funds for social protection and in the growth achieved in the number of social services and level of assistance provided. The funds allocated to this area increased by a factor of six from 2016 to 2023. The funds have been allocated through coordinated interventions at three interlinked levels: digitalization of the social protection system through the Single Registry, significant reforms to the provision of social benefits and social assistance, and the introduction of Active Labour Market Policies (ALMPs) through the creation of a Public Works Fund and the adoption of a law on employment of the population.

To ensure further improvement of the social protection system, on 25 July 2022 the President signed a decree approving the National Strategy for Social Protection (NASP) until 2030 together with the related Action Plan and costing framework. The Strategy was developed with support from the UN Joint Programme on Strengthening Social Protection.

In December 2022, Uzbekistan conducted wide-ranging administrative reform, reducing the number of government ministries and agencies from 61 to 28 (ministries from 25 to 21). The Ministry of Employment and Poverty Reduction now covers labour/employment, skills development and poverty reduction, including the social contract. The Ministry of Economy and Finance covers the financing of social protection and strategic planning in this area.

Since 1 June 2023, social protection has played a prominent role in the Government's agenda through the establishment of the NASP under the Presidency of the Republic. All issues related to the design, coordination and implementation of social protection were moved to this institution (including the expansion of the Single Registry, the development of social insurance and the provision of social benefits, excepting pensions). However, there are also financial, legal, and institutional challenges to be met that reflect the complexity of this undertaking. In 2023, the ILO supported consultations on the institutional and financial challenges as well as certain legal aspects, including possible ratification of ILO Conventions No. 183 and 102. The readiness of the ILO to respond to ad hoc requests from the Government, for example by conducting capacity-building activities, providing analytical papers and holding consultations has strengthened the relations with this new stakeholder.

In 2023, Uzbekistan became a pathfinder country for the Global Accelerator on Jobs and Social Protection for Just Transitions (Global Accelerator) and established a National Coordination Council consisting of representatives of nine ministries and two social partners. The Ministry of Economy and Finance and the NASP lead the work on the Global Accelerator. Following the interest signalled by the Government, a United Nations team organized a scoping mission to Tashkent in October 2023 with the aim of consulting with key high-level Government representatives and holding a high-level round table to confirm the relevance of the Global Accelerator approach and identify potential related strategic priorities.

At the same time, Uzbekistan has been supporting the Global Coalition for Social Justice and has elaborated measures at country level.

2. Progress report

Outcome 1: Improved national knowledge base and capacities to inform social protection financing and digitalization

This project is aligned with the UNSDCF 2021-25, and the DWCP 2021-25 signed between the Government of Uzbekistan and the ILO in September 2021, where it contributes to Cooperation Framework Outcome 4 (DWCP Priority 3: Extending the access of the most vulnerable groups to equitable, inclusive and quality education and social protection).

Output 1. Options for a combination of non-contributory and contributory mechanisms validated by constituents.

Output status: Delay: behind schedule

Activity 1.1 Analysis of the impact of tax reform on social protection and identification of tax revenues for social protection (analytical report)

The draft report on this matter was developed by the ILO international expert in October 2023. The report analyses different aspects of the tax and social protection reforms that have been implemented in Uzbekistan since 2019. The reform has had, and will have, profound consequences for the social protection budget in Uzbekistan, given the current obligations and the country's commitment to ratify international instruments such as ILO Convention No. 102. The report incorporates the available indicators concerning the social situation in Uzbekistan, brief policy descriptions of tax reforms and social protection programmes, the updated financial situation of the State (macroeconomic indicators regarding spending and revenues, FDI, etc.) and social protection indicators, including financial data as well as benefit adequacy, coverage and other factors. The data analysis is complemented by qualitative research conducted with the constituents (Government, trade unions and employers' associations) as well as pension fund representatives and other stakeholders (World Bank). The period under consideration is 2016-2023.

Activity 1.2 Costing of the unemployment insurance scheme (contributory and non-contributory sources of financing)

In 2022, the ILO began the exercise of costing an unemployment insurance scheme for Uzbekistan (contributory and non-contributory sources) by hiring two international consultants (actuarial) and one national expert (data collection and primary analysis). Their draft report on "Cost assessment for an unemployment insurance scheme in Uzbekistan" (still confidential) is partly complete. It presents the results of the cost assessment for an unemployment insurance scheme in Uzbekistan and includes projections, policy and financing implications. It references the International Labour Standards and discusses the specific unemployment measures currently in place in Uzbekistan. The cost assessment is based on data obtained from national ministries and agencies. The report is currently under discussion with actuarial specialists from ILO Headquarters and will be finalized soon. However, there have been difficulties in obtaining the critical data needed from the Government to complete the actuarial assessment, owing to administrative reforms, staffing changes and changes in the functions of different ministries.

Activity 1.3 Public discussion of options for combining contributory and non-contributory financing mechanisms

Two such discussions were conducted in September and November 2022 and one in April 2023, with representatives of the Ministry of Employment and Poverty Reduction, the Ministry of Economy and Finance, the Pension Fund, the Federation of Trade Unions, the Confederation of Employers and the Institute for Labour Market Research. As a result, the ILO received a brief document outlining the Government's priorities for unemployment insurance, together with suggestions put forward by workers and employers at the consultative meeting in November. In April 2023, the ILO presented the preliminary results of this work on the unemployment insurance scheme.

Activity 1.4 Public discussion on the revision of the unemployment insurance scheme and options for extending it to informal workers

In April 2023, the government ministries (Ministry of Employment and Poverty Reduction, Ministry of Economy and Finance) and the social partners discussed a possible unemployment insurance scheme.

Activity 1.4 International travel (Mission to Tashkent)

The mission by international actuarial consultants planned for 2023 did not take place owing to a failure to obtain critical data on employment programmes. The intention had been to discuss an unemployment insurance model with the tripartite partners and pass it on to them, but the administrative reform made it impossible to obtain the critical data needed for an actuarial model for 2021-22.

Output 2: Digital solutions for social protection system monitoring

Output status: Completed

Activity 2.1 Mapping the diverse existing databases and establishing links with a social protection strategy monitoring framework

The ILO reviewed the social protection databases of the pre-reform Ministry of Finance, Ministry of Employment and Labour Relations, Pension Fund, State Statistics Committee and Agency for Medical and Social Services.

Activity 2.2 Building a digital base for the National Social Protection Observatory

This activity was conducted in 2023 with the Development Pathways company. The Ministry of Finance issued a decree on a Social Protection Observatory and included it among its priorities for 2023. However, owing to the administrative reform and changes to the structure and staffing of the Ministry of Finance, as main partner, which impacted its internal communication channels and capacity to support activities planned with ILO involvement, the work on the SP Observatory was delayed. The Ministry of Finance became the Ministry of Economy and Finance – the largest ministry in the country. The deputy minister responsible for social protection issues changed three times in the first half year after the reform (Dec 2022 – Jun 2023) and the head of the Department for Social Protection and Poverty reduction also changed twice. The recruitment of new employees to the Ministry of Economy and Finance necessitated a complete restart of consultations on project activities. At the same time, the creation of a new body responsible for the coordination and management of the social protection system, the NASP, resulted in a lack of involvement in activities to support social protection on the part of the Ministry of Economy and Finance, and the subsequent redirection of all project activities to the NASP.

The NASP, as the leading government agency responsible for social protection, decided to establish the Social Protection Observatory as part of a national digital platform for social protection comprising various databases including an e-case management system and the Single Registry. It was agreed that the NASP would use the Social Protection Observatory in offline mode for one year and open it for public use in 2025.

Activity 2.3 Developing the functions (terms of reference) of the National Social Protection Observatory

The terms of reference for developing and establishing the Social Protection Observatory were discussed and finalized following a mission undertaken by Rodrigo Ortiz D'Avila Assumpção, an expert on Social Protection

Management Info Systems (SOC/ASU) in Tashkent in June 2022. On the basis of these ToR the ILO invited companies to tender in 2023. The technical part of the ToR was then finalized by the Development Pathways company and provided to the Government (NASP).

Activity 2.4 ILO expert mission to Tashkent

During the above-mentioned expert mission the following institutions were consulted: the Ministry of Finance (Social Protection, Single Registry and IT departments), the Ministry of Employment and Labour Relations (Centre for Project Management and IT products); UNICEF and GIZ (as main partners contributing to development of Single Registry in Uzbekistan). Round-table discussions were held with the Ministry of Finance, the Ministry of Employment and Labour Relations, the Pension Fund and the State Statistics Committee on 24 June 2022.

Output 3: Capacity Building and National Dialogue

Output status: Completed

Activity 3.1 Training workshops on social protection financing to increase capacities of MoF, other key national counterparts and social partners

Three training workshops were organized and conducted from April to July 2023 for tripartite constituents and other partners (Ministry of Economy and Finance, Pension Fund, NASP).

Activity 3.2 Training workshops: EMIS for Monitoring Framework for National Social Protection Strategy

One workshop was held in August 2023 for representatives of the Ministry of Economy and Finance, the Ministry of Employment and Poverty Reduction, the State Statistical Agency, the NASP, the Pension Fund and the Institute for Labour Market Research.

Online workshops on the ILO SSI database were organized for representatives of the Ministry of Economy and Finance and the National Agency for Social Protection.

Activity 3.3 Development Pathways mission to Tashkent

A technical expert from the Development Pathways company undertook a mission in August 2023 with the aim of agreeing on the technical terms of reference for Social Protection Observatory implementation and the placement of data on the servers of the NASP.

OUTPUTS: Overall delivery assessment¹			
<input type="checkbox"/>	Highly satisfactory Implementation of almost all (>80%) outputs is on schedule as envisaged in the implementation plan and almost all (>80%) indicator milestones have been met.	<input checked="" type="checkbox"/>	Satisfactory Implementation of the majority (60-80%) of outputs is on schedule as envisaged in the implementation plan and the majority (60-80%) of indicator milestones have been met.
<input type="checkbox"/>	Unsatisfactory Some (40-60%) outputs are being implemented on schedule as envisaged in the implementation plan and/or only some (40-60%) indicator milestones have been met.	<input type="checkbox"/>	Very unsatisfactory Few (<40%) outputs are being implemented on schedule as envisaged in the implementation plan and/or only a few (<40%) indicator milestones have been met.

¹ This is a self-assessment

Summary of outcome(s)

OUTCOME ACHIEVEMENT ²				
Indicator	Baseline (before project start)	Indicator Milestone (compare planned against actual)	Target (end-of-project goal)	Immediate Outcome Summary
Outcome 1: Improved national knowledge base and capacities to inform social protection financing and digitalization				
Output 3.1: Options for the combination of non-contributory and contributory mechanisms validated by constituents	N/A	1. Impact of tax reform on social protection and identification of tax revenues for SP validated; informs draft social insurance code. 2. Plan to reallocate one source of tax revenues for at least one social protection scheme agreed by constituents and included in the draft social insurance code. 3. Option for redesign of at least two social protection schemes to enable transition from non-contributory to contributory scheme agreed. 4. Costing validated by constituents. 5. Costing results incorporated into draft social insurance code.	ILO reports; Ministry of Economy and Finance reports. Draft social insurance code; Budget analysis conducted by MoF. Technical notes that: a) inform redesign of labour market measures so they include informal workers; b) propose inclusion of informal workers with contributory capacity into unemployment insurance scheme	On track: most milestones met

² Based on the M&E plan

Output 3.2. Digital solutions for social protection system monitoring	N/A	<p>1. Interoperability between existing, diverse databases is established to reflect social protection data collection and monitoring requirements.</p> <p>2. Functional modules of existing EMIS components held by the Ministry of Finance and the Ministry of Employment and Labour Relations include a module to monitor national social protection strategy.</p> <p>Digital data base is designed, produced and included in the existing system.</p> <p>3. Institution to perform functions of National Social Protection Observatory identified and has initial capacity to resume its functions.</p>	<p>ILO reports;</p> <p>Improved monitoring framework for National Social Protection Strategy;</p> <p>Monitoring module for social protection strategy prepared for integration into existing EMIS;</p> <p>Terms of Reference for National Social Protection Observatory validated by constituents;</p> <p>Institution(s) to perform functions of National Social Protection Observatory identified and begin(s) to function.</p>	
Output 3.3 Capacity building and national dialogue	N/A	<p>1. Increased capacity of at least 23 constituents' and partners' representatives (5 MoF, 5 from Pension Fund, 3 from Ministry of Economy and Poverty Reduction, 3 from National Statistical Office, 3 from Macroeconomic Research Institute, 2 from employers and 2 from workers' organizations) to adopt new approaches to SP financing.</p> <p>2. Increased capacity of at least 30 constituents' and partners' representatives (5 MoF, 5 from Pension Fund, 3 from Ministry of Economy and Poverty Reduction, 3 from National Statistical Office, 3 from Macroeconomic Research Institute, 2 from employers, 2 from workers' organizations and 7 from civil society organizations representing women, young people and people with disabilities) to contribute to data collection, use of EMIS and monitoring of the implementation of national social protection strategy.</p> <p>3. Social Security Inquiry data compiled by the Ministry of Finance.</p>	<p>ILO reports;</p> <p>Participants' pre and post training knowledge assessment reports</p> <p>Social Security Inquiry data base filled in and validated by constituents</p>	

► Gender and non-discrimination

The ILO ensured full integration of the principles of gender equality through policy advice provided at different government levels during the introduction of international social security standards into national legislation and the promotion of maternity protection for all women, including in the informal sector.

Women's rights and needs for social protection have been reflected in training materials on social protection, database development and other relevant topics. It has emerged that the statistics in Uzbekistan contain some data that is not gender disaggregated and some that is not comparable with international statistics on social protection, while sometimes data is either confidential or not available (mentioned during workshops on the ILO Social Security Inquiry database). This complicated and slowed down the process of data collection and analysis (not yet fully completed).

The ILO drew on the expertise of other United Nations Country Team (UNCT) members to address cross-cutting issues of gender equality and women's empowerment, access to healthcare, vital registration and labour market complementarities.

It will be necessary to continue promoting/supporting the mainstreaming of gender across all government social policies, as the Government has adopted the Gender Strategy until 2030 and is planning to implement the Global Accelerator starting from mid-2024.

3. Collaboration and partnerships

The strengthened presence of the ILO in Uzbekistan permits strong engagement with key partners. In 2022-2023, the ILO built a strong relationship with the key social protection actors in the country, namely the Ministry of Economy and Finance (policy development, financing, planning, M&E), the Ministry of Employment and Poverty Reduction (ALMPs and other employment-related activities), the Pension Fund (pensions and social benefits), the National Agency for Social Protection (newly established government institution responsible for the design, overall coordination and implementation of social protection programmes at all levels), as well as the social partners (Federation of Trade Unions and Confederation of Employers), research institutions (such as the Institute for Labour Market Research, the Institute for Macroeconomic and Regional Studies, the Centre for Economic Research and Reforms) and civil society (human rights activists, NGOs working on labour and social issues).

The ILO is the co-lead for the UN Group on Social Protection in Uzbekistan and the UN group on employment. Consultations with different UN agencies on creating synergies between different programmes are ongoing (including the Global Accelerator). Under the ILO regular budget supplementary account (RBSA) project on "Developing social protection policies and identifying fiscal space with IFIs", which complements the GIZ project, the ILO collaborated with the IMF to ensure that domestic fiscal space was found for social protection and that a solid and sustainable financing structure and budgetary prioritization for social protection schemes and programmes could be achieved. As a result, the IMF has included social protection in its Article IV consultations (published in 2022 on the IMF website).

The ILO is working on possible collaboration with the Asian Development Bank (ADB) to review and analyse the pension system in Uzbekistan.

The ILO facilitated the participation of ILO constituents and employers' and workers' organizations in public dialogue with the IMF on the subject of social protection being included in Article IV (with increased attention paid to labour and social protection). The social partners were thus able to develop their positions for their discussions of Article IV with the IMF.

At the same time, the ILO involved the social partners in discussions on the impact of tax reform on social protection and the identification of tax revenues for social protection, the costing of the unemployment insurance scheme and the options for extending unemployment insurance to informal workers.

4. Main challenges and corrective actions

One of the challenges encountered was the long process of selecting a suitable company to develop the Social Protection Observatory. Initially, within the framework of the project it was agreed to hire a local company for this task. Offers from several local IT companies were collected and discussed with the SP Department of the Ministry of Finance. However, during a meeting with the Deputy Minister of Finance, Mr. Jamshid Abruev, it was noted that all the modules for the Single Registry had been developed and enhanced by the Development Pathways company, and thus it seemed preferable to have the same company work on the online module for M&E purposes. The ILO had launched a tendering process which led to several unacceptably high-priced offers for developing the Social Protection Observatory. Development Pathways did not participate in the bidding, but the ILO launched negotiations with them and agreed that they would develop the Social Protection Observatory until June 2023.

The main challenges to project implementation arose from the institutional reforms in the country and the changes to the structure and staffing of all ministries and agencies, including the main partner, the Ministry of Finance, whose internal communication channels and capacity to support the activities planned with the ILO were impacted. The Ministry of Finance became the Ministry of Economy and Finance – the biggest ministry in the country; the deputy minister responsible for social protection issues changed three times in the first half year after the reform (Dec 2022 – Jun 2023) and the head of the Department for Social Protection and Poverty Reduction also changed twice. The head of the IT Department (responsible for supporting Single Registry) also changed twice. The recruitment of new employees to the Ministry of Economy and Finance necessitated a complete restart of consultations on project activities. This resulted in a tighter time frame for completing the interventions, due mainly to (1) initial coordination of the work plan with the Ministry as the main partner, and regular briefings, and (2) activity time-frame planning. At the same time, the establishment of a new body responsible for coordination and management of the social protection system, the NASP, resulted in lack of involvement in activities related to support of social protection on the part of the Ministry of Economy and Finance, and the redirection of all project activities to the NASP.

Changes to the structure of the Ministry of Employment and Labour Relations, which became the Ministry of Employment and Poverty Reduction, and to other government agencies responsible for development and entrepreneurship development at local level resulted in the loss of critical data on local employment support/social programmes in some government databases. This prevented the ILO from obtaining all the necessary data for costing the unemployment insurance scheme. Despite a number of official and unofficial requests to the Government (different ministries at different levels), some data (including in relation to disaggregation by gender) is still missing.

The establishment of the National Social Protection Agency also required new efforts from the ILO to respond to the Government's requests for ad hoc capacity-building activities and additional consultations on the design of an NASP organizational chart, the elaboration of key functions (especially on financing), the production of three analyses (Functional responsibilities of the financial department of the Social Protection Agency and Social Protection Fund; the use of additional and extra taxation to finance social protection; private sector participation in financing social protection programmes and the holding of workshops for regional branches of the NASP.

5. Summary and outlook

The ILO's presence is welcomed by the tripartite partners as well as other development partners. The Organization's mandate to support decent work will encourage stronger linkages between the contributory and non-contributory schemes but also linkages between social protection and job creation policies. Currently, the Government is interested in working with the ILO on further institutional capacity building in connection with social protection (including financing and costing), employment, formalization and actuarial work; actuarial assessments of social insurance schemes (such as maternity, pensions, injury, invalidity, and unemployment), drafting a concept document on pension reform and implementing the Global Accelerator.

Having been proposed by the ILO and UNDP as a potential pathfinder country for the Global Accelerator, Uzbekistan became a part of this global initiative in Summer 2023. The implementation of the Accelerator in Uzbekistan could further strengthen the linkages between social protection and employment policies and encourage a rapid scaling-up of project activities. A policy-mapping exercise and roadmap drafting are currently under way in close collaboration with other UN agencies and development partners.

Given these changes and the trends within the country in relation to social protection, it now seems essential to update the NSSP in accordance with new national priorities and the Global Accelerator process. Second, it also seems necessary to obtain an accurate estimate of the cost of the social protection strategy that reflects its updated goals and targets and the expected implementation timeline. Third, the search for additional funding (fiscal space creation) must be linked to that cost estimate and brought in line with the currently prevailing technical and political conditions in the country. It is critically important to establish a fully-fledged social insurance system. Fourth, the Ministry of Economy and Finance should continue advancing the Public Finance Management agenda in order to expand certain structural reforms that are required so as to improve the impact of social protection plans on the population. Finally, as the Ministry of Economy and Finance is acknowledged as the key leader in both the overall strategy formulation and the financing phases, and the NASP is the key leader in designing, coordinating and implementing social protection programmes, it seems important to further empower both of them to operate in a multi-actor context. Since both these institutions are also leading the Global Accelerator process in Uzbekistan, more technical support to the country will be required.