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LIVES



## Changing the law on state benefits

### The impact of lifting the Monthly Benefit for Poor Families (MBPF) in the Kyrgyz Republic

Between 1995 and 1998, the Kyrgyz Republic introduced a new model of social protection system, which included a targeted approach to the most vulnerable groups of population. Within the framework, the Monthly Benefit for Poor Families with children (MBPF) was one of the six social protection mechanisms implemented in the country. The MBPF was the only social cash transfer specifically targeted at the poorest households. Household's eligibility for receiving the MBPF was determined based on family income, which had to be below the Guaranteed Minimum Income (GMI), and the presence of children. In 2016 the GMI was set to KGS 900 (USD 13.2) per person. If the per capita income of the household was below this threshold, then for each child the Government transferred KGS 873 (USD 12.8). Both the GMI and the MBPF had been periodically reviewed and increased for all MBPF beneficiaries (Chart 1).

According to the Ministry of Labour and Social Development, in 2016, families of 275,00 children received the MBPF out of the 2,108,832 between 0-16 years old (13%) (Map 1).

In July 2017, the Government of the Kyrgyz Republic initiated some changes to the law on

state allowances ([Law No. 163, July 2017](#)) according to which new social allowances would be provided starting from January 2018. The new social benefits can be summarized as:

- The *balaga syynchy* (congratulations) - a one-time allowance for supporting the birth of a child;
- The *balaga jolok* (child support) - a monthly allowance for each child until the age of 3;
- The *yi bylogo komok* (family support) - a monthly allowance for families, who have three or more kids in the age of 3 to 16 and/or children with disabilities;
- The public welfare payment - a monthly allowance provided to families of children and persons who do not have the right to pension provision in accordance to the law (this includes elderly, orphans and people with disabilities).

According to the initial amendments planned to be made into the law, preliminary estimations of the newly established benefits for the families show that:

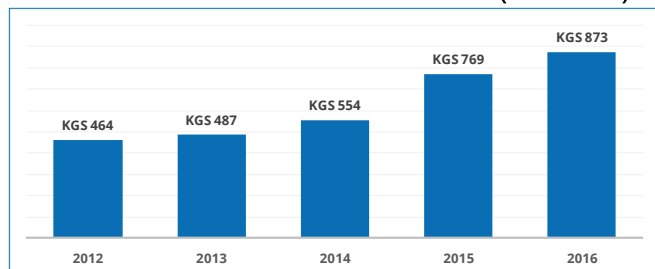
- Each household receives a one-time

allowance of KGS 4,000 (USD 59) for each newly born child;

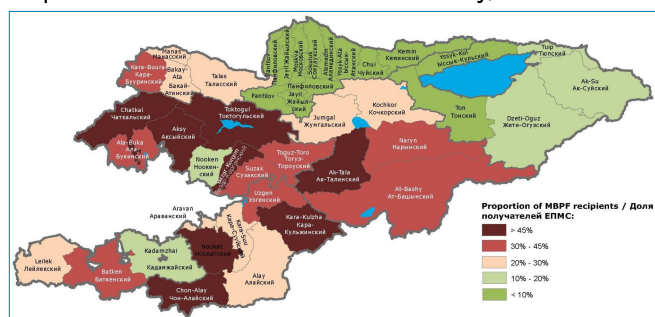
- Each household receives a monthly allowance of KGS 500 (USD 7.35) for each child until 3 years old;
- Every household with more than two children (or children with disabilities) receives KGS 700 for every additional child until the age of 16 (USD 10.2)

The amount of the allowances is to be adjusted every year by the Government considering the budget and the minimum living subsistence cost. The minimum living subsistence cost was set at KGS 4,794 (USD 70.5) in 2016.

Chart 1: Evolution of the MBPF transfer value (2012-2016)



Map 1: MBPF distribution across the country, 2016



In 2017, in the country there were 623,443 children between 0-3 year old and 1.6 million children between 3-16. Each year between 100,000 and 150,000 children are born.

The Government allocated KGS 2.96bln in 2016 for the MBPF. With the new amendments to the law on state allowances, additional KGS 1.8bln will be required.

Although the new law was planned to become operational in January 2018, its implementation was postponed to April. With the application of the new criteria, many former MBPF beneficiaries are now left without social protection. It has to be taken into consideration that in the recent years, the targeting methodology used for the MBPF has also been subject to wide criticism. In relation to this Ministry of Labour and Social Development took immediate measures to support those who are in need but not covered by the new law. The law thus was revised due to the risk of more than 16,000 households with less than three children being excluded from receiving the benefits. As a corrective measure, as of July 2018, all types of pensions will be

excluded from the total family income of the families while assessing their eligibility. Consequently, it is expected that the total number of children eligible to the MBPF will be 550,000. Additionally, families with one or two children between 0-16 and an income inferior to the GMI will also receive an allowance.

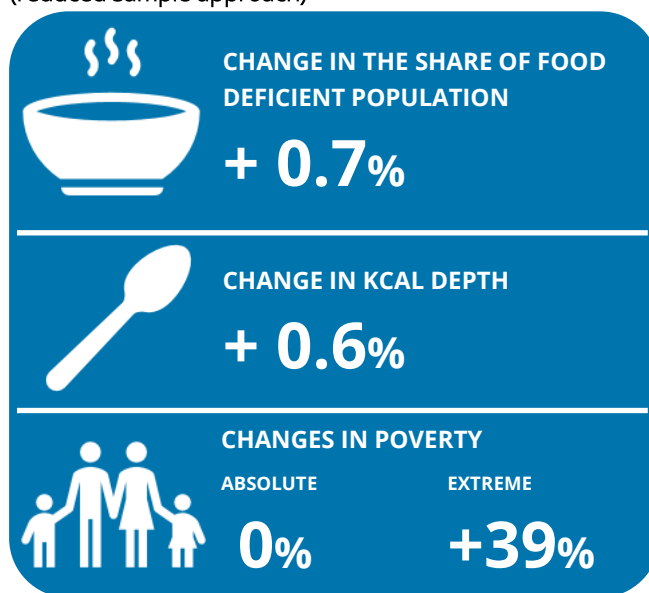
## THE ESTIMATED IMPACT OF THE NEW LAW

In November 2017, the World Food Programme launched the [Safety-Nets Alert Platform \(SNAP\)](#) in the Kyrgyz Republic in partnership with the National Institute of Strategic Studies (NISS). In face of the changes in the law on state benefits, WFP was requested to use the SNAP platform to estimate the impact of this change onto the Kyrgyz population.

To do so, WFP and partners used the latest available baseline (KIHS 2015) and, after adjusting it to the latest data and information coming from the National Statistics Center (NSC) of the Kyrgyz Republic, simulated the impact of the change looking at poverty—both absolute and extreme—and food security indicators.

In KIHS 2015 the percentage of MBPF recipients is 5% only, hence indicating a low representativeness of this group of the population. For this reason running the simulation on the entire sample would underestimate the impact of the new law on social benefits. Two alternative approaches were tested to conduct this analysis.

Chart 2: Impact of the changes in the law on state benefits (reduced sample approach)



The first approach sees the entire sample of non-recipients of MBPF being randomly shrunk to reflect the representativeness of the MBPF recipients. According to this approach, the impact of substituting the MBPF with the new state benefits will not impact absolute poverty, yet it will

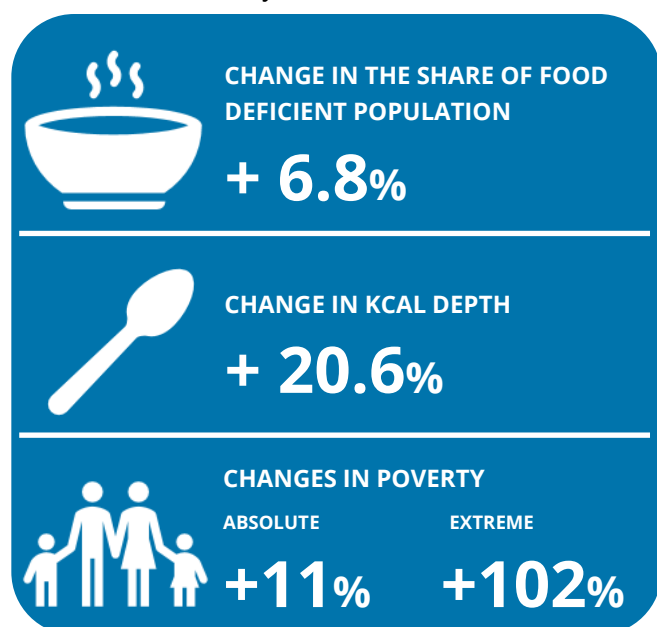
increase extreme poverty by 39%.

The changes will also have marginal impact on food insecurity (+0.7%) and kilo-caloric gap (+0.6%). Looking at income groups, the first quintile (poorest) is the mostly affected with a sharp increase in extreme poverty of 46% and an increase in food insecurity of 2%. This has to be taken as a concerning sign given the already high level of poverty and food insecurity of the poorest and most vulnerable group of the population.

The second approach taken into consideration involves the isolation of the small sample of MBPF recipients - out of whom 72% belonged to the poorest two quintiles - and the simulation of the impact of the changes in the Law No.163 of July 2017 on this group of the population only. Looking at this sample, 75% of the households that previously received the MBPF is now entitled to one or more new state benefits and 76% of them belong to the poorest two quintiles. The new law is estimated to lead to an average increase in absolute poverty by 11% (with a doubling of the extreme poverty), an increase in food insecurity of 6.8% and a 20% increase of kilo-caloric gap in the average food consumption of former MBPF beneficiaries. It has however to be considered that the reduced sample cannot guarantee statistical significance of the results, but rather be indicative for the direction and magnitude of change.

Finally, it is important to highlight that both approaches used to estimate the impact of the changes in the law on state benefits, indicate an increase in extreme poverty and food insecurity, leaving the most vulnerable behind.

Chart 3: Impact of the changes in the law on state benefits (MBPF beneficiaries only)



## METHODOLOGY

WFP used the [Shock Impact Simulation Model](#), a partial equilibrium model jointly developed by FAO and WFP. The simulation aims at replicating the economic behavior of households in the event of a shock to their income and to market prices. The economic behavior of each household is modelled through a Linear Expenditure System (LES) and a Linearized Almost Ideal Demand System (LAIDS).

The analysis is based on the Kyrgyz Republic Integrated Household Survey (KIHS) 2015 dataset and it uses the 2015 Kyrgyz population of 6mln.

The output indicators used in the analysis are:

- Share of food deficient population: the share of the population under the acceptable daily energy intake of 2,100 Kcal per person;
- Depth in Kcal: the energy deficit to the threshold of 2,100Kcal per person per day;
- Absolute poverty: the share of the population under the national poverty line at 2015 levels (KGS 2,631);
- Extreme poverty: the share of the population under the national extreme poverty line at 2015 levels (KGS 1,519).

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