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MAHALLAS IN UZBEKISTAN**

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Falling output and living standards have pushed countries in transition from the socialist system to re-consider how best to target public resources on those in need. The paper investigates the workings of a new social assistance benefit in Uzbekistan, the largest of the former Soviet Central Asian republics, administered by community organisations, the Mahallas. Household survey data are used to assess the scheme's success in targeting to the most vulnerable households, using a variety of indicators including income, durable goods ownership, agricultural assets, employment status, and anthropometric status of children.

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# TARGETING SOCIAL ASSISTANCE IN A TRANSITION ECONOMY: THE MAHALLAS IN UZBEKISTAN

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## Abstract

Falling output and living standards have pushed countries in transition from the socialist system to re-consider how best to target public resources on those in need. The paper investigates the workings of a new social assistance benefit in Uzbekistan, the largest of the former Soviet Central Asian republics, administered by community organisations, the Mahallas. Household survey data are used to assess the scheme's success in targeting to the most vulnerable households, using a variety of indicators including income, durable goods ownership, agricultural assets, employment status, and anthropometric status of children.

Keywords: targeting, social assistance, Uzbekistan

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## **1. Introduction.**

The decline in output and living standards in the 1990s discussed in more detail in the first article of this special regional volume, pushed countries in the former Soviet bloc to re-consider how to target public resources on the needy. New risks to the population appeared, such as open unemployment. Governments lacked the resources to tackle these problems, and systems of support inherited from the communist period sometimes proved inappropriate or difficult to adapt. In particular, social assistance schemes providing support of “last resort” were under-developed under communism, something associated in part with an official denial for many years that poverty could exist. This paper investigates a new scheme that has been developed in Uzbekistan, the most populous former-Soviet republic in Central Asia and one of the poorest republics in the Union at the end of the 1980s (Atkinson and Micklewright, 1992, Marnie and Micklewright, 1994).

Uzbekistan introduced a new social assistance scheme in late 1994, administered by traditional pre-Soviet local community groups, the “Mahallas”. Using their local knowledge, these groups decide which are the most needy families in the community, and, within certain limits, how much support they deserve. Guidelines instruct the Mahallas on indicators of living standards to consider, but no rigid formula is laid down. The system purports to tailor assistance more accurately to need than would alternatives and to avoid the development of additional state administration. Its introduction marked a clear break with the past when benefits were often administered by state-owned enterprises, with entitlement either being universal or linked to households’ formal cash income alone. About 1 in 6 households received benefit in 1995.

But does benefit really go to the most needy households? Or does the flexibility of the scheme, the lack of formal rules of entitlement, and the control by local communities mean that the money often goes elsewhere?

Section 2 describes the scheme’s details, including how the Mahallas’ expenditure is financed, and discusses apparent advantages and disadvantages in the design. The formal details, however, do not give an adequate picture of the system’s operation in practice. Section 3 discusses the data one would like in order to evaluate the scheme and contrasts this with what is available. Section 4 uses household survey data from 1995 and more limited data from 1999 to investigate the scheme’s success in targeting benefit towards households in need. Section 5 extends this with some simple multivariate analysis to show how receipt is

linked to various dimensions of living standards. Section 6 concludes.

## **2. The Uzbek Mahallas and the social assistance scheme.**

The Mahalla scheme started in Autumn 1994, coinciding with the removal of food subsidies, and represented the first attempt in Uzbekistan to provide assistance of last resort targeted at the needy. Administrative data record 21 percent of households receiving support in 1995 but there appears to be some double counting due to repeat awards to the same households. The figure of about 1 in 6 households in receipt given in the Introduction makes allowance for this. This level of coverage indicates widespread receipt but the level of support is modest. According to the 1995 survey used later in the paper, among households receiving assistance the benefit accounted for only a third of total cash income received in the previous month. The few data we have for subsequent years indicate that the scheme has become less generous over time (at least up until the year at which the available data cease).

The scheme's operation is detailed in instructions to the Mahallas from the Ministry of Labour and Social Protection, which is responsible for overseeing its administration. Most details have remained unchanged over time and new instructions issued in 2002 essentially repeated those from 1994.<sup>1</sup> We describe the key features below, but we start by giving some information on the nature of the Mahallas.

### *i) The Mahallas in Uzbek society*

Mahallas are neighbourhood committees based around a group of elders who traditionally try to resolve problems and conflicts within the community and help the needy in various ways. Although the Mahallas are not a religious organisation, they promote traditional Islamic ideas on social roles and behaviour. The Mahallas have existed for centuries in the Uzbek (and Tajik) cultures and managed to survive the Soviet period. The relationship with the Uzbek state changed notably following the break-up of the USSR with the government progressively incorporating the Mahallas into the state system – in many ways they now compensate for the loss of the communist party network. The chairman and secretary of each Mahalla are paid a salary by the local authorities and candidates for Mahalla chairman have to be approved by

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<sup>1</sup> Since 1997 child benefits have also been targeted through the Mahallas, and a separate set of instructions were issued in 1997 and 2002 to regulate allocation of this benefit.

local government offices. The committee deciding on requests for benefit contains state officials (described below).

There are about 12,000 Mahallas in Uzbekistan, with the number of households in each Mahalla area ranging from around 150 to 1,500, and averaging only about 400.<sup>2</sup> The chairman and committee members are in principle elected by the local population. There have been claims, however, that in the majority of instances, the members are simply appointed by the elders of the Mahalla, and that women very rarely participate in the committee (Poliakov, 1992: 77).<sup>3</sup> However, as in the previous communist party system, there is usually a Women's Committee within each Mahalla, to which women can turn with their concerns. In 2004 a new paid post restricted to women was created within each Mahalla as part of a presidential decree on women; the participation of women in recent protest movements in Uzbekistan has led to a concern to increase the social control function of the Mahallas.

#### *ii) Financing*

A key issue in a decentralized benefit system is the origin of funds used by the local bodies charged with allocating benefit. The Mahallas receive funds for social assistance almost entirely from central government. Funds are distributed by the Ministry of Finance through oblast (region) and raion (sub-region) offices. Once annual funds are allocated, no further money is available. Each Mahalla allocates assistance to households in the form of a monthly cash transfer granted for three months (renewable) which should be between 1.5 and 3 times the minimum wage.

Unfortunately, the criteria for allocating funding are unclear. Funds are said to have initially been distributed to each Mahalla according to the number of resident households, reflecting an intention to target the poorest families *within* each Mahalla, and not the poorest in the country as a whole. On this basis, the Mahallas in the richest areas should receive the same funding per resident family as those in the poorest. In practice the oblast or raion

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<sup>2</sup> Many Mahallas were in fact created in the 1990s, particularly in large urban areas where they have taken over from the *domkom* or "housing committee" of big apartment blocks. These Mahallas therefore lack any inheritance of a role based on traditional Uzbek culture. Mahallas are also a new feature in the autonomous republic of Karakalpakstan, one of the three regions covered in our survey data.

offices of the Ministry of Finance can apparently re-distribute funds between Mahallas but we don't know how often this happens or the amounts involved. (Griffin (1995: 152) reports on an example.) Since 1995, central funds are said to have been allocated according to the number of families receiving assistance in the previous year, but we are unsure what happens in practice.

*iii) Claim and award*

Households have to make a written application to their Mahalla or be recommended by the chairman of the Mahalla on his own initiative. A committee, comprising of “the most respected citizens”, advisors to the Mahalla chairman, and representatives from local offices of the Ministry of Labour, the Tax Inspectorate, and the Ministry of Finance then decides whether a household should qualify for assistance, and, if so, the amount to be allocated. This process includes a visit to the applicant's home. A report is compiled on the household composition, the employment status of members, income and assets, and access to and use of private agricultural plots. Following the committee's recommendation, a decision is taken at the next plenary session of the Mahalla, and the grounds for eligibility or refusal recorded in a special register.

The Ministry of Labour issues instructions to the Mahalla committees on how to identify needy households.<sup>4</sup> Assistance should be given to:

“households without the possibility to significantly increase their income by increasing the economic activity of household members... Material assistance is [to be] given mainly to large households with many children, households of the unemployed, households in which the main bread winner is an invalid, who has fully or partly lost the ability to work, households who have lost their breadwinner, and pensioners living alone.”

However, the instructions go on to state that benefit can go to any household which “has sound reasons for receiving it”.

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<sup>3</sup> One observer described to us that the traditional centre of the Mahalla was the *chaihona*, or tea-house, which is not noted for the presence of women.

<sup>4</sup> The quotations that follow are our translation from the Russian original.

Guidelines are given for assessment of need; some information must be considered:

“the composition of the household; the income received in the preceding month; an estimate of the household’s assets; the size of the agricultural plot and an evaluation of the possibility of receiving income from it.”

The instructions also specify that:

“In determining the assets of the family, the commission should look at expensive items, which are not vital for normal everyday survival of the family... e.g. a car, dacha plot, or other luxury items.”

As far as land is concerned (e.g. the household plot), the Mahalla must take into account the potential income obtained from land in the locality – with guidance that 100 square metres should generate monthly income at least as great as the minimum wage.

As these details indicate, the scheme contains firm guidelines and a considerable degree of formality. But there is much discretion: there are no circumstances stipulated in which committees *must* award benefit. Indeed, the instructions from the Ministry of Labour note that committees have the right to "independently determine principles and criteria" for awards.

#### *iv) Appraising the scheme's design*

The Mahalla scheme has several apparent advantages.

A1. Local knowledge of household circumstances is exploited that would be difficult to cover in a centrally codified system. This reduces households’ incentive to conceal their true circumstances. The discretion given to the Mahallas allows communities’ preferences to be reflected in the scheme’s administration. By using what is formally a non-governmental organisation, the scheme should entail lower administrative costs for the state budget.

- A2. Administration through community organisations should increase the diffusion of information and acceptance of the scheme's principles, increasing take-up from the needy and discouraging frivolous applications. Moreover, the Mahalla chairman can initiate an appraisal of eligibility without a household submitting a claim (or being aware of the scheme).
- A3. Several aspects of living standards are considered. This is important in an economy where assessment and verification of cash income is made harder than before by greater self-employment and fewer formal controls on economic activity. Income in kind is included; agricultural production on a household's land, a notable source of income throughout Central Asia, is taken explicitly into account.
- A4. There is an emphasis on the dynamics of poverty alleviation – help is to given to those households who "cannot significantly increase their income" rather than to just poor households *per se*. Awards are made only for three months and then a claim must be made.

To set against these features, several obvious disadvantages exist.

- D1. Discretion means that subjectivity and arbitrariness of a negative kind can enter. The procedures could result in discrimination against ethnic or religious minorities, either reflecting majority preferences within the community or resulting from abuse of power by Mahalla officials. Administrative skills in applying the rules may vary widely, especially given the small sizes of many Mahallas. The lack of any appeal mechanism against decisions will aggravate these problems.
- D2. The allocation of funds apparently takes little account of average living standards in each community and hence differences in the demand for benefit. If households' needs for support are judged against a common national living standard, the allocation system must result in some needy households failing to receive and some prosperous households obtaining benefit. This is an obvious concern unless one accepts a focus on reduction of differences in living standards solely within Mahallas. That focus is inappropriate as a principal aim for a national social assistance scheme.



D3. Administration costs to the state are not negligible. State employees participate in the committees investigating claims and the chairman and secretary of each Mahalla have their salaries paid by the state (although their functions run beyond the administration of the social assistance scheme). Monitoring costs are increased by the very large numbers of Mahallas.

D4. The public nature of application and award can have negative effects on claims.

Financial and psychic costs of take-up may lead some needy households not to apply. This is true of any means-tested benefit, but the administration of social assistance in Uzbekistan by an organization with its roots in traditional culture can be expected to worsen the problem for some households just as it may ameliorate it for others. Slav and other households not of Central Asian ethnicity – an important minority in large urban areas – may have a much less positive attitude to the Mahallas. Even among ethnic Uzbeks, attitudes to the Mahalla may vary.<sup>5</sup>

The apparent advantages and disadvantages of the scheme imply that benefit could be well targeted or poorly targeted, depending on the balance between the two. Empirical investigation of what happens in practice is needed.

### **3. Data Needs and Availability**

Two sources of data are required to assess the operation of the scheme: administrative records and household surveys.

Administrative records could reveal a lot: numbers of claims and awards, the importance of different reasons for rejecting claims, levels of benefit and total expenditure.

Administrative data would show how all these features have evolved over time. They would document geographical variation in the scheme's operation. Are benefit payments more

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<sup>5</sup> Poliakov presents a view of the Mahallas that one can imagine discouraging take-up among less traditionally inclined households; “each Mahalla committee regulates the entire social and personal life of its territory. It shapes public opinion, policing observation of norms of behaviour derived from Sharia, Abat and local practices” (1992: 77-78). However, it has also to be noted that the character and role of the Mahalla committees have been changing since the beginning of the 1990s.

common in some parts of the country than others; and how does this relate to geographical variation in living standards and, critically, the allocation of funds to the Mahallas? Although rules for allocating funds seem unclear, Ministry of Finance records must show what happens in practice.

Unfortunately, almost none of this information is available and any analyses within government are not in the public domain. If anything, less has been made available over time, reflecting increasing controls exerted by the state over many aspects of data and information. Some limited data ending in 1998 are shown in Table 1, indicating a scheme that was declining in importance. Expenditure on benefit in 1998 was half what it was in 1995, the first full year of operation, a reduction reflected in the fall in average benefit payment.

Even if they were readily available and well used, administrative records would not be sufficient. They do not allow comparison of circumstances of households with benefit and those without. For this we need household survey data that record both the living standards of households and whether they are receiving social assistance or not.

Uzbekistan, like other republics of the former USSR, has a long history of collecting survey data. But the official household survey inherited from the Soviet period had many weaknesses. The Soviet Family Budget Survey (FBS) had ‘a long history and a terrible reputation’ (Falkingham and Micklewright 1997: 48).<sup>6</sup> The FBS was a quota survey of households of workers in the state sector, on collective farms, and pensioners, with the quotas tending to over-represent industry and construction. The extensive investigation of the survey by Shenfield (1983) concluded that it was ‘highly unrepresentative of the population as a whole’ (p.3).

There was also very limited experience of analysis of the data within the Soviet republics. FBS data were collected by each republic’s statistical office and sent to Moscow. The Uzbek office, for example, was able to undertake only a few pre-determined analyses of the data with the computer hardware and software at its disposal. Anything out of the ordinary required manual computation and involved going back to the completed questionnaires. The problem was not just one of technical capacity. There was no ‘social science’ tradition of inquiry into targeting of resources or alleviation of need.

These twin problems of inadequate data and lack of analytic capacity and tradition persisted throughout the 1990s. The Uzbek part of the FBS contained some 3000 households

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<sup>6</sup> See also Atkinson and Micklewright (1992).

at the end of the 1980s and was expanded to 4250 households shortly after independence, with new quotas for each branch of the economy in an effort to increase its representativeness. But essentially the survey went on as before with, for example, no changes to the questionnaire or the systems in place to analyse the data.

In 2000, however, a new household budget survey was launched by the Uzbek statistical office with technical support from the German overseas aid agency, GTZ, and the World Bank. This has a modern probability design and should collect data that are representative of the Uzbek population. Moreover, it includes questions specifically on the Mahalla scheme: whether a household knows about the scheme, whether it has claimed benefit, whether benefit was granted and the amount in receipt, the reasons given for any rejection of a claim, and whether a household would apply for benefit if in need.

The new survey collects data each year that could be used to investigate many aspects of the scheme's operation. Unfortunately, the second problem inherited from the Soviet era continues: little analytic capacity and tradition. This is compounded by the government's reluctance to publish data or to undertake any self-critical analysis of its policies. In short, the information in the new survey, which represents an enormous step forward, is largely going to waste.<sup>7</sup>

In this situation we use other sources to say what we can. The first is a household survey we conducted with Uzbek counterparts in 1995. The European University Institute and University of Essex Survey in Uzbekistan (EESU) was a survey of nearly 1,600 households in three regions in June 1995, nine months after the Mahalla scheme was introduced. These regions – Tashkent city (the capital), Fergana and Karakalpakstan – represent different levels of average living standards. Most indicators show household welfare in Tashkent city (with over 2 million people) as higher than elsewhere, with Fergana (an agricultural region with some large urban areas) in the middle of the spectrum (Coudouel et al 1997). Karakalpakstan is considered one of Uzbekistan's poorest regions. The sample consists of about 500 households in each region, designed to be representative at the regional level with the sample drawn with a conventional probability design.<sup>8</sup>

The survey instrument contained a module on the Mahalla scheme, addressed to the head

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<sup>7</sup> The data from the new survey for 2000 were used in a World Bank assessment of poverty in Uzbekistan in 2002-3.

<sup>8</sup> Our national level results employ weights designed to produce a sample representative of the total population of the three surveyed regions. We thus weight by region and also correct for some under-sampling in rural areas. (See Coudouel (1998) for details.)

of the household – essentially the same questions now contained in the new budget survey. The household questionnaire also contained sections on household composition, housing and ownership of durable goods, and access to and use of agricultural plots. A questionnaire to all adults aged over 16 collected information on education, employment and incomes. Basic anthropometry (height and weight) were collected from all pre-school children, representing an important additional measure of living standards (Ismail and Micklewright 2001). The survey therefore provides various welfare indicators. Unfortunately, we were unable to supplement the data with any information on the Mahallas in which respondent households reside, such as the funds allocated for social assistance expenditure.

The second source is a survey of just over 500 households carried out in Fergana in February 1999, again with a conventional probability design. This was a pilot for the new official budget survey. Definitions vary slightly from our 1995 survey, but the modules in the two surveys' questionnaires on the social assistance scheme are identical. Although limited to one region, we can compare the picture of targeting at two points in time, shortly after the start of the scheme and four years later.

#### **4. A first look at targeting**

Figure 1 classifies households in the 1995 survey by their knowledge, claim history, receipt, and attitude towards the social assistance scheme. Four-fifths of households knew of the scheme and among these about a third had applied for assistance. Two-thirds of applicants were granted help – award was therefore far from automatic – and a small number of those not applying were granted benefit on the Mahalla committee's initiative – confirming this as a real possibility. Nearly 1 in 5 households were receiving benefit or had previously done so. The latter group is not negligible; about a fifth of those awarded benefit were no longer in receipt when interviewed, implying an annual outflow rate from benefit of about 25 percent, demonstrating a reasonable degree of turnover in the pool of beneficiaries.

Among those who had not applied, over half said they would do so if they were in “material difficulties”. The attitude of persons aware of the scheme seems rather positive – those who applied, who say they would apply, or who had accepted help represent over 70 percent of all households with knowledge of the scheme. But 40 percent of the full sample either had not heard of the scheme, or say they would *not* apply to it if in difficulty. The size of this group suggests that a significant take-up problem exists.

Table 2 shows knowledge of the scheme and incidence of receipt in each of the three included regions, distinguishing also between urban and rural areas. Both knowledge and receipt are more common in Fergana and Karakalpakstan and, within those two regions, in rural areas. The higher incidence of receipt in rural areas is particularly notable – twice that in towns and cities.

Table 3 is restricted to Fergana. It compares the situation in 1995 with that in 1999 when our data cover only this region. It shows how receipt varies with household income in 1995 and with household expenditure in 1999 (when comprehensive income data were not collected). In both years the amounts of any social assistance from the Mahalla are deducted from the figures since we wish to see how the benefit is targeted across the distribution of income or expenditure prior to the Mahallas' support. Figures are adjusted by the per capita equivalence scale in order to take into account differences in household size. (Figures for the three regions in the 1995 survey taken together are in fact quite similar to those for Fergana alone.)

Benefit coverage in 1995 falls from between a quarter and a third of households in the bottom two quintile groups to 1 in 7 in the highest. This is a reasonably steep (and encouraging) decline. How does it arise – through falling knowledge, fewer claims or a lower probability of benefit being awarded? Knowledge of the scheme is high and shows very little variation with income (column 2), although about 1 in 10 households in the lower part of the income distribution are ignorant of the scheme. Only half those knowing about the scheme and in the poorest fifth had applied (column 3). But claims for benefit among those with knowledge fall sharply with income; households in the bottom 40 percent were about twice as likely to have applied for assistance than households in the top 40 percent. The last column shows that given a claim is made, a rich household is broadly speaking as likely to get benefit as a poor household. It is the poorer households' greater propensity to *apply* for benefit that leads to a greater proportion of them being in receipt.<sup>9</sup> This shows there is a considerable element of 'self-targeting' present in the scheme.

Targeting in 1995 seems not unreasonable. The lower half of the table shows the situation in 1999. Several features stand out. First, the data show fewer households in receipt, reflecting the decreasing coverage shown in administrative records for the whole

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<sup>9</sup> The table does not show how average benefit paid to recipients changes across the income distribution. There is in fact very little change, which means that the shares of total benefit

country in Table 1. Second, the fall in the probability of receipt in 1999 as expenditure rises is similar to the fall with rising income in 1995, once the overall decline in coverage is taken into account: households in the poorest 40 percent are again about twice as likely to have benefit as those in the richest 40 percent. Second, knowledge is slightly higher in 1999 but still not universal. Third, surprisingly the frequency of claims had not increased much from 1995. (NB households in the two surveys are not the same ones – the data are two separate cross-sections.) And fourth, the number of claiming households awarded benefit was sharply down, from 72 percent to 44 percent. The Mahallas appear to have reacted to the reduction in funds by reducing the number of awards they make. But the main reason for the difference in probability of benefit between poor and rich households remains that the latter are less likely to make claims.

#### **4. Linking receipt to various measures of living standards**

Cash income over one month, the period for which our 1995 survey collected income data, is not a very strong indicator of household living standards in a country such as Uzbekistan. Household expenditure, collected in the 1999 survey of Fergana, is probably a better indicator, but this again measures just one dimension of well-being. And neither income nor expenditure will be perfectly recorded. In this section we relate benefit receipt in the 1995 survey to a range of household characteristics that should be related to living standards.

These characteristics both proxy income unobserved in the survey and directly reflect household well-being in their own right. Some are explicitly mentioned in the guidance given to the Mahallas on the assessment of need, e.g. number of children and the unemployed. Besides monthly cash income (minus any social assistance in payment), they are an index of durable good ownership, whether the household owns a means of motorised transport (car or motorbike), whether it owns land (or has a household plot), whether it owns livestock (cattle, sheep or goats), whether the household is headed by a woman, whether there is anyone unemployed in the household, the total number of children in the household, and the anthropometric status of young children (whether any children are ‘stunted’, i.e. low height given their age).

Rather than looking at the association of these variables, one by one, with receipt of

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expenditure going to each income group correspond closely to the percentages of household in receipt.

benefit, we analyse the probability that a household receives benefit as a function of all the variables taken together. To do this we use logistic regression, in which the probability of receipt of benefit for a household,  $P$ , is given by the function  $1/[1+\exp(\mathbf{B}\mathbf{X})]$  where  $\mathbf{X}$  is a set of variables that we measure for each household and  $\mathbf{B}$  are their coefficients to be estimated. These coefficients show the impact of each variable, holding other variables constant. Given the mathematical form of the logistic regression function, the marginal impact of any variable  $X_m$  on the probability  $P$  is given by  $P.(1-P).\beta_m$  where  $\beta_m$  is the coefficient of  $X_m$ . This takes its highest value when  $P$  equals 0.5. At this point, the marginal impact of a variable is found by dividing its coefficient by four (i.e. multiplying by  $0.5.(1-0.5) = 0.25$ ). For example, if a coefficient is 0.4, this means that the variable in question changes the predicted probability of receipt by up to 10 percentage points.

Besides variables designed to measure living standards, we also include variables that are intended to assess whether there are unequal outcomes for households with similar living standards, i.e. to measure ‘horizontal inequity’. A just social assistance scheme should result in no variation of receipt with characteristics such as locality or ethnic group, so long as we control for households’ living standards with the variables listed above. We test for such variation with several crude measures of geographic location and a variable measuring ethnicity: dummy variables for Karakalpakstan and Fergana (the base is Tashkent), for towns (urban areas below 100,000 people) and for rural areas, and for households headed by someone of Central Asian ethnicity. The allocation of funds to Mahallas may favour different parts of the country. The scheme’s operation may be more generous in the countryside where monitoring may be harder. The nature of the Mahallas may increase take-up from the majority Central Asian ethnic groups. (Central Asian ethnicity is almost universal in Karakalpakstan but nearly 1 in 10 households in Fergana and a half in Tashkent are of another background, typically Slav.) Of course, all these indicators may partly proxy household living standards that are not measured in the data, some of which at least can be observed by the Mahalla committees investigating claims to benefit. One of the purposes of decentralised social assistance is that the local authorities responsible for delivery should take locally-available information into account. For example, there may be greater need in rural areas for support, not all of which we can measure with other variables. However, it is unlikely that all the association found between receipt and the ‘horizontal equity’ variables is explained by their correlation with aspects of well-being not recorded in our survey.

The results in Table 4 contain some surprises. The first variable, income is completely

insignificant. The strong association of income with receipt shown earlier in Table 3 appears to reflect the correlation of income with other factors. Key among these is ownership of durable goods, something that is easily assessed by the Mahalla when visiting claimants. The index of durable goods (that ranges in value from 0 to 1) and the dummy variable for ownership of transport both have powerful negative and significant effects on the probability of the household receiving benefit. Evaluating at the average probability of receipt, the marginal effect of one additional durable good is to reduce that probability by some 5 percent points. Ownership of transport reduces the probability by up to 15 points. The plot and livestock variables measure agricultural assets. Surprisingly, ownership of a plot has a positive effect on receipt, similar in absolute magnitude to that of transport ownership. Ownership of livestock has no discernible association with benefit, other things equal. There appears to be no simple picture of greater agricultural assets being associated with a lower probability of receipt (controlling for other factors). Finally, benefit is much more likely with more children in the household, in female-headed households, and in households with unemployed persons. If the head is a woman, the household is up to 30 percent points more likely to get assistance after other factors are taken into account. The presence of a stunted child in the house is however a ‘dog that does not bark’ – the variable has no significant effect. Some 15 percent of children aged 0-6 in the sample are moderately or severely stunted – height-for-age more than two standard deviations below the standard international benchmark for their age. The simple correlation in the data of receipt with stunting is positive (Micklewright and Ismail 2001). However, this association is not present when other variables are controlled for.

What of the ‘horizontal equity’ variables? Benefit is substantially more likely in Karakalpakstan than in the capital Tashkent (the base category), but not in Fergana. It is also more likely in rural areas. The pattern of incidence across the three regions in Table 2 is clearly therefore not just the result of differences across the country in levels of living standards measured by income, durable assets or other included variables since these variables are controlled for in the logistic regression model. Benefit is somewhat less likely in towns than in the base of large cities. Central Asian households are up to 15 percentage points more likely to get benefit.

Overall, the results provide mixed evidence on the degree of targeting. Most variables that are proxies for unobserved income or are indicators of living standards in their own right, have the expected sign. But cash income is insignificant. The variables intended



to test for horizontal inequity give results that are not encouraging: controlling for other characteristics, locality and ethnicity make a sizeable difference, although part of this may proxy differences in living standards between households that are not observed in the data.

We can summarise the overall picture by using the results to calculate predicted probabilities of benefit for two hypothetical households, one with characteristics implying low living standards, i.e. a 'poor' household, and one with the opposite, i.e. a 'rich' household. The 'poor' household has income at the 10<sup>th</sup> percentile, has no durable goods, no transport, no livestock (or plot), four children and at least one unemployed member. The 'rich' household has income at the 90<sup>th</sup> percentile, has 5 durable goods, a means of transport, livestock (and a plot), and no children or unemployed member. Other characteristics are fixed at their mean values for both types of household (including the variables intended to measure horizontal inequity).

The poor household has a predicted probability of receipt of 0.32 while that for the rich household is only 0.02. On the one hand this is a satisfactory picture for two reasons. First, there is a huge difference in the probabilities of receipt between the two types of household. Second, the rich household's probability is practically zero. On the other hand, the poor household's predicted probability of getting support is not that high, being well short of even 0.5.

## **6. Conclusions**

The social assistance scheme administered by the Mahallas in Uzbekistan provides an interesting example of a highly decentralized and flexible system of targeting.<sup>10</sup> The scheme's rules embody no formal set of necessary or sufficient conditions for benefit. But it delivers benefit much more frequently to the less well-off than to the better-off, as summarized by our predictions for rich and poor households. In this sense, the results are a positive demonstration of the potential for flexible community-based schemes of social assistance. And much of the targeting seems to come through richer households correctly recognising that the scheme is not for them – the probability of making a claim falls sharply with income level.

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<sup>10</sup> We have not discussed the extension of the Mahallas' administration of benefits to the targeting of child benefits and maternity benefits, from 1997 and 1999 respectively (see

However, some less satisfactory results also emerge from the survey data, a reminder of the drawbacks of informality and flexibility in system design. First, holding constant measures of living standards, households in certain parts of the country and those of Central Asian ethnicity are more likely to benefit. Second, the probability of getting benefit is not that high even for poor households.

A part of both the success and failure in targeting probably stems from the nature of the Mahalla as an institution in Uzbek society. This may have helped the benefit scheme be accepted locally as a poverty alleviation programme, promoting the ‘self-targeting’ alluded to above. But it may have hindered knowledge of the scheme among Slav households. The increasing influence exerted by the Uzbek state over the Mahallas since the scheme’s inception should have reduced any arbitrary exercise of local power but it is also likely to have reduced any positive aspects of genuine community autonomy. The limited evidence from the 1995 and 1999 comparisons suggests that the degree of targeting on the poor was roughly constant over this period. We have stressed that the necessary household survey data to monitor the scheme’s current performance and its changes from year to year do now exist. But they need much more use both inside and outside government.

A key issue in design of decentralised benefit systems is the provision of the necessary funds to the responsible institutions. All Central Asian countries have faced the problem of decentralising some responsibility for functions of the state but at the same time providing adequate and transparent funding so as to ensure that need is met. The Uzbek scheme seems far from ideal in this respect. Lack of data again mean that we have been unable to shed sufficient light on the subject. But more attention to the appropriate provision of funds to different Mahallas might have as much or more effect on targeting as any further monitoring by the central authorities of the Mahallas’ decisions on the allocation of the funds at their disposal.

Other countries in Central Asia – and elsewhere – may look to the Uzbek scheme as a model for possible adoption (assuming that suitable local community groups to administer such a scheme could be identified). Our analysis shows that caution would be needed, with a clear understanding of the drawbacks as well as the attractions.

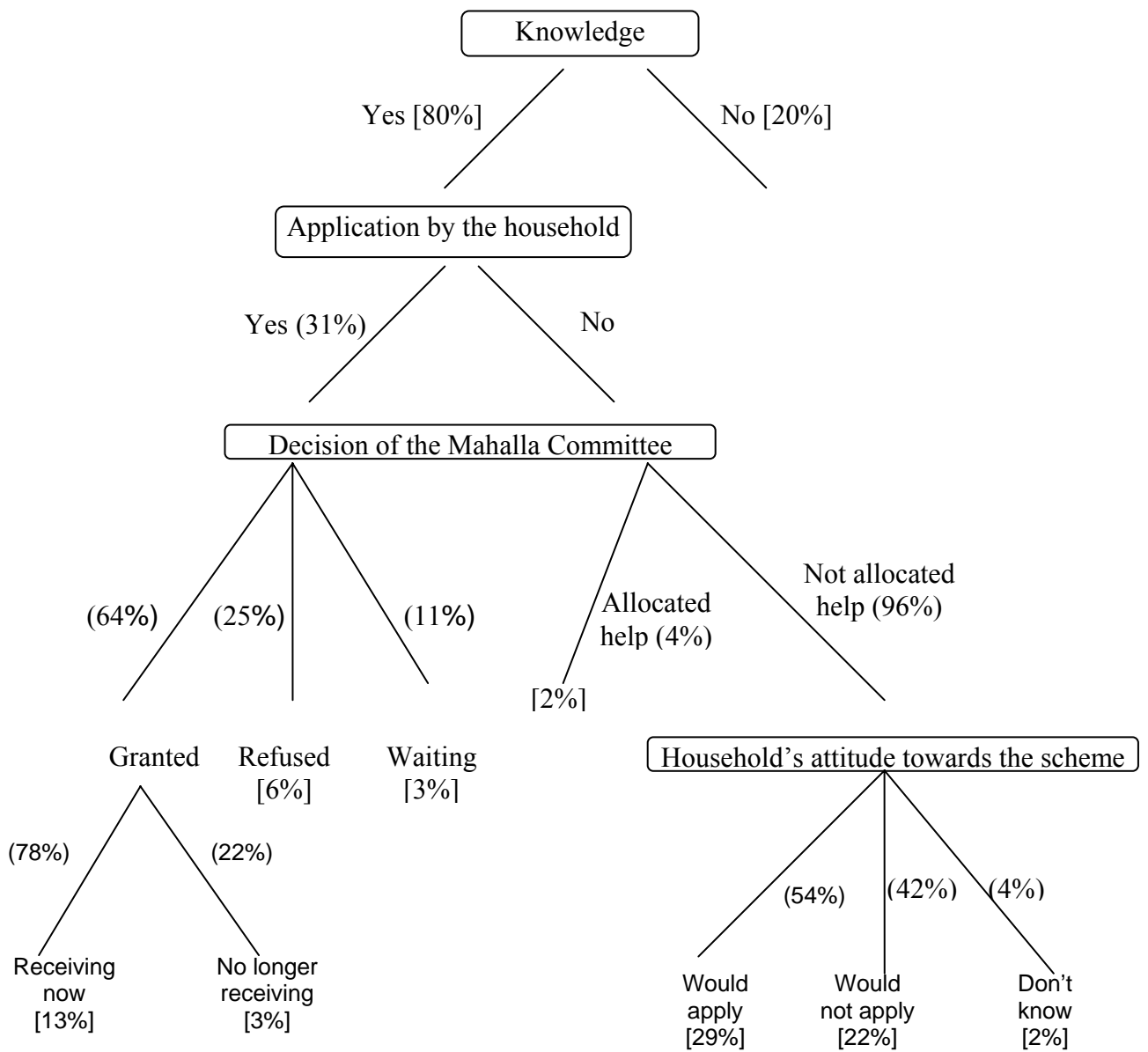
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Coudouel and Marnie 1999). Many of the issues discussed in this paper also apply to those schemes.

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**Figure 1: Knowledge, claims, awards, and attitudes to social assistance**



Note. Figures in square brackets give the percentage of the total sample in each group. The figures in round brackets show the percentage at each stage. Weights are applied for both urban/rural sampling and for oblast sample size.

**Table 1. Social assistance payments and expenditure, 1995-98**

	1995	1996	1997	1998
% of households with benefit	21	15	17	n.a.
Av. benefit as % of av. wage	24	24	19	16
Av. benefit as % of av. pension	59	61	55	43
Total expenditure as a % of state budget	1.9	2.2	0.8	0.8

Source: unpublished data from administrative records.

**Table 2: Knowledge, claim and incidence of benefit, 1995**

	Tashkent	Fergana		Karakalpakstan	
	city	Urban	rural	urban	rural
Knowledge (% knowing the scheme)	69.9	80.6	89.5	86.1	94.2
Incidence (% receiving benefit)	10.5	13.1	27.6	18.9	36.4
Sample size	552	191	280	333	225

Note. Households no longer receiving benefit are included among recipients in this table.

**Table 3: Receipt, knowledge, claim and award by household income: Fergana 1995 and 1999**

Income quintile group	1. Benefit received (%)	2. Know of the scheme (%)	3. Claimed (among those with knowledge) (%)	4. Awarded (among those who claimed) (%)
1 (poorest)	27	87	48	65
2	33	89	44	82
3	15	87	24	74
4	12	88	21	64
5 (richest)	14	84	25	67
All hshlds.	21	87	33	72

Expenditure quintile group	1. Benefit received (%)	2. Know of the scheme (%)	3. Claimed (among those with knowledge) (%)	4. Awarded (among those who claimed) (%)
1 (poorest)	17	94	48	64
2	19	92	42	73
3	16	93	33	69
4	11	88	28	76
5 (richest)	8	92	24	67
All hshlds.	14	91	35	72

Note. Households no longer receiving benefit are included among recipients in column 3. Income in 1995 is that received in cash in the previous month (excluding income due but not received) and excludes any social assistance received from the Mahalla. Social assistance from the Mahalla is also deducted from the 1999 expenditure figures (expenditure is that in the previous month). Both income and expenditure are equalised for differences in household size by the per capita scale (which embodies an elasticity of household needs with respect to household size of 1.0).

**Table 4: Logistic regression of the probability of receipt of social assistance**

	coeff.	p value
<i>Welfare variables</i>		
Income (log)	-0.04	0.72
Durable good index	-1.44	0.00
Own transport	-0.63	0.00
Own plot of land	0.51	0.03
Own livestock	-0.44	0.02
Children (number)	0.21	0.00
Stunted child present	0.06	0.78
Female head	1.17	0.00
Unemployed persons present	0.43	0.02
<i>Horizontal equity variables</i>		
Fergana	0.21	0.48
Karakalpakstan	0.67	0.03
Town	-0.46	0.12
Rural area	0.57	0.04
Central Asian ethnicity	0.66	0.04
Constant	-2.93	0.00
Sample size	1,581	
Pseudo-R <sup>2</sup>	0.15	

Note. Income is that in cash, received or due from all sources in last month (excluding any income from the Mahalla) and is equivalised using the Uzbek Ministry of Labour scale, which approximates an elasticity of needs with respect to size of 0.7. The durable good index is defined as follows: for each of 5 durable goods (fridge, colour TV, washing machine, tape recorder, sewing machine) a household scored “1” if the good is present; the total is then summed and divided by 5 (the index therefore ranges from 0 to 1.)