

Design of national COVID-19 response and recovery policy, economic and social impact mitigation measures, women's economic empowerment, and the care economy development in the Republic of Kyrgyzstan



List of acronyms

ADB	Asian Development Bank
CWD	Children with disabilities
EAEU	Eurasian Economic Union
EI	Emergency incident
GDP	Gross domestic product
ILO	International Labour Organization
KGS	Kyrgyzstani som
MIA	Ministry of Internal Affairs
NSC	National Statistical Committee of the Kyrgyz Republic
PPP	Public-private partnership
PRC	People's Republic of China
PSP	Public social procurement
PWD	Persons with disabilities
RoK	Republic of Kazakhstan
SDG	Sustainable development goal
SM	Subsistence minimum
UN	United Nations
UNECE	United Nations Economic Commission for Europe
UNFPA	United Nations Population Fund

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1. Summary

This report contributes to the development of COVID-19 recovery efforts and economic and social strategy and priority actions in the Republic of Kyrgyzstan, based on the gender-sensitive approach and the strengthening of the care economy strategies in the post-pandemic recovery period¹.

The issue of paid and unpaid care work falls within the future of the world of work. Care work is essential for reproducing the future labor force, ensuring the health and education of the existing labor force, and caring for the growing number of older people. Care services are essential for developing current and future gender-equal labor markets.

The existing gender stereotypes and inadequate understanding of the care economy jeopardize the country's sustainable development, women's economic empowerment, and their status in general. The current financial situation in the country calls for faster yet more effective recovery measures, with education, healthcare, care economy, and social protection measures considered as investments in the quality of peoples' lives and development opportunities for the state.

Investment in the care economy has a more significant transformative potential for the economy and society. The development of the care economy sectors has become even more relevant during the pandemic.

The COVID-19 pandemic has made visible already existing systemic inequality issues and exacerbated the position of women in Kyrgyzstan. In 2020, the poverty rate rose to 25,3%, whereas GDP has fallen up to 8,6%, being the country's worst economic performance over the past twenty years. Women were severely affected by the financial crisis and the adverse changes in the labor market related to the lower economic activity of small and medium-sized businesses in such sectors as tourism and hospitality, wholesale and retail trade, and food services. The fragmented fiscal policy measures and subsidies have failed to address the issues of low economic activity in the country, especially among women. Employment support measures have not met the needs of the labor market in the context of the pandemic and the recovery efforts. The care services market remains underdeveloped, thus increasing the unpaid care burden on women. Gender pay gap and pay discrimination during the emergency pose a challenge to further pandemic response efforts and have already led to the employee turnover from the care economy sectors, which are most actively engaged in the fight against the pandemic and its aftermath.

An analysis of the national policy on the care economy development shows that the institutional framework for its promotion on the government level and on the level of the development partners is either absent or inadequate. This issue is only partially included in the active agenda of development partners who promote gender equality policies, social protection, work and employment improvement measures, and women's empowerment. The potential of the care economy as a tool of an integrated and consolidated approach to achieving SDGs is not fully realized.

This report represents an overview of the main policy areas of the development and implementation of public post-pandemic recovery policies through the gender lens and from the perspective of the care economy development factors.

Besides, the report presents key recommendations for integrating the care economy and gender approach into the state programs on the country's social and economic development. It will accelerate the country's recovery after the COVID-19 pandemic and ensure an appropriate, rapid response to current and future challenges related to the situation of the most vulnerable groups. The key recommendations also address the ongoing process of legislation improvement and designing the country's public policy on the social and economic development until 2026, given recent effects on the state, region, and global levels.

The proposed recommendations have been discussed in the development of the National Development Program of the Kyrgyz Republic until 2026 and the Cabinet of Minister's Action plan for the Program's realization. Individual recommendations have been considered and included in the mentioned strategic

¹ This report is part of the United Nations Development Account tranche 13 project: Strengthening Social Protection for Pandemic Response. The project aims at strengthening national capacities to design and implement social policies for rapid recovery from COVID-19 and for increased resilience to future exogenous shocks. The UN Economic Commission for Europe (UNECE) and the UN Women Regional Office for Europe and Central Asia collaborated to implement the project for the region.

documents and considered in the process of reviewing and adaptation of relevant legislative and programmatic documents.

Economic stimulus action and tax policies impacting the care economy and employment protection

Usually, the state subsidies in Kyrgyzstan are provided to the entities involved with export operations. Care services have not been prioritized among the subsidized sectors.

As a part of the state support measures, the government provided loans to the entities which had already received credits in the country's financial institutions and were experiencing economic hardship due to the COVID-19 pandemic. During the pandemic, the government did not reorient its subsidiary policies; there was no increase in the subsidies to the care economy sector. In 2020, the service and education sectors received additional grants up to the 1.4% of the sector's total funding. Besides, the government provided grants to the healthcare and pharmaceutical services sectors in 1.2% of both sectors' funding. The following women-dominated sectors of the economy have also been subsidized: light industry (up to 5,0% of the sector's total funding), tourism – up to 6,2%, trade – up to 12,3% of the sectors' total funding.

A three-year (2022-2024) ban on the state audit of business entities was temporarily introduced. SMEs' insurance contribution rates were reduced from 27,25 % to 22 or 14%, depending on the employees' number and salaries.

Since 2008, a tax policy has become an engine for developing early childcare services. In 2009, *rody* there was a significant increase in the number of private and community kindergartens, which increased access to preschool education services by three times. In 2021, a tax legislation reform was launched in the country, followed by heated public debates. The draft version of the new Tax Code provided the exclusion of private preschool and educational entities from the preferential taxation system. No gender analysis of this draft law had been made. But discussion on the recommendations on strengthening the care economy strategy allowed regaining the tax legislation's positive achievements and reducing the pressure on the care economy sector related to the education system.

The informal sector represents a significant part of Kyrgyzstan's economy. The research shows that recently the informal sector makes up to 25–50% of the national economy, undermining the country's sustainable growth. Some 71,8% of workers are employed in the informal sector. According to the ILO, informal employment in Kyrgyzstan accounts for 68,1%. The prevalence of informal work for women influences their empowerment.

The employment rate of working-age women is lower than the employment rate of a working-age male population. Women are more at risk of unemployment, and the unemployment rate among females is higher than among males. Besides, female unemployment is closely connected to their reproductive and working age. Female workers are overrepresented in the low-paid sectors of the care economy while being the most involved with the pandemic response efforts.

Though 2020 was marked by an increase in unemployment and poverty rates, there were budgetary savings on unemployment benefits and training and retraining programs for unemployed people.

Unpaid care work

Traditionally, women in Kyrgyzstan carry a disproportionate amount of unpaid domestic and care work. The NSC's time use survey (2021) demonstrated that women bear the most of childcare and elderly care. Unpaid domestic and care work are among the key factors affecting women's participation in the labor force.

The country's labor legislation (article 137 of the Labor Code) provides additional unpaid parental leave for children under age 3. Women are entitled to a paid maternity leave starting 70 calendar days before the expected birth date and, in the case of normal delivery, for 56 days more. In case of a complicated delivery or multiple pregnancy the maternity leave lasts for 140 days. During the pandemic, increased maternity benefits or prolonged maternity leave issues were not addressed. An average maternity benefit amounted to 47,8% of the subsistence minimum.

The COVID-19 pandemic and subsequent lockdown have aggravated the status of women by increasing the burden of their domestic chores and unpaid childcare responsibilities. 80% of women

reported they had experienced an increase in time spent on household work compared to 58% of men. Apart from that, women had to care for sick and recovering family members, including older and disabled persons. Since the labor legislation did not stipulate the "remote work" provisions, women faced difficulties juggling their career and caregiving responsibilities while childcare institutions were closed and movement restricted. The state pandemic response measures did not provide for a childcare leave for parents of preschoolers when the daycare premises were closed. As the pandemic unfolds, more jobs are lost, and more women are forced to quit the labor market.

Kyrgyzstan has an experience of recognition and reduction of women's unpaid care work. In 2017, the State Allowances Act provided for the introduction of a universal child benefit for all children under three y. o. (*'balaga zhooq'*) – however, this measure had later been canceled and did not come into force. In contrast, in 2018, a new state-funded payment system was introduced, allowing parents or caretakers of disabled children to hire or act as personal carers to provide care to these children.

Paid care work and income protection of paid care workers

In Kyrgyzstan, care policy is closely linked with social security, healthcare, and education systems, especially state benefits payment, social and healthcare services, and preschool education.

At the policy level, the development of care services is considered in terms of forming and strengthening the state infrastructure of the care economy rather than developing the care services market. During the pandemic shutdown, this infrastructure-centered approach seriously affected access to care services for children, disabled, and older people, thus exacerbating the women's care burden. The care services market remains very limited.

Due to the development of pre-primary education services and innovative preschool education programs, the number of preschool education facilities is steadily increasing. In 2020, there were as many as 1,648 pre-primary education facilities, which is 1.3 times more than it was back in 2016. The number of private preschools is also growing.

The advantages of small-sized private preschools became evident during the pandemic as these institutions were able to provide access to pre-primary education even in the context of COVID-19-related restrictions.

Licensing and accreditation of educational organizations, especially preschool facilities, usually depends on their infrastructure or institutional assessment results. It makes the licensing and accreditation process for small-sized preschools harder as they might have a poorer infrastructure. However, they can still provide childcare services meeting the basic early education standards. Besides, these facilities perform essential social functions of ensuring children's access to pre-primary education and women's economic empowerment.

According to NSC, 78% of children aged one to six were not covered by preschool education. The results of the Multiple Indicator Cluster Survey (MICS) "Kyrgyzstan, 2018" demonstrate that the level of preschool childcare and education coverage is lower among the younger children aged three to four (39%) than among older preschoolers aged five to six (65%).

Provision of long-term care is interconnected with various factors, such as disease severity or enduring disability, the need for palliative care, and the underdeveloped status of rehabilitation services. In Kyrgyzstan, long-term care is usually provided to persons with mental disorders in public healthcare facilities. In other cases, the service market remains underdeveloped. It exists as informal care work of women or nurses who provide social and medical care outside of their formal employment in healthcare organizations.

The Government program on public health protection and healthcare system development for 2019-2030 called "Healthy person – prosperous country" addresses the design and implementation of new types of health assistance and budgeting, such as nursing, rehabilitation, and palliative care. Thus far, there is no sustainable state support mechanism for these services.

In much of the country (on 70% of its territory), there is no adequate physical access to non-clinical social care. Non-state service providers offer up to 72% of partial hospital care. Most of them are non-commercial organizations established as a part of internationally funded projects. Such organizations offer their services only throughout the project, making these services highly unsustainable. Upon the projects' completion, service centers also cease their operations.

The country's first pandemic response plan and respective parliament and government decisions included offering short-term employment opportunities by increasing the number of social workers. However, up until now, there has been no increase in their actual number. No effective mechanisms of care for unattended children of hospitalized parents were elaborated. The COVID-19 pandemic highlighted the need to reform the country's complex and fragmented social protection system, which is unable to provide adequate services in an emergency.

A new state benefits system for poor households with children was not introduced due to the COVID-19-related restriction measures and a complicated and maladministered process of eligible families' selection. Older and disabled persons, orphans, and their caregivers faced similar problems. Besides, a lack of digital skills and technical capabilities among these disadvantaged groups and social security workers undermined an attempt to digitalize the provision of social services.

During the pandemic, food aid was provided to needy families, identified through the existing means-tested approaches. However, such support schemes have been heavily criticized for being non-transparent and corruption-prone.

The issue of care service development becomes even more pressing in the context of the COVID-19 pandemic and its aftermath, growing demand for childcare and preschool education due to the country's demographic dynamics, as well as for elderly care due to the steady increase in the numbers of older and disabled persons.

The gender pay gap poses a challenge for the effective pandemic response as it causes high staff turnover in the care economy and low confidence in management. Payments and compensations applied during the pandemic-related emergency were discriminatory against healthcare workers compared to the military staff, providing support measures. No compensations or income support policies had been introduced in other care economy sectors, though they also faced work overload and greater responsibility. During the pandemic, the paid care policies were not revised to ensure better income and protection support to the population.

Women's entrepreneurship

According to NSC, only 27.8% of women run their private business entities. The share of women employed in small businesses is 30.5%, and in medium-sized enterprises – 44%. In 2020, the highest female participation rate was in the service sector, reaching 34%. Women's access to resources and life opportunities remains limited. These disparities are reflected in Kyrgyzstan being ranked 108th out of 156 countries on the World Economic Forum's Global Gender Gap Index 2021².

Women are more often employed in the low-pay sectors and have limited land and property rights. Besides, a lack of tailored financial products allowing women to use alternative sources of collateral, guarantees, and insurance makes it harder for women to provide collateral, limiting their ability to gain access to funding opportunities.

A lack of startup capital is one of the key obstacles preventing women from starting their businesses. Women still face gender barriers in the financial sector. Commercial banks show little interest in SME lending, forcing women entrepreneurs to apply for loans from microfinance organizations. Usually, the microlenders set high-interest rates that might be devastating for women-led enterprises. In 2020, some 56.4% of microcredit users were women. Women used more than a third of their loans to fund their agriculture businesses, 10.4% of loans supported their trade and commerce endeavors, and 8% went to support the construction projects. The potential of public-private partnership (PPP) and public social procurement (PSP) for developing women's entrepreneurship and care economy was not fully unlocked.

Though the special programs of the Republic of Kyrgyzstan on the development and support of SMEs (2020-2024) and the development and support of women's entrepreneurship (2021-2025) were designed and publicly discussed, the state support of women's entrepreneurship remains fragmented. There was only one implemented recommendation on further elaboration and approval of women's entrepreneurship support and development program for 2022–2026. In December 2021, the Cabinet of Ministers agreed upon and adopted the program, its action plan, and the matrix of the program's monitoring and evaluation indicators.

² WEF. Global Gender Gap Report. 2021. Available at: https://www3.weforum.org/docs/WEF_GGGR_2021.pdf.

2. Introduction

The COVID-19 pandemic has revealed all systemic problems of the country's economic and social development, the existing social inequality, and the deterioration of the situation of women. The Republic of Kyrgyzstan responded to the COVID-19 as early as WHO had declared a pandemic³. The first cases of COVID-19 were registered in Kyrgyzstan among travelers who had returned to the country after visiting Saudi Arabia on Umrah. On March 22, 2020, the authorities declared a state of emergency and introduced lockdown, travel, and trade restrictions. Citizens could not access certain essential public services such as childcare and care for older and disabled persons⁴. The COVID-19 pandemic has spotlighted the importance of care and highlighted the interdependence of the care economy with economic and social inequality. Care work has been central to the COVID-19 pandemic response. Thus, the support of care services will contribute to the country's economic recovery and address its critical social and economic issues.

Population and demographic trends

The permanent population of the Republic of Kyrgyzstan at the beginning of 2021 was 6,637,000, with women making 3,343,000 or 50.4% of the total population. 34.4% of Kyrgyzstan's resident population lived in urban areas, while 65.6% of people lived in rural areas. The average annual population growth rate was 2.1%⁵.

The current period was marked by gendered demographic opportunities and growth in the number of the aging population. These trends cause an increasing demand for care services. The age structure of the country's population varies; at the beginning of 2021, 2,299,200 or 34.6% of the total population were children and adolescents under the age of 16; 3,787,800 or 57.1% were working-age people, while older persons accounted for 549,800 or 8.3% of the total population.

There is an annual increase in the number of older persons. Around 40, the female population starts outnumbering the male population, and there are twice as many women over the age of 80 as there are men. Such disbalance is primarily due to the differences in the age structure of female and male population mortality. At the beginning of 2021, the share of women in this age group was higher than that of men (384,400 women vs. 165,400 men) since their life expectancy is generally higher. Besides, the retirement age for women is five years earlier than that of men. At the beginning of 2021, the share of women of the total elderly population was 11.5%, while the percentage of men was 5.0%. The UN demographic data show that the population of Kyrgyzstan is gradually aging, with as many as 331,400 persons or 5.0% of the total population being above 65 years old at the beginning of 2021.

Socio-economic context

In 2020, GDP in Kyrgyzstan fell 8.6%, marking the country's worst economic performance in twenty years⁶. The sharp decline resulted from global and internal lockdown and restrictive measures aimed at containing the spread of the virus. GDP per capita was USD 1,173. Such deterioration was due to the COVID-19-related economic crisis and the country's high economic dependence on external factors. In 2020, Kyrgyzstan's budget deficit reached 3.3% of GDP, the highest in years. The country's external debt has increased over the past few years, reaching 58.3% of GDP. A high level of public

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