

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Georgia	Project Title:	Improving Domestic Resource Mobilization for Inclusive Growth Program
Lending/Financing Modality:	Programmatic Approach and Policy-Based Loan	Department/Division:	Central and West Asia Department/Public Management, Financial Sector, and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Poverty targeting: general intervention
<p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</p> <p>In its Socio-Economic Development Strategy of Georgia—Georgia 2020—the government outlines its development program, establishing policy directions regarding sustainable and inclusive economic growth, macroeconomic stability and effective public administration, human capital development, access to finance, and private sector competitiveness.^a In the 2014–2016 National Action Plan for Implementation of Gender Equality Policy in Georgia, the government sets out an action plan for gender equality in the economic field. The interventions under the proposed programmatic approach and policy-based loan are consistent with the development priorities in the next 4 years set out in the Basic Data and Directions 2014–2017, Georgia 2020’s main vehicle for implementation. Under the Basic Data and Directions 2014–2017 the government will demonopolize the economy, implement initiatives to ensure unhampered access of small and medium-sized enterprises (SMEs) to the market, enhance market competitiveness, strengthen tax efficiency, introduce a savings scheme based on quasi mandatory pension insurance, and introduce enhanced efficiency and transparency in the management of public finances. Under the Asian Development Bank’s draft country partnership strategy, 2014–2018 the program will improve domestic resource mobilization to help achieve more inclusive growth in Georgia. It will address structural reforms to support domestic resource mobilization and inclusive economic growth by strengthening the policy, legal, regulatory, and institutional framework supporting improved debt and fiscal risk management, efficient revenue and public expenditure management, generation of domestic savings, and mobilization of private resources for investment. Business options for those people in rural areas, and for women, are low. The program will contribute to more inclusive economic growth in the following ways: (i) through its support for business development, the program will support broader access to finance and to economic opportunities to ensure that all citizens can participate and benefit from growth; and (ii) through its support to pension reform, the program will increase access to social safety nets to prevent extreme deprivation and poverty.</p>
<p>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</p> <p>1. Key poverty and social issues. Economic policies since 2004 have been successful in terms of investment and correspondingly increasing economic growth rates. These policies, however, did not support employment and increase the competitiveness of the Georgian economy, and economic growth did not reach a significant part of the Georgian population, among which poverty rates remain high—absolute poverty affected 22.4% of the population in 2012. Of the active labor force employed in 2011, 47.8% were women and 52.2% were men; at the same time women’s salary levels were 59.7% of men’s salary levels. In addition, of the unemployed labor force, 69.3% were women while 30.7% were men. The existing pension system is a major instrument of poverty reduction. All Georgian citizens are granted the right to receive pension benefits at any time after the age of 60 for women and 65 for men. The pension has risen considerably since 2004 to its present level of GEL150 per month, just below the average subsistence level of GEL153 per month. Pensions constitute the largest social spending item in the state budget, accounting for about 18% of public expenditure in 2013 and about 4% of gross domestic product. Pension payments impose a heavy financial burden on the government, raising the question of fiscal sustainability in the long run. Georgia has limited access to long-term capital to finance growth. The securities market, at an early stage of development, has a narrow investor base and shallow market liquidity. Foreign direct investment has declined since 2008, with lack of confidence in the investment climate being a contributing factor. The program supports poverty reduction indirectly through its focus on improving domestic resource mobilization for inclusive growth, and in particular by enhancing the generation of domestic savings through pension reform and by supporting income-generating opportunities through its support for business development.</p> <p>2. Beneficiaries. Beneficiaries of the program are citizens across Georgia, including targeted support for women. It is expected that the program will contribute to reducing the incidence of absolute poverty to 18.0% of the population by 2020, from 22.4% in 2012. The population, including SMEs and the poor and vulnerable groups, are not reaching their economic potential because of weakness in the legal, regulatory, and institutional business environment, and inadequate levels of business management skills and financial literacy. Savings mobilization is poor, with private pension funds being voluntary and underdeveloped; there is low insurance penetration.</p> <p>3. Impact channels. Poor and vulnerable groups will benefit from more effective mobilization of domestic resources for public and private investment, which will contribute to higher living standards and more employment opportunities. Citizens, in particular the elderly, will benefit from enhanced generation of savings through pension reform, calling for</p>

<p>a pension savings system with quasi mandatory elements. SMEs, including women entrepreneurs, will benefit from increased mobilization of public and private resources for investment.</p> <p>4. Other social and poverty issues. The Government of Georgia and the International Labour Organization in 2014 launched a project entitled "Improved compliance with labour laws in Georgia". The project will support the government in adopting a 3-year strategy and action plan to enforce labor legislation (Labour Code, as amended in 2013) and comply with international labor standards. The project will assist in establishing labor inspection consistent with international labor standards and practice, and strengthen the effectiveness of the Georgian Trade Unions Confederation and its affiliates in representing workers' rights and interests and negotiating their working conditions.</p> <p>5. Design features. Women are less likely to work in formal sectors and generally earn lower wages. Women are also more likely to outlive their husbands, who often provide the family income. The longer life expectancy of women means that they are more likely to become widows than men are to become widowers, making survivors' pensions significant to them. The pension reform will take gender impact into account, including the equitable treatment of men and women in pension benefits. Through the establishment of the Entrepreneurship Development Agency and the Innovation Technology Agency, SMEs, including SMEs owned by women, will benefit from general and targeted activities including capacity building, networking opportunities, and matching grant funds and other financial instruments to support start-ups, innovation, use of technology, financial access, and business development.</p>
<p>C. Poverty Impact Analysis for Policy-Based Lending</p> <p>1. Impact channels of the policy reform(s). The poor and excluded will benefit from policy reforms which contribute to increased domestic resource mobilization for public and social expenditures through (i) improved management of debt, cash, and fiscal risk; (ii) strengthened revenue and public expenditure management; (iii) enhanced generation of domestic savings; and (iv) increased mobilization of private resources for investment.</p> <p>2. Impacts of policy reform(s) on vulnerable groups. The living situation of the poor and the excluded can change with the program by (i) an increase in domestic resources for public and social expenditures through an increase in domestic savings; (ii) gaining a more equitable distribution of benefits and transfers through improved public financial management; (iii) having better opportunities to raise their income and improve their sustainable employment and decent work through access to finance to start and grow a business; and (iv) being better protected against social, life, and economic risks through pension reform.</p> <p>3. Systemic changes expected from policy reform(s). The systemic changes expected from the policy reforms include a reduction in absolute poverty to 18.0% by 2020 from 22.4% in 2012 and the reduction of the Gini coefficient to 0.35 by 2020 from 0.42 in 2012.</p>
<p style="text-align: center;">II. PARTICIPATION AND EMPOWERING THE POOR</p>
<p>1. Participatory approaches and project activities. Consultations were held with relevant ministries, legal entities, the National Bank of Georgia, commercial banks, pension funds, insurance companies, the stock exchange, and international development partners. The consultations contributed to better relating the program design to the local context, harmonizing with other development partners, and reflecting a broad range of information and perspectives. Consultations contributed to adding value to program design, increasing ownership and sustainability, and offering potential benefits to poverty reduction and the excluded.</p> <p>2. Civil society organizations. The related TA will foster focus group consultations as part of the work to develop the new pension plan and other related programs.</p> <p>3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA). <input type="checkbox"/> Information gathering and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>4. Participation plan. <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. A project-level participation plan will not be prepared under the program to strengthen participation of civil society as interest holders for affected people, particularly the poor and vulnerable. The executing agency of the program is the Ministry of Finance (MOF) and the implementing agencies will be the MOF and the Ministry of Economy and Sustainable Development, with whom the project team will consult during program implementation. Policy actions will apply across Georgia with the overarching objective of benefiting all citizens with the government ensuring communication campaigns and public awareness drives to assure wider participation and buy in of the public. Information generation and sharing will be disclosed in accordance with ADB's Public Communications Policy 2011.</p>
<p style="text-align: center;">III. GENDER AND DEVELOPMENT</p> <p>Gender mainstreaming category: Some Gender Elements</p>
<p>A. Key issues. Gender issues relevant to the program include equitable treatment of men and women in pension benefits and selected public sector employment, and providing income-generating opportunities for women through access to matching grant funds and other financial instruments to support start-ups and business development. Entrepreneurship is seen in Georgia as a crucial option for women to gain a livelihood. Obstacles include (i) lack of appropriate skills, information, and familiarity with the business environment; and (ii) questions of self-confidence, lack of networks, aversion to risk, and inexperience in running a business.</p>
<p>B. Key actions.</p> <p><input checked="" type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p> <p>The program will address gender-related issues by supporting women through (i) recruiting 150 female in-house auditors (45% of total) by the Georgia Revenue Services; (ii) launching public awareness campaigns on benefits of</p>

voluntary and mandatory occupational savings with a special focus on reaching women pensioners; (iii) changing basic pension law, including equitable benefits for men and women; (iv) providing at least GEL12.0 million to SMEs as matching grant facility to spur investments, of which at least 30% is allocated to women entrepreneurs; and (v) providing at least GEL9.5 million to SMEs as financial instruments to support private sector innovation and technology development, of which at least 30% is allocated to women entrepreneurs. Effects on women and other policy reforms will also be considered on a case-by-case basis.	
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
A. Involuntary Resettlement	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts. NA 2. Strategy to address the impacts. NA 3. Plan or other Actions.	
<input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> No action	<input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix
B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts. NA Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 2. Strategy to address the impacts. NA 3. Plan or other actions.	
<input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
V. ADDRESSING OTHER SOCIAL RISKS	
A. Risks in the Labor Market	
1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards	
2. Labor market impact. Citizens will benefit from income-generating opportunities through access to support for business development. It is expected that the government will ensure that core labor standards and applicable laws and regulations of the government, including workplace occupational safety norms, are complied with during program implementation.	
B. Affordability	
The risk that benefits of the project will flow primarily to nonpoor consumers and that poor groups will remain underserved or excluded from the service will be mitigated by a more equitable distribution of benefits and transfers through the program reforms aimed at achieving more effective mobilization of domestic resources for more public and private investment.	
C. Communicable Diseases and Other Social Risks	
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____	
2. Risks to people in project area. NA	
VI. MONITORING AND EVALUATION	
1. Targets and indicators. Performance targets and monitorable indicators that address poverty reduction and inclusive social development include (i) absolute poverty reduced to 18.0% of population by 2020 (2012 baseline: 22.4%); (ii) Gini coefficient reduced to 0.35 by 2020 (2012 baseline: 0.42); (iii) changes to basic pension law instituted by September 2016 to ensure continuity of equitable treatment of men and women on pension benefits; (iv) at least GEL12.0 million provided to SMEs by September 2016 as matching grant facility to spur investments, of which at least 30% is allocated to women entrepreneurs; and (v) at least GEL9.5 million provided to SMEs by September 2016 as financial instruments to support private sector innovation and technology development, of which at least 30% is allocated to women entrepreneurs. Sources include a government decree, MOF public notifications, annual report published by the Ministry of Economy and Sustainable Development and MOF, National Statistics Georgia, and annual report published on the Georgia Revenue Service website.	
2. Required human resources. Regular review missions will monitor the poverty and social impact of the program.	
3. Information in the project administration manual. NA	
4. Monitoring tools. Regular review missions will assess compliance with loan covenants, evaluate performance against targets in the project design and monitoring framework, and review progress against the gender action plan.	

^a Government of Georgia. 2013. Socio-Economic Development Strategy of Georgia, 2020. Tbilisi.