



# Initial Poverty and Social Analysis

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September 2018

## Georgia: Second Domestic Resource Mobilization Program

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Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 14 September 2018)

Currency unit	–	lari (GEL)
GEL1.00	=	\$0.3846
\$1.00	=	GEL2.6000

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
PPP	–	public–private partnership
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

## **NOTE**

In this report, “\$” refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Georgia	Project Title:	Second Domestic Resource Mobilization Program
Lending/ Financing Modality:	Policy-based loan	Department/ Division:	Central and West Asia Department/Public Management, Financial Sector, and Trade Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The proposed Second Domestic Resource Mobilization Program is in line with the Government of Georgia's *Socio-economic Development Strategy of Georgia* (Georgia 2020), which targets inclusive economic growth by ensuring macroeconomic stability and effective public administration, improving private sector competitiveness, developing human capital, and increasing access to finance.<sup>a</sup> The government intends to attract private sector participation (public-private partnership [PPP]) and foreign investment by (i) developing infrastructure; (ii) improving the business environment; and (iii) supporting innovation and technology, among others. The *Action Plan for 2016–2020*,<sup>b</sup> the four-point reform plan of the Government of Georgia approved in 2016, aims at accelerating Georgia's infrastructure projects.

The program aims to implement the pension reforms road map, foster a comprehensive PPP program, and improve access to finance for small and medium-sized enterprises (SMEs) and capital markets development. These outputs are fully aligned with the government's strategy and the Asian Development Bank (ADB) country partnership strategy, 2014–2018 (CPS) for Georgia.<sup>c</sup> The CPS, which is based on ADB's Midterm Review of Strategy 2020,<sup>d</sup> fosters inclusive economic growth and enhances support for social protection. Private sector development, governance, and capacity development are key drivers of change in Georgia 2020 and the CPS. Support for finance and public sector management, two priority sectors of the CPS, will include reforms to increase domestic savings, and improvement of the legal and regulatory framework for PPPs. The project is also included in ADB's country operations business plan for Georgia, 2018–2020.<sup>e</sup>

#### B. Poverty Targeting

General intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.). The proposed program will support the government's reform agenda by mobilizing domestic resources for diversifying the economy, developing the private sector, and creating value-added jobs. These reforms are also needed to improve economic growth, support job creation, and contribute to poverty alleviation.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The percentage of the population living in absolute poverty has decreased from 37.4% (2007) to 21.0% (2016).<sup>f</sup> However, significant disparities persist, with poverty incidence higher in rural areas than in urban areas. Economic growth has been very unevenly spread, mainly occurring in urban areas—particularly in the capital, Tbilisi. Nearly half of Georgia's population lives in rural areas,<sup>g</sup> and 49% of the economically active population worked in agriculture, forestry, or fishing in 2016.<sup>h</sup> Women account for a significant proportion of the poorest. Nearly 27% of the population live in households headed by a woman, and female household heads are overrepresented among the poor and the bottom 40% of the income distribution.<sup>i</sup> Women account for about 75% of employees in the health care and social sectors, and 60% of those working in the hospitality sector. Less than 10% of women work in construction while 23% are employed in transport and communications.<sup>j</sup> Lack of economic opportunity, insufficient skills and assets, isolation, and income shocks caused by health emergencies or natural disasters, are the major causes of poverty in Georgia.<sup>k</sup> To address these, key actions include expanding the economy while making it more inclusive, building human resources, and expanding social protection (pensions, health insurance, and targeted social assistance).<sup>l</sup> The state-funded universal pension provides all citizens with a pension (from age 65 for men; 60 for women). The flat rate has gradually increased but remains modest by international standards, with a monthly pension equivalent to 18% of the average wage in 2015, only marginally above the subsistence level.<sup>m</sup>

The proposed program will contribute to poverty reduction through government reforms to strengthen PPP and create an enabling environment for improved access to finance for SMEs, including elaborating risks or guarantee schemes. The potential beneficiaries of the project are government agencies, the public, and the private sector, which will have opportunities for new partnerships with government and SMEs.

2. Impact channels and expected systemic changes. The project aims to improve the legal, institutional, and financial framework for developing and implementing viable PPP projects, through (i) increased government capacity to select, develop, and implement PPP projects; (ii) strengthened risk management capacity of the Ministry of Finance for PPP projects; and (iii) standardized PPP documentation and process. This is expected to contribute to inclusive economic growth by helping to meet the government's infrastructure targets, ensuring the viability and operational and financial sustainability of these infrastructures, ensuring the maximization and efficient use of public funds, increasing private sector participation in economic growth, generating jobs and economic opportunities, and improving the delivery of services to constituents.

3. Focus of (and resources allocated in) the transaction TA or due diligence: \$750,000 is proposed to be allocated on a grant basis from the Technical Assistance Special Fund (TASF-other sources). The government will provide counterpart support and in-kind contributions, including counterpart staff, office space, venues, and supplies. In addition, Technical Assistance for the Development of PPPs<sup>n</sup> and Strengthening Domestic Resource Mobilization<sup>o</sup> resources will be used to undertake the regulatory impact assessment and develop a business case for guarantee schemes.

4. Specific analysis for policy-based lending. The government has prioritized strengthening revenue administration, supporting capital markets development, and increasing the role of the private sector in accelerating the country's economic growth. Apart from pension reforms, the previous Domestic Resource Mobilization program implemented in Georgia during 2014–2016<sup>p</sup> also aimed at strengthening government capacity for supporting SMEs. The proposed program will explore new schemes—specifically, guarantee and risk schemes to facilitate access to finance for SMEs.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Georgia ranks 94th out of 144 countries in the Global Gender Gap Index of the World Economic Forum, a deterioration from 90th in 2016 and 54th in 2006.<sup>q</sup> While some progress has been made in promoting gender equality, including the enactment of legislation on nondiscrimination and promotion of women's rights, and achieving near gender parity in education,<sup>r</sup> Georgia continues to fare poorly in terms of women's economic status and political participation. Women's labor force participation rate is 57.3% compared with 78.4% for men.<sup>s</sup> Only about 46% of women were employed in the formal sector from 2012 to 2015, compared with 53% of men.<sup>t</sup> In Parliament, women comprise only 15%,<sup>u</sup> holding only 23 out of 150 seats. The business and public sectors show a wage gap. In terms of pensions, gender inequities exist because of women's typically lower income and extended periods of leave from work for maternity. Pension reforms started under the previous program initially sought to align the retirement age for men and women to 65 (currently 60 for women), but this proved difficult because of the concern that the increase would derail efforts to establish and introduce the private pension scheme.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?  Yes  No

Possible entry points for gender include integrating gender in the (i) capacity building and outreach strategy; (ii) selection criteria of PPP projects, which could include projects with demonstrated social and gender-inclusive benefits; (iii) draft PPP guidelines and evaluation tools; (iv) increasing proportion of women staff in PPP units; (v) conduct of gender capacity building of PPP staff; (vi) setting of targets for women in staff trainings; (vii) setting of gender targets in business support programs, including start-up grants, building on the previous program's micro and small business support program; and (viii) setting targets for women's participation in outreach and information campaigns to educate women and other owners of small entrepreneurs about the SME finance risk-sharing facility.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes  No

4. Indicate the intended gender mainstreaming category:  GEN (gender equity)  EGM (effective gender mainstreaming)  SGE (some gender elements)  NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design? The main stakeholders of the project include public institutions (Ministry of Finance and Ministry of Economy). Project beneficiaries include the local population and business community.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? The program will be based on supporting government strategies and plans, including the Socio-Economic Development Strategy, for promoting economic growth. These plans were developed using a consultative process and approach and provide opportunities for ongoing discussion and public accountability on performance.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? Specific stakeholders such as the private sector, chambers of commerce, women's associations, and community-based organizations will participate in the program design. Other stakeholders, like will be consulted on specific issues.

(H) Information generation and sharing  (M) Consultation  (L) Collaboration  (L) Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes  No

## IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category  A  B  C  FI

<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input type="checkbox"/> Resettlement Plan <input type="checkbox"/> Resettlement Framework Social impact matrix <input type="checkbox"/> Environmental and social system arrangement <input checked="" type="checkbox"/> None</p>
<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/></p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p><b>V. OTHER ISSUES AND RISKS</b></p>
<p>1. What other social issues and risks should be considered in the project design?  <input checked="" type="checkbox"/> (M) Creating decent jobs and employment <input type="checkbox"/> (M) Adhering to core labor standards <input type="checkbox"/> (L) Labor retrenchment <input type="checkbox"/> (M) Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> (L) Increase in human trafficking <input type="checkbox"/> (NA) <input checked="" type="checkbox"/> Affordability <input type="checkbox"/> (L) Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input checked="" type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify: n/a.</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? Not applicable.</p>
<p><b>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</b></p>
<p>1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the transaction TA or due diligence? The following consultants will be engaged during project preparation: a social safeguards consultant, an environment consultant, and a gender consultant.</p>

- <sup>a</sup> Government of Georgia. 2014. [Socio-economic Development Strategy of Georgia: Georgia 2020](#). Tbilisi.
- <sup>b</sup> Government of Georgia. 2017. [Government Platform, 2016–2020—Freedom, Rapid Development, Prosperity](#). Tbilisi.
- <sup>c</sup> ADB. 2014. [Country Partnership Strategy: Georgia, 2014–2018](#). Manila.
- <sup>d</sup> ADB. 2014. [Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific](#). Manila.
- <sup>e</sup> ADB. 2017. [Country Operations Business Plan: Georgia, 2018–2020](#). Tbilisi.
- <sup>f</sup> National Statistics Office of Georgia. 2016. *Population Statistics: Living Conditions*. [http://www.geostat.ge/index.php?action=page&p\\_id=188&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=188&lang=eng)
- <sup>g</sup> In 2016, 43% of the population lived in rural areas. Source: ADB. 2017. *Key Indicators for Asia and the Pacific 2017*. Manila.
- <sup>h</sup> ADB. 2017. *Key Indicators for Asia and the Pacific 2017*. Manila
- <sup>i</sup> World Bank. 2016. [Georgia Country Gender Assessment: Poverty and Equity Global Practice](#). Washington, DC.
- <sup>j</sup> National Statistics Office of Georgia. 2017. [Women and Men in Georgia: Statistical Publication](#). Tbilisi.
- <sup>k</sup> Note b.
- <sup>l</sup> Note b.
- <sup>m</sup> ADB. 2017. [Completion Report: Improving Domestic Resource Mobilization for Inclusive Growth Program in Georgia](#). Manila.
- <sup>n</sup> ADB. 2015. *Technical Assistance to Georgia for the Development of Public-Private Partnerships*. Manila.
- <sup>o</sup> ADB. 2014. *Technical Assistance to Georgia for Strengthening Domestic Resource Mobilization*. Manila.
- <sup>p</sup> ADB. 2014. [Report and Recommendation of the President to the Board: Proposed Programmatic Approach and Policy-Based Loans for Subprogram 1 to Georgia for the Improving Domestic Resource Mobilization for Inclusive Growth Program](#). Manila.
- <sup>q</sup> World Economic Forum. 2017. [The Global Gender Gap Report, 2017](#). Geneva.
- <sup>r</sup> According to the most recent United Nations Development Programme (UNDP) Human Development Report figures (2015), 96% of women and 97% of men had received at least some secondary education. UNDP. Human Development Reports. [Gender Inequality Index](#).
- <sup>s</sup> UNDP. 2016. Human Development Reports. [Gender Inequality Index](#).
- <sup>t</sup> National Statistics Office of Georgia. [Gender Statistics](#). Tbilisi.
- <sup>u</sup> Inter-Parliamentary Union. 2016. [Women in parliament in 2016: The year in review](#). Geneva.