

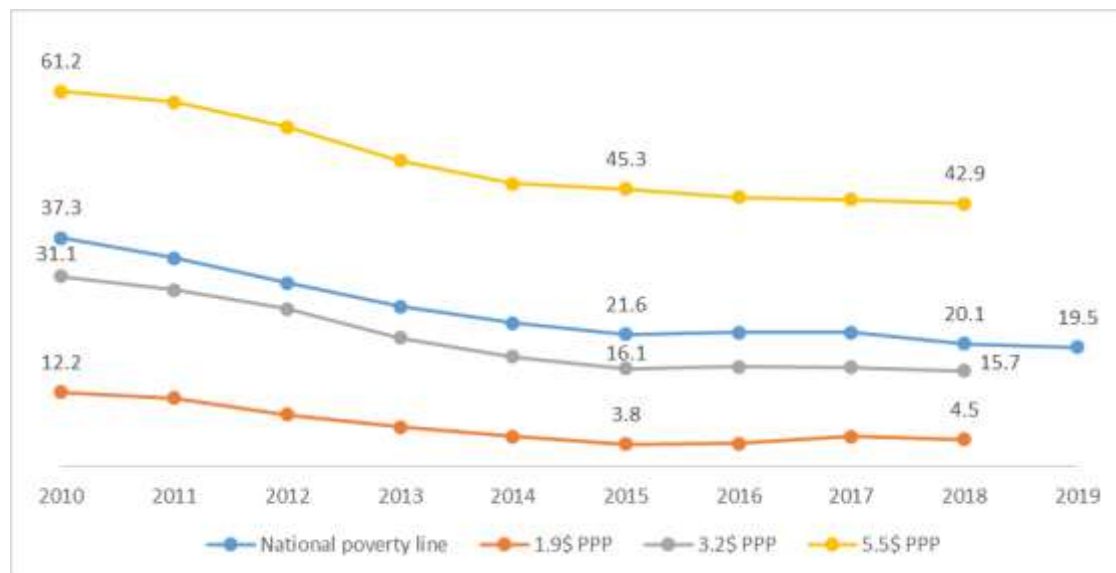
SECTOR ASSESSMENT (SUMMARY): SOCIAL WELFARE

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. Poverty levels have significantly decreased in Georgia, but the progress has slowed down in recent years. Poverty in Georgia has significantly decreased in the last 10 years through the expansion of social protection programs. However, as is apparent from Figure 1, the rate of poverty reduction has significantly slowed down or even halted since 2015. Consequently, while income inequality has significantly decreased, the level remains high—Gini coefficient in 2018 was 36.4%. This calls for rethinking in approaches to social protection, especially in relation to the largest and highly vulnerable groups—the old-age citizens.

Figure 1: Percentage of Population below National and International Absolute Poverty Lines, 2010–2019



Source: Geostat (<https://www.geostat.ge/en/modules/categories/192/living-conditions>) and World Bank (<https://data.worldbank.org/indicator/SI.POV.DDAY?locations=GE>).

2. Old age poses increased risks for vulnerability. The 2014 Census showed that older people are more vulnerable than general population in two systemic ways: (i) the share of persons with disabilities among the old-age persons is very high—20.5% of old-age pensioners are classified as disabled (58.6 percent of the total number of disabled in the country). Moreover, a majority (57.6 percent) of persons aged 65 and over, consider themselves unhealthy (in bad or very bad health); and (ii) the second systemic vulnerability that the 2014 Census has revealed is that older people have consistently less access than the younger adult population to household assets and dwelling facilities, such as a flush toilet, a bath or shower water supply and sewage. This is particularly critical in terms of coronavirus disease (COVID-19) context, as Water, Sanitation and Hygiene (WASH) play important role in combating the virus.

3. Quick changing demographic situation poses significant risks for fiscal sustainability of social protection programs. While it is important in reducing poverty, it is not enough to satisfy a decent standard of living. With the demographic composition steadily changing and the share of old-age population growing, financing old-age pensions solely through the State Budget is no longer fiscally sustainable. Projections carried out by the United Nations Population Fund (UNFPA) and the International School of Economics and Tbilisi State University (ISET) projections, based on the 2014 Census, suggest that the share of persons 65 years and older will reach 18.9 percent in 2030 (732 thousand persons) and will further increase to 25.3 percent – to one in four persons in 2050 (880 thousand persons).¹

2. Government's sector strategy

4. The Government of Georgia prioritizes social welfare. Georgia already spends significant share of its gross domestic product (GDP) on social protection programs. According to Asian Development Bank's (ADB) Social Protection Indicator for Asia, Georgia is among the highest spenders on social welfare (6.8% of aggregate GDP).² The government programs have national coverage and play a prominent role in providing income support. In terms of health assistance, Georgia has the highest expenditure as a share of aggregate GDP among all other countries studied under ADB's Social Protection Indicator (0.5%).³

5. The Government of Georgia is making significant steps to further improve social welfare of its citizens. Targeted Social Assistance (TSA), created in 2005, was already a significant achievement. However, with support from UNICEF and the World Bank, the Social Services Agency (SSA) made major changes in the methodology to better address the inclusion and exclusion problems typically associated with the Proxy Means Test approach that had been used for TSA. More specifically, most variables provided by households to SSA are cross verified against various databases from several sources including the Ministry of the Interior (car registration), gas and electricity companies, revenue service, and customs control.⁴

6. TSA scoring system is resilient enough so that it is possible to quickly upscale. In pre-COVID19 period, TSA cash transfers to households covered roughly 12 percent of country's population. However, during the COVID-19 pandemic, the government made decision to significantly increase the coverage, reaching almost 20% of the population.⁵ Also, based on the gradation of TSA scores, SSA is able to provide different packages of benefits, depending on the needs of the beneficiaries.

7. Old-age pensions is the largest component of social protection expenditure, with 65% of the cumulative budgetary expenses for social welfare.⁶ The recently launched contributory pension scheme, in combination with the existing universal old-age pension system, can provide significant support for the elderly. The practice of ad-hoc indexation of universal basic pension was resulting in unplanned pressure on fiscal planning and was only recently linked to price inflation to maintain purchasing value. With recently launched contributory pension scheme, universal pensions can have complimentary role in keeping the poverty levels down in a fiscally

¹ UNFPA (2017), Ageing and Older Persons in Georgia.

² ADB. 2019. Social Protection Indicator for Asia, page 9.

³ ADB. 2019. Social Protection Indicator for Asia, page 23.

⁴ World Bank. 2020. Social Protection and Jobs Discussion Paper, Assessing the Targeting System in Georgia: Proposed Reform Options.

⁵ SSA website, statistical data, http://ssa.gov.ge/index.php?lang_id=GEO&sec_id=610 (accessed on August 30, 2020).

⁶ ADB. 2016. Social Protection Index 2015.

sustainable manner. The universal pension can maintain its role of poverty alleviation at fiscally affordable levels. The purchasing power of pensioners would remain stable, as ad-hoc increases in the pension amount, typically around elections, will be eliminated.

3. ADB Sector Experience and Assistance Program

8. ABD prioritizes inclusive growth and poverty reduction. ADB's country partnership strategy for Georgia 2019–2023 promotes inclusive growth, addressing remaining poverty and reducing inequalities. ADB has been supporting the Government of Georgia in its objectives of reducing poverty, raising living standards, and supporting old-age people and associated risks for vulnerability. ADB is also engaging with the government in wide range of areas, including (i) improving targeting mechanisms for more effective social protection; (ii) strengthening institutional and organization capacity; (iii) developing well-targeted conditional cash transfer programs; and (iv) expanding poverty graduation programs and their roll-out.