

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Georgia	Project Title:	Georgia: Fiscal Resilience and Social Protection Program (Subprogram 1)
Lending/Financing Modality:	Policy-Based Lending	Department/Division:	Central and West Asia Department/Public Management, Finance, and Trade Division

<p>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</p> <p>Poverty targeting: general intervention</p> <p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</p> <p>The Socio-Economic Development Strategy of Georgia “Georgia 2020” targets inclusive economic growth by ensuring macroeconomic stability and effective public administration.^a Georgia’s Country Partnership Strategy (CPS) for 2019–2023 with the Asian Development Bank (ADB), is closely aligned with “Georgia 2020” and seeks to support economic growth and human resources development, improve access to public and social services, and leverage regional cooperation.^b The proposed program is in line with “Georgia 2020”, the CPS and the Sustainable Development Goals (SDG). A special focus is given to vulnerable populations through increased expenditures in the universal pension amount to mitigate old-age poverty in a fiscally sustainable way. Furthermore, other key objectives include insulating the public sector from fiscal risks and costs associated with a high share of external debt, effectively helping create additional fiscal space for key social spending whilst developing domestic debt markets to support access to domestic finance by local businesses at a prudent degree of risk and cost. ADB developed the scope and design of the proposed program to enable achievement and sustained focus on these priorities. The SDGs supported by the program include building the resilience of the poor and those in vulnerable situations, and reducing their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters (SDG 1.5); promotion of gender equality (SDG 5.C); extending social protection systems and floors (SDG 1.3); and sustaining per capita economic growth (SDG 8.A). Moreover, it links to three of the ADB Strategy 2030 operational priorities: (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; and (iii) strengthening governance and institutional capacity.^c</p> <p>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</p> <p>1. Key Issues. While Georgia has significantly expanded its social protection provision, particularly since 2010, challenges remain.^d High poverty rates represented a significant challenge for Georgia in the years after independence in 1991. The country’s development has been hampered by periods of political instability and conflict. Furthermore, economic growth occurred mostly in urban areas, and particularly in the capital, Tbilisi. Nearly half of Georgia’s population lives in rural areas, and with limited education and training, 49% of the workforce remains in sectors with low productivity such as subsistence agriculture, leaving a shortage of skilled workers for manufacturing and other activities with greater product complexity.^e While absolute poverty (\$1.9/day) has declined sharply from 12.2% in 2010 to 4.5% in 2018, the national poverty line indicates that one in 5 Georgians (20.1% in 2018) still live in poverty. Poverty in Georgia measured using the global poverty line for lower-middle countries (\$3.2/day) is 31.1% and the Gini coefficient at 0.36 is the second highest among CWRD countries. The universal old age pension has had a strong impact on reducing poverty rates since its inception and is likely to remain a powerful mechanism for old age poverty prevention. However, while playing an important role in poverty reduction, it is not sufficient to cover the expenditures of retirees, forcing them to continue working for additional income, mainly in the unproductive agriculture sector as subsistence farmers. There were 762,600 receivers of the universal basic pension in 2019,^f a figure that has steadily increased over the years, and that, along with high rates of informal labor, will put the government under the strain if it does not undergo major changes in the financing mechanism scheme to make it more viable and sustainable. Shrinking contribution revenues and swelling pension expenditures require that the government explores alternative measures for old age income provision, or the lives of retirees will be jeopardized, and those that are vulnerable and, hence, more prone to income shocks, will fall into extreme poverty. The universal basic pension reduces poverty rates from 37% to 10% among the age group of 75 to 85 years old.^g The share of the population that is vulnerable—where vulnerability is defined as having a probability of falling into poverty larger than 10 percent—hovered around 47% and 54% of the population during 2010–2018.^h High vulnerability implies that small shocks can push many households into poverty. Therefore, despite substantial gains made, households in Georgia remain highly vulnerable to shocks, including those associated with the outbreak of coronavirus disease (COVID-19). With disruptions to production, the sharp fall of the tourism sector, which employs 15% of the active labor force, and restrictions associated with the need for social distancing, many families may lose their income and fall into poverty. Furthermore, high dependence on labor income implies that even a small increase in the unemployment rate could push many households into poverty, starting with already vulnerable ones. The loss of labor income, combined with a reduction in remittances, will have a direct bearing on domestic consumption and further threaten employment, incomes, and the livelihood of the elderly.</p> <p>2. Beneficiaries. The proposed program will help the government’s efforts to develop a more inclusive and sustainable social assistance towards the elderly and supports evidence-based reform of other social protection</p>
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<p>programs. The potential beneficiaries are: (i) the elderly, especially those that face the hardship of poverty and struggle to survive; (ii) all households with at least one pension beneficiary; (iii) beneficiaries of all publicly funded social benefits programs that will benefit from improved management of public exposure to fiscal risks; and (iv) market participants (i.e., public and private corporations, financial institutions, and individual employees of MSME owners) through increased liquidity as well as more transparent fiscal information and additional alternatives to finance their investment needs. Family members of pensioners will benefit from the program indirectly since multi-generation households are common in the country.</p> <p>3. Impact channels. The program will provide budget support which will help finance the government's social spending reflected in the revised budget. Further, through its policy content, the program supports Georgia's return to inclusive economic growth by addressing longstanding institutional fragilities magnified by the COVID-19 crisis. This includes: (i) supporting effective management of public exposure fiscal expenditures that may arise from the materialization of fiscal risks stemming from power purchase agreements and SOEs; (ii) address the adverse effects associated with high public sector exposure to foreign currency denominated debt, paving the way for a quicker and inclusive economic recovery; (iii) reform existing pension system to ensure adequate coverage which is fiscally sustainable; and (iv) support reform to other social protection programs.</p> <p>4. Other social and poverty issues. Not applicable.</p> <p>5. Design features. The program contributes to support the government budget through the reform areas included in the program: (i) strengthening public management of fiscal risk exposure; (ii) deepening domestic debt markets for government securities; and (iii) strengthening adequacy and fiscal sustainability of social protection programs.</p>
<p>C. Poverty Impact Analysis for Policy-Based Lending</p> <p>1. Impact channels of the policy reforms. The program will help reduce the hardship of people facing low income pensions through expanded social protection measures. Furthermore, it will contribute to mitigate the significant negative economic and fiscal impact that the COVID-19 pandemic has had in Georgia.</p> <p>2. Impacts of policy reform(s) on vulnerable groups. The program will help moderate the impact of the COVID-19 pandemic on elderly pensioners and enhance their livelihood once they have retired.</p> <p>3. Systemic changes expected from policy reforms. Reforms will: (i) protect livelihoods of one of the most vulnerable segments of the population through a pension system reform; (ii) increase financial sector development; (iii) increase quality and transparency of financial reporting; (iv) improve the business environment and develop the domestic industry; and (v) enhance the corporate governance practices of SOEs.</p>
<p style="text-align: center;">II. PARTICIPATION AND EMPOWERING THE POOR</p> <p>1. Participatory approaches and project activities. The main stakeholder of the program will be the government agencies and development partners concerned. They were consulted during the preparation of the Program to harmonize ADB's assistance with government needs and with international development partners.</p> <p>2. Civil society organizations. Private sector participants were consulted for the preparation of this Program, particularly in the social protection sector and academia.</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).</p> <p><input checked="" type="checkbox"/> Information gathering and sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input checked="" type="checkbox"/> Partnership</p> <p>4. Participation plan <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. Stakeholder engagement will be conducted based on the program needs through formal and informal consultations.</p>
<p style="text-align: center;">III. GENDER AND DEVELOPMENT</p> <p>Gender mainstreaming category: Effective Gender Mainstreaming</p> <p>A. Key issues.</p> <p>Despite some significant strides forward in creating an enabling environment for gender equality in the past 30 years, women's economic participation remains a challenge in Georgia. In 2020 approximately 68% of the total number of households in Georgia are headed by men, while 32% are headed by women, with 29% of the households headed by women and 28% of households headed by men with at least three generations in the household. Major sources of income of households headed by women are remittances from abroad, pensions, scholarships, and assistance, and money received as gift. Among the key expenditure items of households headed by women include education, fuel and electricity, healthcare, and food and beverage. On participation in economic activities, the economic activity rate for women was 63.4% in 2019, compared with 83.2% for men, according to data for the said year. Employment data as of the 4th quarter of 2019 noted that there were more men than women in the labor force. Men comprised a little over a million while women numbered 852,000.¹ Geostat data from Q4 of 2019 cited that the average earnings for women reached 1,018.5 GEL (\$338.2/€302.4), while men averaged while 1,593.2 GEL (\$529/€473). Factors restricting women's economic participation include unpaid domestic work, absence of affordable childcare, unequal access to assets and resources, and insufficient attention to gender in economic development policies. Regarding receivers of the universal old-age pension, 71% of them were women in 2019, and the current system favors them because of their longevity and eligibility to enter into retirement at 60 years instead of at 65 years, which is the age stipulated for men. Crises exacerbate age, gender and disability inequalities. Many women are responsible for domestic activities such as child rearing and housekeeping, and they are often also responsible for ensuring that the household has access to basic items, such as food and water. As a result, in the context of a pandemic are more vulnerable when travelling to collect such items, especially if they belong to the older segment of the population,</p>

<p>since there is a higher probability that they will suffer serious complications from COVID-19. Moreover, price inflation and the reduction of remittances have decreased the level of income and purchasing power in numerous vulnerable households, making the universal pension the only source of income in some cases, which is not enough to provide for a multi-generational household, leading them to suffer from extreme poverty.</p>	
<p>B. Key actions. <input type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures: Gender actions are in the Policy Matrix <input type="checkbox"/> No action or measure</p> <p>The Program includes targeted measures to meet the requirements for effective gender mainstreaming through (i) increase in the universal pension payout to beneficiaries aged 70 and above, 65% of whom are women, (ii) adoption of indexation mechanism to maintain purchasing power of universal pension payouts, benefiting 71% female beneficiaries, (iii) establishment and operationalization of the Pension Agency, with at least 50% of female technical staff; and (iv) finalize operationalization of the Fiscal Risk Management Division, 85% of which are women.</p>	
<p>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</p>	
<p>A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Key impacts. Not applicable. 2. Strategy to address the impacts. Not applicable. 3. Plan or other Actions.</p> <p><input type="checkbox"/> Resettlement plan <input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Combined resettlement framework and 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</p>	
<p>B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Key impacts. Not applicable. Georgia does not have any indigenous peoples according to the ADB Safeguard Policy Statement (2009) definition. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 2. Strategy to address the impacts. Not applicable. 3. Plan or other actions.</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action</p>	
<p>V. ADDRESSING OTHER SOCIAL RISKS</p>	
<p>A. Risks in the Labor Market</p> <p>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. <input checked="" type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards 2. Labor market impact. No direct impact.</p>	
<p>B. Affordability Not applicable.</p>	
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> Communicable diseases <input checked="" type="checkbox"/> Human trafficking <input checked="" type="checkbox"/> Others (please specify) _____ 2. Risks to people in project area. Not applicable.</p>	
<p>VI. MONITORING AND EVALUATION</p>	
<p>1. Targets and indicators. Based on design and monitoring framework. 2. Required human resources. The program team and the implementing and executing agencies will closely monitor the performance as described in the design and monitoring framework. 3. Information in the project administration manual. Not applicable. 4. Monitoring tools. Program monitoring tools (reflected in the DMF) will be used to monitor the program's outcome and impact and the progress in the achievement of poverty, gender, and social targets.</p>	

^a Government of Georgia. 2016. *Government Program for 2016–2020*. Tbilisi.

^b ADB. 2019. *Country Partnership Strategy: Georgia, 2019–2023*. Manila.

^c ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, Sustainable Asia and the Pacific*. Manila.

^d ADB. 2016. Georgia: Social Protection Index 2015. Manila

^e ADB. 2019. *Asian Development Bank Outlook. Strengthening Disaster Resilience*. Manila.

^f Geostat. 2020. [Social Protection](#) (accessed on 21 April 2020).

^g UNICEF and University of York. 2014. *Well-Being of Children and their Families in Georgia: Georgia Welfare Monitoring Survey Third Stage*. Tbilisi.

^h World Bank. 2018. *Country Diagnostic from Reformer to Performer*. Washington.

ⁱ Geostat. 2020. [Employment, Unemployment Statistics](#). (accessed on 21 July 2020).

Source: Asian Development Bank.