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Georgia's Social Policy Response to COVID-19: Targeted Social Assistance

By Vakhtangi Demuria and Teona Absandze (both Georgia's Reforms Associates, Tbilisi)

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Abstract

The new coronavirus has turned out to be an unprecedented and unexpected crisis which has led to rethinking of healthcare, public safety and socio-economic policies. Severe problems have manifested themselves in these areas in Georgia, a developing country with below-average income levels and high poverty rates. Although the principle of the welfare state has been constitutionalized in the recent past and this has been followed by some socio-economic steps, Georgia is still far from achieving its goals.

The pandemic and related legislative constraints have caused a deep recession, which has resulted in reduced incomes and lost jobs. In the initial stages of the pandemic, the population was left without assistance and subsequently faced an economic downturn. At the same time, the government decided to take stringent socio-economic measures due to the uncertainty about the potential dangers of the new virus and the vulnerability of the Georgian healthcare system.

The government's efforts to provide social assistance for the population were delayed and faltered in terms of efficiency, but overall, more or less complex schemes of assistance were elaborated. Part of the population was provided with basic social assistance, while the government failed to offer aid to some of its most needy citizens. With the virus spiralling out of control, lockdown is no longer an option and the vision of the government concerning socio-economic developments is still vague.

Background

The Georgian government's efforts to curb the spread of the virus were effective in the first phase of its spread, yet the same cannot be said about the government's social policy. Stringent government regulations put households in the position of considerable socio-economic crisis, leaving citizens in need of state assistance. The government responded to citizens' solicitations only with significant delay.

Stage one pandemic measures in Georgia started a month before the first case of the virus was confirmed. On January 28th, the Georgian government approved an action plan (Decree of the Government of Georgia 164) focused on containing the new coronavirus. The government commenced with preparations of the healthcare system, issuing recommendations and designing

protocols, while at the same time making efforts to raise public awareness about the virus. An Interagency Coordinating Council¹ was established to make decisions on epidemiological issues. Air traffic with China was suspended on January 29th. On February 26th, 2020, a traveller from Iran via Azerbaijan was the first Georgian citizen diagnosed with COVID-19. He was taken to the Tbilisi Infectious Diseases Hospital directly from the border crossing. Traveling to and from Italy was thereafter the main cause of further infection spread (Factcheck.ge, 2020).

The Georgian government imposed strict regulations before the pandemic was declared. Some of these measures proved confusing, and arguably unnecessary. Events for large crowds were banned on March 1st while schools, kindergartens and universities suspended their

1 The Council consists of government officials, MPs, representatives of the Administration of the President of Georgia, and medical specialists.

work while the number of confirmed cases of infection was still only three. From March 6th, a fourteen-day compulsory quarantine applied to individuals arriving from countries with high infection rates. Following the declaration of COVID-19 as a pandemic on March 12th, the majority of public and private services switched to remote work, while general measures were gradually tightened (Factcheck.ge, 2020). A state of emergency was declared on the basis of a decree issued by the President of Georgia on March 21st (Parliament of Georgia, 2020), which was further extended until May 22nd. On the same day, the Parliament approved amendments to the Law on Public Health (Parliament of Georgia, 2020) that allowed for the bypassing of Parliament, giving the government the ability to restrict human rights through by-laws. In particular, the government has been empowered to restrict rights such as the right to work and freedom of movement under quarantine measures until January 1st, 2021. At present, the government justifies the strict approach taken in the beginning of the pandemic with the fact that at that time not much was known about the virus, therefore Georgia could not afford to take risks due to socio-economic problems and limited medical capacities.

In the second quarter of 2020, employment was down by 33 thousand and real GDP shrank by 12.3% compared to the same period in 2019 (Forbes.ge). Stringent restrictions led to income cuts which severely affected the socio-economic status of many households. Most of these households already faced substantial problems before the current pandemic. During the period of complete lockdown, Georgia's economic activity virtually stopped for over two months. Furthermore, citizens left unemployed and without any income could not count on state assistance.

Early Social Policy Measures

During the State of Emergency, primary social measures taken by the government were as follows:

- Families were to receive utility cost subsidies for three months (March–May), including electricity, natural gas, sanitation and water bills. Only citizens whose consumption remained within a limit defined by the government were eligible. More than 1.2 million customers benefited from the electricity bill exemption during these three months and more than 670 thousand others benefited from the natural gas bill exemption. The budget of the program was 170 million GEL².
- As a result of communication with the government, commercial banks were to waive loan services for private customers during these three months. Up to

600 thousand Georgians have benefited from this measure.

- The state took measures to control prices of nine basic food products (Government of Georgia, 2020)—in order to avoid a drastic increase in prices caused by exchange rate fluctuations, the state purchased primary food products (rice, buckwheat, pasta, cooking oil, flour, wheat, milk powder, sugar and beans). The aim of the program was to limit the growth of prices through subsidies and to stimulate the creation of stockpiles of necessary products in the country. There was no shortage of these products in the country, although prices for most of them increased sharply nevertheless (Factcheck.ge, 2020). A total of 9 million GEL was spent on the program.

To reduce the damage caused by the COVID-19 pandemic, the government unveiled an anti-crisis socio-economic plan in late April that sought to provide state support to businesses and citizens. On May 4, the Georgian government approved a targeted state program to reduce the damage caused by the pandemic (Ordinance of the Government of Georgia N286). The program provided temporary financial assistance to unemployed and incomeless citizens, as well as other socially vulnerable groups. The analysis of emergency social protection mechanisms revealed the following problems:

- The government response was delayed.
- Certain categories of citizens who required social aid were left without assistance.
- Benefits were minimal and, in some cases, one-time, which could not provide social protection for the population in the long run.
- Social policy was centralized in the country. During the pandemic, there were no significant changes in social protection policies for the population at the level of local self-government, except for one-time individual assistance (one-time distribution of food products).

Unemployment Benefits

The pandemic and the accompanying severe restrictions (two months of country-wide quarantine) caused a socio-economic crisis and exposed the population, as well as political institutions, to considerable risks and uncertainties, which led to a decrease in job opportunities and a drop in average income. Unemployment was a substantial challenge before the pandemic, while the lack of unemployment benefits represented a significant problem in the country. The government granted temporary unemployment benefits to those who lost their jobs during the pandemic or were furloughed/laid off without pay. Recipients of assistance were divided into

2 As of Autumn 2020, 1 Euro is equal to roughly 3.8 Georgian Lari.

two categories—“hired”³ and self-employed. The unemployment benefit for employees amounted to 200 GEL per month and was issued for a duration of six months. Unemployment benefits came into force at the end of May and affected citizens who received wages at least once in the period January–March and whose income was no longer recorded from April. Although the benefit of GEL 200 was scheduled for six months, a person was to be deprived of assistance in case they received a salary. In addition to the fact that the compensation was paid after a two-month countrywide quarantine, this amount constituted only 18% of the official nominal average monthly salary (1130 GEL) and was practically equivalent to the subsistence minimum at that time (Geostat.ge). However, it would be ill-considered to focus on the existing subsistence minimum because the methodology for calculating this sum is flawed and does not actually reflect human needs (Factcheck.ge, 2020). This is further aggravated by the fact that in many cases, one employee has to support several members of the family.

Compensation for the Self-Employed

The self-employed were eligible for compensation amounting to 300 GEL, provided that they could prove their loss of income. There was difficulty in identifying individuals in this particular group. Some of the self-employed were registered as taxpayers in the Revenue Service records. However, a large proportion of self-employed workers were unregistered (street vendors, nannies, private tutors, etc.), and thus information on their income and/or economic activity was not available to the authorities. It was clear from the beginning that some of them would not be eligible for assistance, as the number of entities who can prove their income is quite limited. According to the National Employment Promotion Agency, a total of 251,690 self-employed people were registered as unemployed (Accent News, 2020). They represent the part of the self-employed category who were able to prove that they lost income during the pandemic, while a large proportion of the self-employed were employed by private individuals and thus their activities cannot be officially attested to. Their work was, in most cases, poorly paid and unstable. The share of the self-employed in the total employment rate is approximately 50%. The self-employed were provided assistance of four times lesser value than that provided to the formerly employed who had lost their jobs. Arguably, it would be fairer had the government exercised a universal approach and provided more substantial assistance to the self-employed.

Job-Saving Scheme for Business

The anti-crisis plan introduced by the government included incentives to maintain jobs across the country. For six months, 750 GEL from monthly salaries of up to 1500 GEL was fully exempted from income tax. This benefit is equivalent to a maximum of 150 GEL per job and applies only to the private sector. This decision was a step towards maintaining the short-term liquidity of businesses, with the aim of easing the effects of the pandemic through maintaining economic activities; although this sum legally belongs to the state, employers were allowed to keep this deduction and spend it at their discretion, rather than passing it on to the Revenue Service. This benefit implies a marginal socio-economic effect manifested through maintaining positions.

Measures against Poverty

Naturally, the poorest part of the population has proven the most vulnerable to the socio-economic crisis caused by the pandemic. Poverty is a major challenge in the country, according to the National Statistics Office (Geostat 2020): 19.5% of the population in Georgia (approximately 722 thousand people) lives in absolute poverty without sufficient means for subsistence.

Georgia offers a state program of social assistance (subsistence allowance) which aims to provide financial support to families that live in poverty. The well-being of families is determined through a point system, according to which the amount of financial assistance is determined (Social Service Agency, 2019). The subsistence allowance for families with a rating score from 0 to 65 thousand points is set at 30 to 60 GEL per person monthly. A family with a score of less than 100,001 receives a child allowance of 50 GEL for each child under the age of 16. Three hundred and twenty-one thousand families (979 thousand individuals) are registered in the database of socially vulnerable citizens, of which just 141 thousand families (502 thousand persons) receive the subsistence allowance (Government of Georgia, 2020).

The targeted social assistance (TSA) program has been expanded as a part of the government’s anti-crisis social program. Specifically, families registered in the Vulnerability Database with a score of 65 to 100 thousand (70 thousand families, 190 thousand persons) have been allotted additional financial assistance for 6 months, from May to December. This assistance amounts to 70 GEL per month for a single-member household, 90 GEL for a two-member family, and 35 GEL per month for each member of a family with three or more members. However, expansion of the targeted social program did not affect the poorest part of the population—fami-

3 A hired employee was to be understood as a formal employee who paid income tax, which would be possible to prove through the Revenue Service database.

lies with a rating score of 0 to 65,000, whose allowance remained the same—indicating that the assistance system is not adequate. As a result, a single-member household with the highest rating (100 thousand points) is eligible for 70 GEL in monthly aid, while a single-member household with 60–65 thousand points receives 30 GEL and a single-member household with an extremely low score (0–30 thousand) receives 60 GEL per month.

During the pandemic, larger families (with more than three children) with a social rating score ranging from 0 to 100,000 points also received a monthly supplement of 100 GEL for a duration of six months, from May to October. About 22 thousand families are eligible for the program (more than 130 thousand individuals).

Families with children in Georgia are most vulnerable to poverty. According to UNICEF (*Vulnerable Children and Risks in COVID-19 Times*, 2020), before the pandemic, 221 thousand children lived below the poverty line, and 161 thousand of these children received aid. Therefore, a large proportion of poor children remained outside the state's social protection program even before the pandemic. Aiding larger families is paramount, as they represent the group most vulnerable to the socio-economic damage caused by the pandemic. However, the government's approach was faulty, as those children who are not part of extended families but live in extreme poverty were left outside the pandemic aid program (for example, families with one or two children and a score below 65 thousand). It would clearly be fairer if all families registered as socially vulnerable received child assistance and the benefit simply increased according to the number of children.

Support for Children

From September, a one-time 200 GEL allowance was issued to all children aged 0–17. The financial transfer was linked to the start of the school year. Arguably, the universality of this transfer is socially unjustified, as it would be more rational to allocate these resources to children who are more vulnerable for long-term care rather than one-time assistance. Such children are relatively easy to identify through the above-mentioned database.

On August 21, 2020, UNICEF published a micro-simulation study on the impact of the coronavirus pandemic on the population of Georgia, with particular focus on children. The poverty level of the population is obviously expected to increase under the shock of the pandemic crisis. The study examines three potential scenarios for economic damage caused by the coronavirus pandemic. In the most optimistic scenario, the poverty rate of the population would increase from 21% to 24%,

26% in case of moderate consequences and 30.9% in the case of severe shock. Child poverty would increase from 27.6% to 30.8% in the “mild” scenario, 32.7% in case of a moderate outcome and 37.8% in the case of a severe shock. The percentage of the population, including children, who live in extreme poverty would also rise.

According to UNICEF, Georgia is very vulnerable to poverty and a high proportion of the population lives only slightly above the poverty line, so the crisis will naturally have a strong impact on the population living in/on the edge of poverty. Research has shown that cash assistance can slow down the growth in poverty and that the policies and transfers that widely target the bottom 40% of the distribution are more likely to have an impact on reducing poverty in a cost-effective manner, as opposed to those that are very narrowly targeted (only TSA beneficiaries), those that target the unemployed, or those that are too widely distributed (such as universal child grants) (UNICEF 2020, p. 5). Of the measures taken by the government, UNICEF most positively assesses its universal financial assistance, child subsidies (0–17 years) and unemployment benefits. However, this study evaluates the singular effect of financial assistance and not any long-term policy vision or its alternatives.

Support for Students

Students who are members of families having a score of less than 70 thousand points and studying at state or authorized private higher educational institutions will receive their promised funding for the ongoing semester. This is a one-time benefit given to the most vulnerable group to help alleviate the effects of the ongoing crisis. More than 33 thousand students are eligible for the funding, for which over 40 million GEL has been allocated from the budget (Government of Georgia, 2020).

Support for People with Disabilities⁴

Part of the state anti-crisis plan involved aiding people with severe disabilities (Group I) and disabled children with a supplement of 100 GEL per month via social transfers for a period of six months. Forty thousand individuals receive the benefit, and the budget of the program is 25 million GEL. However, this assistance was provided after the end of the State of Emergency. Surprisingly, the only group ineligible for the pandemic-related aid was the profoundly disabled (Group II). The logic behind this decision is still unknown. The amount of aid for those in Group II was even lower than before the pandemic, with severely disabled people and disabled children receiving GEL 220 per month and pro-

⁴ Persons with disabilities are divided into three categories: Children with disabilities, Group I (severely disabled people) and Group II (profoundly disabled people—those with relatively mild disabilities).

foundly disabled people receiving GEL 140 per month (Government of Georgia, 2020). The difference in aid value was explained by their different needs; nonetheless, leaving profoundly disabled people without additional assistance during the crisis remains incomprehensible.

Conclusion

The fact that the government spends more on the affluent part of the population than on the most vulnerable groups is likely to increase social inequality. A total of 63 million GEL was allocated from the state budget for the expansion of the targeted social program. For comparison, the government has allocated 70 million GEL to subsidize mortgage loans for the population, which involves co-financing the interest rate when buying an apartment.

As a part of the crisis budget, state budget expenditures increased by 1.5 billion GEL and are planned to reach 15.9 billion GEL, of which the largest share—1 billion GEL—can be attributed to social expenses. A total of 5.3 billion GEL is planned to be spent on social issues in 2020. Health care expenses increased by 39 million GEL. Of note is that growing expenditures are to be covered by significant government borrowing mobilized during the pandemic. Namely, as of October 2020, total government debt amounted to 27.1 billion GEL, including domestic debt (5.7 billion GEL) and foreign debt (21.4 billion GEL). It should be noted that, compared to 2019, total debt has increased by 7.2 billion GEL, from 39.8% to 54.3% of expected 2020 GDP (Ministry

of Finance, 2020). Meanwhile, the forecasted Unified Budget Deficit for 2020 is 8.3%, which is 5.7 percentage points more than that of the previous year (Ministry of Finance, 2020). In addition to incurring the costs of fighting the pandemic, deficit spending stimulates consumption, which has dropped as a result of the pandemic (although naturally this has negative consequences in the long term, e.g. inflation, reduction in savings, increase in interest rates, etc.). In this regard, the short-term approaches to pandemic social aid are unsustainable, and the elected government will have to substantially reconsider social policy approaches and resource allocation.

The socio-economic crisis caused by the coronavirus pandemic is proving to be long-lasting, and obviously one-time social transfers do not provide social protection for the population in the long run. Temporary mechanisms implemented by the government do not include certain groups of people who are vulnerable and at high risk of poverty. At the same time, the fact that social protection policies were not decentralized at the self-government level, which would have proven much more effective and efficient, should be assessed unequivocally negatively. In this case, the target groups and their challenges could have been identified more effectively, which would have in turn led to provision of more adequate and appropriate assistance. As mentioned, the government's response to the crisis was delayed, which was reflected in the fact that social transfers were not issued during the state of emergency, leaving many vulnerable to the crisis.

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