REFORMING GEORGIA’S SOCIAL WELFARE SYSTEM

For a country like Georgia with some 50-55% of the population living below the poverty line and some 15% living in conditions of extreme poverty, the need for a coherent and sustainable social security policy is urgent. Georgia inherited the Soviet system of social security, which guaranteed a decent living for pensioners, the unemployed, the disabled, families with many children and people fitting countless other groups. Since the collapse of the USSR, however, Georgia has been unable to afford such lavish social spending, nor has it revised the existing model in a systematic and comprehensive manner.

Unlike most East European countries, which in the early period of transition offered early retirement and assumed full responsibility for the provision of pensions, the Georgian government proved more pragmatic on account of its severe financial limitations. In 1995 Georgia replaced the Soviet-era system of differentiated pensions, according to which a pension was calculated based on an individual’s number of years of active work or on a previous salary, with a uniform sum for all pensioners. In 1996 the retirement age was increased from 55 to 60 for women and from 60 to 65 for men; in the case of early retirement, an individual would not begin to receive his/her pension until reaching this age. Another provision eliminated the practice of paying pensions to individuals of retirement age who were still working.

According to the 2004 Global Corruption Barometer, the first Barometer conducted after the change of government in 2003, 99.2% of Georgians surveyed perceived poverty to be a very or fairly significant problem in Georgia; 99.3% reported that unemployment is a very or fairly significant problem. Nevertheless, the current administration moved more slowly on reform in the social welfare sector than it did, for example, in the areas of traffic police, education, and licensing and permits. More substantial changes began to take place in 2005, when the government started to develop a new system of social protection for the extremely poor.

Subchapter 4.4 of the European Neighbourhood Policy Action Plan, entitled Economic and Social Reform, Poverty Reduction and Sustainable Development, takes the problem of social welfare into consideration. The Action Plan outlines steps to be taken for reducing poverty in the future. According to these provisions the Georgian government is to “introduce effective poverty reduction measures,” increase the sustainability and inclusivity of the system, “improve targeting and effectiveness of social protection measures,” and “undertake effective monitoring of service delivery.”

1 Millennium Development Goals in Georgia, Tbilisi 2004, p. 20, based on data from the Department of Statistics of Georgia.
2 This practice was partially reversed in 2006, when the Tbilisi city council introduced progressive supplements to the standard pension of 38 GEL. Tbilisi pensioners now receive supplements as follows: for 5 years of work – 2 GEL, 5-15 years – 4 GEL, 15-25 years – 7 GEL, and 25 years and above - 10 GEL. Thus the highest pension that can be attained by the average citizen amounts to 48 GEL. Former government officials receive their pensions according to different schemes, depending on their former place of work and rank. Still, in 2006 Parliament passed a law establishing a ceiling for pensions at 560 GEL, down significantly from the previous 5,000 GEL. The retirement age has also been revised to 65 years for both males and females.
4 The Barometer is a public opinion survey conducted by Transparency International which assesses the general public’s perceptions and experiences of corruption. As a poll of the general public, it serves as an indicator of the relative success of efforts to curb corruption within institutions/sectors and across countries.
5 The full text of the ENP AP is available on the European Commission’s website: www.europa.eu.
This report considers recent developments in the sphere of social protection in Georgia, in particular the new system for protection of the extremely poor. The report provides an overview of the system and outlines its setbacks as demonstrated thus far.

**Revision of the Social Protection System**

Alleviating poverty has always been on the Georgian government’s agenda, but over the years very little has been accomplished. Georgia has been involved in UN-directed initiatives on combating poverty and in early 2003 developed its own Economic Development and Poverty Reduction Program (EDPRP) with the assistance of the World Bank mission to Georgia. The government, however, failed to implement the program effectively and the results were minimal. Its failure to designate concrete responsibilities and unwillingness to act rendered the document effectively moribund.

The new government’s first policy document to outline its broad strategy, including stipulations pertaining to social protection, was the Basic Data and Directions (BDD) document adopted in 2006. The document deals with the issue very briefly in one paragraph, and states that the government aims to create a residual social protection system based on needs rather than categories.

The actual reform process, however, began before the development of the BDD with the adoption of Government Order #51 On Poverty Reduction and Improving Measures for Social Protection of the Population in March 2005. This was the first legal document to outline the new concept for protecting the underprivileged.

The system set forth in the Order is based on self-assessment as an initial step: the Social Assistance and Employment State Agency (SAESA) receives applications from families who regard themselves as poor or extremely poor and seek state assistance. Information on the application process began to be distributed by the SAESA via radio and television in the fall of 2005, before the official commencement of the new system in March 2006. In addition, local governance bodies were assigned the task of spreading this information to their remotest villages, which are in some cases near-isolated due to road conditions and/or electricity outages, and in many cases lack TV sets or radios. Public communication points were established in SAESA territorial and local government offices and other buildings/offices with the consent of the Ministry of Labour, Health and Social Protection.

After the SAESA receives and registers an application, a social agent is sent to visit the family’s home. The agent is assigned to personally review the premises and the family’s possessions, and thus must be allowed unrestricted access by the family. The agent completes a special declaration form developed by the SAESA based on the information provided by the family. The form reports information on the family’s demographics, education, employment, possessions, expenditures and income. In the second part of the declaration, the social agent subjectively assesses the gravity of the family’s condition. S/he describes the condition of the furniture, curtains, personal hygiene items, etc. and comments on the credibility of data provided by the family.

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6 SAESA is a legal entity of public law within the Ministry of Labour, Health and Social Protection which was established in 2005 to implement this program specifically. It is responsible for development of the database and management of social assistance to the poor and vulnerable.

7 SAESA has chosen to call these individuals social agents rather than social workers due to the rather limited nature of their role. Georgia has never before had social workers and this program is a kind of experiment; agents are presumed to lack extensive training and experience. In the academic year 2006 a graduate program in social work was inaugurated at Tbilisi State University. At present, social agents are drawn primarily from within Georgia’s healthcare system.
The declaration is entered in a database and a family “ranking score” is derived from it through SAESA methodology. Families that score within the eligible ranges can benefit from one of three aid packages. If a family is determined to be eligible, a second social agent visits the family to sign the aid acceptance document. The second agent’s visit and the signature of an adult representative of the household constitute the final step in the process and confirm the family’s willingness to accept government aid. Alternatively, the family has the right to decline and opt out of the scheme. The second visit is different from the first in that the family receives no advance notice about when the visit may occur. Thus the second visit has an additional, double-checking, function. If the family had tried to deceive the agent by concealing its possessions the first time, this second visit may yield very different results. If the second agent notices important differences between the actual living conditions and the content of the declaration, either the family is declared ineligible for inclusion in the database for reasons of misconduct or additional investigation is undertaken for establishing truth.

If the household’s living conditions change in any way—composition, income, possessions, etc.—it is responsible for notifying the SAESA and altering its declaration. This may of course lead to changing the ranking score for the family but non-compliance with this procedure may disqualify the family from receiving future assistance for the next three years.

Aid is differentiated according to ranking score and organised into three packages. Families with a score below the cutoff of 200,001 points receive electricity subsidies; families with a score below 100,001 receive health insurance for all members of the family in addition to the electricity subsidy; those with a score below 52,001 are considered extremely poor and receive monetary aid for subsistence in addition to health insurance and electricity subsidies. The monetary aid is 30 GEL$ for the first individual and 12 GEL for each additional individual per month. (Thus households with one member would receive a monthly amount of 30 GEL, 2 members – 42 GEL, 3 members – 54 GEL, etc.). Each recipient family is given a bank card and the amount is deposited monthly in this account.

**Chart: Distribution of household (HH) scores in the SAESA ranking**

![Chart: Distribution of household (HH) scores in the SAESA ranking](chart.png)

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8 The statistical methodology was approved by Government Order #126 in August 2005. As SAESA explains, it was developed based on international best practices learned through consultations with international organisations and partners. It draws on the experiences of Armenia, Argentina, Chile and Colombia, among other countries.

9 Currently 1USD= 1.72 GEL.
Health insurance is arguably the most vital part of the new welfare system. According to the SAESA, study of expenditure structure of poor households indicates that healthcare services and pharmaceuticals account for 75% of all non-food goods and services purchased. Currently the Ministry provides health insurance for about 840,000 people. The insured are entitled to the services of a family doctor (a general practitioner) once every two months. In case of need the doctor may refer a patient to a specialist for consultation and/or diagnosis. Maternity care, emergency surgery and planned stationary treatment are also covered under the plan. While the program bears full cost of these latter treatments, including medication, in other cases it carries no stipulations for drug coverage. According to the SAESA, this healthcare policy approach is based on international best practices.

Challenges to Launching the New System

Families have been invited to apply for the program since it was first advertised in autumn 2005. The database has grown continuously since then. The initial goal was to begin distributing aid in June 2006, but a number of factors pushed the deadline back to September. One of the most important factors was confusion regarding the status of internally displaced persons (IDPs).

From the very outset this program was intended to be the only social protection scheme available in the country. This meant that no specific group would get any state aid solely by the virtue of the group membership (nationwide, at least, given that the city of Tbilisi typically subsidises individuals and families who fit certain specific categories). This would have precluded the government assistance to IDPs, seniors living alone, the disabled, etc. who are currently eligible for aid regardless of their financial situation. Due to the sensitive nature of the subject matter, however, the decision was made to postpone such drastic change to the current system for some time. In regions, especially where communities of IDPs are compactly settled, however, mostly it was the local authorities that caused misunderstanding by reporting that IDPs would lose their status if they applied for entry in the database. While it is true that once a family registers in the scheme and begins to receive social assistance it automatically loses entitlement to any other state subsidy including those for the IDPs, registration would have no bearing on their status as an IDP. The IDP status was interpreted as a prerequisite for future entitlement to their property left behind in Abkhazia and South Ossetia. This was viewed as especially important since the launch of the presidential program “Chemi Sakhli” (My Home), designed to create the database and register the property left by Georgians (and other refugees) in the breakaway regions for purposes of future repatriation and legal challenges related to them reclaiming the property. Consequently, although the benefits of the new social program far outweigh those of the previous scheme, many IDPs initially chose not to register and some considered withdrawing their applications.

Another important change has been the raising of the cutoff point for the monetary assistance. The cutoff was initially set at 40,001 points, but in the early stages of program implementation this number was determined to be excessively low. Thus in July 2006 Governmental Order #145, on Targeted Social Assistance, revised the cutoff to 52,001 to impact a greater number of applicants.

Putting the Scheme into Practice

Through the end of the calendar year 2006 about 500,000 households (from a total of about 1,175,000 in Georgia) have applied to the SAESA for registration. But as the Agency explains, some households have submitted multiple applications, believing that they would have a better chance of getting aid this way.
system precludes manipulations of this kind, however, and the number of ‘unique’ families in the database currently stands at about 430,000.

Initially the agency received between twelve and thirteen thousand applications per month. It checks the credibility of the received data on a continuous basis and as a result has suspended aid to 8,000 registered households until final decision is made regarding their eligibility (due to suspicious data) and disqualified another 4,000 from the system. The disqualified households have been removed from the database and have been barred from applying again in the next three years.

As data provided by SAESA demonstrates, most of the households in the database are small. About 55% of all single-member households registered by the Statistics Department have applied for assistance; and these individuals now account for about 30% of the total pool of social assistance beneficiaries. The average household size for the database is less than three people, while the national average is 3.6 members per household. Another important variable is age, with small household size having important correlation with older age. According to the data, the most vulnerable segment of the population consists of pensioners living alone and elderly couples. The elderly account for a larger share of beneficiaries than children. This may be due to the fact that families with children tend to be younger and more capable of work than the elderly, who rely solely on their meager pension to support themselves and thus live in more acute poverty.

**Concerns and Future Steps**

Development of the targeted and need-based social assistance system can be regarded as the final break with the Soviet-era approach to social protection. By denying assistance along category or status lines – IDP, disabled, war veteran, etc., no matter the actual financial conditions of the person/household, the state has reserved aid for those who need it most but may not fit any one category. The state intends to discontinue aid to those who fit the above or other categories but have sufficient household income not to require additional support from the government. This system is in many ways very sensible, particularly in a country like Georgia in which resources are scarce and social conditions are often extreme.

Despite this, however, there has been criticism of the strictly need-based approach. Opponents of the new system argue that the past system (which is to this day functioning alongside the new one) did more than provide a social safety net – it served as a sort of tribute, to veterans of war for example. These included veterans of World War II and the wars for Georgian territorial integrity, and the families of those who lost their lives in those wars, to survivors of the events of April 9, 1989, and to survivors of the Chernobyl disaster to name just a few. The provision of special protections served as a symbolic gesture to demonstrate that these individuals were appreciated and not forgotten. To grant them certain privileges was thus a sign of respect.

Other concerns have been expressed regarding a lack of transparency in the social welfare reforms. Despite some obvious advantages of the new system, it remains poorly understood throughout the country. Aside from the publicity campaign at the very outset which primarily provided information about the start of registration process and procedures, there has been no widespread campaign to communicate information about the new system of targeted social protection. A more vigorous and continuous campaign to include more specific information about the benefits of the new system and its implementation could serve not only to better inform the public, but to secure more visible support for the initiative as well.

A related issue is the more general transparency of SAESA activities and the results it has achieved thus far. The agency has been less than proactive in its reporting to the public about its progress and future plans. According to agency, it is planning to develop a report within the next few months, upon the completion of
the first working year. Nevertheless, periodic updates on the details of program implementation, aims and targets could have been helpful both for raising interest in the new system and for building public confidence in it. Continuous reporting and analysis (not only maintenance of statistical and demographic data, but assessment of program impact and effectiveness) would facilitate recognising the drawbacks the current system may have and thus work on its perfection. Indeed, without continuous evaluation and evolution no system can possibly respond to the changing needs it is designed to provide for.

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