Summary

Economic growth translated into improvements in living conditions for everyone in the country, especially for those at the bottom of the income distribution.

Poverty decreased for the fourth consecutive year in 2014, but it still affects close to one third of the country (32 percent of population living at less than US$2.5/day 2005 PPP poverty line).

Between 2010-2014 households’ income from economic activities played a significant role in reducing poverty. This is in contrast to the pre-2010 period when income from economic activities played a limited role and income from social transfers were more important for poverty reduction.

Government’s redistributive policies continue to play a significant role in lifting households out of poverty.

Households with per capita spending above the $5/day line are better integrated into the services sector, especially in high-skilled jobs, than those households living on per capita spending of between $2.5/day and $5/day (“vulnerable households”).

Context play a more important role than endowments (such as, education level) in explaining the inability of the persistently poor to escape poverty.
Outline

• Recent poverty trends ($2.5/day)

• Drivers of poverty reduction
  • Inclusive access to economic opportunities
  • A deeper look at the rural economy
  • The role of fiscal policy

• Profile of labor market outcomes for those living above the poverty line

• Poverty persistence in Georgia

• Policy discussion
POVERTY TRENDS 2010-2014
Robust economic growth of 2010-2014 slowed down in 2015 due to external factors

Georgia Real GDP growth 2006-2018f

Average 5.0

Average 5.6

Note: 2016-2018 are forecasts produced by the WB.

Economic growth accompanied by sustained poverty reduction...

WB simulations show that a price increase of 6 percent (as observed between 2014Q3-2015Q3) would have led to poverty increase. However, positive trends in labor earnings, agricultural income and social transfers are expected to have offset these impacts.

Note: 2015-2018 poverty rates are forecasts based on the elasticity of GDP-poverty from the 2010-2014 period. These estimates will be updated as forecasted GDP is updated and new IHS rounds are available.

Source: WB staff calculations based on 2006-2014 IHS.
...and higher living standards across the distribution

Poverty Gap (FGT1) and Poverty Severity (FGT2) show improvements below the poverty line

Growth Incidence Curve shows a pro-poor growth pattern over 2010-2014

Source: WB staff calculations based on 2010-2014 IHS.
Note: Poverty gap measures the average distance to the poverty line for the poor. It is expressed as a percentage of the poverty line. Poverty severity is the average of squared distance, thus giving more importance to the extreme poor.

Source: WB staff calculations based on 2010-2014 IHS.
Note: Growth incidence curves measure the change between the initial and ending period for each percentile of the welfare distribution.
In spite of the recent decrease, the poverty rate is still high compared to countries with similar levels of GDP per capita…

Poverty rate and GDP per capita, selected countries ECA (c. 2014)

Source: WB staff calculations based on data from the ECAPOV harmonization.
...and differences in living standards across regions persist

Poverty Headcount by Regions ($2.5/day 2005 PPP)
Georgia 2014

Source: WB staff calculations based on 2014 IHS.
Inequality also decreased likely driven by improved welfare among the less well-off. Shared prosperity indicator shows similar pattern.

**Inequality Indicators**

- **Gini**
  - 2010: 42.1
  - 2011: 41.6
  - 2012: 41.3
  - 2013: 40.0
  - 2014: 40.1

- **Ratio 90th/50th percentile**
  - 2010: 2.8
  - 2011: 2.9
  - 2012: 2.7
  - 2013: 2.6
  - 2014: 2.6

- **Ratio 50th/10th percentile**
  - 2010: 2.6
  - 2011: 2.5
  - 2012: 2.5
  - 2013: 2.5
  - 2014: 2.5

**Shared Prosperity Indicator**

- **National**
  - 2010-2014: 6.4%

- **Tbilisi**
  - 2010-2014: 8.3%

- **Rest Urban**
  - 2010-2014: 6.9%

- **Rural**
  - 2010-2014: 5.3%

Source: WB staff calculations based on 2010-2014 IHS.

**Note:** Shared prosperity measures annualized growth of mean per capita consumption expenditure of the bottom 40 percent of the population. This is compared to annualized growth of mean consumption of the total population. World Bank standardized consumption expenditure is used. This differs from Geostat’s consumption expenditure.
Despite improvements, Georgia must pay attention to:
(a) those who remain in poverty for long time (poverty persistence);
(b) potential risk of poverty increase due to macro conditions.

(a) Poverty status 2009-2011-2013

<table>
<thead>
<tr>
<th>Status</th>
<th>2009</th>
<th>2011</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Never poor</td>
<td>31.8</td>
<td>21.5</td>
<td>16.5</td>
</tr>
<tr>
<td>Escapes poverty</td>
<td>21.5</td>
<td>16.1</td>
<td>14.2</td>
</tr>
<tr>
<td>Enters poverty</td>
<td>16.1</td>
<td>14.2</td>
<td>16.5</td>
</tr>
<tr>
<td>Persistent poverty</td>
<td>16.5</td>
<td>14.2</td>
<td>16.5</td>
</tr>
</tbody>
</table>

Note: Persistent poverty is defined as being poor in 2009, 2011 and 2013. In and out are households who escape poverty in 2011 and fall back in 2013, or that fall to poverty in 2011 and escape in 2013.

(b) Welfare effects of 2015 Inflation

WB simulations show that a price increase of 6 percent (as observed between 2014Q3-2015Q3) would have led to poverty increase. However, positive trends in labor earnings, agricultural income and social transfers are expected to have offset these impacts.

Source: WB staff calculations based on 2014 IHS (Q3).
Note: "Inflation effect" estimated deflating consumption by national average price increases 2014Q3-2015Q3 (estimated at 6 percent) and re-estimating poverty.
"Inflation effects adjusted by consumption bundle" is estimated similarly but using a household-level price increase which reflects the household consumption basket. See Cancho et al. (2016) for more details.
Share of vulnerable population is also growing (percentage of those who live just above the poverty line)

Poverty and Vulnerable groups, 2010-2014 (percentage)

Source: WB staff calculations based on 2010-2014 IHS.
Note: All measures based on US$ 2005 PPP. $2.5/day is the ECA regional extreme poverty line, $5/day is the ECA regional moderate poverty line. Above $10/day is considered middle class.
Real incomes increased across rural and urban areas 2010-2014

Average monthly per capita income (bars, 2010-2014, 2014 GEL) and annualized growth (numbers in bold), by region

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2014</th>
<th>Annualized Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>174.8</td>
<td>242.1</td>
<td>8%</td>
</tr>
<tr>
<td>Tbilisi</td>
<td>206.6</td>
<td>300.9</td>
<td>10%</td>
</tr>
<tr>
<td>Rest Urban</td>
<td>174.7</td>
<td>235.5</td>
<td>8%</td>
</tr>
<tr>
<td>Rural</td>
<td>157.4</td>
<td>214.2</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: WB staff calculations based on 2010-2014 IHS.
Note: Income includes labor earnings, agricultural income, social protection, remittances, inter-household transfers and other minor sources. Numbers at the column base represent average annual growth 2010-2014.
Income increase was driven by income from economic activities (paid work and agriculture) and social transfers

Drivers of income increases on average, Georgia 2010-2014

- Share adults
- Employment
- Labor income
- Agricultural income
- Social Protection
- Private transfers
- Property income

Source: WB staff calculations based on 2010-2014 IHS. (*) Based on 2006-2008 IHS, per adult equivalent income.
Economic activities and transfers also explain most of the poverty reduction observed between 2010-2014

### Contribution to poverty reduction 2010-2014 (percentage points, *positive* bars are drivers that *lowered* poverty and *negative* bars are drivers that *raised* poverty)

- **Demographics**: -0.26
- **Economic activities**: 11.11
- **Transfers**: 8.57
- **Other**: -1.71
- **Cons/Inc.***: -3.36

Total poverty reduction: 14.4 percentage points

Note: Effects estimated as average change in poverty attributable to each source of income. Average change estimated over effects obtained when varying the order in which income sources are added. See Azevedo et al. (2012) for more details on the methodology.

Source: WB staff calculations based on 2010-2014 IHS. Economic activities refer to employment rate, earnings, agricultural income and agricultural self-consumption. Transfers include income from social protection, remittances and private transfers. Other refers to miscellaneous income sources. (*) Cons/Inc. represents the ratio consumption to income at the household level, used to transform income into consumption levels.
Economic activities and transfers also explain most of the poverty reduction observed between 2010-2014 (with disaggregated income components)

Contribution to poverty reduction 2010-2014 (percentage points)
Total poverty reduction: 14.4 percentage points

Demographics
Economic activities
Transfers
Other

Cons/Inc.*

Labor Market
Agricultural

Employment
Social Protection
Earnings
Remittances
Sales
Priv. transfers
Self-cons.

Source: WB staff calculations based on 2010-2014 IHS. (*) Cons/Inc. represents the ratio consumption to income at the household level, used to transform income into consumption levels.
This is in contrast to the results before 2010, when government transfers were by and large the largest driver of poverty reduction.

Contribution to poverty reduction 2006-2008 (percentage points)

Demographics: 0.1
Economic Activities: 0.80
Transfers: 4.54
Other: 0.40

Source: WB staff calculations based on 2014 Georgia Poverty Assessment analysis of 2006 and 2008 IHS. Poverty measured based on income and national poverty line, decreases from 24.5 to 18.7 (5.9 percentage points). Actual consumption poverty in the period fell from 18 to 17.7 percent. Estimates based on income per adult equivalent, results should be consistent when using per capita scale as in previous slides.
Drivers of poverty reduction are similar across urban and rural areas

Disaggregated Income components and their effects on poverty reduction 2010-2014, by location

<table>
<thead>
<tr>
<th>Component</th>
<th>Tbilisi</th>
<th>Rest Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cons./Inc.</td>
<td>-3.4</td>
<td>-3.0</td>
<td>-3.7</td>
</tr>
<tr>
<td>Dependency rate</td>
<td>-0.2</td>
<td>-0.3</td>
<td>-0.2</td>
</tr>
<tr>
<td>Non-farm employment</td>
<td>3.9</td>
<td>3.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Labor income</td>
<td>6.6</td>
<td>5.6</td>
<td>3.3</td>
</tr>
<tr>
<td>Agric. sales</td>
<td>0.2</td>
<td>0.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Agric. self-cons.</td>
<td>0.0</td>
<td>1.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Property income</td>
<td>0.1</td>
<td>0.3</td>
<td>-0.1</td>
</tr>
<tr>
<td>Social Protection</td>
<td>4.9</td>
<td>5.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Remittances</td>
<td>0.7</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Private transfers</td>
<td>2.8</td>
<td>2.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Other income</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-2.9</td>
</tr>
<tr>
<td><strong>Total poverty reduction</strong></td>
<td><strong>15.8pp</strong></td>
<td><strong>16.6pp</strong></td>
<td><strong>12.9pp</strong></td>
</tr>
</tbody>
</table>

Source: WB staff calculations based on 2010-2014 IHS.
Labor market status, education and gender of the household head are among the factors that determine probability of being poor

<table>
<thead>
<tr>
<th>Marginal effect on probability of being poor</th>
<th>National</th>
<th>Poverty $2.5/day</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HH Head Sociodemographic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65+ (elderly less likely to be poor)</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female (female heads are more likely to be poor)</td>
<td>+</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Secondary or higher (less likely to be poor)</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>HH Head Labor Market Status (compared to employed)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employed (more likely to be poor)</td>
<td>+</td>
<td></td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Unemployed (more likely to be poor)</td>
<td>+</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Inactive (more likely to be poor)</td>
<td>+</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td><strong>HH Head Status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDP (more likely to be poor)</td>
<td>+</td>
<td></td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Disability (more likely to be poor)</td>
<td>+</td>
<td></td>
<td></td>
<td>+</td>
</tr>
<tr>
<td><strong>Household characteristics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size (larger families more likely to be poor)</td>
<td>+</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Children 0-14 (more likely to be poor)</td>
<td>+</td>
<td></td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Rural (more likely to be poor)</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Table reports statistical significance and sign of marginal effect of variable to the probabilities of being poor. Dark yellow indicates statistical significance at 1%, light yellow at 5%. Includes regional dummies.
Source: WB staff calculations based on 2014 IHS data.
INCLUSIVE ACCESS TO ECONOMIC OPPORTUNITIES
All sectors of the economy expanded in 2010-2014

GDP (mil. GEL) and GDP Annual Growth (%) 2010-2014 by Sectors

Numbers at column bases indicate sector annualized GDP growth 2010-2014.
Source: WB staff calculations based on 2010-2014 IHS.
Economic growth was associated with both salary growth and employment creation, in contrast to the pre-2010 period.

Average salary growth and employment growth by sectors

Economic growth was associated with both salary growth and employment creation, in contrast to the pre-2010 period.

Average salary growth and employment growth by sectors

Note: Bubble size represents the size of employment in the sector by the ending period.
Source: WB staff calculations based on average salaries from Geostat and employment from 2006, 2010 and 2014 IHS.
This is consistent with the evidence of a slowdown in job destruction and higher net job creation in more recent years (2010-2012).

Job Creation and Destruction in Georgia 2007-2012 (percent of previous year’s employment)

Note: Data include forms in non-service sectors only.
Source: Georgia Country Economic Memorandum (2014). Based on Geostat employment data.
Between 2010 and 2014, employment rates among the poor increased from 50.7% to 56.6% even though the total number of the poor who are employed declined (this is due to reduction in number of poor).

This translates into increased access to economic opportunities for the poor.

Note: Numbers above the bars represent the employment rate for the poor in 2010 and 2014, respectively. Source: WB staff calculations based on employment and income information from 2010-2014 IHS.
Employment is opportunity to escape poverty in a sustainable manner, as employment indicators for the well-off suggest...

Labor Force Status by Poverty and Vulnerability Status, Urban-Rural (2014)

Source: WB staff calculations based on employment information from 2014 IHS.
...and sources of income for the well-off also support this conclusion

Share of income by components, by poverty and vulnerability status (Georgia 2014)

Source: WB staff calculations based on 2010-2014 IHS.
A DEEPER LOOK AT THE RURAL ECONOMY
Rural poverty reduction over 2006-2014 is only associated with rural growth and growth in agricultural sector; it is unaffected by urban growth.

<table>
<thead>
<tr>
<th>Direction and statistical significance of effect</th>
<th>On: Poverty Headcount</th>
<th>On: Poverty Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>From:</td>
<td>National</td>
<td>Urban</td>
</tr>
<tr>
<td>Primary sector</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Secondary</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tertiary</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Primary sector includes agriculture, forestry, fishing, mining, and quarrying; the secondary sector includes manufacturing, construction, and electricity, gas, and water supply; the tertiary sector includes trade, hotels, restaurants, transport, storage, communication, finance, insurance, real estate, business services, and community, social, and personal services. Results from OLS regression of average consumption on poverty levels, following Ravallion and Datt (1996). Signs indicate direction of the effect and shadowed cell indicate statistical significance at 0.01. Source: Sinha et al. (2016)
In addition, there has been employment growth in rural areas for non-agricultural sectors in 2010-2014...

Employment levels and annualized growth (2010-2014), by sectors and areas

Note: Numbers on columns base indicate annualized growth 2010-2014.
Source: WB staff calculations based on employment information from 2010-2014 IHS.
... which can be linked to the emerging role that diversification plays in explaining rural poverty reduction 2010-2014

Income Components Effects on Rural Poverty Reduction 2010-2014
(Behavioral responses model, Inchauste et al. (2013))

Bars indicate the contribution, in percentage points, of the factors listed for rural poverty reduction. Non-labor income includes social protection government transfers and private transfers.

Source: WB staff calculations based on methodology developed by Inchauste et al. (2013) and information from 2010-2014 IHS.
Distributional Impacts of Fiscal Policies
2012-2014 social spending was expanded, leading to a growth of 60 percent in real terms, led by pensions, health and other direct transfer

Selected social programs introduced or scaled-up 2012-2014 (2012 GEL)

Note: Numbers on columns base indicate total growth 2012-2014.
Source: Georgia Public Expenditure Review 2015, based on Ministry of Finance information.
Overall, taxes and transfers redistribute resources from the top to the bottom of the income distribution

Average annual household income, before and after fiscal interventions (2013 GEL)

- Before taxes and transfers
- After taxes and transfers

Quintiles

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Before taxes and transfers</th>
<th>After taxes and transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>425</td>
<td>6,924</td>
</tr>
<tr>
<td>II</td>
<td>965</td>
<td>6,092</td>
</tr>
<tr>
<td>III</td>
<td>1,055</td>
<td>2,926</td>
</tr>
<tr>
<td>IV</td>
<td>1,495</td>
<td>2,913</td>
</tr>
<tr>
<td>Richest</td>
<td>1,822</td>
<td>2,061</td>
</tr>
<tr>
<td>All</td>
<td>2,061</td>
<td>2,913</td>
</tr>
</tbody>
</table>

Source: Georgia Public Expenditure Review 2015. Based on Commitment to Equity methodology and information from 2010-2013 IHS.
Labor Market Profile
Above the Poverty Line
Labor markets played a more important role in moving people above the $5/day line than in moving them above the $2.5/day line.

Contribution to poverty reduction 2010-2014 (as a percentage of the reduction)

- Share adults: -1.8%
- Employment: 22.3% (5.0) vs 20.1% (2.5)
- Labor income: 37.2% (5.0) vs 31.4% (2.5)
- Agricultural sales: 13.2% (5.0) vs 12.8% (2.5)
- Agricultural self-consumption: 9.5% (5.0) vs 13.1% (2.5)
- Property: 0.8% (5.0) vs 0.5% (2.5)
- Social Protection: 38.8% (5.0) vs 40.0% (2.5)
- Remittances: 6.9% (5.0) vs 5.9% (2.5)
- Private transfers: 15.5% (5.0) vs 13.8% (2.5)
- Other: -11.1% (5.0) vs -12.4% (2.5)
- Cons./Inc.: -32.5% (5.0) vs -23.4% (2.5)

Total poverty reduction: 14.4 pp ($2.5/day) and 11.1 pp ($5.0/day)

Source: WB staff calculations based on 2010-2014 IHS.
Those above the poverty line have better attachment to labor markets (lower unemployment and less incidence of agric. self-employment)

Labor Force Status by vulnerability and poverty status (15+ years old), Georgia 2014

Source: WB staff calculations based on 2010-2014 IHS.
Largest sector of employment for the vulnerable is services, but for the moderate poor it is still agriculture. There is roughly similar composition of services sub-sectors across income groups.

Sector of employment by vulnerability and poverty status (15+ years old), Georgia 2014

Sub-sector of employment within services by vulnerability and poverty status (15+ years old), Georgia 2014

Note: Numbers in bars represent share of total employment in each services sub-sector. They add up to total services sector share. Source: WB staff calculations based on 2010-2014 IHS.
The vulnerable have better access than the moderate poor to jobs requiring advanced skills

Occupation by vulnerability and poverty status (15+ years old), Georgia 2014

Source: WB staff calculations based on 2014 IHS.
POVERTY PERSISTENCE IN GEORGIA
Close to half of the poor in 2013 are persistently poor, and overall roughly half of the population in the country has either moved out of poverty or fallen into poverty.

![Poverty status by mobility status, Georgia 2013 (Urban and Rural)](chart)

Escaped poor defined as poor in 2009 or 2011 but not in 2013. Downward mobility defined as non-poor in 2009 and poor in 2013.
Persistent poverty is both an urban and rural phenomenon; the highest incidence of persistence tends to coincide with the highest overall poverty rates.

**Distribution of Persistent Poverty, Georgia 2013**

<table>
<thead>
<tr>
<th>Region</th>
<th>Persistent Poverty Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>44.0</td>
</tr>
<tr>
<td>Rural</td>
<td>56.1</td>
</tr>
<tr>
<td>Mtskheta-Mtianeti</td>
<td>4.2</td>
</tr>
<tr>
<td>Samegrelo</td>
<td>12.6</td>
</tr>
<tr>
<td>Guria</td>
<td>3.9</td>
</tr>
<tr>
<td>Qvemo Qartli</td>
<td>12.4</td>
</tr>
<tr>
<td>Kakheti</td>
<td>9.9</td>
</tr>
<tr>
<td>Sida Qartli</td>
<td>6.0</td>
</tr>
<tr>
<td>Tbilisi</td>
<td>25.5</td>
</tr>
<tr>
<td>Imereti*</td>
<td>17.0</td>
</tr>
<tr>
<td>Samtskhe-Javakheti</td>
<td>3.6</td>
</tr>
<tr>
<td>Adjara</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*Includes Racha-Lechkhumi and Kvemo-Svaneti


**Poverty Persistence and Poverty by Urban/Rural and Regions (Georgia, 2013)**

*Includes Racha-Lechkhumi and Kvemo-Svaneti

Source: WMS 2009-2011-2013 and 2013 IHS.
The persistent poor have also benefited from the recent growth, but less so than the rest.

Average expenditure by category 2009-2011-2013 (US$/day per capita, 2005 PPP)

- **Persistent**: 1.5, 1.6, 2.1
- **Escapes poverty**: 1.7, 3.7, 6.0
- **Never poor**: 5.9, 6.3, 7.7

Endowments (household head’s age, education, ownership of assets) explain very little of difference in welfare between persistent poor and those escaping poverty. Unobserved factors (returns to endowments) explain most of the difference.

Differences in welfare explained by endowments and returns to endowments, Georgia 2013

Source: Own estimations based on Welfare Monitoring Survey 2013 round.
Note: The figure decomposes consumption differences between the persistent poor and those originally poor who escaped poverty into the part that can be attributed to endowments, the difference in the returns to these endowments, and the unexplained portion of the differential. Methodology Oaxaca (1973), following Vakis et al. (2015). Endowments considered are household head age and education, household demographic composition and asset ownership (e.g. vehicles, appliances).
Employment indicators also show differences in spite of similar endowments, especially in urban areas.

Labor Market Indicators for Persistent Poor and Escaped Poverty at Initial Period (2009)

Note: OLF stands for Out of Labor Force.
Source: WB staff calculations based on employment information from 2009-2013 Welfare Monitoring Survey.
Policy discussion
Implications for a policy agenda

GROW
• Deepen structural transformation + promote efficient relocation of resources
• Raise agricultural productivity
• Develop the tradeable sector

INVEST
• Connectivity (infrastructure + people)
• Improve access to and quality of basic services
• Grow productive assets base (skills, land, credit)

PROTECT
• Safety nets – Continue to strengthen (income) support for the poor, paying attention to potential work disincentives
• Social insurance – Continue to provide fiscally sustainable support to those unable to work
Appendix
Feedback from Consultation

Discussion held in Tbilisi on May 19th, 2016.

Comments received:

- Importance of regional poverty dynamics in the country, as some regions have reduced poverty considerably.
- Social benefits should not create disincentives to work, as anecdotic evidence in the country may suggest.
- Role of Universal Health Care to reduce poverty should be analyzed.
- Aging should be included in the discussion on poverty, as it will play a more important role to shape social assistance policies in the future.
- The Ministry of Agriculture expressed interest in disseminating results from analysis to a wider audience.
The poverty line used in this study is $2.5/day 2005 PPP.

- Regional extreme poverty line, average of the national poverty line of the poorest countries in the region converted into comparable prices using the 2005 Purchasing Power Parity prices.

Consumption aggregate used is a harmonized aggregate, designed to allow comparability across countries.

- Consumption is used as welfare aggregate in all instances, except when presenting the microdecomposition 2006-2008. In this case, the welfare aggregate is income.
- The harmonized consumption measure is called Europe and Central Asia Poverty (ECAPOV) consumption, maintained by the ECA Team for Statistical Development.
- Databases used for Georgia are the 2010-2014 IHS, harmonized versions.
- Expressed in per capita terms, deflated spatially and in time.

The shared prosperity indicator is defined as the annualized growth of the mean consumption of the country, against the annualized growth of the mean consumption of the bottom 40 percent of the population.

- Estimated using the ECAPOV consumption aggregate.
- The shared prosperity indicator should ideally be positive and larger for the bottom 40, as to signal positive economic growth and inclusion of the less well-off in the growth process.
Microdata used for this analysis (Integrated Household Survey) is collected by Geostat, which also provided support for understanding details of the data. 
- The IHS is a nationally representative household budget survey conducted continuously during the year.
- It is representative at the annual and quarter level (in time) and for urban/rural regions, and 11 administrative conglomerates.
- It contains information on employment, income and expenditure.
- The sample size is around 11,000 interviews per year.

- The WMS is a nationally representative household budget survey conducted in 2009, 2011 and 2013 to the same sample of households (panel).
- It is representative at the national level and contains information on income and expenditure, health and employment.
- The sample size is around 3,000 interviews per round.
- The WMS collects a consumption aggregate similar to the one collected in the IHS. Poverty persistence analysis is performed using the ranking coming from this consumption aggregate, applying the poverty rates obtained from the IHS.


Thank you.