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Report No: PAD3901

INTERNATION BANK FOR RECONSTRUCTION AND DEVELOPMENT AND  
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT  
ON A

PROPOSED INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT LOAN  
IN THE AMOUNT OF EUR 73.1 MILLION  
(US\$80 MILLION EQUIVALENT)

TO

GEORGIA

FOR

GEORGIA EMERGENCY COVID-19 RESPONSE PROJECT

**UNDER THE  
COVID-19 STRATEGIC PREPAREDNESS AND RESPONSE PROGRAM (SPRP)**

USING THE MULTIPHASE PROGRAMMATIC APPROACH (MPA)  
WITH A FINANCING ENVELOPE OF  
UP TO US\$ 6 BILLION

APPROVED BY THE BOARD ON APRIL 2, 2020

Health, Nutrition & Population Global Practice  
Europe And Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 2020)

Currency Unit = Georgian Lari (GEL)

XXX GEL = US\$1

XXX US\$ = SDR 1

1 US\$ = EUR 0.91328371

FISCAL YEAR

January 1 - December 31

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**ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank
AIIB	Asian Infrastructure and Investment Bank
BFP	Bank Facilitated Procurement
CDC	Centers for Disease Control and Prevention
CPF	Country Partnership Framework
CSPR	Country Strategic Preparedness and Response Plan
DLIs	Disbursement Linked Indicators
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
EHS	Environmental Health, and Safety Guidelines
EIB	European Investment Bank
EID	Emerging Infectious Diseases
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
EU	European Union
EUR	Euro
FAO	Food and Agriculture Organization of the United Nations
F&C	Fraud and corruption
FDI	Foreign Direct Investment
FM	Financial management
FTCF	Fast Track COVID-19 Facility
GDP	Gross Domestic Product
GoG	Government of Georgia
GEL	Georgian Lari
GIIP	Good International Industry Practice
GRM	Grievance Redress Mechanism
HCFs	Healthcare Facilities
HEIS	Hands-on Expanded Implementation Support
HIES	Household Income and Expenditure Survey
ICU	Intensive Care Units
ICWMP	Infection Control and Waste Management Plan
IDPs	Internally Displaced Persons
IDSR	Integrated Disease Surveillance and Response
IFIs	International Financial Institutions
IFRs	Interim Financial Reports
IHR	International Health Regulations
IMF	International Monetary Fund
LMP	Labor Management Procedures
M&E	Monitoring and evaluation
MIP	Medical Insurance Program
MoF	Ministry of Finance



MoILHSA	Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia
MPA	Multiphase Programmatic Approach
NCDC	National Center for Disease Control
NCDs	Non-communicable diseases
NGO	Non-governmental organizations
OOP	Out of pocket
OIE	World Organization for Animal Health
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit
POM	Project Operations Manual
PMT	Proxy Means Test
PPE	Personal protective equipment
PPSD	Project Procurement Strategy for Development
RCO	United Nations Resident Coordinator Office
SDG	Sustainable Development Goals
SEP	Stakeholder Engagement Plan
SMEs	Small and Mid-size Enterprises
SOE	Statement of Expenditures
SPRP	COVID-19 Strategic Preparedness and Response Program
SSA	Social Services Agency
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TSA	Targeted Social Assistance
UHC	Universal Health Coverage
UNDP	United Nations Development Programme
UNFP	United Nations Population Fund
UNHCR	United Nations High Commissioner of Refugees
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
USD	United States dollar
VAT	Value-added tax
	Voluntary Health Insurance
WB	World Bank
WBG	World Bank Group
WHO	World Health Organization



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## DATASHEET

**BASIC INFORMATION**

Country(ies)	Project Name	
Georgia	Georgia Emergency COVID-19 Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P173911	Investment Project Financing	Substantial

**Financing & Implementation Modalities**

<input checked="" type="checkbox"/> Multiphase Programmatic Approach (MPA)		<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)		<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)		<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)		<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee		<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown		<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)		
Expected Project Approval Date	Expected Project Closing Date	Expected Program Closing Date
05-May-2020	30-Apr-2022	31-Mar-2025
Bank/IFC Collaboration		
No		

**MPA Program Development Objective**

The Program Development Objective is to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness

**MPA Financing Data (US\$, Millions)**

MPA Program Financing Envelope	4,251.75
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**Proposed Project Development Objective(s)**

The project development objective is to prevent, detect, and respond to the threat posed by the COVID-19 pandemic and strengthen national systems for public health preparedness in Georgia.

**Components**

Component Name	Cost (US\$, millions)
Emergency COVID-19 Response	89.94
Enabling health measures to contain the COVID-19 outbreak through temporary income support for poor households and vulnerable individuals	89.95
Project Management	0.11

**Organizations**

Borrower:	Ministry of Finance
Implementing Agency:	Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Aff

**MPA FINANCING DETAILS (US\$, Millions)**

Board Approved MPA Financing Envelope:	4,251.75
MPA Program Financing Envelope:	4,251.75



of which Bank Financing (IBRD):	2,696.10
of which Bank Financing (IDA):	1,555.65
of which other financing sources:	0.00

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

Total Project Cost	180.00
Total Financing	180.00
of which IBRD/IDA	80.00
Financing Gap	0.00

**DETAILS****World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	80.00
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**Non-World Bank Group Financing**

Other Sources	100.00
Asian Infrastructure Investment Bank	100.00

**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2020	2021	2022
Annual	5.00	60.00	15.00
Cumulative	5.00	65.00	80.00





## INSTITUTIONAL DATA

### Practice Area (Lead)

Health, Nutrition & Population

### Contributing Practice Areas

Social Protection & Jobs

### Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

#### Explanation

Climate change and disaster risk screening waived for projects prepared under the COVID-19 Response Global MPA.

## SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate
9. Other	Moderate
10. Overall	Substantial
<b>Overall MPA Program Risk</b>	<b>High</b>



## COMPLIANCE

### Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

### Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant



**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

## Legal Covenants

### Sections and Description

The Borrower shall by no later than one month after the Effective Date, prepare and adopt a Project Operations Manual.

### Sections and Description

The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

### Sections and Description

The Borrower, through MoILHSA, shall establish no later than one month after the Effective Date, and thereafter maintain throughout the implementation of the Project, a Project Implementation Unit with composition, resources and terms of reference acceptable to the Bank

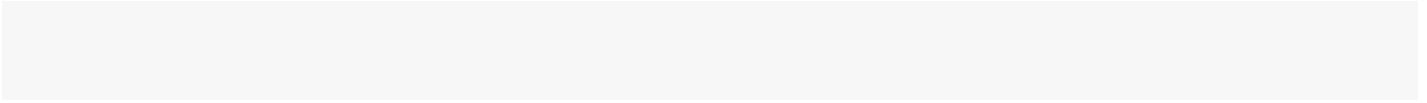
## Conditions

### Type

Disbursement

### Description

The Borrower has adopted and published legally binding instruments acceptable to the Bank to give effect thereto to the following: (i) establishment of a scheme allowing the provision of cash transfer to vulnerable households with informal workers; and (ii) establishment of a scheme allowing the provision of unemployment benefits to formal workers.





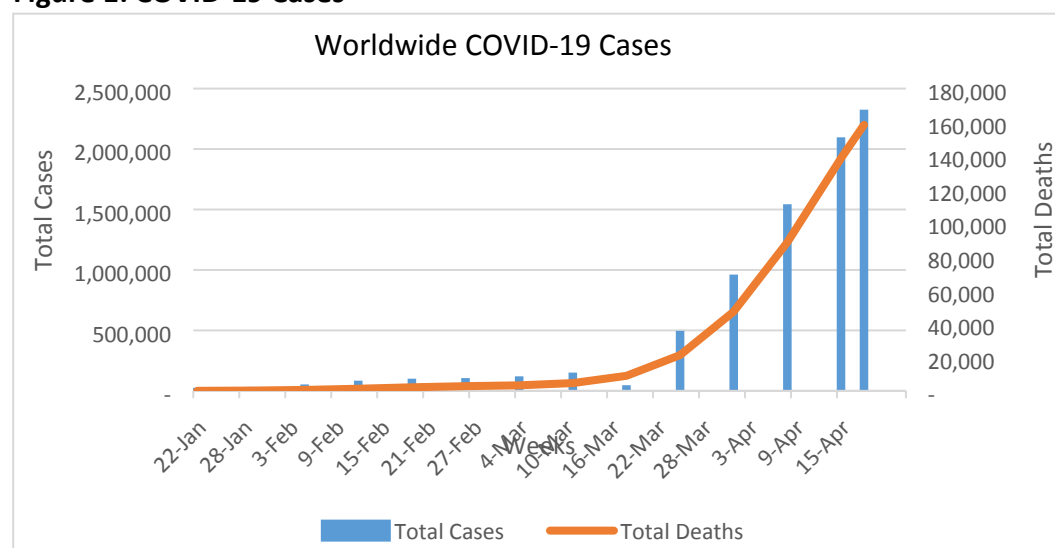
## I. PROGRAM CONTEXT

1. **This Project Appraisal Document (PAD) describes the emergency response to Georgia for the coronavirus disease (COVID-19).** Strategic Preparedness and Response Program (SPRP) using the Multiphase Programmatic Approach (MPA), was approved by the World Bank's Board of Executive Directors on April 2, 2020 (Report No. PCBASIC0219761) with an overall Program financing envelope of up to US\$ 6.0 billion.

### A. MPA Program Context

2. **An outbreak of COVID-19 caused by the 2019 novel COVID-19 (SARS-CoV-2) has been spreading rapidly across the world since December 2019, following the diagnosis of the initial cases in Wuhan, Hubei Province, China.** Since the beginning of March 2020, the number of cases outside China has increased thirteenfold and the number of affected countries has tripled. On March 11, 2020, the World Health Organization (WHO) declared a global pandemic as the COVID-19 rapidly spreads across the world. Figure 1 provides details about the global spread of COVID-19. As of April 18, 2020, the outbreak has resulted in an estimated 2,300,874 confirmed cases and 158,422 deaths in 185 countries.<sup>1</sup>

**Figure 1: COVID-19 Cases**



Source: World Bank staff calculations based on World Bank and Johns Hopkins University Coronavirus Resource Center Data. April 18, 2020.

3. **COVID-19 is one of several infectious diseases (EID) outbreaks in recent decades that have emerged from animals in contact with humans, resulting in major outbreaks with significant public health and economic impacts.** The last moderately severe influenza pandemics were in 1957 and 1968; each killed more than a million people around the world. Although countries are now far more prepared than in the past, the

<sup>1</sup> John Hopkins University, Coronavirus Resource Center <https://coronavirus.jhu.edu/map.html>



world is also far more interconnected, and many more people today have behavior risk factors such as tobacco use<sup>2</sup> and pre-existing chronic health problems that make viral respiratory infections particularly dangerous.<sup>3</sup> With COVID-19, scientists are still trying to understand the full picture of the disease symptoms and severity. Reported symptoms in patients have varied from mild to severe, and can include fever, cough and shortness of breath. In general, studies of hospitalized patients have found that about 83 percent to 98 percent of patients develop a fever, 76 percent to 82 percent develop a dry cough and 11 percent to 44 percent develop fatigue or muscle aches.<sup>4</sup> Other symptoms, including headache, sore throat, abdominal pain, and diarrhea, have been reported, but are less common. While 3.7 percent of the people worldwide confirmed as having been infected have died, the World Health Organization (WHO) has been careful not to describe that as a mortality rate or death rate. This is because in an unfolding epidemic it can be misleading to look simply at the estimate of deaths divided by confirmed cases so far. Hence, given that the actual prevalence of COVID-19 infection remains unknown in most countries, it poses unparalleled challenges with respect to global containment and mitigation. These issues reinforce the need to strengthen the response to COVID-19 across all countries to minimize the global risk and impact posed by this disease.

4. This Project is prepared under the global framework of the World Bank COVID-19 Response, and includes \$80 million of IBRD financing of which \$17.6 million is allocated under the Fast Track COVID-19 Facility (FTCF) and \$100 Million of co-financing from the Asian Infrastructure and Investment Bank (AIIB).

## B. Updated MPA Program Framework

5. Table 1 provides an updated overall MPA Program framework, including the proposed Georgia Emergency COVID-19 project. All projects under SPRP are assessed for Environmental and Social Framework (ESF) risk classification following the Bank procedures and the flexibility provided for COVID-19 operations.

**Table 1. MPA Program Framework**

Phase #	Project ID	Sequential or Simultaneous	Phase's Proposed DO*	IPF, DPF or PforR	Estimated IBRD Amount (\$ million)	Estimated IDA Amount from Crisis Response Window (\$ million)	Estimated Other Amount (\$ million)	Estimated Approval Date	Estimated Environmental & Social Risk Rating
1	P173911	Simultaneous	Please see relevant	IPF	17.6	0	62.4 from IBRD and	May 5, 2020	Substantial

<sup>2</sup> Marquez, PV. 2020. "Does Tobacco Smoking Increases the Risk of Coronavirus Disease (Covid-19) Severity? The Case of China." <http://www.pvmarquez.com/Covid-19>

<sup>3</sup> Fauci, AS, Lane, C, and Redfield, RR. 2020. "Covid-19 — Navigating the Uncharted." New Eng J of Medicine, DOI: 10.1056/NEJMe2002387

<sup>4</sup> Del Rio, C. and Malani, PN. 2020. "COVID-19—New Insights on a Rapidly Changing Epidemic." JAMA, doi:10.1001/jama.2020.3072



Phase #	Project ID	Sequential or Simultaneous	Phase's Proposed DO*	IPF, DPF or PforR	Estimated IBRD Amount (\$ million)	Estimated IDA Amount from Crisis Response Window (\$ million)	Estimated Other Amount (\$ million)	Estimated Approval Date	Estimated Environmental & Social Risk Rating
			section of the PAD				100.0 from AIIB		

6. **Other sources of financing.** A joint co-financing agreement is being established with the AIIB for the amount of US\$100,000,000.

### C. Learning Agenda

7. **The proposed Georgia Emergency COVID-19 Project under the MPA Program will support adaptive learning throughout the implementation of the project, as well as from international organizations** including the International Monetary Fund (IMF), the United States Centers for Disease Control and Prevention (CDC), WHO, the United Nations Children's Fund (UNICEF), the Food and Agriculture Organization of the United Nations (FAO), the World Organization for Animal Health (OIE), and others. Given the limited knowledge and experience with COVID-19 pandemic, the exchange of information across countries, facilitated by international partners including the World Bank, will be instrumental for Georgia in managing their response to COVID-19. Contributions to the learning agenda will include: (a) sharing lessons from Georgia's approach to containment and mobilization of resources (b) modeling the progression of the pandemic, both in terms of new cases and deaths, as well as the economic impact of disease outbreaks under different scenarios; (c) cost and effectiveness assessments of prevention and preparedness activities; and (d) assessments on the compliance and impact of social distancing measures under different contexts.

## II. CONTEXT AND RELEVANCE

### A. Country Context

8. **Georgia is an upper-middle-income country with Gross Domestic Product (GDP) per capita of US\$4,785 in 2019, and a population of approximately 3.7 million people (World Development Indicators, 2018).** Over the past decade, Georgia's economy has grown robustly at an average annual rate of 4.5 percent. This was despite numerous shocks, including the global financial crisis of 2007-08, the conflict with the Russian Federation in 2008, and the drop-in commodity prices since 2014 that has impacted key trading partners

9. **Georgia's economic reforms have favored economic growth and poverty reduction prior to the global outbreak of COVID-19.** The outlook for the Georgian economy has been positive with an expected GDP growth of 4.3 percent in 2020. The Georgian economy has picked up pace from 4.9 percent in the first half of 2019 to 5.1 percent by the end of 2019. While domestic demand has been supported by higher consumption,



investments have contracted due to the completion of several infrastructure projects and the decline in foreign direct investment (FDI). Net exports have improved considerably, reflecting slowing imports and the increased re-export of used cars and copper ores. On the supply side, all sectors, except mining and electricity production, has positively contributed to growth. Coupled with a system of targeted social transfers, economic growth has helped to nearly have the poverty rate from 37.4 percent in 2007 to 20.0 percent of the national poverty line in 2018, and to improve the income and living conditions of the bottom 40 percent of the population. The unemployment rate declined to 12 percent in 2019, helping to lower the poverty rate (measured at the national poverty line) to 20.1 percent. However, the country now faces significant domestic and external downside risks, and the growth projections are now challenged by the larger global downturn arising from the COVID-19. Georgia's GDP growth is expected to decline, and risks to economic growth include greater than expected sluggishness in trading partners' economies, weaker than expected domestic demand, slower growth in tourism revenues, and tighter liquidity in global financial markets, including the impact of lockdowns and the shuttering of businesses due to COVID-19 in the country. In addition, the drop in domestic economic activity, foreign investment and exports, combined with the regional and global economic slowdown have led to the depreciation of the Georgian Lari (GEL) by 13 percent in March 2020 (IMF), the rising of consumer prices, and putting pressures on foreign exchange reserves in the country.

**10. A state of emergency was declared on March 21, 2020 to counter the global coronavirus pandemic.**

The first cases of the COVID-19 in Georgia were confirmed on February 26, 2020. As of April 18, 2020, the total number of infected people had risen to 388 with 86 recoveries and 4 deaths.<sup>5</sup> Critical restrictions are imposed on movement in line with social distancing practices that are emerging worldwide. Following the announcement of the state of emergency, all educational institutions and many public venues, including gyms, museums, and theaters, malls, bars and restaurants were closed. Strict transportation restrictions were introduced, including the suspension of air and rail traffic, as well as border closures with neighboring countries, Armenia, Azerbaijan, and Russia. Additional quarantine measures have followed, including curfew from 9:00 pm to 6:00 am; prohibition of meetings of more than 10 people, public events and other mass events, schools and universities shift to online and distance-learning methods.<sup>6</sup> The Government decided to make all medical care related to COVID-19 free of charge, regardless of whether patients have medical insurance.

**11. In the absence of immediate mitigation measures, the COVID-19 health crisis is likely to be most severe for vulnerable households, influencing their ability to abide by actions (such as social distancing) to contain the spread of the disease.** COVID-19 poses serious social and economic challenges to the country and represents a severe risk of losing important gains in the fight against poverty. The lockdown and closure of all non-essential business activities, especially if sustained over time, are expected to slow down the production, increase layoffs, reduce labor income especially for private sector workers with significant adverse impacts on employment and poverty. Economic activities, particularly in the tourism and hospitality sectors, have come to a standstill. The longer the outbreak persists the more (and more severely) it is likely to negatively impact the overall employment and economy. Existing workers are expected either to lose jobs or to lose a substantial share of their labor income due to the lower level of activity because of the lockdown and sustained government's restrictions. Considering the global spread of COVID-19 and its impacts in Europe, South Caucasus

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<sup>5</sup> Prevention of Coronavirus Spread in Georgia <https://stopcov.gov.ge/en>

<sup>6</sup> As part of preventative measures, to prevent spread of the virus in the country, special checkpoints have been set up in Tbilisi, Batumi, Kutaisi, Rustavi, Poti, Zugdidi and Gori cities of the country to screen people and carry out better control of the situation.





and Russia (which represent more than 90 percent of the Georgian migrant stock), there are likely to be reductions in remittances.<sup>7</sup> Increasing unemployment and declining remittances are expected to have a negative effects on vulnerable households and a potential increase in the prevalence and depth of poverty. The adverse effects are likely to be disproportionately felt by households with inadequate coping strategies or insurance mechanisms. Demand for social assistance (TSA) due to losses or decreases in income are expected to increase : under conservative estimates, around 35,000 household would become eligible to TSA (a 68 percent increase).<sup>8</sup> In the absence of financial support for vulnerable households who have lost their main source of income, there are concerns that there will be incentives *not* to stay-at-home, as people will go out to look for ways to support their livelihoods.

## B. Sectoral and Institutional Context

12. **Georgia has made progress in improving health system performance and outcomes, but the increasing burden of non-communicable diseases (NCDs) and high prevalence of risk factors presents challenges.** Infant mortality has declined significantly from 22.5 per 1,000 live births in 2009 to 7.9 in 2019, and under-five mortality declined from 24.7 per 1,000 live births to 9.4 in this same period. Average life expectancy in Georgia at 74 years is comparable to other countries at a similar level of income but remains below the EU average of 81 years.<sup>9</sup> NCDs account for more than 81.2 percent of the burden of disease in Georgia, and 92.2 percent of all deaths. Prevalence of risk factors is high: 28 percent of the adult population is hypertensive, 21 percent is obese, and almost 58 percent of men smoke. Georgia's population is also aging rapidly. Around 17.5 percent of the population is older than 60 years, while 3.3 percent of the population is older than 80 years.<sup>10</sup> This poses additional challenges in dealing with a COVID-19 emergency since evidence from other countries suggests that the older populations, especially those with pre-existing health conditions, are at higher risk of contracting the disease and, if infected, often require more intensive care.

13. **Hospitals are predominantly privately owned with most of them operating with fewer than 100 beds as a result of reforms introduced from 2007 to 2012.** The medical insurance program (MIP) was launched in 2007. The MIP targeted poor households, teachers, orphaned children and some other vulnerable groups. It covered a defined set of primary care benefits, emergency care, elective surgery, delivery and cancer treatment. The Government of Georgia (GoG) contracted out the MIP to private insurance companies. In 2009, the GoG introduced the voluntary health insurance program to encourage non-MIP beneficiaries to enroll with private insurance companies. The VHI program targeted people aged 3-60 years of age not covered by MIP and not already covered by private insurance. In 2010, the government divided the country into 26 medical regions, and beneficiaries were assigned to the private insurance company responsible for their region of residence. Private

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<sup>7</sup> Data used for destination countries of Georgian migrants: United Nations, Department of Economic and Social Affairs. Population Division (2017). Trends in International Migrant Stock: The 2017 revision. In 2018, personal remittances represented 11.6 percent of GDP in Georgia (WDI). World Bank current projections of the macroeconomic shock due to COVID-19 assume a reduction of 50 percent of remittances received during a quarter of the year.

<sup>8</sup> World Bank own calculations, simulating PMT score and eligibility to TSA on HIES 2018 data. We make the following (conservative) assumptions on the economic shock: 20% of wage workers lose their job, and the remaining workers experience a 20% decrease in income. We assume 80% take-up (similar to currently observed take-up).

<sup>9</sup> Geostat <https://www.geostat.ge/en/modules/categories/320/deaths>

<sup>10</sup> Geostat <https://www.geostat.ge/en/modules/categories/41/population>



insurers for each region were selected through public tender and granted a three-year contract for monopoly provision, but they were required to renovate hospitals and primary care facilities in their region. In 2013, Georgia moved from private VHI to publicly funded health coverage through the UHC Program, however, more than 85 percent of hospital capacity is still private.

14. **In February 2013, the Government of Georgia launched the Universal Health Coverage (UHC) program to increase access to services and improve financial protection.** The following year all state-funded health insurance programs were pooled together and administered by the Social Service Agency (SSA). The benefits package covers a range of primary and secondary care services, including planned ambulatory care, emergency outpatient and inpatient services, elective surgery, oncological services, obstetric care, and some essential drugs. The UHC program covered almost 90 percent of the population in 2018, with the remaining share of the population covered by other schemes (e.g. military medical insurance, corporate or individual private insurance). The introduction of the UHC program has benefited more Georgians, particularly those relatively less well-off, by improving access to health services when ill and reducing the likelihood of impoverishment or catastrophic out-of-pocket spending on health care. Since its introduction, the UHC program spending has been steadily increasing to approximately 75 percent of public health spending in 2016.

15. **Government health spending in Georgia, however, remains relatively low, representing 3 percent of GDP in 2017.** Out-of-pocket spending has declined substantially since the introduction of the UHC program in 2013, but still accounted for 54.8 percent (declined from 69.1 percent in 2013) of total health spending in 2017. This points to an underlying vulnerability for poorer populations and limited financial protection. These groups stand to be particularly at risk as COVID-19 unfolds. The health system's resilience is limited and in need of financing in order to ensure that, in a time of crisis and rapidly unfolding pandemic, it is better positioned to meet the needs of citizens, particularly those who are vulnerable. The COVID-19 epidemic will likely exacerbate existing challenges related to the financial sustainability of the UHC Program. As the purchaser of health services for the UHC Program, the SSA has potentially the power to purchase services strategically and manage costs effectively. However, the SSA is a passive payer not a strategic purchaser. The SSA's main instruments for ensuring that services are delivered appropriately are prior authorization and claims management. However, in practice, the SSA reimburses all claims from hospitals due to the complex payment system, which consists of different tariff setting and copayment rules for different types of hospital care. The government is in the process of revising the tariffs and payment methods to improve efficiency and ensure the sustainability of the system.

16. **The Government of Georgia has initiated an effective multi-sectoral response to COVID-19.** In January 2020, the government adopted Decree #164 on "Approval of Measures to Prevent the Possible Spread of the New Coronavirus in Georgia and Approval of an Emergency Response Plan for Cases Caused by COVID-19" (amended on April 1, 2020, with the GoG Decree #625) and established a national multi-sectoral committee. Under the Operational Response Plan, approved by the GoG, each line ministry and government entity has clearly defined roles and responsibilities at every stage of COVID-19 response. On January 31, 2020, Georgia has adopted the case definition of the COVID-19 and intensified epidemiological surveillance throughout the country. On March 2, 2020, the Government Reserve Fund has allocated 1 million GEL (US\$ 358,358 equivalent) to the MoILHSA to respond to the challenge of the new coronavirus in Georgia. The government has also scaled up its communication efforts by establishing a unified hotline and an informational platform (StopCov.ge is a web site available in five languages with all necessary governmental links and related information). In addition, on April 16, 2020, the GoG launched the STOP COVID contract tracing app, which has been used in Japan, South



Korea, and Singapore. The app creates a unique ID for each user, through which it determines social contacts. All data is stored on the mobile phone, locally, using a powerful encoding system that is in compliance with European data protection legislation. Bluetooth, GPS and other technologies are used to determine which smartphones have been in close proximity to each other, including information about the date of contact, duration (more than 15 minutes), and distance (less than 2 meters). If a person is diagnosed with COVID-19, those who have been in contact with a confirmed case over the past few days will receive a warning, an instruction to remain in self-isolation, and to contact the appropriate authorities immediately.

17. **To ensure the preparedness of the health system to address the pandemic, the government has identified a list of designated public and private facilities to provide treatment to COVID-19 patients.** Given that more than 85 percent of health facilities in Georgia are privately owned, the government has decided to leverage the capacity of the private facilities, while at the same time strengthening the public facilities to fill critical gaps. Pursuant to Resolution 184 of the Government of Georgia (March 23, 2020) on establishment of different rules for the implementation of public and other administrative services, the Government has identified a list of public and private medical institutions to ensure full mobilization of the health sector in accordance with the MoLHSA's guidelines. This includes a list of facilities that will manage high-risk patients (individuals in quarantine or self-isolation areas and those who had contact with confirmed COVID-19 patients), as well as facilities, referred to as fever clinics, designated for primary triage and diagnostics for individuals presenting with fever. In addition, seven public laboratories have been designated for testing.

18. **All diagnostic, laboratory, and treatment costs of the COVID-19 patients are covered by the GoG. SSA** will reimburse facilities in accordance with the conditions set out in Resolution #36 of the Government of Georgia (February 21, 2013) on UHC and Resolution #674 (Appendix #20, December 31, 2019) on the management of new COVID-19 cases. The clinics are required to report the actual costs of medicines, diagnostics and consumables used to treat COVID-19 cases. The MoLHSA will provide PPEs to all public and private facilities.

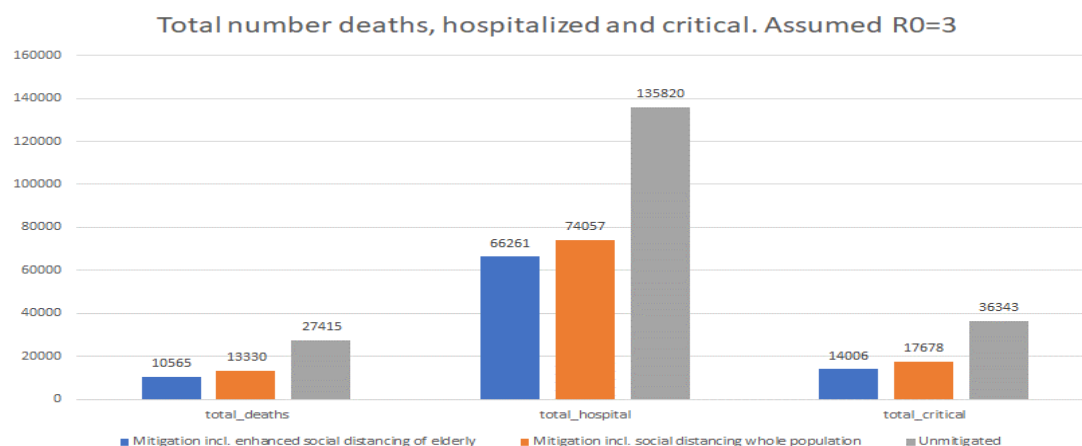
19. **Following the approach adopted in other countries, such as Germany, the government has introduced a temporary transfer to public and private hospitals in the form of a global budget to ensure standby readiness and compensate facilities for losses in revenue due to COVID-19.** The government has established thresholds for the number of registered COVID-19 cases based on which facilities will be engaged in the response plan. Once the threshold is met, the facility is notified and needs to empty its premises within 48-96 hours to accept COVID-19 patients. SSA will make the transfers to facilities to compensate them for lost revenues as a result. To ensure that medical facilities are on standby and ready-to-receive COVID-19 patients, the government has developed a mechanism to compensate the designated facilities for idle capacity. The MoLHSA has estimated the cost per un-occupied bed using expenditure data provided by the facilities for the last three months. Facilities with 80 beds or fewer will receive on average 100 GEL per bed, and those with more than 80 beds will receive 120 GEL per bed. This fixed amount includes salaries of medical staff and utility bills, as well as operational costs. The government has defined three stages for standby readiness based on the number of cases (1050 beds in the first stage, 2000 beds in the second stage, and 4000 beds in the third stage).

20. **In addition to strengthening surge capacity, mitigation measures including social distancing are key in the response to the pandemic.** The health system needs to prepare to face an increased demand for hospitalization and critical care of COVID-19 patients, while remaining able to provide at least basic services for the non-COVID19 patients. However, in order for countries to flatten the curve and not overwhelm the health system all at once, evidence from other countries shows that mitigation measures including social distancing



are essential to reduce community transmission and therefore the number of people infected. An assessment of social distancing measures from China revealed that non pharmaceutical interventions such as community social distancing and lockdowns reduced transmissibility of COVID-19, and the first wave of COVID-19 outside Hubei province was abated because of aggressive non pharmaceutical interventions, including social distancing measures and lockdown. As a result, the Case Fatality Rate outside of Hubei was nearly five times lower and correlated with the reduction in mobility.<sup>11</sup> Modeling revealed that relaxation of the social distancing when the epidemic size was still small would have pushed COVID-19 prevalence back to baseline. Evidence from the 1918 Spanish Flu pandemic in the United States has also emphasizes that nonpharmaceutical interventions, when imposed early in the epidemic course, can result in lower peaks and fewer total cases of pandemic influenza than instances in which authorities did not place or delayed placing of lockdowns.<sup>12</sup> Although a large uncertainty remains on the virus and most of the prediction are based on evolving modeling, epidemiologists are warning that countries should expect to see population infection rates between 25 percent and 80 percent over the course of the epidemic<sup>13</sup> unless mitigation measures are taken. In the case of Georgia, this could translate into up to 53 percent higher total number of infections, nearly 83 percent increase in total hospitalizations, and a 100 percent increase in deaths in the absence of mitigation measures like social distancing (Figure 2).

**Figure 2- Estimated impact of mitigation measures in Georgia**



*Source:* Imperial College estimates. Notes: "Unmitigated" = no intervention; "Social distancing whole population" = optimal outcome when epidemic is mitigated by interventions to limit contacts in the general population including social distancing; "Enhanced social distance of elderly" = optimal outcome when epidemic is mitigated by interventions to limit contacts in the general population including social distancing, alongside enhanced social distancing of people over 70 years old (modelled as a 60 percent reduction in contact rate).

<sup>11</sup> Leung, K., Wu, J. T., Liu, D., & Leung, G. M. (2020). First-wave COVID-19 transmissibility and severity in China outside Hubei after control measures, and second-wave scenario planning: a modelling impact assessment. *The Lancet*.

<sup>12</sup> Correia, S., Luck, S., & Verner, E. (1918). Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu.

<sup>13</sup> See, for example, Ferguson N. et al. <https://www.imperial.ac.uk/media/imperial-college/medicine/sph/ide/gida-fellowships/Imperial-College-COVID19-NPI-modelling-16-03-2020.pdf>



21. **To enforce social distancing measures, the establishment of mechanisms to support the most disadvantaged and the poor is essential.** First, social assistance and financial support (in the form of cash transfers) creates an enabling environment for people to stay at home and respect the required social distancing and lockdown orders, rather than pursue activities outside of their homes to support their livelihoods. Also, measures to contain the outbreak and the resultant economic downturn will not only affect the poor, but also potentially send large numbers of people into poverty, exacerbating inequalities among the population. Marginalized communities are bearing disproportionate costs of lockdowns because their members are more likely to have lost their jobs (formal or informal), not have a stable home or shelter, nor access to food, health care and other basic services.<sup>2</sup> They are also less likely to be able to observe basic public health measures, including handwashing, due to the lack of proper water and sanitation facilities in their communities, which put them more at risk of the spread of infection. Additionally, women constitute the majority of workers in the non-agricultural informal sector in many countries<sup>14</sup>— leaving them more vulnerable to loss of livelihood and increased economic insecurity during lockdowns. While working from home is an option for white-collar professionals, lower-income individuals are more likely to work in 'blue collar' jobs or other service roles that cannot be conducted remotely. As a result, these individuals are disproportionately more likely to face employment furloughs or outright termination. This can lead to social unrest as well. For example, India - a country of over 1.3 billion people - has imposed a country-wide lockdown to slow the spread of the pandemic in the country, but this lockdown has exacerbated inequalities, and led to a migrant and informal worker crisis as many informal workers have no viable means to earn an income. This led to riots, rumor mongering, and in compliance of lockdowns, prompting the Indian government to announce a nearly US\$23 billion social protection package for the poor. However, this amounts to less than 1 percent of India's GDP, which is in a stark contrast to countries such as Singapore and the United States, which are spending 10 percent of their GDP on similar packages.<sup>15</sup> Lessons from previous epidemics including Ebola Viral Disease in West Africa, also highlight the dangers of imposing lockdowns without clear communication or social protection measures. For example, implementation of lockdowns in Guinea, Sierra Leone, and Liberia led to episodes of violence. Particularly, implementation of the cordon sanitaire in West Point, Liberia in absence of measures to provide food, has resulted in riots that derailed the country's efforts to control the epidemic.<sup>16</sup> Therefore, strategies to ensure that such communities are not further pushed into poverty and marginalized due to social distancing policies should be part of the full response.

22. **Containment measures taken to preserve public health have caused job losses and led increases in poverty.** The COVID-19 outbreak is causing countries worldwide to increase their prevention and preparedness regimes, aiming to avoid the virus' spread. As was the case with many other countries, Georgia adopted restrictive lockdown measures including quarantines, restrictions on travel, causing a disruption of supply chains and resultant economic downturn, which will directly affect a significant proportion of the population and push many into poverty.

23. **The COVID-19 health and economic crisis are likely to impact the following groups in Georgia: (i) households and individuals relying on vulnerable employment (defined as casual labor, temporary work and**

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<sup>14</sup> UN Women. Transforming Economies, Realizing Rights: Progress of the World's Women 2015-2016: UN Women; 2015.

<sup>15</sup> <https://www.bbc.com/news/world-asia-india-52086274>

<sup>16</sup>

Liljas, P. (2014). Liberia's west point slum reels from the nightmare of Ebola. Retrieved January 11, 2015.



informal self-employment) who are likely to lose their jobs due to the social distancing and or quarantines that led to closure of businesses; (ii) formal workers in all sectors, especially those who work in tourism, service (transportation and retail) and tradable sectors, who have been impacted by the economic lockdown; (iii) poor and near poor households who have less margin to cope with potential price increases;<sup>17</sup> and (iv) migrant workers who are unable to send money home to their families.

24. **As confinement and social distancing are urgently needed to flatten the curve, social protection measures are required to provide the right incentives to the most vulnerable individuals to stay-at-home.** The lockdown of the country and the economic consequences of business closures have substantially affected the main resources of households: labor income, while closures in neighboring countries has affected the flow of remittances. Financial assistance is required to make sure that vulnerable households can cope with the situation. Such assistance can be provided by targeted cash transfers or in-kind benefits.

25. **Georgia has a comprehensive social protection system which has played a key role in protecting poor and vulnerable households in the past decade.**<sup>1</sup> Social protection in Georgia includes a universal old age social pension (women 60 years and older and men 65 years and older), the Targeted Social Assistance (TSA), including a child benefit introduced in 2015, benefits and services for Internally Displaced Persons (IDPs) from the occupied territories, social rehabilitation for persons with disabilities, benefits and services for war veterans, and benefits and services for protection of vulnerable children. There are also a myriad of social benefits administered at the local level (including health exemptions, education exemptions, housing benefits and energy and transportation subsidies). A newly implemented 2019 pension law complemented the flat universal pension, including a benefit of approximately 18 percent of the average monthly income, with a contributory pension savings system (See Annex 3 for more details).

26. **The existing delivery system for targeted social assistance offers a solid basis for leveraging a response to the current shock.** The advantages of the existing social protection system include a well-established social registry that can facilitate the rapid expansion of cash transfers to low-income and vulnerable households not currently receiving social assistance benefits targeted to the poor. The relatively high population coverage of the social registry (accounting for 30 percent of the total population) represents a ready and flexible instrument to quickly expand social support. The universal old age social pension scheme provides extended income support to the elderly, one of the population groups most vulnerable to COVID-19 infection (with higher fatality rates), which could be leveraged to promote social distancing behaviors.

27. **The absence of unemployment benefits and the limited protection for formal private sector workers in Georgia are substantial weaknesses in the COVID-19 context, where there is expected to be a high number of workers' who are laid off from their jobs.** There is no unemployment insurance scheme or assistance program in Georgia. In addition, the labor code only provides one month of severance payment, at a flat rate, equivalent to one month of salary. While home-based work arrangements are provided for public sector workers and their contracts and salaries are maintained, private sector workers under standard and non-standard contracts are currently unprotected if they lose their jobs due to the outbreak. The absence of financial

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<sup>17</sup> Many households could experience higher prices and scarcity of basic goods due to the disruption in trade and distribution. The poor already spend most of their income on food and the Ebola crisis of 2014-15 showed how prices can sky-rocket, making even staple foods unaffordable.





support to this group could cause them to look for any kind of work, thereby undermining the stay-at-home mandate and jeopardizing efforts to contain the spread of the virus.

**28. The government has already taken measures to mitigate the negative impacts stemming from COVID-19 on households and on firms hit particularly hard by the lockdown, such as in the tourism sector.**

Since February 2, 2020 when the first case of the COVID-19 was confirmed, all lab tests and treatment expenses related to COVID-19 have been paid for by the government for all citizens and reimbursed at actual cost (governed by the ministerial corresponding decrees). On March 13, 2020, the Government announced Economic Support Measures aimed at the mitigation of the negative impacts from COVID-19. Those measures included: (i) deferral of commercial bank loans repayment for the next three months (April to June 2020); (ii) postponement of the payment of value added tax by three months (March, April, May) for firms in the tourism sector, (iii) suspension of property and income taxes until November 2020; and (iv) provision of subsidized credit to small and medium sized hotels, as well as an increase in credit guarantee scheme, and the acceleration of value-added-tax (VAT) refunds. Based on the GoG Resolution #220 as of April 3, 2020, the Government will subsidize utility fees for three months (March, April, May) for electricity, sanitary service, gas and water bills for households that consume less than 200 kWh of electricity and 200 cubic meters of natural gas per month. The government is considering other measures to support people who lose their jobs because of the outbreak and the lockdown. On April 2, 2020, the Prime Minister announced that the Government would help people who have lost their jobs due to the state of emergency.

**29. The MoIHLSA has been quickly adapting the social assistance delivery mechanisms to make them COVID-19 responsive, although further adaptation and COVID-19 related communication needs to be enhanced.** Simplification of application and registration procedures to facilitate access to the TSA have been introduced. Recertification procedures for TSA beneficiaries have been postponed allowing beneficiaries to remain in the program; fewer documents are required to apply. Online applications are available and home visits have been postponed<sup>18</sup>. Municipal budget for social assistance is oriented to food distribution and in-kind transfers. Further adaptation may be needed to comply with social distancing guidelines e.g. using mobile money instead of cash-in-hand payments, ensuring hygienic conditions, using radio or media rather than in-person workshops to convey behavioral change messages, including on handwashing and complying with social distancing requirements.

**30. Donors and development partners have been active in supporting Georgia to respond to the COVID-19 emergency.** The Office of the UN Resident Coordinator Office (RCO) supported the establishment of the 'health procurement group' with the participation of UN Agencies, the World Bank (WB), and the Georgian health authorities to ensure harmonization on the commodity lists elaborated by WHO. WHO has been providing technical assistance for the Government with its preparedness and response effort. The health parts of the Country Strategic Preparedness and Response Plan (CSPR) have been finalized, costed and are entered in the COVID-19 online Partners Platform (<https://covid-19-response.org/>). To address vulnerabilities in healthcare provision in Abkhazia, United Nations Development Program (UNDP) is organizing deliveries of medical commodities to hospitals. The deliveries are funded by United States Agency for International Development

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<sup>18</sup> Government decree #184 of March 23, 2020, "On Establishing Different Rules for Implementation of Public Services and Administrative Cases in the System of the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia.



(USAID), the European Union (EU) and UNDP and are transported via the UNDP-EU joint coordination mechanism. The RCO also coordinates other activities from UN agencies directed to the mitigation of economic and social consequences. So far, the activities undertaken by UN agencies to mitigate the impacts on livelihoods focus on specific vulnerable groups. The United Nations High Commissioner of Refugees (UNHCR) supports refugee communities as well as the Gali population in Abkhazia under the expansion of a cash assistance program. Food support has been provided to Roma families by United Nations Children's Fund (UNICEF). The EU Delegation to Georgia announced it would support vulnerable populations through its NGO network, redirecting the resources of ongoing projects. They also announced working with financial institution partners to redirect funds (and topping up) to increase the liquidity of financing for small-medium enterprises (SMEs).

31. **There are different international agencies supporting the MoILHSA for training health care workers.** Recently the Global Fund to Fight AIDS, Tuberculosis and Malaria supported the MoILHSA in training of the primary health care workers throughout the country. The Government of Czechia also provided support through Caritas for training of primary health care workers as well. Open Society Georgian Foundation has been providing trainings on infectious prevention and critical care—predominantly in so-called fever clinics. The United States Agency for International Development and the Centers for Disease Control and Prevention are also involved in the training of hospital personnel. Trainings are prioritized as follows – firstly, the training will be provided for 44 clinics (29 stand-by and 15 fever clinics), second stage – 100 largest hospitals, and third stage – all clinics.

32. **Besides the above-mentioned UN agencies and development partners, the Georgian Government is working actively with International Finance Institutions and Development Agencies to mitigate impact of the COVID19 in the country.** According to the Prime Minister Office's, the International Monetary Fund (IMF), WB, Asian Infrastructure Investment Bank (AIIB), the European Union (EU), Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), German Development Fund, and French Development Agency will support the Georgian economy with US\$ 1.5 billion by the end of 2020. For instance, on March 26, 2020 the WB approved a EUR 45 million Economic Management and Competitiveness Development Policy Operation for Georgia. This operation aims to support Georgia's ongoing reforms in areas critical for inclusive economic growth and will also help the country's efforts to mitigate the economic impact of the COVID-19 pandemic. The following development partners have committed to allocate funding to support the GoG in the fight against COVID-19:

- The EIB will allocate EUR 200 million for development of healthcare infrastructure in Georgia, as well as supporting its fiscal and other needs amid the coronavirus pandemic.
- The IMF will allocate US\$ 450 million to contain the COVID-19 pandemic and limit its economic impact in the country.
- The AIIB will allocate US\$ 100 million in joint co-financing with the WB for the health and social protection sectors.
- The EU will allocate EUR 183 million.
- The United States will contribute US\$ 1.1 million in emergency health assistance to support Georgia's efforts to prevent the spread of COVID-19 and support at-risk individuals and communities.





### C. Relevance to Higher Level Objectives

33. **The Project is aligned with the World Bank Group (WBG) strategic priorities, particularly the WBG's mission to end extreme poverty and boost shared prosperity.** The Program is focused on preparedness which is also critical to achieving UHC. It is also aligned with the WB's support for national plans and global commitments to strengthen pandemic preparedness through three key actions under preparedness: (i) improving national preparedness plans including organizational structure of the government; (ii) promoting adherence to the International Health Regulations (IHR); and (iii) utilizing international framework for monitoring and evaluation of IHR. The economic rationale for investing in the MPA interventions is strong, given that success can reduce the economic burden suffered both by individuals and countries. The Project complements both WBG and development partner investments in health systems strengthening, disease control and surveillance, attention to changing individual and institutional behavior, and citizen engagement. The Project contributes to the implementation of IHR (2005), Integrated Disease Surveillance and Response (IDSR), and the OIE<sup>19</sup> international standards, the Global Health Security Agenda, the Paris Climate Agreement, the attainment of UHC and of the Sustainable Development Goals (SDG), and the promotion of a One Health approach.

34. **The Project is aligned with the WBG's Georgia Country Partnership Framework (CPF) for 2019-2022, namely Focus Area 2: Enhance efficiency of health care delivery system, and Focus Area 3: Strengthening the resilience of households.** While the original CPF did not include pandemic response and preparedness, intense spread of the pandemic has generated a need for urgent investment in health and social protection. The Project design matches both objectives of: (a) efficiency, through its interventions aimed at strengthening the intensive care network and response capacity; and (b) inclusive access, through the component aimed at mitigating the spillover effect from containment measures on the poor.

35. **The WBG remains committed to providing a fast and flexible response to the COVID-19 epidemic,** utilizing all WBG operational and policy instruments and working in close partnership with government and other agencies. Grounded in One-Health, which provides for an integrated approach across sectors and disciplines, the proposed WBG response to COVID-19 will include emergency financing, policy advice, and technical assistance, building on existing instruments to support IDA/IBRD-eligible countries in addressing the health sector and broader development impacts of COVID-19. The WBG COVID-19 response is anchored in the WHO's COVID-19 global SPRP outlining the public health measures for all countries to prepare for and respond to COVID-9 and sustain their efforts to prevent future outbreaks of emerging infectious diseases.

## III. PROJECT DESCRIPTION

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<sup>19</sup> Office International des Epizooties

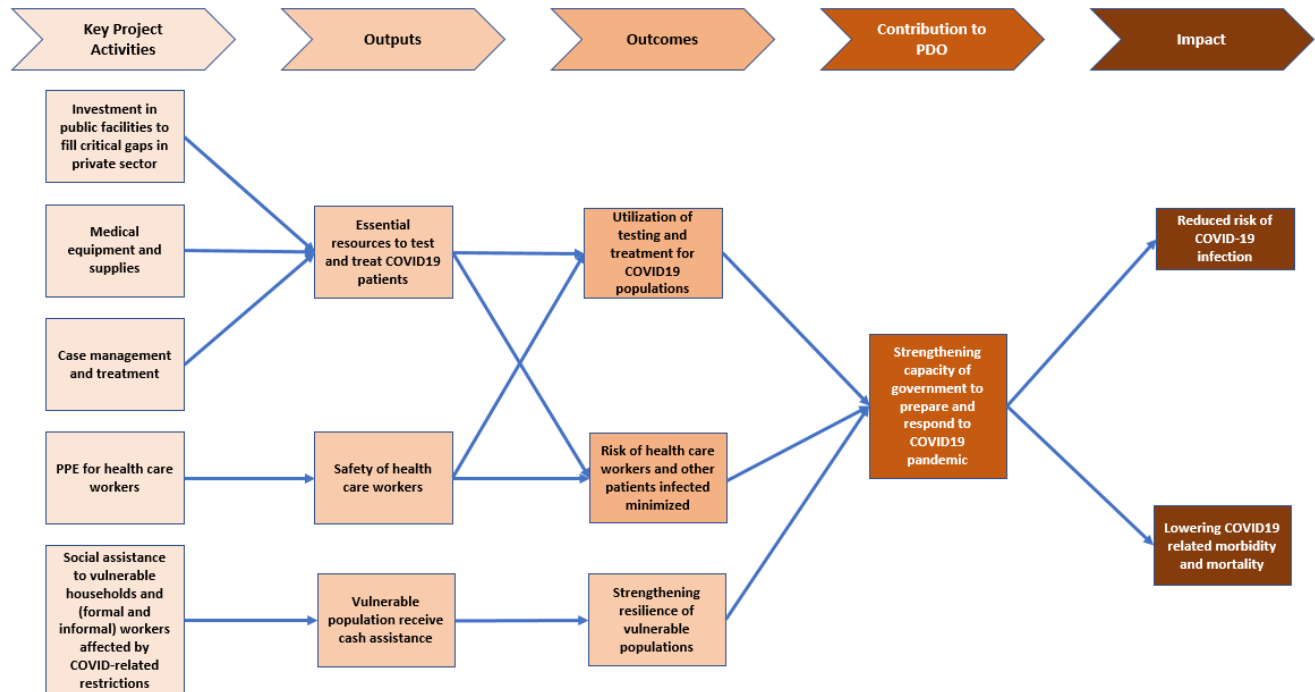


## A. Development Objectives

36. The **Project Development Objective (PDO)** is to prevent, detect and respond to the threat posed by the COVID-19 pandemic and strengthen national systems for public health preparedness in Georgia. The PDO is aligned to the results chain of the COVID-19 SPRP.

37. The Project envisions the following theory of change:

**Figure 3- Results chain**



38. **PDO level indicators are:**

- Number of tests performed for COVID-19 identification
- Number of patients treated per SSA reimbursement guidelines
- Share of households in the poorest quintile who are receiving the COVID-19 pandemic related social assistance programs

39. **Project Financing:** The proposed Project would be implemented over a period of two years with a total World Bank and AIIB financing of US\$180 million, of which \$80 million IBRD that includes US\$17.6 million equivalent from the FTCTF IBRD allocation for Georgia. The Project includes US\$100 million from the AIIB. The Project costs by component/sub-component and financing plan are presented in Annex 1.



## **B. Project Components**

40. **The Project will have three components as outlined below.**

- **Component 1 - Emergency COVID-19 Response**
  - *Sub-component 1.1: Case Detection and Confirmation*
  - *Sub-component 1.2: Health System Strengthening for Case Management*
- **Component 2 - Enabling health measures to contain the COVID-19 outbreak through temporary income support for poor households and vulnerable individuals**
  - *Sub-component 2.1: Scale up of the Targeted Social Assistance program for extreme poor households*
  - *Sub-component 2.2: Temporary cash transfers for informal workers*
  - *Sub-component 2.3: Temporary unemployment benefits for formal workers*
- **Component 3 - Project Management and Monitoring**

**Component 1: Emergency COVID-19 Response (EUR 73.94 million, US\$ 79.85 million equivalent)**

**Sub-component 1.1: Case Detection and Confirmation (EUR 18.3 million, US\$ 20.0 million equivalent)**

41. This sub-component will help to strengthen public health laboratories and epidemiological capacity for early detection and confirmation of cases. It will support the strengthening of diseases surveillance systems and the capacity of the selected public health laboratories to confirm cases by financing medical supplies and equipment. It will include personal protection equipment (PPE) and hygiene materials, COVID-19 test kits, laboratory reagents, polymerase chain reaction equipment, and specimen transport kits. The support under the Project will enable Georgia to increase the testing capacity to 1000-1200 samples per day.

**Sub-component 1.2: Health System Strengthening for Case Management (EUR 54.7 million, US\$ 59.9 million equivalent)**

42. The Project aims to contribute to the strengthening of health system preparedness, improve the quality of medical care provided to COVID-19 patients, and minimize the risks for health personnel and patients. This sub-component will also finance PPE and hygiene materials for health workers and other staff who may be at high risk of exposure to COVID-19 at public and private facilities, including individuals working in quarantine facilities and border posts.

43. Under this sub-component, the government will procure equipment, drugs and medical supplies to strengthen the capacity of the seven public health facilities designated for COVID-19. Among these is Rukhi Hospital, which is a newly built hospital located near Abkhazia serving a large internally displaced population that is particularly vulnerable to COVID-19. The Project will support the procurement of essential equipment and supplies to operationalize the hospital for admitting COVID-19 patients. This will include the procurement of ICU equipment (e.g. ventilators, patient monitors, bronchoscopes), as well as equipment for non-critical care and operating rooms. In the other designated public hospitals, the Project will finance intensive care units (ICUs)



and beds, as well as minor repairs, such as remodeling ICUs and increasing the availability of isolation rooms, and other capacity needs to improve service delivery for COVID-19.

44.

45. This sub-component will also transfer funds directly to hospitals to ensure preparedness for receiving COVID-19 patients and to reimburse facilities for the costs incurred for treating COVID-19 patients. Funds will be transferred to public and private facilities that are designated to receive COVID-19 patients to compensate them for idle capacity and ensure standby readiness to provide COVID-19 care. This fixed amount calculated per bed covers salaries of medical staff and utility bills, as well as operational costs. The Project will also finance case management and treatment of COVID-19 patients in public and private facilities by supporting the reimbursement of claims by the SSA for COVID-19 related services. The SSA will reimburse facilities for the actual costs of medicines, diagnostics and consumables used to treat COVID-19 cases. To ensure sustainability, the Project will support consulting services to revise the payment methods for health care services, including tariff setting for COVID-19. It will also finance case management for non-severe cases in non-medical settings (e.g. hotels temporarily rented for this purpose) for those individuals who cannot self-isolate at home and will finance ambulances to support urgent transportation of patients across the hospital network to designated reference facilities.

**Component 2. Enabling health measures to contain the COVID-19 outbreak through temporary income support for poor households and vulnerable individuals (EUR 92.45 million, US\$ 99.85 million equivalent)**

The objective of component 2 is to complement the support provided under component 1 and introduce mitigation measures in the form of financial support for poor and vulnerable households to enable them to comply with social distancing and COVID containment measures and lockdown orders.

**Subcomponent 2.1: Scale up of the Targeted Social Assistance (TSA) program for extreme poor households (EUR 32.41 million, US\$ 35 million equivalent)**

46. This sub-component will finance the natural expansion of the TSA program to support households negatively impacted by the health measures adopted to contain the outbreak and the resulting economic downturn. By design, the program targets extreme poor households based on a Proxy Means Test (PMT) scoring formula which is partially shock responsive. It is expected that about 38,000 new households will apply and be eligible to the TSA program<sup>20</sup> in a scenario where 20 percent of formal wage workers will lose their jobs and where wage workers staying in their jobs will see their labor income reduced by 20 percent. The benefit amounts remain the same<sup>21</sup>. The implementation of this sub-component will rely on the existing mechanism by which the SSA will determine and verify the eligibility and will contract with Liberty Bank to make payments. Application procedures and all payments are cash-free and the implementation processes have been already simplified and adapted to minimize the risk of contagion in compliance with the regulations on social distancing.

**Subcomponent 2.2: Temporary cash transfers to informal workers (EUR 19.44million, US\$ 21 million equivalent)**

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<sup>20</sup> With a score of less than 65,000.

<sup>21</sup> The average monthly TSA transfer is estimated to be 283 GEL per household, nearly three quarters of their average aggregate monthly consumption, estimated at 384 GEL (Household Income and Expenditure Survey 2018, Geostat).



47. This sub-component will support the introduction of a temporary (cash) benefit targeted to vulnerable households dependent on informal and occasional work. The temporary benefit will be on-demand and provide a flat benefit of about GEL 150 (around US\$48) per month per household for a period up to 6 months, in addition to the existing social assistance benefits (child benefits and other small benefits administered at the municipal level). Informal workers in vulnerable households will be identified through the existing scoring formula used to target the TSA (and other social benefits) based on higher eligibility threshold than the one currently used for the TSA (households normally ineligible to receive TSA). Households without formal sector employees and declaring to have no source of income, including no TSA nor social pensions, will be eligible. Female headed households will be actively pursued for this emergency cash benefit given that they are more likely to work in an informal sector, and therefore lose their jobs and income during the pandemic. Simulations on HIES 2018 show that about 120,000 households are expected to apply (assuming a take up of 80 percent of eligible households in a scenario where 20 percent of wage employment is lost). The eligibility determination and verification processes will be carried out by SSA in accordance with the existing system and in compliance with regulations on social distancing.

**Subcomponent 2.3: Temporary unemployment benefits for formal workers (EUR 40.6 million, US\$ 43.85 million equivalent).**

48. This sub-component will support the introduction of a temporary unemployment assistance benefit for private sector formal wage workers who lose their jobs because of measures taken to contain the COVID-19 spread and protect public health and who do not receive TSA nor the temporary cash benefit. A flat benefit of 200 GEL (US\$63) per month will be provided to private sector workers who are laid off as a result of COVID-related restrictions and economic lockdown of non-essential businesses. The benefit amount is commensurate to the cost of living: the monthly social pension is set at 220 GEL (US\$70) per person per month (old age pension) as a comparison. The duration of the unemployment assistance benefit is for a period of up to 6 months. Assuming that 20% of wage workers are laid off (conservative estimates), 130,000 formal workers in private firms are expected to be dismissed and eligible for the unemployment benefit.<sup>22</sup> The Revenue Service will compile a list of laid off workers based on companies' income tax declarations and validate the accuracy of bank accounts details.. The Revenue Service will submit the list of unemployed and their bank account details to the State Employment Support Agency (SESA) under the MOIHLSA, which will further verify eligibility (eligible unemployed individuals must not be beneficiaries of TSA and the temporary cash benefit). SESA will proceed with the payment of the unemployment benefits to respective bank accounts as provided by the Revenue Service.

49. **Funds allocated to Component 2 of the Project would not be sufficient to address all needs of vulnerable individuals in the country.** Although it will be difficult to estimate precisely financing needs given that the situation evolves on a daily basis, the financial needs for social protection are expected to be large. The Government will likely use its own resources and funds from other development partners. State budget will also be used to finance information campaigns to raise awareness on the two new benefits supported by this component (sub-component 2.2 and 2.3).

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<sup>22</sup> Based on MOF , there are about [670,000 private sector wage workers in the income payroll tax database](#).



### Component 3. Project management and monitoring (EUR 280,000, US\$ 300,000 equivalent)

50. This component will support project implementation for the overall administration of the Project, including procurement, financial management, as well as regular monitoring and reporting on project implementation progress (and required fiduciary assessments). A Project Implementation Unit (PIU) will be established within 30 days of Project Effectiveness in MoILHSA relying on existing government structures and staffing. In addition to existing government staff, at least five consultants will be hired to cover the PIU key functions given the overwhelming scope of response to COVID-19 and the urgency of actions to be taken by all parties. These include consultants for procurement, financial management, social and environmental safeguard, a health specialist, and a consultant to support the overall coordination, monitoring, and evaluation of the Project activities. Other consultants can also be hired as needed during the Project implementation. As such, the MoILHSA will be responsible for the overall administration, fiduciary functions, environmental and social aspects, communication and outreach for both components 1 and 2. Strong communication efforts will be supported through the state budget and other donors. A large communication campaign is planned to inform potential beneficiaries of the introduction of the emergency temporary benefits and the unemployment benefits and their application procedures. Employers will also be targeted as they are the ones submitting information about layoffs and workers' eligibility for the unemployment benefits

#### C. Project Beneficiaries

51. The expected project beneficiaries will be the population at large given the nature of the disease, but importantly the infected people and at-risk populations, particularly the elderly and people with chronic conditions, medical and emergency personnel, medical and testing facilities, and public health agencies engaged in the response. In addition, the expected project beneficiaries of Component 2 will be the poor and vulnerable households, including those with informal workers as identified through the existing government administrative systems,<sup>23</sup> and formal private sector workers who are unemployed or will become unemployed due to the lockdown due to the restrictions adopted by the Government of Georgia on March 21, 2020 to contain the spread of the COVID-19.

## IV. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

52. **The designated implementing agency for the Project is the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia (MoILHSA)** which is formally accountable for the health of the population, oversight of the health system, the quality of health services, as well as for managing the social protection and employment programs of the Government of Georgia. MoILHSA will be responsible for the fiduciary and technical aspects as well as the operational implementation, in close coordination with the Ministry of Finance (MoF). The SSA is a state subordinated institution under the

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<sup>23</sup> The income tax database, the social registry and the scoring formula (PMT) used to determine eligibility to poverty targeted social benefits.



administration of MoILHSA, and responsible for purchasing publicly financed health services in the country, implementing social services and programs and for supporting the most vulnerable social groups.

53. **The Project will be implemented using the existing institutions and capacities of the government, which are deemed adequate to assure the smooth technical implementation and oversight of the Project.** The implementation arrangements for Component 1 will involve MoILHSA within its healthcare function, together with SSA and in coordination with the National Center for Disease Control (NCDC) and the State Procurement Agency. The MoILHSA will conduct centralized procurement of lab equipment, test kits, equipment, and supplies for the hospitals. As a purchasing agency, the SSA will reimburse the providers for COVID-19 related services. Activities conducted by the MoILHSA will be coordinated when relevant with the NCDC, which is at the forefront of the epidemic response. Component 2 will be implemented by the MoILHSA within its social protection function through the SSA and the State Employment Support Agency, together with the Revenue Service under the MoF. Specifically, the SSA will be in charge of (i) determining and verifying the eligibility to the TSA and the emergency benefit; and (ii) making payments to beneficiaries of sub-components 2.1 and 2.2 through the special accounts at the Liberty Bank and connected bank cards. The SESA will be responsible for (i) verifying the eligibility to the unemployment benefits (sub-component 2.3) by cross checking the list of eligible unemployed first validated by the Revenue Service to exclude cases of individuals already receiving either the TSA or the emergency benefit as well as avoiding double dipping; (ii) making payments to eligible unemployed through their personal bank accounts, based on the details provided by the Revenue Service. All formal employees are all captured by the Revenue Service and ninety five percent of them have a bank account<sup>24</sup>. Companies already submit income tax declaration for their workers in the Revenue Service online system online<sup>25</sup>. Companies will be required to include bank account details in the income tax declaration. The employee name and bank account details provided in the income tax declaration are crossed-checked with commercial banks automatically. There is already an agreement in place between the Revenue Service and all commercial banks on data-exchange, making the reconciliation of bank accounts with commercial bank easier. No cash-based payment is envisioned. The main functions of the key agencies involved in the Project implementation are described in the box 1 below.

54. **A Project Implementation Unit (PIU) will be established within 30 days of the Project effectiveness** comprising existing staff from MoILHSA, SSA, MoF, State Procurement Agency, Treasury, and the NCDC and consultants hired under the project. The PIU will be led and coordinated by MoILHSA. Several key consultant positions will be needed given the overwhelming scope of response to COVID-19 and the urgency of actions. These include consultants for procurement, financial management, social and environmental safeguard, and a consultant to support the overall coordination, monitoring, and evaluation of the Project activities. Other consultants can also be hired as needed during the Project implementation. The PIU, to be established under MoILHSA, will need to be adequately be staffed for FM and procurement functions including accounting, reporting, budgeting and funds flow, internal controls as well as social and environmental aspects.

55. **As a designated implementing agency, the MoILHSA will assign a focal point to work with the World Bank team throughout Project implementation.** A “Project Director”, who could be a Deputy Minister supported by key technical staff, will be designated by the Project Effectiveness. Focal points from the MoILHSA

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<sup>24</sup> The cost of opening a bank account is negligible in Georgia. Laid off workers without a bank account will be encouraged to open one.

<sup>25</sup> In Georgia income tax declarations have to be sent by employers within 15 days after the end of the month.





will be designated for the health and social protection components by the Project Effectiveness. The focal points will also be responsible for interacting with the Bank team on technical matters.

**Box 1. Key agencies involved in the Project implementation:**

**MoF** – guarantor and lead state agency. Provides routine oversight of the spending processes of all ministries to ensure compliance with pre-defined plan; leads the annual budget preparation process.

**MoILHSA** – Project implementing agency. In charge of healthcare, labor, social protection, and internally displaced persons' issues. Accountable for the health of the population by overseeing the health system and the quality of health services.

**SSA** - state subordinated institution under the administration of MoILHSA. SSA administers the state social and health protection programs, notably state pension, social assistance, and health insurance.

**NCDC** - responsible for public health in Georgia, including immunization, surveillance, disease prevention, health promotion and the laboratory system. Several agencies are integrated within the NCDC: the epidemiological divisions of the Republican Sanitary–Epidemiological Station, the Medical Statistics and Information Centre and the Public Health Department.

**Revenue Service** - legal entity of public law of the MoF with the main task of supporting business in Georgia. Creates favorable environment for establishing new businesses and their development, and formation of a just, simple and reliable tax system.

**State Procurement Agency** - independent legal entity of public law in Georgia. Provides oversight to ensure compliance with the government procurement procedures by establishing policies for the regulation of the procurement process.

**B. Results Monitoring and Evaluation Arrangements**

56. **Monitoring and evaluation activities will be the responsibility of the PIU.** The PIU will: (a) monitor project implementation; (b) collect data and information related to the PDO and intermediate indicators; and (c) prepare progress reports by coordinating with related departments at the MoILHSA, MoF, and other implementing agencies. Progress reports will cover compliance with the planned project activities, the updated Procurement Plan, the achievement of indicators as defined in the Results Framework, and the Environmental and Social Framework (ESF). The PIU will submit these reports to the World Bank on a semi-annual basis. The roles and responsibilities, as well as the methodology, will be described in the Project Operations Manual (POM) to be adopted within a month after project effectiveness.





## C. Sustainability

57. **The Project includes the necessary implementation arrangements, technical assistance, and institutional capacity building activities to attain and sustain Project objectives.** The Project will strengthen the MoLHSA's capacity to effectively respond to future pandemics and to address current challenges in outbreaks of other infectious and vaccine-preventable diseases. By investing in strengthening laboratory capacity and enhancing monitoring and surveillance systems, the Project will contribute to strengthening Georgia's health system and ensure preparedness.

## V. PROJECT APPRAISAL SUMMARY

### A. Technical, Economic and Financial Analysis

58. **A comprehensive technical appraisal is challenged by the rapidly unfolding and unprecedented nature of the COVID-19 pandemic. However, the Project's approach has been informed by lessons learned from previous epidemics and emerging science on this pandemic.** Scientists are still seeking to understand and assess the epidemiology and clinical presentation of COVID-19, as well as the optimal intervention mix. As of April 18, 2020, it is estimated that 6.9 percent of confirmed cases worldwide resulted in death.<sup>26</sup> However, WHO has been careful not to describe this as a mortality rate, as the situation is unfolding, and testing and reporting constraints have inhibited an accurate understanding of the incidence and prevalence of the disease since it was first identified in late 2019. Initial data from Italy, amongst other countries, indicate that COVID-19 is more likely to cause severe respiratory distress, which necessitate intensive care and hospitalization, in patients with underlying health conditions. High risk groups<sup>27</sup> include those who have or are immune suppressed, suffering from respiratory diseases, over the age of 70, with specific cancers, severe respiratory conditions, metabolic disorders, pregnant and have a significant congenital heart disease.<sup>28</sup>

59. **Georgia's demographic characteristics and existing disease burden suggests that the COVID-19 pandemic may have a significant impact on population health.** As case fatality rates are higher<sup>29</sup> in older age groups, the country's aging population has been identified as a key vulnerability. Around 17.5 percent of the population is older than 60 years, and 3.3 percent of the population is older than 80 years in the country.<sup>30</sup> Of the top 10 causes of premature death in Georgia, seven are relevant co-morbidities for COVID-19 disease (including ischemic heart diseases, stroke, hypertensive heart diseases, lung cancer, chronic obstructive

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<sup>26</sup> <https://coronavirus.jhu.edu/map.html>

<sup>27</sup> <https://digital.nhs.uk/coronavirus/shielded-patient-list>

<sup>28</sup> Heyman, D, Shindo, N, on behalf of the WHO Scientific and Technical Advisory Group for Infectious Hazards. 2020. The Lancet, [https://doi.org/10.1016/S0140-6736\(20\)30374-3](https://doi.org/10.1016/S0140-6736(20)30374-3).

<sup>29</sup> For example, based on the data from the Italy outbreak, while case fatality is rare in children and rates are between 0.3% and 1% for adults aged 30 to 50 years, case fatality rates increase sharply in the older population groups: 1% for adults aged 50 to 59 years, 3.5% in the 60 to 69 bracket, 12.5% in the 70-79 bracket, 19.7% in 80-89 bracket, and 22.7% in the 90+ bracket.

<sup>30</sup> <https://www.geostat.ge/en/modules/categories/41/population>



pulmonary disease, diabetes, chronic kidney disease<sup>31</sup>). A large share of the population has cancer (five-year prevalence cases are 20,742) and lung cancer is the most common form of cancer among men.<sup>32</sup> Given that COVID-19 affects the respiratory system, smoking is an important risk factor and appears to have played a large part in the gender distribution and severity of COVID-19 in China.<sup>33</sup> Thus, it stands to be an aggravating factor for the potential outbreak in Georgia, where 55.5 percent of men and 4.8 percent of women smoke.<sup>34</sup>

60. **The interventions and investments supported by this Project reflect the outcome of a rapid technical assessment, conducted by the MoLHSA, the WHO and the WB.** The Project design proposes a set of investments which have considered existing knowledge of the disease's epidemiology and its potential evolution, as well as the state of the Georgia's health system. It was agreed that World Bank support would focus on case management and the provision of equipment and consumables. In accordance with WHO's recommendation, the selection of the activities has focused on Pillar 7 of the WHO Operational Planning Guidelines to Support Country Preparedness and Response. These interventions have been informed by WHO recommendations of good practice in containing this epidemic, as well as more generalized evidence on what has been effective in similar situations. For example, providing front-line health workers with PPE helps to limit the transmission of the disease amongst much-needed health workers and maintain a health system's capacity to treat patients. In addition, communicating with populations about the measures needed to stem the tide of an epidemic has also been effective in a whole-of-population approach. Nevertheless, there is uncertainty over the volume of goods to be procured, depending on the case load and challenges in the global supply chain. The World Bank will closely monitor and consult with relevant development partners and the MoLHSA on the volume of equipment and consumables that are needed, including with flexibility to adjust in line with the progression of the outbreak in Georgia and the availability of supplies.

61. **The design of the Project is flexible to accommodate changing needs in the face of a fast-moving epidemic and evolving knowledge.** The Project design recognizes the rapidly changing nature of the epidemic and, accordingly, has been designed to provide flexibility. The immediate health system response has been assigned to a single component, with a single expense category, so that activities can be easily adjusted as the epidemiology situation evolves and as knowledge improves, without the need for restructuring.

62. **There is a strong economic rationale for the Project's investment to strengthen the Government's response to the COVID-19 pandemic.** Although there are significant gaps in knowledge of the scope and features of the COVID-19 pandemic, it is apparent that one main set of economic effects will derive from increased sickness and death among humans and the impact this will have on the potential output of the domestic and global economy. The most direct impact would be through the impact of increased illness and mortality on the size and productivity of the world labor force. The loss of productivity as a result of illness which, even in normal influenza episodes, is estimated to be ten times as large as all other costs combined will be quite significant.

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<sup>31</sup> <http://www.healthdata.org/georgia>

<sup>32</sup> <https://gco.iarc.fr/today/data/factsheets/populations/268-georgia-fact-sheets.pdf>

<sup>33</sup> Cai, W. 2020. "Sex difference and smoking predisposition in patients with COVID-19." *Lancet Respir Med*, Doi.org/10.1016/Pii. At: <https://www.thelancet.com/action/showPdf?pii=S2213-2600%2820%2930117-X>

<sup>34</sup> [http://www.euro.who.int/\\_\\_data/assets/pdf\\_file/0020/337430/Tobacco-Control-Fact-Sheet-Georgia.pdf?ua=1](http://www.euro.who.int/__data/assets/pdf_file/0020/337430/Tobacco-Control-Fact-Sheet-Georgia.pdf?ua=1)



63. **Another significant set of economic impacts will result from the uncoordinated efforts of private individuals to avoid becoming infected or to survive the infection.** The SARS outbreak of 2003 provides a good example. The number of deaths due to SARS was estimated at “only” 800 deaths and it resulted in economic losses of about 0.5 percent of annual GDP for the entire East Asia region, concentrated in the second quarter. In addition, there is a potential impact on the overall availability of health workers as they too are infected with the virus. This issue is tightly linked to the availability of PPEs. Most countries are experiencing shortages of PPEs, which has an impact not just on the exposure of health workers to COVID-19, but also to the exposure of other patients in hospital to not just coronavirus but other pathogens. This could lead to increases in hospital-acquired infections and contribute to greater mortality and morbidity among the labor force.

64. **The measures resulted in a severe demand shock for the service sectors such as tourism, mass transportation, retail sales, and increased business costs due to workplace absenteeism, disruption of production processes and shifts to more costly procedures.** Prompt and transparent public information policy can reduce these economic losses. The expected near-term impact of COVID-19 on the Georgia economy is moderately negative spurred by its economic ties with the EU and its neighboring countries, taking place mostly through trade channels, remittances, and investment. An escalation of the outbreak affecting its main EU and neighbor trading country partners would impact goods exports and investments over a longer period. The readiness for a countercyclical response to an escalation of the outbreak is limited given low fiscal capacity and the limited access to capital.

65. **The impact of COVID-19 on households is expected to be significant in the country.** Besides the direct health impact, indirect impacts on households are expected to be widespread and disproportionately affecting the poor and vulnerable segments of the population. These impacts will mainly operate through: (a) higher prices (including food prices); (b) higher health expenditures; and (c) reduced labor incomes (job losses or reduced earnings).

66. **The economic impact of this Project will be mainly** by its investments in (a) prevention through case detection and the provision of care to patients to reduce morbidity and mortality rate; (b) limiting the impact of the COVID-19 outbreak on labor productivity and the economy by supporting families who must stay at home to respect quarantines and lockdowns and the provision of income security to prevent households from falling into poverty (or deeper poverty).

67. **Mitigation measures under component 2 will support households’ livelihoods and provide incentives to temporarily stop their activity and comply with social distancing and stay-at-home orders.** Under component 2, financial support will be provided to poor households and vulnerable individuals affected by the COVID-19 outbreak through different instruments : automatic cash transfers using the existing social assistance program as well as discretionary transfers targeting formal workers who have lost their jobs (temporary unemployment benefit) or vulnerable households with informal workers (emergency benefit). The rationale for a panel of instruments is to be able to target different segments of the population, all substantially affected by the lockdown and the obligation to stop work. Previous experience during the 2008 financial crisis has shown that the combination of safety nets, unemployment benefits and tax changes has reduced the unemployment shock by 60 percent.

68. **The TSA program (subcomponent 2.1) is expected to scale up due to the expected negative impacts on labor market outcomes.** TSA eligibility is determined based on a PMT score, which captures labor and



agricultural household revenues from the second last month before the application<sup>35</sup>, among other proxies of living conditions. Losses in formal labor income will result in lower TSA scores, hence increasing the probability of households to qualify to the TSA permanent program. It is expected that many households that are not eligible now, will be eligible in the coming months as the effects of the lockdown measures will be felt in the labor market. The pressure that can be placed on the TSA system from an income shock such as the one that has been caused by COVID-19 can be meaningful. A simulation of the effects of the crisis run using HIES 2018 data reveals that, assuming 20 percent of wage workers lose their job for a month and those wage workers who do not lose their job see their income reduced by 20 percent, the number of households falling below the 65,000 PMT threshold and not currently receiving TSA will be equal to 47,980 households, more than a quarter of the current beneficiaries.

69. **Emergency cash transfers (subcomponent 2.2) will be introduced to support vulnerable households who are not eligible to TSA but severely hit economically by the COVID crisis and the lockdown, more specifically to support informal workers.** Cash transfers are among the most widely social protection programs used worldwide as crisis response mechanisms, including in the context of economic downturns. Strong empirical evidence shows that cash transfers reduce poverty, are spent wisely by beneficiaries, and generate economic multipliers. For example, during 2008 financial crisis, most member states of the EU used discretionary cash transfers which significantly cushioned the impact of the recession. The emergency cash transfers will cover households not benefitting from social assistance, but who are vulnerable, particularly those households with informal workers who are difficult to directly target. About 21.3 percent of wage workers are likely to be informal workers.<sup>36</sup> Informal workers tend to be overrepresented among poor households, as informality is associated with lower pays.<sup>37</sup> Households with working age members involved in informal work are unlikely to be covered by TSA. They are also not covered by emergency unemployment benefits, which can only be granted to formal workers. Those households will experience a decrease or a loss in resources due to COVID-19 outbreak and lockdown, as well as increased needs (health expenditures). The transfers will be announced as a temporary measure to limit potential longer-term work disincentives. The targeting of this temporary benefit will furthermore allow to reach out to the sectors that are more at risk of direct face-to-face interactions, which tend to be concentrated in the lower range of the income distribution<sup>38</sup>.

70. **Temporary unemployment benefits (subcomponent 2.3) are meant to provide income support to workers dismissed because of the lockdown measures.** The COVID-19 crisis is expected to significantly increase unemployment in Georgia as in other countries. In the absence of unemployment scheme and in the context of limited workers protection, temporary unemployment benefits are a common option to support those who become unemployed. Studies on the role of unemployment benefits highlight the welfare-increasing effect of unemployment benefits, which is particularly important in the presence of inefficient private insurance markets and high-risk aversion during economic downturns. From a macro-economic perspective, unemployment

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<sup>35</sup> Government of Georgia, Res. 758, December 31, 2014.

<sup>36</sup> World Bank own calculations based on LFS 2018. Informal workers are defined as those without a written contract, not paying income payroll and without leave benefits.

<sup>37</sup> 49.7% of informal wage workers earn less than 400 GEL per month, compared to 30.6% among formal wage workers.

<sup>38</sup> Avdiu and Nayyar, "When face-to-face interactions become an occupational hazard: Jobs in the time of COVID-19", Brookings Institution's Future Development Blog, <https://www.brookings.edu/blog/future-development/2020/03/30/when-face-to-face-interactions-become-an-occupational-hazard-jobs-in-the-time-of-covid-19/>



benefits have a stabilizing and consumption smoothing impact on the economy as they support the demand for goods and services. They allow households to maintain their income and consumption during unemployment. In standard economic settings, the substitution effect between work and leisure and the income effect have contrasting welfare implications. In particular, there are concerns on disincentives for job search. However, in a lockdown situation such disincentives effects are secondary as the unemployed are indeed expected to stay at home and not to look for a job in the immediate term. Also, the temporary nature of the benefit, adjusted to the outbreak period, reduces such concerns. Although the temporary unemployment benefit transfer is set at a low level, it will support equally a large number of individuals and households with losses in income, so that they can comply with the stay-at-home requirement.

## **B. Fiduciary**

### **Financial Management**

71. **The MoILHSA, through a PIU is the implementing agency for the Project and will be responsible for FM and disbursement aspects during project implementation including planning, budgeting, accounting, financial reporting, funds flow, internal controls, and auditing.** The proposed arrangements are those that are best aligned to the country's existing structure for quicker disbursements and delivery of results. This Project will be jointly implemented by several ministries and Government agencies. A PIU will be established under the MoILHSA no later than 30 days after the Project effectiveness.

72. **The FM assessment of the implementing agency has confirmed that the minimum FM arrangements will be met to implement the Project and meet the minimum requirements of the World Bank's OP/BP 10.00 once the agreed actions are implemented.** The assessment was performed on the basis of desk review based on information provided by the implementing agency. This assessment also takes into consideration the Bank's Operational Policy 8.00 on Rapid Response to Crises and Emergencies and Guidance Note on FM in Rapid Response to Crises and Emergencies. In order to strengthen FM arrangements, the following actions need to be implemented: (a) the POM, including financial management and disbursement aspects of the cash transfers under component 2 should be adopted by MoILHSA with satisfactory FM arrangements agreeable to the Bank (within 30 days after effectiveness); and (b) a FM specialist should be hired for the PIU under terms of reference satisfactory to the Bank (within 30 days after effectiveness). The POM should describe in details Project planning, budgeting, accounting, financial reporting, funds flow, internal controls, and auditing arrangements. Particularly, the POM needs to describe the flow of funds for the three types of cash transfers under component 2, including how the flow of funds will be managed from the Designated Account to final beneficiaries as well as the roles and responsibilities of each agency involved.

73. **The Project accounts will be prepared by the PIU in accordance with Cash Basis International Public Sector Accounting Standards.** The internal controls processes will be articulated in the POM, including budgeting, planning, accounting and financial reporting. Adequate audit and control mechanisms will be functional to ensure that the cash transfers under component 2 are made for the intended purposes and reach the intended beneficiaries. The new cash transfers under sub-component 2.2 will be included in the annual program of the State Audit Office. In addition to the mandatory audit of the State Audit Office, operational audits of the unemployment benefits and temporary cash transfers will be made by the Internal Audit Departments of MoILHSA and MOF (for transactions of the revenue Service). Ex-ante controls over Project funds will be ensured through cross-checks, reviews and approvals which will be elaborated in detail in Social Assistance and Cash Transfers Section of the POM. Post-ante controls over Project funds will be ensured through



involving Internal Audit Departments of the Implementing Agency for reviewing on a sample basis social assistance and cash transfer in the Project. The State Audit Office of Georgia will review social assistance and cash transfer transaction during the mandatory audit of the Project accounts. The Bank team will support the PIU with hands-on training based on the implementing agency capacity and knowledge of Bank-financed operations. The PIU will use existing accounting system of the Implementing agency for Project accounting and reporting purposes. Similarly, to all other project financed by the Bank, all payments under this Project will be conducted through eTreasury System.

74. **Quarterly Interim Financial Reports (IFRs) will be used for the Project monitoring and supervision.** The PIU will report, prepare and submit IFRs to the Bank within 45 days of the end of each calendar quarter. The format of the IFRs will be simplified and will include key financial statements.

75. **The audit of the Project financial statements prepared by the PIU will be conducted: (a) by the State Audit Office of Georgia in accordance with terms of reference acceptable to the Bank; and (b) according to the International Standards on Auditing** issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. Annual audited Project financial statements will be submitted to the Bank within six months after the end of each fiscal year and at the Project closing. The MoILHSA will publicly disclose the audit reports on their websites within one month of the receipt from the auditor. Following the Bank's formal receipt of the audit reports from the Borrower, the Bank will make them publicly available according to the World Bank Policy on Access to Information.

76. **The MoILHSA will open a Designated Account at the Treasury Account of the Ministry of Finance of Georgia** held at the National Bank of Georgia, and on terms and conditions acceptable to the Bank that will receive funds denominated in EURO. The MoILHSA will also open project account in local currency, where funds can be transferred to make payments in local currency including project operating costs, if any. Throughout implementation, Project funds will be maintained at a Designated Account and Project local currency account at the Treasury Account of the Ministry of Finance; these funds will not be pooled with the other funds.

77. **The Credit will be disbursed through Bank's standard disbursement methods**, which include: (i) advances to Designated Accounts using Statement of Expenditure (SOE); (ii) payments against Special Commitments; (iii) reimbursement of eligible expenditures; and (iv) direct payments. The Project will be required to adopt e-disbursements, and the minimum value of applications as well the frequency of the reporting of the SOEs will be specified in the Disbursement and Financial Information Letter.

78. **Project co-financing.** The project will be jointly co-financed by the Bank and the AIIB. This is Joint Co-financing operation, and this implies that the Bank and AIIB jointly will finance the same contracts under the Project in agreed financing parameters. The AIIB will follow the Bank FM and procurement operational guidelines as well as the E&F framework. The collaboration between the Bank FM team and the AIIB will include these as a minimum: a) the Bank FM team will review all periodic audited project financial statements and un-audited interim financial reports provided by the Implementing agency b) the Bank FM team will follow up with the implementing agency on these reviews, including monitoring and consultation on the implementation of recommendations in the auditors' reports; c) the Bank FM team will serve as the focal point for AIIB vis-a-vis the Implementing agency in all matters relating to financial management under the Project.

From *Disbursement* Perspective, the Bank will: a) review each withdrawal application furnished by the Implementing agency to verify that the amount requested by the Implementing agency is eligible for financing





under AIIB's Financing Agreement; and b) notify AIIB that the withdrawal application is in proper order, and that it has determined that the amount requested is eligible for financing under the AIIB Financing.

79. **Retroactive financing of 40 percent of the Project financing is allowed.** Retroactive financing period is maximum up to one year prior to signing of the loan agreement. Retroactive financing for eligible expenditures is only allowed if expenditures are incurred/items are procured in accordance with applicable World Bank's Procurement Regulations. The Bank will review and agree on the list of eligible expenditures for retroactive financing during appraisal.

80. **Financial management risk is 'Substantial'.** The overall residual FM risk for the Project is '*Substantial*' before and after the application of the mitigation measures given the emergency nature of the project, project complexity, vulnerabilities of the cash transfers. Also, while considering project FM risk we have considered limited experience of the Implementing agency in implementing International Financed Institutions (IFI) – funded projects, PIU is not yet functional and yet to be established and PIU FM specialist should be hired in a short notice. The risks that may possible incur with high negative impact on Project implementation are: (a) budget allocations to the Project activities are not done in timely manner or misallocation of budget funds assigned to the Project; (b) payments to the contractors are delayed due to rigorous budget appropriation rules; (c) social assistance and cash transfers are not directed to those targeted under this Project. These risks will be mitigated through: (a) flexible disbursement arrangements including retroactive financing (40% from total Loan amount), variable DA ceiling and advances to be based on forecast of funds required for the semester; and (b) on addition to ex-ante and post-ante controls Implementing agency will have over the Project funds, intensive World Bank supervision and more hands-on assistance during the Project implementation.

81. **Financial Management Implementation Support and Supervision Plan.** During project implementation, the World Bank FM team will: (i) conduct regular check-ups with the project implementation agency on FM and disbursement matters; (ii) keep engaged with the counterparts on issues impacting performance, compliance and reporting, and provide necessary support and guidance; (iii) selectively review claims for cash transfers; (iv) review the project's IFRs; (iv) perform desktop and on-site supervisions based on the assessed project's risk and performance; (v) perform frequent sample-based verification of transactions, and (vi) depending on the possible risks that may arise during the Project implementation in respect of social assistance and cash transfers, we will engage with the State Audit Office of Georgia on conducting interim reviews/audits in addition to the mandatory financial audit of the project.

## Procurement

82. Procurement under the Project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers for Goods, Works, Non-Consulting and Consulting Services, dated July 1, 2016 (revised in November 2017 and August 2018). The Project will be subject to the World Bank's Anti-Corruption Guidelines, dated October 15, 2006, revised in January 2011, and as of July 1, 2016.

83. **Use of Systematic Tracking of Exchanges in Procurement (STEP).** It is mandatory for all procurement transactions for post and prior contract review under the Project to be respectively recorded in, or processed through the Bank's planning and tracking system, STEP. This ensures that comprehensive information on procurement and implementation of all contracts for goods, works, non-consulting services, and consulting services awarded under the whole Project are automatically available. This tool will be used to manage the exchange of information (such as bidding documents, bid evaluation reports, no objections, and so on) between



the implementing agency and the Bank. The Bank team has provided training to the borrower on how to establish its account and on the use of STEP.

84. **Procurement Plan.** There are a number of major procurements to be conducted under the Project among which are: (i) Necessary material and technical equipment for case management; (ii) Procurement of equipment for health facilities; (iii) Procurement of fully equipped ambulances; (iv) Procurement of PPE; Procurement of Minor Repairs in public health facilities.

85. **Retroactive Financing** will be considered under the Project, subject to the conditions defined in 5.1 and 5.2 of the Procurement Regulations for Borrowers. In accordance with the Procurement Regulations, the Bank requires the application of, and compliance with, the Bank's Anti-Corruption Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights. To ensure compliance with the above provisions of the bidding processes that have already been conducted and where the awarded/signed contracts did not include the relevant Fraud and Corruption (F&C) provisions, the MoILHSA has agreed to amend those contracts (to be financed under this Project) to include the Bank's F&C provisions. The Bank will not finance any contracts which do not include the Bank's F&C and audit right related clauses. The MoILHSA will also present to the Bank the list of contractors, suppliers, local agent and manufacturers under these contracts for the Bank to ensure that the firms chosen are not and were not at time of award or contract signing on the Bank's List of Debarred firms. Contracts awarded to firms debarred or suspended by the Bank (or those which include debarred or suspended subcontractors) will not be eligible for Bank's financing. The eligibility of the firms/companies will be checked by Bank.

86. **Hands-on expanded implementation support (HEIS)** for the procurement of initial needs will be provided by the Bank to the Borrower during the Project cycle as follow: (i) provision of draft technical requirements and specifications, as requested by the MoILHSA; (ii) assistance to the implementing agency in the drafting of procurement documents; and (iii) advices on evaluation procedures, including participation as observers during contract negotiations, only on clarifying matters related to the Bank procurement regulations.

87. **Bank Facilitated Procurement (BFP).** Under HEIS, the Bank, at the Borrower's request, may also provide proactive assistance in accessing existing supply chains through BFP, meaning: (i) conduct extensive market engagement and survey to identify available stock of the agreed list of critical medical consumables and equipment needed in the quantities specified; (ii) assist the implementing agency in negotiating prices, delivery terms, and other contract conditions with identified suppliers; (iii) draft final award letters and/or contracts adapted to specific market conditions, on a fit-for-purpose basis and ensuring consistency with the Bank's procurement framework; (iv) provide additional hands-on support in contracting to outsource logistics.

88. Once the suppliers are identified, the Bank could proactively support the Borrower with negotiating prices and other contract conditions. However, the Borrower will remain fully responsible for signing and entering into contracts and implementation, including assuring relevant logistics with suppliers such as arranging the necessary freight/shipment of the goods to their destination, receiving and inspecting the goods and paying the suppliers, with the option of using the World Bank's system of making direct payment to the contractors or suppliers or consultants on behalf of the Client from the proceeds of the financing, in accordance with the terms of the Loan Agreement. The BFP would constitute additional support to the Borrower over and above usual HEIS which will remain available. If needed, the Bank could also provide hands-on support to the Borrower in contracting to outsource logistics. However, procurement execution remains the responsibility of the Borrower and HEIS does not result in the Bank carrying out procurement on behalf of the Borrower.





89. **Project Procurement Strategy for Development (PPSD).** A PPSP and detailed procurement plan was prepared and finalized by the MoILHSA with support from the World Bank. All the selection methods defined in the Procurement Regulations can be used, however, priority will be given to streamlined and simple procedures and to those which ensure expedited delivery, such as: Direct Selection, Request for Quotations with no threshold limit for this method as appropriate, Framework Agreements (including tapping into existing ones), Procurement from UN Agencies following Direct Selection, Engagement of UN Agencies to provide technical assistance (TA) or outputs (combination of TA and inputs) and Consultant's qualifications based selection. Procurement will follow either international or national approach.

90. **Fast Track Procurement.** The proposed procurement approach prioritizes fast track emergency procurement for the required for the required goods, works and services. Key measures to fast track procurement include: Bid Securing Declaration may be used instead of a Bid Security; Performance Security may not be required for small contracts for works and supply of goods (however, money may be retained during the defects liability period for works contracts; manufacturer warranties will be requested for goods contracts); Advance payment may be increased to up to 40 percent of the contract price while secured with an advance payment guarantee.

91. **Procurement of Second-hand Goods** may be considered under the Project where justified and needed to respond to emergency. A procurement process for goods shall not mix second-hand goods with new goods; the technical requirements/specifications should describe the minimum characteristics of the items which could be offered second-hand, i.e., age and condition (e.g. refurbished, like new, or acceptable if showing normal wear and tear); and the warranty and defect liability provisions in the contract shall be written or adapted to apply to second-hand goods. Any risk mitigation measures that may be necessary in relation to the procurement and use of second-hand goods will be reflected in the PPSP.

92. **Procurement Implementation Arrangements.** Given the lack of experience in conducting procurement under the World Bank's Procurement Regulations, and in order to avoid delays during implementation, procurement execution will be undertaken by the PIU under the MoILHSA with support under the HEIS service from the Bank. The MoILHSA will designate a local procurement specialist who will work in close cooperation with the Bank. No or minor procurement will be conducted under component 2. The electronic Government Procurement will be used for all the procurements conducted under the Project.

93. **Procurement Risk is High.** The major risks to procurement are: (a) slow procurement processing and decision making with potential implementation delays; (b) poor contract management system with potential time and cost overrun and poor-quality deliverable; (c) lack of familiarity in dealing with such a novel epidemic; (d) increased risk of F&C (abuse of simplified procurement procedures, false delivery certification, inflated invoices); and (e) MoILHSA's lack of experience in implementation of similar projects financed by the WB.

94. These risks are elevated by the global nature of the COVID-19 outbreak, which creates shortages of supplies and necessary services. This may result in increased prices and cost. Moreover, various industries are feeling the impact of COVID-19 that subsequently impacts the procurement process and implementation of the contracts. To deal with potential procurement delays because of the spreading of COVID-19, the Bank will support the MoILHSA in applying any procedural flexibilities (e.g. extension of bid submission deadlines, advising on the applicability of force majeure, electronic bid submission, etc.). The Bank team will also monitor and support implementation to agree with the MoILHSA on reasonableness of the procurement approaches and



obtained outcomes considering the available market response and needs. Overall procurement risk is assessed as “High”.

95. Residual Procurement Risk is “Substantial”. **To mitigate the identified risks, the following actions are recommended in addition to those mentioned above:** (a) maintaining accountability for following the expedited approval processes for emergency; (b) assigning staff with responsibility of managing each contract; (c) ensuring oversight by the Bank teams in close coordination with the Borrower’s oversight agencies; (d) Government of Georgia will consider the HEIS where the Bank procurement staff will be designated to support the MoLHSA in conducting the whole procurement process and as part of HEIS; (e) if required, the Bank will provide BFP; and (f) use the electronic Government Procurement platform which is well developed and is actively used by existing PIUs implementing Bank-financed projects in Georgia for the national and international procurements.

96. **Bank’s oversight arrangements.** The Bank’s oversight of procurement will be done through increased implementation support, HEIS, if requested, and increased procurement post review based on a 20 percent sample of signed contracts. Bank’s prior review will not apply. For Risk based monitoring for physical progress, the Bank may rely on alternative arrangements such as Third-Party Monitoring, beneficiary feedback, remote supervision through GPS-enabled technology, reliance on UN agencies with presence in country, independent verification agents, and implementation support missions whenever and wherever possible. The Bank will also explore options for increased reliance on Supreme Audit Institutions to conduct procurement post review, which may include expanding the terms of reference for Project Audit to cover procurement aspects to the extent possible in collaboration with FM colleagues.

### C. Legal Operations and Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

### D. Environmental and Social Standards

97. **Environmental and social risks are assessed as Substantial.** The major areas of risks for the Project are: (i) occupational health and safety for medical staff, laboratory staff, and communities during detection, transportation of patients/tests/chemicals and reagents, and treatment stages of the COVID-19 cycle; (ii) occupational health and safety related to collection, transportation, and disposal of medical waste management; and (iii) temporary environmental risks associated with minor repair works at healthcare facilities (HCFs) and occupational health and safety of construction workers, HCF staff, and surrounding communities; (iv) difficulties in delivering temporary social assistance to vulnerable groups during COVID-19 constrains on mobility of people and reduced capacity of public offices; (v) risk of excluding eligible



beneficiaries, especially informal workers, from the temporary social assistance scheme. ESS 1, ESS 2, ESS 3, ESS 4, and ESS 10 are relevant for the Project and will be followed to manage these risks. The works are expected to be limited to small repairs and will take place within existing hospital buildings. Land acquisition is currently not expected. If there is a need to acquire land or property during project implementation, the purchase will likely be conducted on willing buyer-willing seller basis and the process will be thoroughly screened according to the Environmental and Social Management Framework (ESMF) guidance. If it is determined during project implementation that impacts within the scope of ESS 5 would occur, then ESS 5 will become relevant and the Borrower will have to prepare a Resettlement Plan. The environmental and social risks are associated with ensuring that contagion vectors are controlled through strict adherence to standard procedures for medical waste management and disposal and the use of appropriate PPE for all health care workers. Working with local authorities and communities to ensure that social distancing measures and quarantine regimes are strictly adhered to is also vital for lowering the speed and incidence of infection. Risks of exclusion from temporary social assistance are addressed in the Project design through expanded eligibility threshold for social assistance which also covers informal workers.

98. **To manage the risks specified above, the MoILHSA will prepare an ESMF, with an annex covering Labor Management Procedures (LMP), and a Stakeholder Engagement Plan (SEP).** The ESMF will include a template for the Infection Control and Waste Management Plan (ICWMP) to be adopted and implemented by all ICUs and laboratories to be supported by the Project. The ESMF will also provide the detailed procedures, based on WHO guidance, for treating patients and environmental health and safety guidelines for staff in ICUs and laboratories, including the necessary PPE. Furthermore, the document will provide requirements for adequate medical waste management, including proper disposal of sharp objects. All these provisions will then be used for preparing the IPCWMP, which will provide best international practices in COVID-19 diagnostic, testing and COVID-19 response and treatment activities, based on the relevant WBG Environmental Health, and Safety (EHS) Guidelines, Good International Industry Practice (GIIP), and WHO COVID-19 Quarantine Guideline and WHO COVID-19 bio-safety guidelines. The SEP will serve the following purposes: (i) stakeholder identification and analysis; (ii) planning engagement modalities with effective communication tool for consultations and disclosure; (iii) enabling platforms for influencing decisions; (iv) defining roles and responsibilities of different actors in implementing the SEP; and (v) ensuring a grievance redress mechanism (GRM). The ESMF and SEP will be prepared to a standard acceptable to the Bank and disclosed both in-country on the MoILHSA website and on the World Bank website within 30 days after the Effectiveness Date.

99. **Community engagement and awareness building.** A community engagement and outreach element of the overall framework and implementation plan has been established by the GoG to tackle the pandemic during its various stages as part of the Project. To optimize the impact of the COVID response, the engagement of communities is critical to build community knowledge, confidence and trust, to ensure that the government optimizes resources by responding to needs, to propagate behavior change, and to ensure that the vulnerable are able to access services and support. To supplement the above, the Project, under Component 3, will support the development of: Communication strategies, mass campaigns and information, education and awareness building to ensure culturally-relevant information is disseminated to communities to properly sensitize the communities to the risks related to COVID, supported by tailored awareness raising on preventative actions, and the governments COVID response. These flows of information will be designed



to reach the vulnerable, including the elderly most affected by COVID-19. The following are community engagement processes envisaged under the Project:

- A needs identification, priorities and feedback mechanism to enable community members (including vulnerable groups such as the elderly, disabled, large HHs) and community-based organizations to articulate local needs systematically and regularly. Over the course of the Project, the focus of this feedback will transition – from quick online emergency health care needs and support for prevention, to participatory planning and prioritization of responses, to longer-term to reestablish livelihoods.
- A participatory monitoring mechanism to enable community feedback on the COVID-19 response at the local level. Community members will be trained and supported with expert facilitation to monitor local action. This includes identifying any gaps emerging at the point of service delivery (e.g. information availability, access to testing, access to relevant care, cleanliness, equal treatment for all), any vulnerable groups that need specific targeting or any capture of the support provided. After the emergency in the follow up stages, this might include feedback on aspects of the social assistance, livelihoods support.

100. While these community engagement processes ensure that communities are informed, have the opportunity to provide feedback and can play a role in the monitoring of actions taken, the challenge of implementation lies in the social distancing policies vital to preventing an overload on health systems. To ensure that communities are engaged nevertheless, Component 3 will support the development of an online platform for all stages of community feedback. The use of civic technology that is mobile friendly, easily accessed, and can manage translations and outreach to rural and urban communities will be prioritized. To enable adaption and improve responsiveness, the Project will monitor the effectiveness of the community engagement processes in the results framework.

## VI. GRIEVANCE REDRESS SERVICES

101. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate Grievance Redress Service (GRS), please visit: <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## VII. KEY RISKS

102. The overall Project risk rating is **Substantial**. Risks in four of the nine categories are rated either Substantial as stated below. The political and governance, sector strategies and policies, technical design and stakeholder risks



are all rated Moderate. While a considerable degree of risk is inherent in a project of this urgency, important mitigation measures have been integrated into the Project design.

103. **Macroeconomic – Substantial.** The immediate challenge facing Georgia is the impact of the COVID-19 pandemic. The pandemic and the associated travel disruptions will adversely impact tourism industry, a sector that contributes over 7 percent to GDP. Additional transmission channels include remittances as well as commodity prices. This will reduce external inflows and pose risks to stability given high dollarization and unhedged balance sheets. Access to concessional financing from international finance institutions partly mitigates these risks. Efforts to contain the spread (i.e. “social distancing”) has further dampened consumer confidence and demand. Beyond the COVID-19 pandemic, substantial quasi-fiscal risks emanate from Georgia’s state-owned enterprises and power purchasing agreements which provide state guarantees for the purchase of excess electricity from power generators, however, the institutional and regulatory capacity to deal with fiscal risks is increasing. In addition, the repayment of the Eurobond in 2021 creates some refinancing risk in case markets tighten, partially mitigated by the availability of concessional finance from IFIs.<sup>39</sup> The Project will mitigate the macroeconomic risk by supporting COVID-19 response effort through World Bank financing resources and by mobilizing other donor (AIIB) through a joint co-financing agreement.

98. **Institutional Capacity for Implementation and Sustainability – Substantial.** MoILHSA has no previous experience in implementing Bank-financed operations. The implementation of the proposed Project will require technical, operational and fiduciary staff at the ministry. In addition, the PIU, which is yet to be established, will be comprised of existing staff in different government agencies (MoILHSA, MOF, Treasury, State Procurement Agency) whose scope of work will be increased to manage the Project. Most of the existing staff who will be part of the PIU do not have prior experience with WB fiduciary procedures. In addition, delays in the preparation of the Project Operation Manual and the Manual for Reimbursements related to project activities under component 1.2 may substantially increase the risk of implementation delays given that the bulk of project activities require the PIU to be in place and the two manuals to be satisfactory finalized. To mitigate this risk, the Bank team will enhance monitoring and oversight by (a) strengthening the task team in all key areas of the Project to ensure intense supervision and support to the various agencies involved in Project implementation especially in the context of travel bans and home-based-work; and (b) training PIU members and government officials involved in the project implementation on World Bank operational procedures, specifically on the technical, operational and fiduciary functions..

105. **Fiduciary – Substantial.** The overall Procurement risk is assessed as “High” and the FM risk as “Substantial”. The overall residual FM risk for the Project is *Substantial* before and after the application of the mitigation measures given the emergency nature of the project, project complexity and vulnerabilities of the cash transfers. Also, the implementing agency has limited experience in implementing International Financed Institutions (IFI) – funded projects and the PIU is yet to be established. The major risks to procurement are (a) slow procurement processing and decision making; (b) poor contract management system with potential time and cost overrun and poor-quality deliverable; (c) lack of familiarity in dealing with such a novel epidemic; and (d) increased risk of F&C (abuse of simplified procurement procedures, false delivery certification, inflated invoices). These risks are elevated by the

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<sup>39</sup> World Bank ECA Economic Update Spring 2020, page 52

<https://openknowledge.worldbank.org/bitstream/handle/10986/33476/9781464815645.pdf>



global nature of the COVID-19 outbreak, which creates shortages of supplies and necessary services, especially for PPE. To help mitigate this risk, the Bank may leverage its comparative advantage as convener and facilitate access to available supplies at competitive prices as described in the procurement section. Given previous challenges ensuring fiduciary oversight in emergency projects, however, the residual fiduciary risks are Substantial.

106. **The Environmental and Social risk is rated as Substantial.** The major areas of risks for the Project are: (i) occupational health and safety in health care facilities; (ii) collection, transportation, and disposal of medical waste management; and (iii) temporary environmental risks associated with minor repair works at healthcare facilities (HCFs) and occupational health and safety of construction workers, HCF staff, and surrounding communities; (iv) difficulties in delivering temporary social assistance to vulnerable groups during COVID-19 constrains on mobility of people and reduced capacity of public offices; (v) risk of excluding eligible beneficiaries, especially informal workers, from the temporary social assistance scheme. ESS 1, ESS 2, ESS 3, ESS 4, and ESS 10 are relevant for the project and will be followed to manage these risks. To mitigate these risks the MoILHSA will prepare an Environmental and Social Management Framework (ESMF) which will contain provisions for storing, transporting, and disposing of contaminated medical waste and outline guidance in line with international good practice and WHO standards on COVID-19 response on limiting viral contagion in healthcare facilities. In addition to the ESMF, the client will implement the activities listed in the Environmental and Social Commitment Plan (ESCP). Project design included targeted eligibility criteria to address any potential exclusion of vulnerable groups from the TSA.



## VIII. RESULTS FRAMEWORK AND MONITORING

### Results Framework COUNTRY: Georgia Georgia Emergency COVID-19 Project

#### Project Development Objective(s)

The project development objective is to prevent, detect, and respond to the threat posed by the COVID-19 pandemic and strengthen national systems for public health preparedness in Georgia.

#### Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
<b>To prevent, detect, and respond to the threat posed by the COVID-19 pandemic.</b>			
Number of people tested for COVID-19 identification per MoLHSA protocol (Number)		5,027.00	200,000.00
Number of patients treated per SSA reimbursement guidelines. (Number)		584.00	60,000.00



Indicator Name	DLI	Baseline	End Target
Share of households in the poorest quintile who are receiving the COVID-19 pandemic related social assistance programs. (Percentage)		40.00	45.00

#### Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
<b>Emergency COVID-19 Response</b>			
Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents per MOILHSA guidelines. (Number)		0.00	4.00
Number of personal protection equipment (PPE) purchased. (Number)		0.00	800,000.00
Number of designated public hospitals with fully equipped and functional intensive care units (ICUs) for COVID-19 patients (Number)		0.00	4.00
Number of designated public hospitals with isolation capacity. (Percentage)		0.00	4.00
<b>Enabling health measures to contain the COVID-19 outbreak through temporary income support for</b>			
Number of vulnerable households receiving temporary emergency cash benefit. (Number)		0.00	70,000.00
Number of formal private sector workers laid off because of		0.00	90,000.00





Indicator Name	DLI	Baseline	End Target
COVID-related lock down restrictions who receive a temporary unemployment benefit, by gender. (Number)			
Number of TSA beneficiary households. (Number)		118,100.00	145,000.00
Complaints received related to COVID-related social assistance programs. (Percentage)		0.00	5.00
<b>Project Management</b>			
Percentage of beneficiaries reporting that community engagement and outreach meet their needs. (Percentage)		0.00	70.00

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Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of people tested for COVID-19 identification per MoLHSA protocol	Cumulative number of people tested for COVID-19. The technical specifications of the tests will be defined in the POM based on the international/national norms and standards for	Every 6 months	MoLHSA and NCDC	Administrative data, audits	MoLHSA and NCDC



	COVID-19 response.				
Number of patients treated per SSA reimbursement guidelines.	Cumulative number of patients treated for COVID-19 in hospitals and other designated facilities reimbursed as per SSA guidelines.	Every 6 months	MoILHSA and SSA	Administrative data	MoILHSA and SSA
Share of households in the poorest quintile who are receiving the COVID-19 pandemic related social assistance programs.	COVID-19 pandemic related social assistance programs refer to the emergency cash benefit, the temporary unemployment benefit, and the TSA. Quintile of the adult equivalent consumption distribution net of social assistance transfers.	Annually	HIES survey	Household survey data nationally representative.	GEOSTAT

#### Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents per MOILHSA guidelines.	Number of designated laboratories supported under the project with	Every 6 months	MOILHSA	Laboratory Audit	MOILHSA



	COVID-19 diagnostic equipment, test kits, and reagents per MoILHSA guidelines. The technical specifications of the tests will be defined in the Project Implementation Manual based on the national norms and standards for COVID-19 response.				
Number of personal protection equipment (PPE) purchased.	Cumulative number of personal protective equipment purchased, including gloves, protective goggles, surgical masks/ear loop, face mask FF2, face mask N95, gown AAMI level 3, shoe covers, protection caps, scaffolders.	Every 6 months	MoILHSA	Administrative data	MoILHSA
Number of designated public hospitals with fully equipped and functional intensive care units (ICUs) for COVID-19 patients	An ICU unit will be considered fully equipped and operational if two conditions are satisfied: (i) all individual beds in the ICU unit have the necessary equipment as per MoILHSA guidelines, and (ii) ICU unit	Every 6 months	MoILHSA	Administrative data records, field verification of availability of equipment	MoILHSA



	(comprising of multiple beds) has all necessary shared equipment as per MoILHSA guidelines.				
Number of designated public hospitals with isolation capacity.	Percentage of designated public hospitals that have operational isolation capacity (isolation rooms in admission departments and isolation wards in designated departments). Designated public facilities are those identified by the MoILHSA for observation of suspected cases and treatment of confirmed COVID-19 cases.	Every 6 months	MoILHSA	Administrative data and audit reports	MoILHSA
Number of vulnerable households receiving temporary emergency cash benefit.	“Vulnerable” households are defined as those households without formal labor income, households with children; households with at least one member with a disability. Data will be disaggregated by (i) households with at least one workable member without labor income; (ii) households with children	Every 6 months	Social Registry (SSA)	SSA Administrative data	SSA in MoILHSA



	(up to 18 years old); and (iii) households with at least a member with disabilities.				
Number of formal private sector workers laid off because of COVID-related lock down restrictions who receive a temporary unemployment benefit, by gender.	Formal private-sector workers are defined as workers appearing in Revenue Service Registry data (workers for which employers pay payroll taxes). Layoffs will be reported by employers and confirmed by Revenue Service based on their registry. Sex-disaggregated data will be monitored.	Every 6 months	Revenue Service	Cross-check with the Social Registry (SSA) for verification	SSA in MoILHSA
Number of TSA beneficiary households.	Number of TSA beneficiary households as per program administrative data. TSA beneficiary households are defined as households with a PMT score below 65,001 based on the existing scoring formula (determined by Res. 758 of December 31, 2014).	Every 6 months	Social Registry (SSA)	SSA Administrative data	SSA
Complaints received related to COVID-related social assistance programs.	This indicator tracks the number of complaints received relating to COVID-	Every 6 months	SSA management system	SSA monitoring report	SSA in MoILHSA



	19 related social assistance programs to help identify problems and address them as necessary. COVID-19 pandemic related social assistance programs refer to the emergency cash benefit, the temporary unemployment benefit, and the TSA.				
Percentage of beneficiaries reporting that community engagement and outreach meet their needs.	This indicator tracks the number of complaints received relating to COVID-19 related social assistance programs to help identify problems and address them as necessary. COVID-19 pandemic related social assistance programs refer to the emergency cash benefit, the temporary unemployment benefit, and the TSA.	Every 6 months	SSA management system	SSA monitoring report	SSA and MoILHSA



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## ANNEX 1: Project Costs

**COUNTRY:** Georgia  
Georgia Emergency COVID-19 Project

### COSTS AND FINANCING OF THE PROJECT (IN USD MILLION)

Program Components	Project Cost	IBRD Financing	Co-financing
Emergency COVID-19 Response	79.85	35.49	44.36
Enabling health measures to contain the COVID-19 outbreak through temporary income support for poor households and vulnerable individuals	99.85	44.38	55.47
Project Management	.3	.13	.17
<b>Total Costs</b>	<b>180</b>	<b>80</b>	<b>100</b>
Total Costs	180		
Front End Fees			
<b>Total Financing Required</b>			

**Table 2: Summary of Project Costs and Financing Allocations**

	World Bank Financing (B)	AIIB Financing (C)
<b>Component 1: Emergency COVID-19 Response</b>	35,489,000	44,361,000
Sub-component 1.1: Case Detection and Confirmation	8,889,000	11,111,000





	World Bank Financing (B)	AIIB Financing (C)
Sub-component 1.2: Health System Strengthening for Case Management	26,600,000	33,250,000
<b>Component 2: Enabling health measures to contain the COVID-19 outbreak through temporary income support for poor households and vulnerable individuals</b>	44,380,000	55,470,000
Subcomponent 2.1: Scale up of TSA program for extreme poor households	15,560,000	19,440,000
Subcomponent 2.2: Temporary cash transfers to informal workers	9,330,000	11,670,000
Subcomponent 2.3: Temporary unemployment benefits for formal workers	19,490,000	24,360,000
<b>Component 3: Project Management</b>	130,000	170,000
<b>TOTAL</b>	80,000,000	100,000,000



**ANNEX 2: Indicative Activity and Equipment List with Tentative Costing for Component 1**

<b>Component 1: Emergency COVID 19 response</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Total</b>
<b>Sub-Component 1: Case Confirmation</b>			
Equipment, diagnostic supplies (including lab reagents and testing kits), infection protection and transportation for laboratories	20,000,000		20,000,000
<b>Total Subcomponent Cost (US\$)</b>	<b>20,000,000</b>	<b>0</b>	<b>20,000,000</b>
<b>Sub-Component 2: Health System Strengthening</b>			
Infection protection supplies	14,500,000		14,500,000
Equipment and minor repairs to strengthen public facilities	11,000,000		11,000,000
Quarantine and mild case management in non-medical settings	8,350,000		8,350,000
Global budget to public and private facilities to ensure preparedness	8,000,000		8,000,000
Costs of case management and treatment	17,000,000	500,000	17,500,000
Consulting services (e.g. training, payment systems)	500,000		
<b>Total Subcomponent Cost (US\$)</b>	<b>59,350,000</b>	<b>500,000</b>	<b>59,850,000</b>
<b>Total Component Cost (US\$)</b>	<b>79,350,000</b>	<b>500,000</b>	<b>79,850,000</b>



## ANNEX 2: Overview of the Social Protection system in Georgia

**Georgia has a comprehensive social protection system which played a key role in protecting the poorest in the past decade.**<sup>40</sup> Social protection includes a universal social pension for the people above 65 years old, the TSA (including the child benefit introduced in 2015), benefits and services for Internally Displaced Persons (IDPs) from the occupied territories, social rehabilitation for persons with disabilities, benefits and services for war veterans, benefits and services for protection of vulnerable children and a myriad of social benefits administered at the local level (including health exemptions, education exemptions, housing benefits and energy and transportation subsidies).<sup>41</sup> A newly implemented 2019 pension law complemented the flat universal pension, including a benefit of approximately 18% of the average monthly income, with a contributory pension savings system. Compared to other countries in the region and globally, Georgia stands out given the high spending on social assistance (about six percent of GDP) mostly accounted by the non-contributory old age social pensions and the TSA.<sup>42</sup> **Error! Reference source not found.** provides a list of social assistance and labor programs in the country.

**The TSA is the flagship social assistance program targeted to extreme poor households.** Until recently, the TSA had been one of the most successful programs in Eastern Europe and Central Asia in terms of coverage of the poor, targeting accuracy and poverty impact. Established in 2005, the TSA provides a monthly cash transfer to poor households identified based on a proxy means test (PMT) assessment.<sup>43</sup> After the old-age pensions, the TSA is the largest social protection program in terms of both spending and coverage. As of March 2020, TSA covered about 11 percent of Georgia's population<sup>44</sup> and an additional 2% was covered by the child allowance. In 2018, TSA and the child support scheme jointly covered 40 percent of households in the poorest quintile<sup>45</sup> (HIES 2018). The targeting accuracy is among the highest in the region with 80 percent of the TSA budget accruing to the bottom decile<sup>46</sup>. In the past it was estimated that the TSA lifted 6 percent of the population out of extreme poverty, lowering the poverty rate from 9.7 to 3.9 percent.<sup>47</sup> A recent analysis suggests that the TSA benefit package does not generate work disincentives.<sup>48</sup>

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<sup>40</sup> Poverty decreased from 32.5% in 2006 to 17.1% in 2016. Social assistance including the old age social pension, TSA and the Universal Health Coverage were the main driver of poverty reduction (Poverty note 2017).

<sup>41</sup> The Universal Health Coverage (UHC) is not included here in the definition of social protection despite its "social" objectives. The UHC was launched in 2013 with the aim of making health care more affordable.

<sup>42</sup> State of Social Safety Nets 2018. World Bank.

<sup>43</sup> The PMT assessment is used to determine eligibility not only to the TSA but also to a health insurance package (so called Medical Insurance Program for Poor, MIP) and various programs administered at the local level.

<sup>44</sup> As of March 2020, 118,100 households (equivalent to 392,600 people) qualified for TSA benefits being registered with a PMT score below 65,001.

<sup>45</sup> Quintiles of the per capita consumption before transfers, per equivalent adult, adjusted by a cohabitation factor.

<sup>46</sup> Authors' calculations based on HIES 2018 data.

<sup>47</sup> Baum, Tinatin, Anastasia Mshvidobadze, and Josefina Posadas. 2016. "Continuous Improvement: Strengthening Georgia's Targeted Social Assistance Program. The World Bank Group. Washington, DC

<sup>48</sup> Carraro, Ludovico, Maddalena Honorati, and Alicia Marguerie. 2019. "Assessing Potential Work Disincentives of the Targeted Social Assistance System in Georgia". The World Bank Group. Washington, DC.



**Table 1 : Social assistance and labor programs in Georgia**

<b>SOCIAL ASSISTANCE AND SOCIAL SERVICES</b>
<b>Old-age pension:</b> universal flat-rate and unrelated to previous earning or work pension for men above 65 and women above 60 years of age
<b>Survivor's pension:</b> state budget financed and granted to children until the age of 18 in case of loss of bread winner, regardless of cause of death (industrial injury, occupational sickness, or non-work-related sickness or injury)
<b>Guaranteed minimum resources/last resort income support:</b> TSA
<b>Disability:</b> pension irrespective of whether incapacitated due to work related or non-work related accident; fixed rates for persons with severe degree of disability (1st group), children with disability(es) and persons with moderate degree of disability (2nd group). Social rehabilitation services for persons with disabilities
<b>Maternity/paternity:</b> cash and in-kind benefits (leave) – a social insurance scheme financed by the SSA that provides non-earning related benefits to all employees; all residents are covered for maternity care, except for public servants, maternity care of which is paid by the public authority
<b>Benefits and services for Internally Displaced Persons (IDPs) from the occupied territories</b>
<b>Family benefits:</b> universal child benefit for the 3rd and each next child in the family until 2 years of age of the child – flat rate, which is higher for children living in high mountain areas; poverty targeted monthly child benefit since 2015 – targeted at around 40 percent of children between 0 and 15 years of age living in families with lower welfare scores
<b>Benefits and services for war veterans</b>
<b>Social care services:</b> mostly centralized universal system not linked to economic activity and/or payment of contributions, including institutional care for people with disability, for children deprived from parental care and for elderly; and alternative day care centers, small group homes, and community-based services; no benefits for informal workers
<b>Other social benefits:</b> myriad of social benefits administered at the local level (for example health exemptions, education exemptions, housing benefits, energy and transportation subsidies, certain social care services)
<b>CONTRIBUTORY PENSION AND EMPLOYER'S LIABILITY</b>
<b>Contributory pension:</b> as of 2019, mandatory for people employed under the age of 40
<b>Employment injuries and occupational diseases:</b> compensations for injuries caused by the fault of the employer
<b>ACTIVE LABOR MARKET PROGRAMS</b>
<b>State Program on Training and Retraining and Qualification Raising of Jobseekers</b>
<b>State Program on Employment Support Services / Wage Subsidies</b>
<b>Employment promotion services</b>
<b>Intermediation services</b>
<b>Job fairs and mass interviews</b>
<b>Internship program to boost employment</b>
<i>Source: World Bank (2020) "Georgia: Activation and Graduation policies and Programs."</i>



**The Government of Georgia has been continually updating and improving the Targeted Social Assistance (TSA) program.** In 2013 the amount of the assistance was doubled to 60 GEL per month for the primary beneficiary and 48 GEL for each other member of the household (before 2013, the amounts were respectively 30 and 24 GEL). In 2015, the Government reformed the TSA to implement a more stringent and objective eligibility criteria, introduce a scheme of differentiated TSA levels of benefits by score, and announced a Child Benefit Program.<sup>49 50</sup> Currently, benefits are provided to households with a welfare score below 65,000. The amount of cash benefit is graded in line with the households' welfare score – the maximum amount is 60 GEL a month per person while the minimum is 30 GEL per month per person. In addition, all households with a welfare score between 0 and 100,000 receive 50 GEL per month for each child under 16 years old.<sup>51</sup> Since 2015, the benefit amount is the same for each member of the household except children. **Error! Reference source not found.** details allowance rules based on PMT score.

**The processes facilitating TSA delivery are generally fast and accessible and have been promptly adapted to social distancing requirement.** To apply for TSA, a household needs to register with the Social Registry by visiting the local SSA office and submit the information needed to compute the PMT score. Within thirty days the household an assessment is made to verify the information provided by the household, the PMT score is assigned and the ensuing decision of whether the household qualifies for TSA is made. In normal times this process requires two in-house visits to a household to verify their application before payment, but both visits have now been suspended by Res. 184 of March 23, 2020 with the goal of reducing social contacts. Households qualifying for the transfer are then paid by SSA from the month after the decision is made. Payment is processed by JS-Liberty Bank, a commercial bank which has been delegated by SSA to open current accounts for beneficiary households. Benefit amounts to be transferred by Js-Liberty Bank to the households are notified by SSA to Js-Liberty on a monthly basis. Throughout the eligibility period, the PMT score is constantly updated as some sources of income and utility expenditures are automatically verified by SSA through other administrative sourced and the recipients themselves are required to notify of major changes. Res. No. 184 however freezes the entitlements' amounts, except in the case of a member's death. Recipient households generally have to be re-assessed every four years; Res. No. 184 however suspends the terms for reassessment.

**Table 2 : Monthly TSA transfer depending on PMT score (GEL)**

PMT score range	Benefit per household member (in GEL / months)	Additional benefit per child (age<16) (in GEL / months)
0-30,000	60	50

<sup>49</sup> The PMT for the Program was revised in 2015 with support from World Bank and UNICEF to capture more objective information to measure income and assets. To do this, the household information is cross-checked with various databases including the Ministry of the Interior (car registration), the gas and electricity companies, revenue service, and customs control, among others.

<sup>50</sup> Baum, et al. 2016.

<sup>51</sup> The child benefit amount was increased from 10 to 50 GEL in January 2019.



30,001-57,000	50	50
57,001-60,000	40	50
60,001-65,000	30	50
65,001-100,000	0	50

*Note : As of April, 2020.*

**The current benefits for the protection of formal workers in case of dismissal are small.** Georgia has one of the most flexible labor laws. The only legal requirement for the employer to dismiss a worker is the payment of one month's salary (Labor Code of 2006, Article 38(3)). However, the provision is not clear on whether this means receiving a severance pay equivalent to one-month wage at the end of employment, or whether the payment happens in lieu of a one-month notice. The rate of the severance payment is flat, which means that formal workers receive only one-month whatever their level of seniority in the firm, provided that they have worked at least 6 months. This is lower than international comparators. In Upper Middle-Income Countries (UMIC) the average number of weeks paid is 5.1 weeks (for 1 year of tenure, conditional on having severance payments) compared to 4.5 weeks in Georgia. Dismissed workers do not receive any support further than the severance pay. While in some countries there exist unemployment insurance schemes or unemployment assistance allowances to further protect laid-off workers, Georgia does not have unemployment benefits.

**Recently a contributory pension scheme has been introduced.** Since January 2019, joining a pension scheme is mandatory for all employees (above 40 years-old), and voluntary for self-employed individuals and employees above 40 years-old. Contributions are made on a private pension account. The pension scheme is financed by the employer (2% of the employee's salary income), the employee (2% of the employee's salary income), and matched by the government (1% or 2% of the salary income depending on the annual salary level, and up to GEL 60,000 per year).<sup>52</sup> Self-employed individuals transfer 4% of their annual income to the individual pension account. About 563.5 million GEL has been accumulated in the pension fund since January 1, 2019, according to the Georgian Pension Agency. The pension savings system currently has 959,548 citizens and 61,165 organizations registered.

**The current old age social pension payments reach all retirees but provide modest amounts.** Before the introduction of the accumulated pension system in 2019, a public basic universal flat-rate pension existed with the objective to avoid poverty in old age. Everyone living in Georgia can benefit from it at the moment of reaching the retirement age (65 years for men and 60 years for women).<sup>53</sup> Since January 1, 2020, the pension amounts to 220 GEL a month per person. The pensioners living in the mountainous regions receive higher amounts (246 GEL) and those who are above 70, will receive 300 GEL starting July 1, 2020.

<sup>52</sup> The government will transfer (i) 2% of the income of the participant to one's private pension account when the annual salary of the participant/income of the self-employed individual is less than GEL 24,000 and (ii) 1% of the income of the participant when the annual salary of the participant/income of the self-employed individual is between GEL 24,000 and GEL 60,000. In case the annual salary of an employee/income of the self-employed individual is greater than GEL 60,000, the government will only contribute to the extent of GEL 60,000.

<sup>53</sup> The pension is paid out to everyone, independent of his/her employment record, residence in the country during the active life, paid taxes and level of means.



**Labor costs are relatively low in the formal sector.** There are no social security contributions in Georgia. Mandatory pension contributions have been introduced in 2019 and are supported both by the employer and the employee (as detailed above). Georgia has a flat-rate payroll tax at 20%, withheld at the source for wage-employees. There are no other taxes on the gross income. Therefore, those two (pension contributions, and payroll taxes) are the only available instruments for a policy response targeting labor costs, with the objective to increase workers retention.

**Informal workers, likely not covered by the TSA, are expected to disproportionately suffer from the economic crisis.** Using the latest LFS data available, it is estimated that there are between 165,122 and 286,760 informal wage workers (which is between 11.9 percent and 20.7 percent of the employed population), who are at risk of losing their activity during the lockdown and will not be covered by any measure for formal workers (relying on payroll declarations) or measures for the most vulnerable (who have no income).<sup>54</sup> Informal workers tend to have lower wages than formal ones. Roughly 49 percent of informal wage workers earn less than 400 GEL per month, compared to 30.6 percent among formal wage workers.<sup>55</sup>

**In the past several years, Georgia has undertaken steps to improve labor market policies and institutions.** A concept of a new model of employment support services has been developed and is already implemented in four regions. A new National Labor and Employment Strategy 2019-2023 has been adopted, and a with Strategy Realization Action Plan and an Activation Strategy to link work-able TSA beneficiaries to labor market integration services is being drafted. These efforts are complemented with creating a Labor Market Information System (LMIS), and an online portal for job search, job matching and recruitment (Worknet). In 2013, the Labor and Employment Policy Department was set up within the MILHSA for policy making and the Employment Programs Department was set up under the Social Services Agency for program implementation. Currently the Employment Department of the SSA is a public employment service type of institutional structure with two sub-departments: (i) employment intermediation and (ii) implementation of ALMPs. An Employment Services Act is under preparation aiming to transform the Social Services Agency into a modern and efficient public employment service.

**The Employment Department of the SSA is at a very initial stage of its development: the scope of its employment services and programs is still very small and the staff capacity limited.** The Employment Department of the SSA was established in 2013 to serve as a Public Employment Service (PES) implementing both employment intermediation services and Active Labor Market programs (ALMPs). The capacity of the SSA Employment Department, in terms of budget and number of staff, to meet its core mandate is still very limited. Its scope of activity is primarily to manage the Worknet online portal, for registration of job seekers, employers' vacancies and job matching and other services including: intermediation services; counseling (individual and group); professional career planning; employment support for vulnerable groups (namely persons with disabilities); job fairs; and labor market research. In terms of ALMPs, SSA manages the implementation of subsidies

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<sup>54</sup> World Bank own calculations based on LFS 2018. We use two definitions of formality: (1) having a written contract, firm paying taxes on payroll and having leave benefits and (2) having a written contract and firm paying taxes on payroll.

<sup>55</sup> World Bank own calculations based on LFS 2018. We present here computations using the first definition of formality provided in the above footnote. Under the second definition, informal workers are even more represented in the lower wage brackets (56.2% earning less than 4000 GEL versus 34.5% among formal wage workers).



for employers interested in promoting employment for young people (18-29 years of age); short term vocational training and retraining and internships.<sup>56</sup> **Error! Reference source not found.** provides a list of the labor market programs which exist in the country. There has been an effort to provide holistic services (skills enhancement, job placement, and wage subsidies) to support the poor and vulnerable. The programs aim to activate mostly vulnerable groups, most commonly the unemployed, low-skilled, youth, stateless people, people with special needs. The menu of services provided does not include support to entrepreneurship or self-employment activities. Overall, the services provided have a relatively small coverage (**Error! Reference source not found.**). The SSA staff capacity for job counselling, and for design, delivery, monitoring and evaluation of ALMPs is limited; changes in staff profile and training for the effective provision of employment services is needed.

**Table 3 : ALMPs – number of beneficiaries and spending by program, 2017-2018**

Program	Number of beneficiaries		Budget (GEL)	
	2017	2018	2017	2018
State Program on Training and Retraining and Qualification	2 360	1 032*	2014000	2090000
State Program on Employment Support Services / Wage Subsidies				
• Wage subsidies / employers	23	6*		
• Wage subsidies / employees	59	23		
• Consultancy services for supported employment		103*		
Employment Promotion Services	Over 10 000 (2015-2018)			
Intermediation services	2 500	1 323		
Job fairs and mass interviews				
• Employment Forums	13	1*		
• Employment Festivals	1			
Internship program to boost employment				
• Employers	26	41		
• Jobseekers	129	173		

Source: World Bank (2020) "Georgia : Activation and Graduation policies and Programs."

Note: \* Data is for the first half of 2018.

<sup>56</sup> The trainings last 6 months maximum, there is no age limit to benefit from it. A voucher of 1,000GEL per person (1,500 for disabled) is provided. Job-seekers choose on the list of public and private providers. So far SSA does not report cases of trainings for which demand exceeds capacity. The internships are sponsored for 3 months, with a stipend of 200GEL per month per intern. 3 people are allocated for a given vacancy and the employer must offer a 6-months contract to at least one of them at the end of the internship. The wage subsidy is offered to employers for 4 months at 50% if they commit to retain the person for at least 6 months. It is mainly targeted to place disabled persons





### ANNEX 3: Forecasting the effects of Covid-19 on social assistance needs

Households' needs for social assistance, as reflected in PMT scores, will be affected by the economic shock caused by COVID-19. This annex documents how the size of segments of PMT scores will be affected by the economic shock.

**Lost revenues affect PMT scores with a two-month time lag.** As the PMT score formula accounts for revenues from the second last month before the PMT form submission, a household whose revenues fell in March due to the COVID-19 crisis will see their PMT have a sharp fall in the month of May. This section summarizes the construction of the simulated PMT score and the simulated effect of the crisis on the PMT score distribution and TSA expenditures.

**PMT scores affect eligibility to TSA benefits and the transfer amount** according to the rules set out in Decree 145, July 28, 2006, and outlined in **Error! Reference source not found..** The COVID-19 crises will increase TSA expenditure by increasing the claimable amount for households below a PMT of 65,000 and by increasing the number of households below PMT score of 65,000. In addition, a number of households with children (aged less than 16) will fall below the 100,000 threshold for the child allowance.

**A household's revenues affect the PMT score through a formula described in the Government of Georgia Res. No. 758 of Dec. 31, 2014.** The PMT score can be roughly understood as the ratio between the predicted value of consumption ( $C_i$ ) and a needs index, whereby  $C_i$  is a function of verifiable variables related to the household's demographics, assets, income conditions, and expenditure patterns. Labor income enters  $C_i$  through a revenue index  $R_i$ , equal to one plus the sum of the following: all cash revenues (including labor income) from the second last month before application; the average of other monetary revenues received in the last twelve months before application; retirement pensions received by each member in the second last month (with a cap of 180 GEL per beneficiary); social packages received by each member in the second last month (capped at the value to which each member was entitled as of December 31, 2018); amount of TSA received by each member in the second last month (capped at the value to which each member was entitled as of December 31, 2018, namely 10 GEL per child instead of 50 GEL per child which were introduced starting January 1, 2019). The formula for  $C_i$  can be summarized as

$$C_i = F_i \cdot R_i^{K_{ij}} - L_i$$

where  $F_i$  depends on other variables reported by the household,  $R_i$  is the revenue index,  $K_{ij}$  is a coefficient that depends on the type of settlement  $j$  where the household lives, and  $L_i$  is the amount of TSA benefits received by the household in the second last month.

The value of  $K_{ij}$  depending on the type of settlement, is the following:

	Capital	Large city	Other urban settlement	Rural settlement
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$K_{i,j}$	0.251	0.196	0.047	0.149
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**The crisis is modeled to affect revenues through two channels:** first of all, a share of wage workers will lose their job and, with that, all their income from labor for a whole month; secondly, those who don't lose their job will see a reduction in their income. We thus assume no loss in the income of non-wage workers, which is likely going to create an underestimate if the crisis propagates through the economy.

**To empirically estimate current PMT and post-covid-19 PMT scores** we use a subsample of the Household Income and Expenditure Survey 2018, with one observation for each of the 5,248 households interviewed in the 2018 wave, and reconstruct the variables used in the calculation of the PMT according to the latest version of PMT and TSA legislation. This allows to have the pre-income PMT score. To build the post-shock PMT score we identify wage workers as those individuals whose answer to the question "Please define your employment status for the last three months" is "A person working for fixed salary (cash or in-kind) on the basis of a written or oral contract"<sup>57</sup>. We then assume that, with a given probability  $p_{\text{fired}}$ , the worker completely loses their job, and that their labor and agricultural revenues from that job are zero for that period (agricultural revenues are included in order to account for workers in agricultural firms). We simulate with a random number generator the job loss for the worker. If the wage worker does not lose their job, we then assume them to lose a share  $\text{income}_{\text{loss}}$  of their labor and agricultural income. As revenue data are only obtained at the household level, an assumption is made that each employed<sup>58</sup> member contributes an equal share to the household's labor and agricultural revenues. The share of household's labor and agricultural income that is lost is then equal to

$$\text{share}_{\text{loss}} = \frac{n_{\text{fired}} \cdot 100\% + (n_{\text{wage}} - n_{\text{fired}}) \cdot \text{income}_{\text{loss}}}{n_{\text{employed}}}$$

The amount corresponding to this share is subtracted from the household's revenue index and the PMT score is then recalculated accordingly and used as an estimate of the post-covid-19 PMT score.

**The number of eligible households estimated by the model will increase noticeably as a result of the negative income shock.** Under the relatively benign assumptions of a 20% probability of job loss and 20% reduction in revenues for all salaried workers who do not lose a job, the predicted number of eligible households with PMT<65,000 will rise from a baseline of 110,480 to 122,290. Under the negative assumption that 50% of wage workers lose their job and the others see an income loss of 50%, the number of predicted eligible households

<sup>57</sup> This has limitations as it includes informal workers, whose labor income might not be reflected into the declaration to be filled in order to obtain a PMT score. However, a comparison of the HIES data with LFS data and Government of Georgia reported data seem to suggest a large overlap between the number of household members who qualify as wage workers according to these computations and the number of formally employed workers.

<sup>58</sup> A household member is identified as employed if they answer "Yes" to the question Did you perform any work in order to receive salary, profit or other labor incomes (in cash or in-kind, including in the form of harvest and agricultural products) during the last three months inside the country?"



below the 65,000 threshold will rise to 147,797. Also, the number of households with PMT between 65,000 and 100,000 and at least a child aged less than 16 years old will rise noticeably. This is highly relevant because, a priori, the effect of the income shock on the number of households in this group is ambiguous, as some of them will move away from this group into the lower segment of the PMT distribution, while others will move into this group from the upper segments of the distribution.

**The number of households to be covered by the TSA expansion is calculated under the assumption that 20% wage workers lose their job, those who do not lose their job have an income loss of 20%, and 80% of eligible households who are not currently receiving TSA benefits will apply.** The amount that these households will claim is calculated based on their demographic composition and the assignment rule set out in Res. 145. Those households which appear to be eligible before and after the shock but are not currently receiving benefits (as self-reported in HIES 2018), are assumed to apply for benefits at the same rate of newly eligible ones.

**Table 4 (a): TSA beneficiaries after an income loss of 20% of wage workers' income, as a function of the share of wage workers' who lose their job**

Share of salaried workers losing their job	Share of income lost for salaried workers who do not lose a job	N. households with PMT <65,000 after the income shock	N. households with 65,000 <PMT<100,000 and with children after the income shock
0%	20%	112,102	99,401
10%	20%	118,451	102,759
20%	20%	122,290	104,669
30%	20%	128,583	107,416
40%	20%	137,795	111,595
50%	20%	147,797	115,906

**Table 5 (b): TSA beneficiaries after a 20% share of wage workers' who lose their job, as a function of the income loss for those who do not lose a job**

Share of salaried workers losing their job	Share of income lost for salaried workers who do not lose a job	N. households with PMT <65,000 after the income shock	N. households with 65,000 <PMT<100,000 and with children after the income shock
20%	0%	120,663	101,755
20%	10%	120,925	104,489
20%	20%	122,290	104,669
20%	30%	123,811	107,326
20%	40%	124,380	110,215
20%	50%	126,121	115,597

