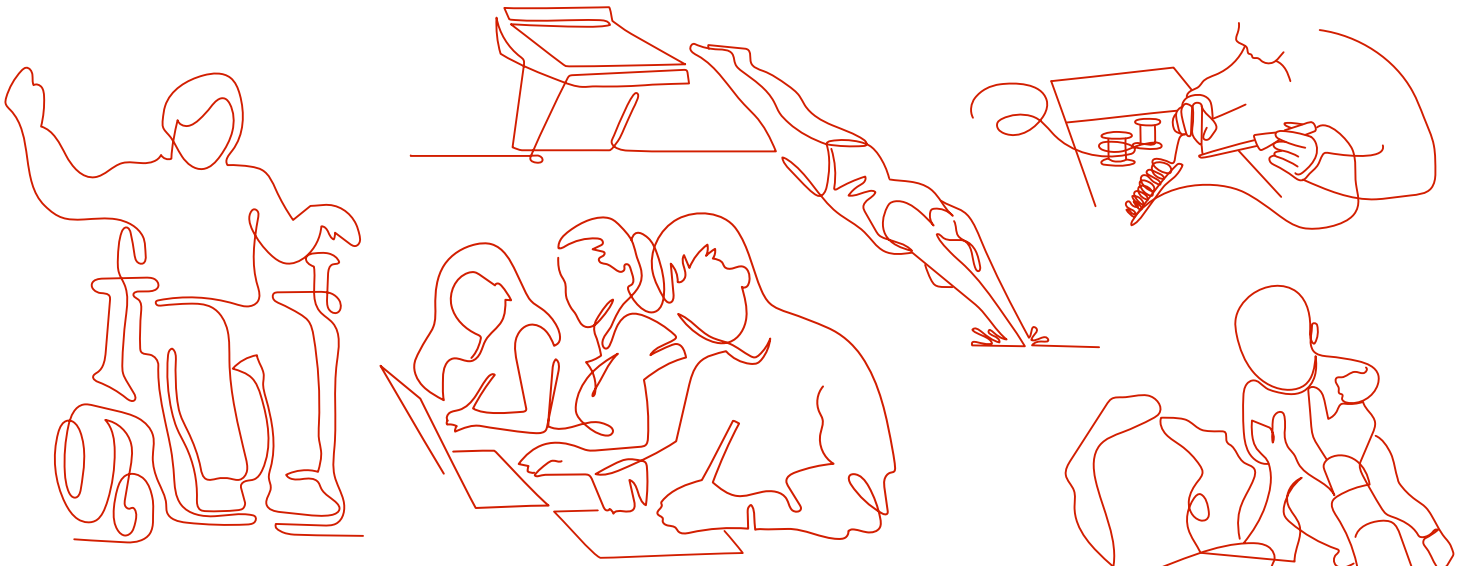

GEORGIA

Human Capital Review

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Georgia
Human Capital Review

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List of acronyms

ALMP	Active labor market program
ECA	Europe and Central Asia
ECD	Early childhood development
ECE	Early childhood education
EMIS	Education Management Information System
ERC	Education Resource Center
EU	European Union
GDP	Gross domestic product
GEL	Georgian lari
HIV	Human immunodeficiency virus
HMIS	Health Management Information System
ICT	Information and Communication Technologies
IDP	Internally displaced person
ILO	International Labour Organization
IT	Information technology
LIC	Low-income country
MIC	Middle-income country
MoES	Ministry of Education and Science
MoESD	Ministry of Economy and Social Development.
MoILHSA	Ministry of Internally Displaced People from Occupied Territories, Labor, Health, and Social Affairs
NAEC	National Assessment and Examination Center
NCD	Non-communicable disease
NCDC	National Center for Disease Control and Public Health
NCEQE	National Center for Educational Quality Enhancement
NEET	Not in employment, education or training
NHA	National Health Authority
OECD	Organisation for Economic Co-operation and Development
PHC	Primary health care
PISA	Programme for International Student Assessment
PMT	Proxy means test
SESA	State Employment Support Agency
SSA	Social Service Agency
STEM	Science, technology, engineering and math
TPDC	Teachers' Professional Development Center
TSA	Targeted Social Assistance
UHC	Universal health coverage
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
US$	United States dollar
VET	Vocational education and training
WHO	World Health Organization

Executive summary

Georgia's economy has grown significantly over the past decade, leading to dramatic reductions in poverty and increases in the middle class. With a small and open economy, Georgia has a population of 3.7 million and a per capita gross domestic product (GDP) of US$4,275 in 2020. Georgia's economy grew at an average annual rate of 4.8 percent in the decade prior to the COVID-19 pandemic, and because of sustained growth for almost three decades the country's GDP per capita rose from 10 percent of that of the European Union (EU) in 1995, to a third in 2019. The poverty rate also fell dramatically, from 37.3 percent in 2010 to 19.5 percent in 2019, with the largest decline in poverty observed in rural areas. However, the rate increased slightly to 21.3 percent in 2020 due to COVID-19.

New challenges are emerging that may threaten the country's path towards prosperity. Poor quality employment, rapid aging, high migration rates and substantial inequalities across the territory and between socioeconomic groups are slowing the country's path towards long-term, shared prosperity. At close to 12 percent in 2019, unemployment was among the highest in Europe and Central Asia pre-COVID-19; and many jobs continue to be of poor quality, with much of the population trapped in precarious and low productivity jobs.[1] Labor market opportunities also remain quite dire for youth: one in four youth aged 15-24 is neither in employment, education nor training. Moreover, Georgia's economic development brought higher welfare, but also a lower fertility rate and higher life expectancy, both of which are contributing to rapid population aging: by 2050 each working age adult will have to support 0.4 elderly people. The challenge of an aging population is exacerbated by high outmigration, mostly of working-age people, which is further reducing the size of the labor force. Substantial inequalities across individuals and regions also undermine the country's ability to share prosperity. With a Gini index close to 0.38, Georgia is among the most unequal countries in Europe and Central Asia. Inequalities emerge early in life, and stem in part from major differences in human capital endowments. Inequalities are associated with many characteristics, such as ethnicity and gender, but can also be observed across regions – with the poorest regions not only facing more people in destitution, but also greater challenges to the delivery of quality services.

Because of Georgia's human capital endowment, a child born in the country today will on average only be 57 percent as productive as he or she could be with complete education and full health. While Georgia's Human Capital Index score is similar to those of countries with similar levels of development, it remains well below the Europe and Central Asia (ECA) average for low- and middle-income countries, and well below the EU average. Moreover, if elements that include the performance of higher education and non-communicable diseases (NCDs) are included productivity drops even further – to 40 percent.

Boosting inclusion and quality human capital will be crucial for addressing emerging productivity, aging and inclusion challenges and steering the country towards sustainable and inclusive growth. Better skills and health can help people find better jobs, be more productive at work, work longer, and age more healthily. Quality human capital would also alleviate supporting the elderly population, both because people would be able to work longer, and because they would be more productive. More quality jobs at home may also help control the flow of migrants searching for better economic opportunities abroad. Addressing inequalities in human capital endowments, labor market opportunities, and incomes will also be

[1] To ensure comparability over time, labor market indicators are computed using the pre-2020 methodology. Indicators may therefore differ from the official GEOSTAT ones, which incorporate the new International Labour Organization (ILO) standards but cannot be directly computed from microdata before 2020.

essential for supporting long-term prosperity, especially given an aging and shrinking population: with fewer working-age people left to support an increasingly larger elderly population, it is essential for workers of both genders and all backgrounds to reach their full productive potential.

The COVID-19 pandemic also highlighted the importance of building resilient delivery systems to support people during crises and avoid losses in human capital. Robust delivery systems and crisis preparedness are key for a solid response. For instance, decentralization of online teaching arrangements, lack of training on use of information technology (IT), and lack of regular monitoring of students and school performance reduced the effectiveness of distance learning. And the absence of an unemployment insurance scheme obliged the government to implement a less effective temporary unemployment assistance scheme for formal workers.

Human capital challenges remain significant

Despite substantial progress, child development outcomes remain significantly below the EU average. In the past two decades Georgia has embarked on a series of important reforms across human development sectors that led to significant improvements in child development outcomes. Despite this progress, however, challenges remain. Stunting – which affects cognitive development all along children's learning path – can still be observed in close to 6 percent of children. Nearly 40 percent of children aged 2-7 have high concentrations of lead in their blood, affecting their cognitive and socio-emotional development. Almost half of Georgian children younger than five have less than three children's books at home; and almost one in four children does not attend kindergarten, compared to close to universal enrollment in the European Union.

Gaps in early childhood development reflect strong inequities across income, geographical, and ethnic lines that will continue along the life cycle. Stunting, for instance, is more than three times as prevalent in households where the mother's educational attainment is lower secondary education, than those where she has higher education. Children living in rural regions are thirty percentage points less likely to have more than three children's book at home than children from urban areas. Less than one in three children of Azerbaijani ethnicity attend kindergarten, compared to more than eight in ten Georgian children. These early gaps affect brain development and will prevent effective accumulation of human capital all along people's life cycle, ultimately affecting their wellbeing and impeding them from realizing their full productive potential.

Progress in improving education outcomes remains modest. Georgia managed to achieve relatively high enrollment rates: at 106 percent (in 2013), gross primary and basic (through grades 1-9) school enrolment rates are close to the EU average (110 percent). However, Georgia has the second lowest reading score in the region in the 2018 Programme for International Student Assessment (PISA) test scores, which captures the reading and understanding ability of 15-year-old students: 65 percent of the country's 15-year-old students are functionally illiterate, meaning that they cannot correctly process and understand a simple text. Quality also remains an issue in higher education, which remains far below the average of the EU and of many other ECA countries. The low quality of the education delivered is affecting people's incomes and employment opportunities, and Georgia's ability to boost productivity: not having the skills sought after in the labor market significantly reduces the chances of workers securing quality jobs, which will affect their incomes and productivity throughout their careers.

Gender biases also affect women's opportunities. The gender gap in labor force participation stands at 19 percentage points; and the wage gap results in men earning 16 percent more than women, after controlling for differences in demographic and job characteristics. The occupational and sectoral segregation of women also locks them in economic activities with lower earnings and tends to exclude them from science, technology, engineering, and math (STEM) fields.

Later in life, Georgians face among the highest incidence of non-communicable diseases in ECA: this, again, is affecting productivity, life expectancy and healthy aging. The prevalence of NCDs in Georgia is much higher than the EU average and the average of its development peers. These high rates of NCDs negatively affect people throughout their life cycle. At working age, NCDs affect workers' productivity; and some people may be forced by NCDs to work less or retire earlier than they would have liked to, thereby shrinking the working population further in a country that is already rapidly aging. The high incidence of NCDs is also one of the main causes of low life expectancy, especially for men, and also affects aging and the quality of life of many elderly persons. High prevalence of NCDs also increased the likelihood of developing severe forms of disease during the COVID-19 pandemic. While prevention of NCDs at primary care level is relatively cost effective, providing comprehensive treatment is expensive and adds an unnecessary fiscal burden to the health system.

High out-of-pocket health expenditures force many poor and vulnerable households to choose between falling further into destitution to pay for health care and not seeking treatment when it is required. Impoverishing out-of-pocket health expenditures are the highest in Europe and Central Asia, and an estimated 5.7 percent of the population is pushed below the poverty line each year because of health expenditure. Such a harsh tradeoff reinforces inequities in health outcomes throughout people's life cycles.

The COVID-19 pandemic affected human capital in both the short- and the long-term. From February 2020 to January 2022 there were around 1,000,000 confirmed cases of COVID-19 in Georgia, with around 15,000 deaths. But the health impacts of the pandemic went beyond COVID-19: rehabilitation, palliative and long-term care services experienced major disruptions, which have been particularly problematic for those living with NCDs who need regular or long-term care. In the field of education, Georgia was forced to close schools for 65 days – almost a third of the 2019-2020 academic year – and transition to remote teaching; and throughout 2020-2021 education was offered in a hybrid mode. International evidence suggests that the pandemic will result in substantial learning and earning losses, especially for marginalized groups including the poor, students with special needs, and minority ethnic groups. Finally, the pandemic also had a significant impact on people's livelihoods that may leave long-term scars: more than one-third of the employed were unable to work at the peak of the restrictions. Poverty is estimated to have risen by 5.4 percentage points in 2020, even as the government's sizable support package likely prevented an even greater increase in poverty.

Maintaining the reform momentum to deliver better and more equitable services

While substantial reforms have been implemented in the past two decades, Georgia's human capital requires an inclusion and quality boost, and human development spending an efficiency boost. Overall, spending in the human development sectors remains low and inefficient; most workers in the social sectors are poorly remunerated, and many lack the necessary qualifications and support mechanisms; monitoring and quality control mechanisms are insufficient; and – while decentralization of service provision brings accountability at the local level – poor municipalities lack the financial and technical support required to deliver quality services. To cope with these pitfalls the government has initiated several important reforms: the ongoing development of a social code, for instance, may help to improve the effectiveness of social spending by strengthening intersectoral dialogue and improving the institutional framework. Nevertheless, because of the pandemic and other factors some reforms are stalling, and some crucial aspects – such as investing in regular monitoring and evaluation – may still be missing in some sectors. To further improve human capital, the Ministry of Finance and the line ministries should keep the reform momentum going. Important areas for reform include:

- **Increasing the level and efficiency of spending in the social sectors.** Despite the social sectors making up a large share of the government's budget, spending remains low by international standards. Major efficiency gains can also be achieved through better use of existing resources; but without increasing spending it will be difficult to implement effective and impactful reforms.

- **Making social spending more equitable.** Inequalities in learning outcomes across socioeconomic groups remain high, as students from disadvantaged backgrounds receive lower quality education and little additional support to help improve their learning outcomes; and gender disparities in the labor market remain substantial. High catastrophic health expenditure also means poor households can face a health shock where they need to make a dire choice of either further impoverishment or forsaking treatment. It is thus important to make spending more pro-poor across the social sectors, facilitating access to quality education – including at the tertiary level – for the poor and vulnerable and ensuring that catastrophic health expenditure does not push people further into poverty. To promote more equitable labor market outcomes across gender groups, it is also important to promote skills among girls that are relevant for the labor market; end occupational segregation and promoting STEM; provide formal care for children and the elderly; and proactively assist women to transition into labor markets.

- **Revisiting the decentralization process.** Decentralization brings many benefits – but to be effective, it requires strong oversight and substantial support for financially vulnerable municipalities that have capacity issues. Too many responsibilities are given to municipalities without adequate monitoring and accountability mechanisms, technical support, and adequate mechanisms to compensate for substantial differences in municipalities' wealth and incomes.

- **Boosting monitoring, evaluation and feedback loop mechanisms, making use of the new opportunities offered by digitalization.** In education, regular student assessments and links to school performance are missing, and it is not possible to follow students' performance through the years. In the health sector, paper-based reporting is still common, and data collected are rarely used for monitoring quality and service volumes. And despite the existence of a Social Registry for the social protection sector, it is still not possible to have a holistic understanding of all the central and municipal programs accessed by households, and no "one-stop shops" have been implemented, under which centralized management of social programs would help vulnerable households more easily access the programs they would be qualified for. Employment programs are also not rigorously evaluated. While the management of the social sectors is being progressively digitalized, it is also important to ensure that more and better data are used to improve performance through feedback loop mechanisms and to build the capacity of workers to make use of these digital platforms.

- **Improving the social sectors' workforce management and support.** The quality of medical and pedagogical education, both undergraduate and graduate, requires improvement. In all human development sectors, low salaries and poor working environments make it difficult to attract and maintain qualified professionals. The low salaries of doctors, for instance, leave them open to accepting in-cash or in-kind gifts from the pharmaceutical sector. But low pay is only one element of a bigger workforce management challenge. Staffing is often insufficient, or poorly distributed: there are not enough social agents and social workers, there are too many teachers in rural areas but still a shortage of qualified teachers in certain areas (particularly in STEM subjects), and there are not enough nurses. Hiring and promotions are not always based on merit, or even on candidates having achieved some minimal qualifications. And support and continuous education and training opportunities provided to many workers in the social sectors are limited, making it difficult for people to grow professionally. In some

instances, such as for social workers, there is also a need to boost workers' qualifications by improving training and limiting entry of unqualified staff.

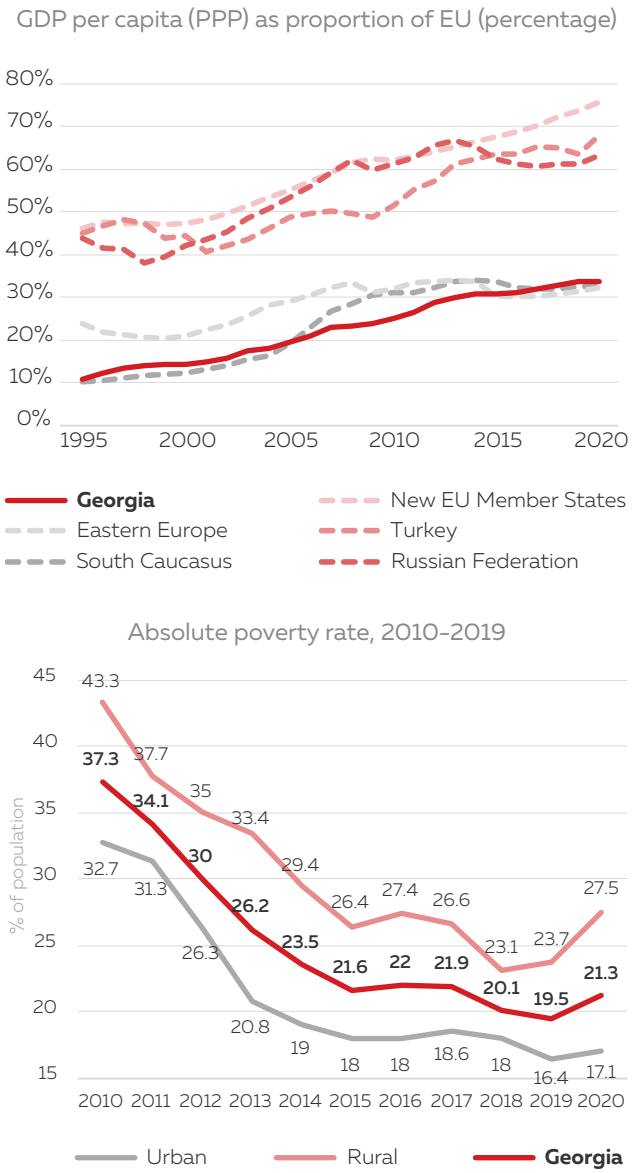
- **Boosting cross-sectoral coordination and collaboration.** Better cross-sectoral coordination will be essential to address challenges such as early childhood development (ECD), nutrition, school dropouts, youth employment and aging: many of these challenges have multiple roots, and only a comprehensive approach tailored to the needs and vulnerabilities of each individual will be able to effectively address them. Effective coordination will require the putting in place of institutional arrangements with clear roles and responsibilities for each institution, and the development of referral protocols and cross-sectoral monitoring tools. Equally important, it will also require the provision of financial and other incentives for institutions to work effectively with one another: often arrangements that look sound on paper do not function well because of the institutions' lack of incentives.

- **Preparing and investing in crisis response plans.** Overall, Georgia's response to the pandemic appears to have been relatively effective given the need to act quickly. Nevertheless, there was a clear relationship between sectors' crisis preparedness, and ability to respond quickly and effectively. To be sure, one is never prepared for a crisis; but one can learn from the past and be better prepared to address future crises. Ensuring that Targeted Social Assistance (TSA) is flexible enough to be used as a crisis response program or boosting online teachers' support, for instance, may help to improve the response to future crises, including rising food and commodity prices and future waves of COVID-19.

1. Human capital: the key to long term prosperity

Georgia's economy has grown significantly over the past decade, leading to dramatic reductions in poverty and culminating in its 2019 classification as an upper-middle income country. A small and open economy, Georgia has a population of 3.7 million and a per capita gross domestic product (GDP) of US$4,275 in 2020. Georgia's economy grew at an average annual rate of 4.8 percent in the decade prior to the shock caused by the global COVID-19 pandemic. As a result of sustained growth for almost three decades, the country's GDP per capita as a proportion of the EU's rose from 10 percent in 1995, to a third in 2019. Poverty also dropped dramatically, from 37.3 percent in 2010 to 19.5 percent in 2019, with the largest decline in poverty being observed in rural areas. The poverty rate worsened slightly to 21.3 percent in 2020 due to COVID-19 (Figure 1).

Figure 1: Georgia experienced sustained growth and dramatic poverty reduction



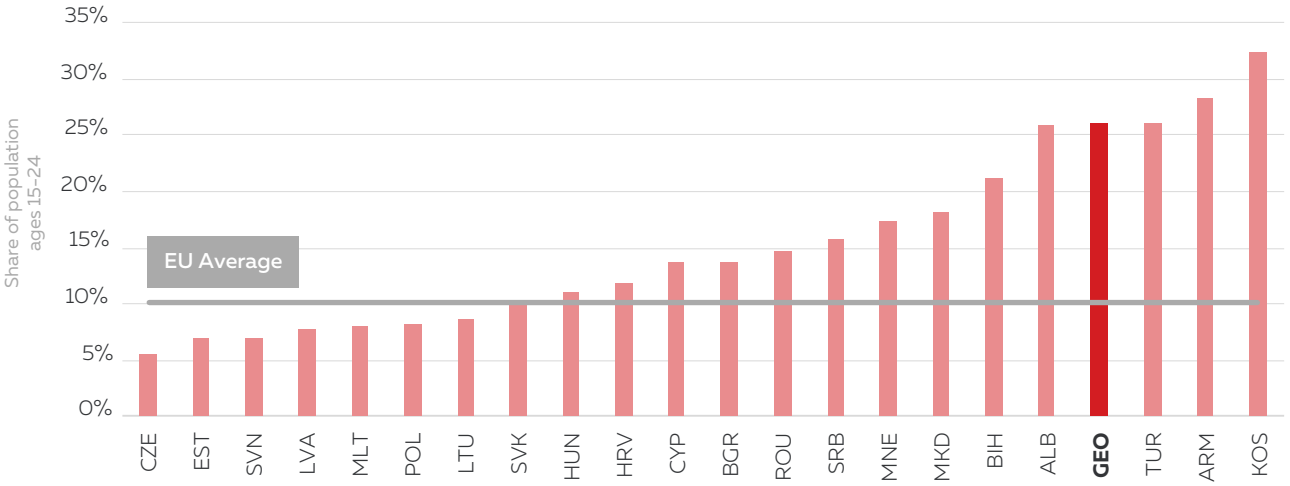
Source: Authors' calculations from World Development Indicators and World Bank (2021a). Note: Eastern Europe includes Belarus, Moldova, and Ukraine.

A new set of challenges are, however, emerging that may slow Georgia's path towards long term, shared prosperity. The performance of labor markets has remained sluggish – particularly for youth – and many jobs remain of poor quality, impeding further productivity gains. High migration rates are exacerbating the challenges generated by an aging population, with less workers left to support an increasing number of elderly people. Finally, economic growth and prosperity are also unequally distributed, with many people and regions benefitting disproportionally less from them.

Unemployment, inactivity and poor-quality jobs are affecting people's ability to achieve higher incomes. At close to 12 percent in 2019, before COVID-19 the unemployment rate in Georgia was one of the highest in Europe and Central Asia; and many jobs continue to be of poor quality, with many people being trapped in precarious and low productivity jobs: half of the workers are active in the informal sector, and 37 percent of male workers and 41 percent of females still work in the agriculture sector (World Bank 2021a).[2] Moreover, labor market opportunities for youth remain quite dire. A disproportionate number of youth (one in four aged 15-24) is not in employment, education or training

[2] To ensure comparability over time, labor market indicators are computed using the pre-2020 methodology. Indicators may therefore differ from the official GEOSTAT ones, which incorporate the new ILO standards but cannot be directly computed from microdata before 2020.

Figure 2: A high proportion of youth are not in employment, education or training (NEET)



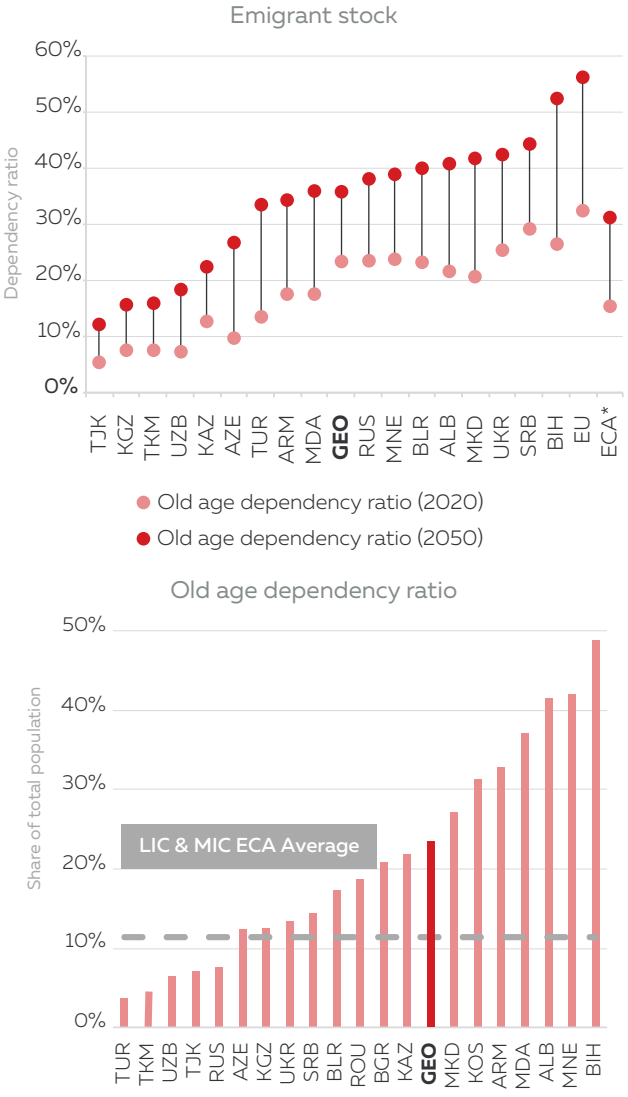
Note: Data are for 2019. Source: World Development Indicators.

(NEET; Figure 2), and among youth willing to work the youth unemployment rates reach 30 percent. Inactivity and unemployment during youth have long-term scarring effects, as they prevent youth from gaining much-needed experience, send negative signals to prospective employers, and may discourage further job seeking (McQuaid 2015; Nichols, Mitchell, and Lindner 2013).

High migration rates and an aging population will require boosting the skills and productivity of the remaining workers. Georgia's economic development led to higher welfare, but also lower fertility rates and higher life expectancies, both of which are contributing to rapid population aging. While Georgia is aging less so than the European Union, it is aging much faster than other low- and middle-income countries in ECA, and by 2050 each working age adult will have to support 0.4 elderly persons (Figure 3). The challenge of an aging population is exacerbated by high outmigration rates, mostly of working-age people: these are further reducing the size of the labor force. Going forward, it will therefore be essential to boost the skills and productivity of the remaining workers, both to improve their ability to support an increasing proportion of elderly people and to manage the flow of migrants, many of whom leave the country for economic reasons.

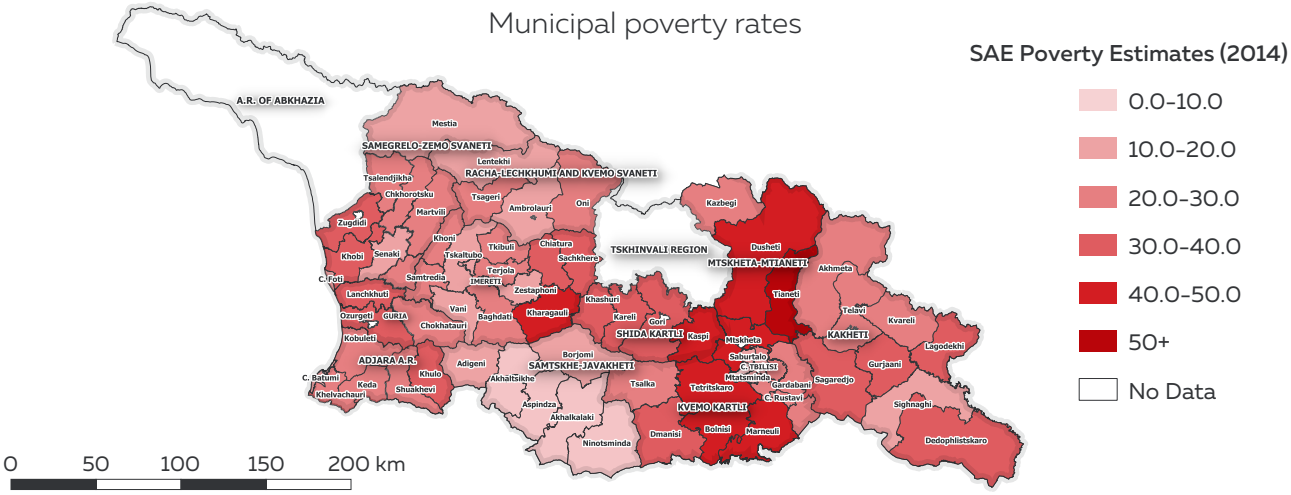
Substantial inequalities across individuals and regions also undermine the country's ability to share prosperity. With a Gini coefficient close to 0.38, Georgia is among the most unequal

Figure 3: Aging and migration will require boosting workers' productivity



Source: UN Population Projections (2020) and KNOMAD database. Note: Averages are population weighted. Dependency ratio: Population with ages 65+/ages 15-64. ECA: LIC & MIC ECA (excl. Russia).*

Figure 4: Inequalities are not only observed across people, but also across regions



Source: World Bank (2020b).

countries in Europe and Central Asia. As we shall see these inequalities emerge early in life, and stem in part from major differences in human capital endowments. Inequalities are associated with many dimensions such as ethnicity and gender but can also be observed across regions (Figure 4) – with the poorest regions not only having more people in destitution, but also facing greater challenges to delivery of quality services. Where someone is born affects therefore that person's chances of prospering in life, an issue that can partly be addressed by improving the equity of service delivery.

Addressing inequalities in endowments, labor market opportunities and incomes will be essential for supporting long-term prosperity, especially with an aging and shrinking population. Inefficient use of countries' productive assets has major economic implications: it has been estimated, for instance, that gender gaps in labor participation reduce GDP in Georgia by 11 percent (Cuberes and Teignier 2016). Moreover, with fewer working-age people left to support an increasingly larger elderly population it will be essential to address inequalities and guarantee that workers of both sexes and from all backgrounds reach their fully productive potential, as well to support human capital policies that enable the elderly to remain healthy and active for longer. Failure to do so will only exacerbate the burden on a shrinking pool of workers to care for a growing elderly population, giving them even stronger incentives to migrate. Boosting inclusion is not only therefore an ethical issue, but is also smart economics. This will not only require economic policies to support the poor and vulnerable through social programs and progressive taxation, but also investments in human capital and quality services to ensure that youth across regions and income groups will be able to reach their full productive potential.

Boosting quality human capital will be key for addressing the emerging productivity, aging and inclusion challenges and steering the country towards a sustainable and inclusive growth path. Better skills and health can help people find better jobs, be more productive at work, work longer, and age more healthily (see next section). It can also help to lower the burden on the working-age population to support the elderly, both because people would be able to work longer, and because they would be more productive. Finally, more quality jobs at home may also help to control the flow of migrants in search of better economic opportunities abroad. It is therefore not surprising that the government program – in both its 2021-2024 strategy and in its new development plans – asserts the importance of human capital as a constituent of economic development, with the top government priorities of an education system playing a key role for competitiveness and quality, a universally accessible health care system and a sustainable system of social security.

The COVID-19 pandemic also highlighted the importance of building resilient delivery systems to support people during crises and

avoid losses in human capital. Robust delivery systems and crisis preparedness are key for a solid response. For instance, decentralization of online teaching arrangements, lack of training on the use of IT, and lack of regular monitoring of students and school performance affected the effectiveness of distance learning. And the absence of an unemployment insurance scheme forced the government to implement a less effective temporary unemployment assistance scheme for formal workers.

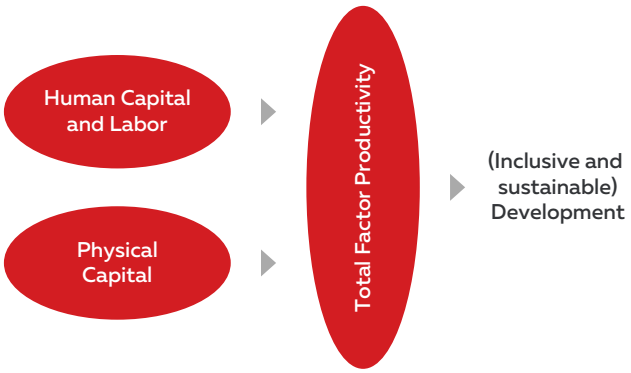
The objective of this Human Capital Review is to assess human capital outcomes in Georgia, identify delivery challenges and reform priorities, and support a path towards greater prosperity. The review is not intended to be a thorough assessment of the human development sectors. Rather, it is an overview that summarizes the current status of knowledge and identifies priorities for reform in the human development sectors to improve the quality of human capital. Accordingly, while the COVID-19 pandemic did affect service delivery and human capital outcomes, the review will place greater emphasis on longer-term delivery challenges, many of which were already present before the pandemic. This review also builds on a previous assessment of the human development sectors by exploring further important delivery challenges (World Bank 2020b).

The review unfolds as follows. The next section explains the importance of human capital for sustainable and inclusive development. Chapter 2 reviews human capital outcomes in Georgia. Chapter 3 provides an overview of the education, health care and social protection systems. Chapter 4 reviews the principal challenges that affect the delivery of quality services in each sector. Chapter 5 briefly reviews the response of the human development sectors to the COVID-19 pandemic and draws lessons for improving resilience to future crises. Chapter 6 concludes by discussing reform priorities.

The importance of human capital for sustainable and inclusive development[3]

Human capital investments – in individuals' education, training and health – play an essential role in promoting development and growth (Becker 1992). Production is the product of three interacting forces: the quantity and quality of labor, which is affected by human capital; physical capital; and total factor productivity – the ability to use and combine capital and labor effectively through, among others, good and effective governance and the provision of quality public services (Figure 5). Human capital is therefore a key factor supporting long term growth and prosperity.

Figure 5: Human capital is essential for growth



The extent to which human capital is equitably distributed across the population also affects the sustainability and inclusiveness of development. If only a few people have the skills to use new technologies, for instance, not only will the majority face lower incomes and wellbeing, but the country as a whole may face constraints to boosting growth through the adoption of these technologies. Hence, worrying about equity and inclusion and how human capital is distributed across the population is a matter not only of ethics but also of smart economics.

Microeconomic studies find a significant and robust association between people's human capital, and their incomes and success in the labor market. At the macroeconomic level there seems to be a strong association between the quality of learning and countries' economic performance (Hanushek and Woessmann 2020), although because of measurement and methodological challenges the causality of this association is difficult to assert (Flabbi and Gatti 2018; Jones 2014). Nevertheless, microeconomic studies seem to confirm this causal relationship as they consistently find a solid relationship between various elements

[3] This section draws substantially from Flabbi & Gatti (2018).

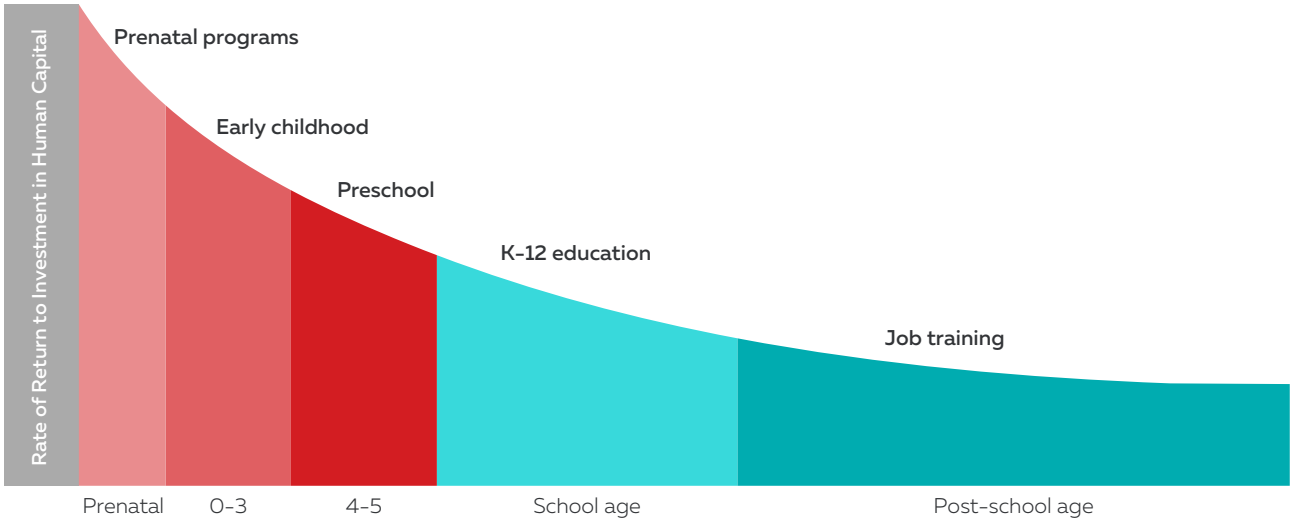
of human capital, and people's incomes and success in the labor market, as we discuss below.

Investing early in human capital delivers the highest returns. Most brain development happens in the womb and in the first 1,000 days of life; moreover, a given investment in human capital today not only affects future payoffs but also positively influences subsequent accumulation of human capital. Therefore, investing early in human capital delivers the highest returns (Figure 6). This is why ensuring proper early childhood development (ECD) is becoming a policy priority. On the health side, low birth weight and underweight of members of the current workforce has been estimated to be causing a productivity loss between 2 percent and 11 percent (Martínez and Fernández 2008); and Galasso and Wagstaff (2019) find that implementing a package of 10 nutrition interventions to cope with stunting and malnutrition in low and middle income countries delivers, on average, a benefit-cost ratio of 15:1. The returns on early childhood stimulation and education programs can be equally high. In Jamaica, for instance, Gertler et al. (2014) found that an early stimulation program led to 25 percent higher incomes 20 years later. Combining both health and education interventions delivers even higher returns. The Carolina Abecedarian Project and the Carolina Approach to Responsive Education program, for instance, offered comprehensive developmental resources to disadvantaged African-American children from birth to age five, including nutrition, access to health care and early learning, and a recent analysis found a long run rate of return of 13 percent per year (García et al. 2020).

Proper design and quality of ECD and social protection services remain, however, crucial for delivering high impacts. The benefits of ECD programs are disproportionately concentrated among children from poor and vulnerable households, as they may not receive adequate nutrition and stimulation at home. It is therefore important to ensure that poor and vulnerable households receive priority access, as well as adequate social protection services to help them surmount the many other constraints that, both directly and indirectly, also affect children's development. Moreover, quality of implementation is key. For instance, poorly implemented early childhood education (ECE) programs (such as programs that employ poorly trained staff or use out-of-date teaching methods) deliver few benefits, or even have negative effects – i.e., children may be better off staying at home (Berlinski and Schady 2016; Elango et al. 2016).

Later in life, education is a powerful booster of poverty eradication, good health and success in the labor market. Across the developed and developing world the labor market return to education is, on average, 9 percent per year of schooling (Psacharopoulos and Patrinos 2018).

Figure 6: Early investments in human capital deliver the highest returns



Source: https://heckmanequation.org

Moreover, women experience higher average returns to schooling, showing that girls' education remains a priority. Education also delivers positive effects beyond income, including impacts on crime, health, and good citizenship (Brunello, Fabbri, and Fort 2013; Lance 2011). But the importance of ensuring access to solid education goes beyond individual gains: poor learning outcomes among the disadvantaged — those with lower incomes — affect countries' productivity and even their ability to innovate (Bell et al. 2019).

Again, the quality of the education provided matters significantly, especially for children from disadvantaged backgrounds. Schooling is not equivalent to learning: it is not only important to go to school, but also to learn skills that are in demand in the labor market. Literacy, for instance, is extremely important: one standard deviation more on the literacy scale increases the probability of being employed by 0.8 percentage points and is associated with a 6 percent increase in wages (OECD 2016). In the European Union, however, one in five students aged 15 is functionally illiterate (meaning they may have problems understanding and processing a text), and the average is much higher in low and middle income countries (OECD 2019b). Quality of higher education is also extremely important: in fact, the quality of some universities may be so poor that their students would have been earning more if they had not attended them and but had gone to work right away (González-Velosa et al. 2015).

Good health also affects incomes and well-being. The labor market trajectories of workers with disabilities tend to be less successful than the trajectories of their peers with no disabilities (Campolieti and Krashinsky 2006). Overweight and obesity not only increase the risks of non-communicable diseases (NCDs), but also are associated with lower wages (Brunello, Michaud, and Sanz-de-Galdeano 2009; Gilleskie and Hoffman 2014). And again, malnutrition during childhood has long-term effects: Hoddinott et al. (2013) find that prevention of one fifth of stunting in high-burden countries would increase households' income by 11 percent on average.

Good health outcomes during childhood, youth and adult years are also essential for healthy aging, as they enable people to live better and work longer. The population is aging across the region. According to UN Population estimates, the ratio of elderly to working age adults in Georgia will increase from 1:4 to 1:3 between now and 2050. Promoting healthy aging is therefore not only a priority from a public health perspective, but also the best way to ensure the elderly population will be able to remain productive beyond the current retirement age.

2. Georgia's human capital: the need for a quality and equity boost

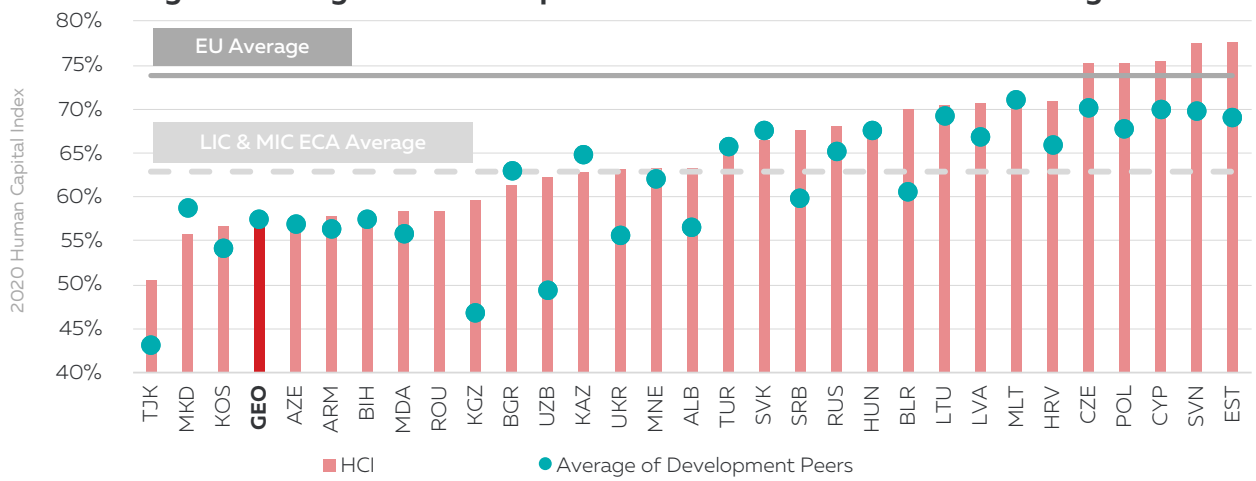
Because of Georgia's human capital endowment, children born in the country today will only be 57 percent as productive as their full education and health potential (Figure 7). The Human Capital Index captures basic education and health elements of human capital that have a clear impact on people's productivity (World Bank 2020c). While Georgia's level of human capital is aligned with those of countries with similar levels of development, it remains well below the ECA average for low- and middle-income countries (63 percent), and well below the EU average (74 percent). Moreover, if elements that include the performance of higher education and NCDs are included productivity drops even further – to 40 percent (Demirgüç-Kunt and Torre 2020).

In the past three decades, Georgia has made substantial progress towards improving child health outcomes. The country has embarked on a series of important reforms across human development sectors that led to significant improvements in child health outcomes. Among others, these include early investments in health in the 1990s, the establishment of a Universal Health Coverage (UHC) Program in 2013, and the implementation of a Targeted Social Assistance (TSA) program since 2006. Accordingly, infant mortality dropped threefold over 20 years, from 32 deaths per 1,000 in 2000 live births to less than 9 per 1,000 in 2020 (World Development Indicators).

Despite recent progress, early childhood development outcomes remain, however, significantly below the average of the European Union. Stunting – which affects cognitive development all along children's learning path – can still be observed in close to 6 percent of the children. Close to 40 percent of children aged 2-7 have concentration levels of lead in the blood – a toxic element that also affects children's cognitive and socioemotional development – that are greater than 5 µg/dl. Close to half of Georgian children younger than 5 have less than three children's books at home; and almost one in four children does not attend kindergarten (Figure 8), compared to almost universal enrollment in the European Union.

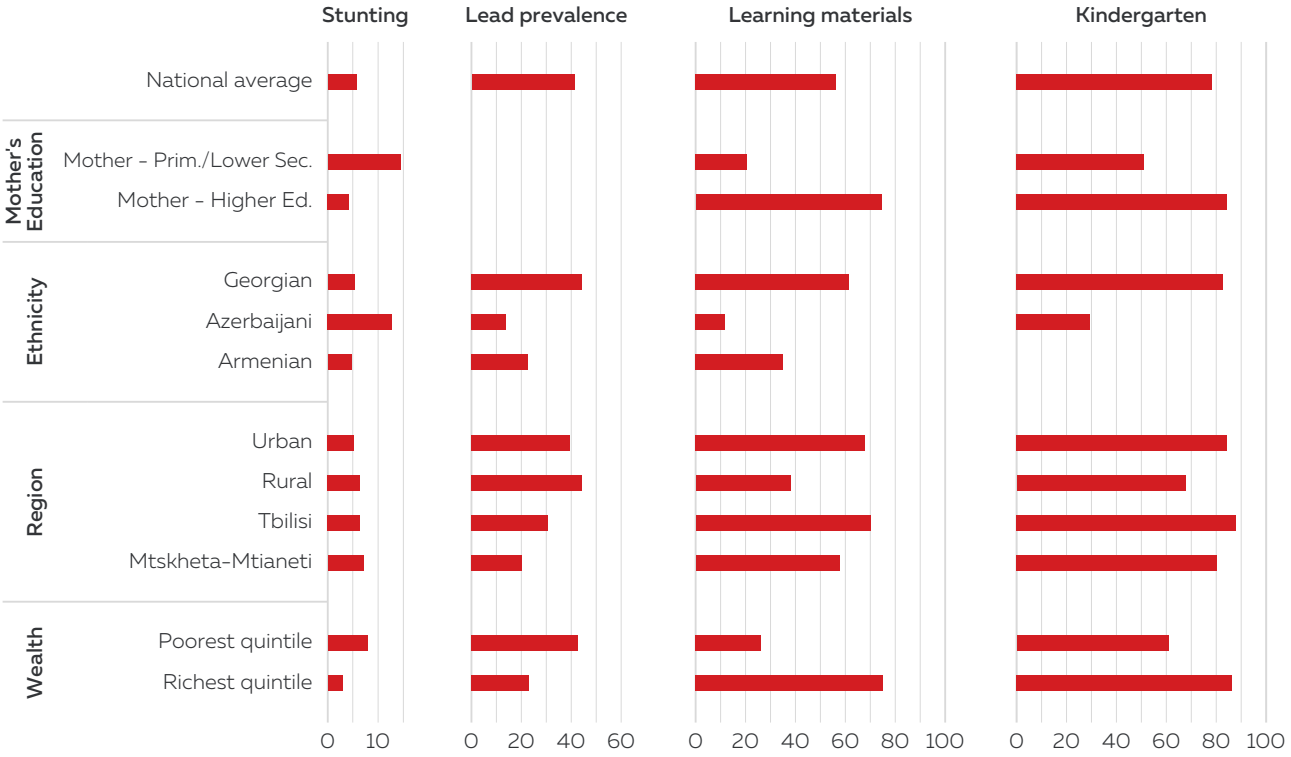
Gaps in early childhood development reflect strong inequities across income, geographical, and ethnic lines that will only worsen along the

Figure 7: Georgia's Human Capital Index remains below the ECA average



Source: World Bank (2020c). Note: Averages are population weighted. The LIC & MIC ECA average does not include Russia. The average of development peers is obtained using a kernel regression.

Figure 8: Gaps in human capital accumulation start early in life

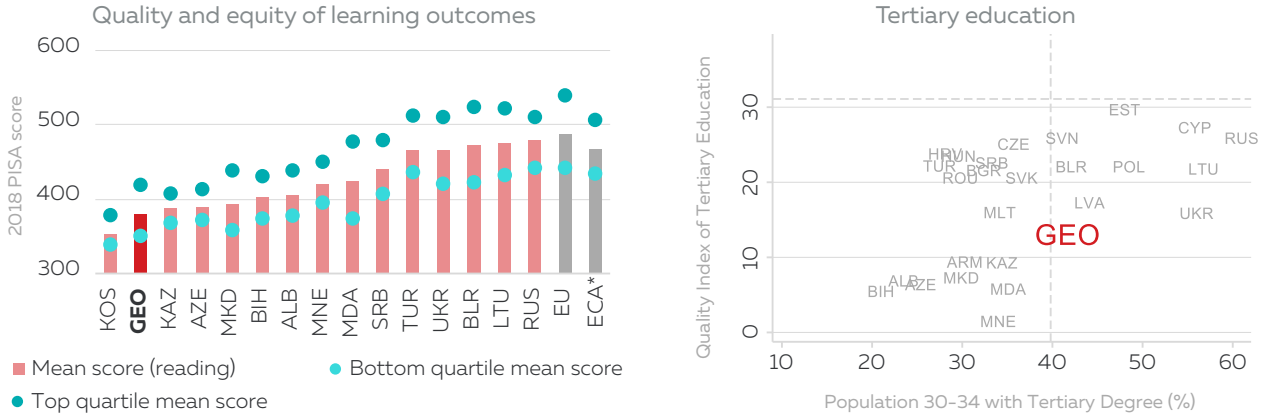


Source: UNICEF (2018a). Note: Stunting: children under age 5 with height for age < 2 SD; Lead: percentage of children aged 2-7 years with concentration of lead per dL of blood >5 µg/dl; Learning materials: children under age 5 with 3 or more children's books at home; Kindergarten: percentage of children age 36-59 months who are attending kindergarten. Gaps are shown when sample size is insufficient for meaningful estimates.

life cycle. Stunting, for instance, is more than three times more prevalent in households where the mother's highest educational attainment is lower secondary rather than higher education. The level of lead poisoning in children may reflect a region's industrialization history, but again children from the wealthiest quintile are almost half as affected from it than children from the poorest quintile. Children living in rural regions are thirty percentage points less likely to have more than three children's book at home. Less than one in three Azerbaijani children attend kindergarten, against more than eight in ten Georgian children. And children whose caregivers have functional disabilities are less likely to achieve developmental targets even after accounting for differences in economic and social background (wealth, education, books) and place of residence (UNICEF 2020). These early gaps affect brain development and will prevent effective accumulation of human capital throughout people's lifecycles, ultimately affecting their wellbeing and impeding them from realizing their full productive potential.

Progress in improving education outcomes remains modest. Georgia managed to achieve relatively high enrollment rates: at 106 percent, gross primary and basic (through grades 1-9) school enrolment rates are close to the EU average (110 percent), although participation is much lower for pre-primary education (Figure 8) and also drops at secondary level (85 percent net enrollment at grades 10-12), indicating that some vulnerable children may not benefit from comprehensive education. Nevertheless, quality of education remains an issue. The learning poverty rate is the proportion of 10-year-olds who cannot read and understand a simple text by the end of primary school: at 14 percent, the rate in Georgia is higher than the average for the region (11 percent). On average, students in Georgia achieve close to 12.9 years of schooling, but they receive on average only 8.3 years of schooling when adjusted for quality (Filmer et al. 2020). Georgia has the second lowest reading score in the region in the 2018 Programme for International Student Assessment (PISA) test scores, which capture reading and understanding ability of 15-year-

Figure 9: Low and unequal learning outcomes



Source: Demirgüç-Kunt and Torre (2020); OECD (2019b). Note: Averages are population weighted. ECA: LIC & MIC ECA (excluding Russia).*

old students (Figure 9, left panel), and 65 percent of its 15-year-old students are functionally illiterate, meaning that they cannot correctly process and understand a simple text. Moreover, differences are significant between the best and worst performers, with the bottom 25 percent performing 70 PISA points below the top 25 percent. Quality also continues to be an issue in higher education (Figure 9, right panel), where – despite high tertiary education attainment among the population – the quality of the tertiary education remains far below the average of the EU and of many other ECA countries.

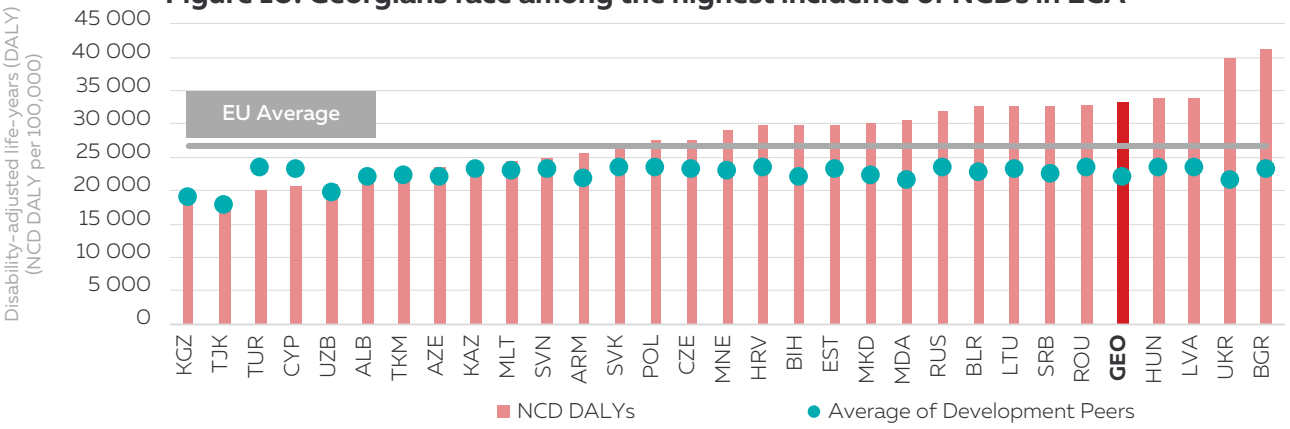
The vocational education and training (VET) system is also underutilized. Historically, students have a strong preference for higher education, and the scale of reforms have not been sufficient to reverse this trend. Therefore, during the last six years only up to 6 percent of school graduates have registered for VET programs, while higher educational attainment is above the EU average (the proportion of people aged 30-34 with a higher education degree is 42 percent, compared to 40 percent in the EU).

The low quality of the education delivered is affecting people's incomes and employment opportunities, and the country's ability to boost productivity. Functionally illiterate workers and, more generally, workers without the skills sought after in the labor market see their chances of securing quality jobs seriously affected: this will affect their incomes and productivity throughout their careers. Moreover, at the macroeconomic level, pervasive skills gaps prevent firms from adopting new and more productive technologies, because they may not find the workers to properly operate them, affecting their ability to boost productivity.

Gender biases also affect women's opportunities. Georgia's gender gap in labor force participation stands at 19 percentage points, while the wage gap results in men earning 16 percent more than women, after controlling for differences in demographics and job characteristics. In addition, women's occupational and sectoral segregation locks them in economic activities with lower earnings and tends to exclude them from science, technology, engineering, and math (STEM) fields. Meanwhile, limited access to finance and other barriers can limit women's entrepreneurial potential (World Bank 2021a).

Later in life, Georgian people face among the highest incidence of non-communicable disease (NCD) in ECA, which is affecting productivity, life expectancy and healthy aging. NCDs are much more prevalent in Georgia than the EU average and the average of its development peers (Figure 10). This high rate has negative effects on people and society throughout their life cycle. At working age, NCDs affect workers' productivity, and many people are obliged to work less or retire earlier than they would have liked because of NCDs: this is shrinking the working population further in a country that is already rapidly aging. High incidence of NCD is also one of the main causes of low life expectancy, especially for men, and

Figure 10: Georgians face among the highest incidence of NCDs in ECA



Source: World Development Indicators and Global Burden of Disease, 2019. Note: Averages are population weighted. The average of development peers is obtained by using kernel regression.

also reduces opportunities for heathy aging and quality of life for many elderly persons. While prevention of NCDs is relatively cost effective, providing comprehensive treatment is expensive and adds an unnecessary fiscal burden to the health system.

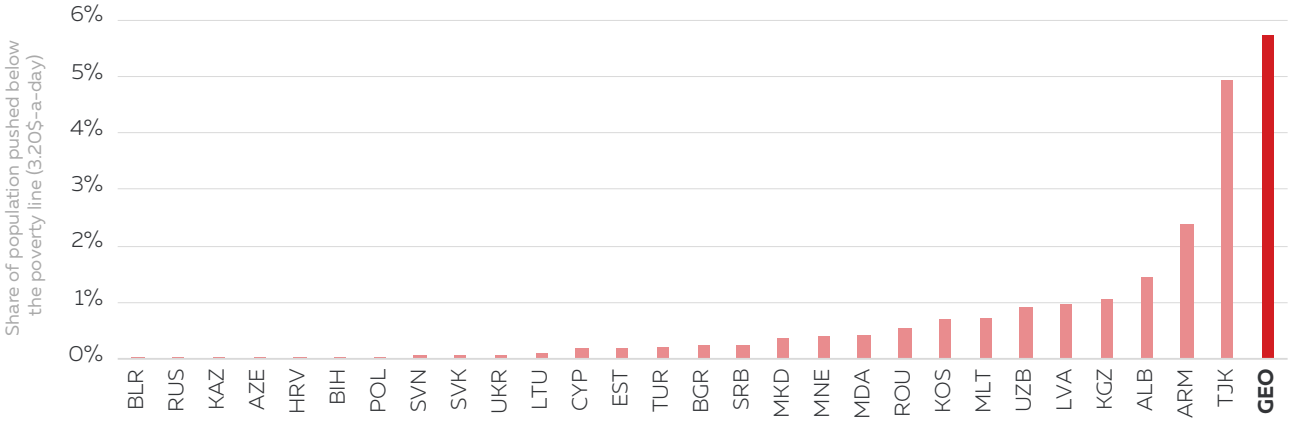
Unhealthy behaviors are a major factor behind the rise of NCDs – especially for men. Georgia has among the highest rates of tobacco use among men in ECA, with 54 percent of men being smokers. Interestingly, the rate for women is among the lowest in ECA, at 5.2 percent (World Development Indicators). Alcohol consumption is also relatively high among men: men consume 13.6 liters of alcohol per person per year, while women only consume 3.6 liters. And people's diets are also overall unhealthy: 23 percent of the adult population is obese, compared to an average of 15 percent in the European Union. The three top causes of death at all ages are ischemic heart disease, stroke, and hypertensive heart disease, which are mainly related with the risk factors.

The country also faces high prevalence of respiratory diseases, in part attributable to air pollution. At 74 cases per 100,000 people, tuberculosis prevalence is seven times higher than in the European Union, and among the highest in Europe and Central Asia. Overall, the country also has a high rate of mortality attributed to air pollution: more than 100 deaths per 100,000 population, five times the European Union average (both from World Development Indicators).

There are strong inequities in health outcomes, with many poor and vulnerable households facing the dire choice of falling further into destitution to pay for health care, or being unable to seek treatment. Inequities in health outcomes start early in life (Figure 8) and accumulate throughout the life cycle. A significant feature reflecting such inequities is the dire choice that many poor and vulnerable households face between falling further into destitution to pay for health care, or not being able to seek treatment. Impoverishing out-of-pocket health expenditure is the highest in Europe and Central Asia, and an estimated 5.7 percent of the population is pushed below the poverty line each year because of health spending (Figure 11).

The COVID-19 pandemic affected human capital both in the short and long terms. Between February 2020 and January 2022 there have been around 1,000,000 confirmed cases of COVID-19, with around 15,000 deaths. Excess mortality rates sharply increased in November 2020, reaching a record high of 55 percent and then fell to 15 percent by June 2021. But the health impacts of the pandemic went beyond COVID-19: 33 percent of rehabilitation and palliative and long-term care services experienced major disruptions. The disruption to services was particularly problematic for those living with NCDs who require regular or long-term care (WHO 2021b). Meanwhile, Georgia was forced to close schools (fully or partially) for 35 weeks and transition to remote teaching. While there has been

Figure 11: Impoverishing health expenditures are among the highest in the region



Source: World Bank Health Equity and Financial Protection Indicators. Averages are population weighted. The data are for the latest available year for each country.

no formal assessment of the impact of the COVID-19 imposed school closure on learning outcomes, international evidence suggests that the pandemic will lead to substantial learning and earning losses, especially for marginalized groups including the poor, students with special needs, and ethnic minorities. As 70 percent of the learning process during the whole academic year was conducted online, a rough estimate based on Azevedo et al. (2021) indicates that the percentage of students performing below functional literacy may increase by up to an additional 6 percentage points (from 64 to 70 percent). Finally, the pandemic also has significantly affected people's livelihoods, and this may leave long-term scars, as more than a third of the employed were unable to work at the peak of the restrictions. Poverty is estimated to have risen by 5.4 percentage points in 2020 (using the national poverty line), and without the government's sizable support package the increase in poverty would likely have been even greater (World Bank 2021; October 13, 2021 update).

3. Building human capital: overview of the education, health care, and social protection systems

Building quality human capital requires time and resources. Some investments rapidly bear fruits. Others – such as the building of quality human capital – can deliver much greater returns at a larger scale, but require time and resources. Human capital is one of the wisest investments a society can make to improve the economic and socioemotional wellbeing of its members. But many things can – and do – go wrong in the process of building human capital, and these will ultimately affect the quality of the education, health and jobs people can aspire to. It is therefore important to build solid delivery systems in the social sectors that help people acquire a solid education, maintain good health, find good jobs, and secure access to comprehensive social protection that enables them to be resilient to shocks of various natures and avoid poverty.

Overall, the Government of Georgia leads the human capital development agenda through the relevant line ministries in close coordination with the Ministry of Finance. Specifically, the social sectors are mostly covered by the Ministry of Education and Science (MoES); and the Ministry of Internally Displaced People from Occupied Territories, Labor, Health, and Social Affairs (MoILHSA).

This chapter provides an overview of the education, health care, and social protection sectors by reviewing the main elements, the sectors' governance structure, and financing. The next chapter will then delve into design and implementation challenges that may prevent effective delivery. The information contained in this and the subsequent chapters comes from various sources, including existing reports, administrative data, and interviews conducted by the report team.

The importance of service delivery for human capital

Achieving good education and health outcomes require effective delivery of human development services – particularly to the poor and vulnerable population. While no system is perfect, compounded delivery challenges reduce the timeliness and quality of the services that are offered and, ultimately, the quality of human capital. Poor quality of delivery particularly affects the poor and vulnerable populations, who have limited means to complement the services received through individual investments.

Although there is no blueprint for establishing an effective education system, certain characteristics enable and promote education trajectories that ensure student learning. While school enrollment is a necessary condition for generating learning, it is not a sufficient one. Quality of learning is essential, and an effective education system measures, monitors and reforms learning through the design and regular implementation of standardized evaluations. Test results are needed to guide policy design and evaluate its effectiveness, align incentives among the different stakeholders, implement improvement plans at school level, and hold education providers accountable, among many purposes. Without measuring student learning, education systems navigate without a compass, diluting their effectiveness.

All inputs of an effective education system, from technology to the national curriculum, must be linked and aligned with student learning. Three education inputs are of particular importance, regardless of the specificities of

the education system: (i) students' preparedness at the beginning of their education trajectories; (ii) teachers; and (iii) school directors (World Bank 2018b). Early childhood development policies that provide nutrition, stimulation, and interaction during the first years of life facilitate student preparedness. Within the education system, the quality of teaching is the most important determinant of student learning, and therefore effective education systems promote the professionalization of the teaching career path with clear rules for the selection, promotion, evaluation, and training of teachers. Finally, school directors should have the necessary managerial capacities to align all inputs and efforts to student learning, which includes undertaking classroom observations to provide pedagogical feedback to teachers, identifying teacher professional development needs, and exercising leadership to motivate parental participation in the learning process. Moreover, effective education systems should also have elements specifically designed to address the participation and learning constraints faced by girls and women, minorities and vulnerable groups, including tailored curricula, teacher training, and links with the social protection system.

An effective health care system should ensure accessible, affordable, high-quality and safe services and a network of health care facilities that guarantee access regardless of geographical and socioeconomic background. A well-functioning health care system responds in a balanced way to a population's needs and expectations by: (i) improving the health status of individuals, families and communities; (ii) defending the population against what threatens its health; (iii) protecting people against the financial consequences of ill-health; (iv) providing equitable access to people-centered care; and (v) making it possible for people to participate in decisions affecting their health and the health care system. Keeping health care systems on track requires a strong sense of direction, and coherent investment in the system's various building blocks (governance, human resources, financing, technology and information systems, and service delivery), so as to provide the kind of services that produce results.

Social protection is a fundamental pillar of social policies. Social protection is essential for protecting people from falling into poverty and destitution; helping people cope with adverse idiosyncratic or systemic shocks and smooth consumption over their lifetimes; promoting human capital accumulation; and ensuring access to jobs. Social protection comprises a variety of policy tools, ranging from cash transfers to the poor and people with disabilities, to social care services for vulnerable populations, employment, labor market programs and unemployment insurance, and old-age pensions.

Although the specific characteristics of social protection systems vary with history and local conditions, an effective system should satisfy a few basic principles. The first is *adequacy*. The level and generosity of support provided should be aligned with the level of need of poor and vulnerable households. The second is *effectiveness, efficiency* and *balance*. Are the funds allocated to each program used effectively or are there ways to increase the impact at equal levels of spending? Also, could program design be improved to better promote objectives such as poverty reduction, employment and the acquisition of human capital? And is the balance of spending across programs appropriate given the population's vulnerabilities and needs, with sufficient coverage of population groups throughout the life cycle? The third element is *equity*. Government social protection systems should invest more in the poor and vulnerable population than in the middle or upper classes – and possibly significantly more. Unfortunately – especially when spending on non-contributory pensions is considered – this is not always the case. The fourth and final element is *sustainability*. Is the level of spending sustainable across time and can the system honor promises made to future generations, in particular in terms of pension benefits?

Box 1: Why social protection matters for human capital

Social protection plays a key role in helping households build and protect human capital. This occurs both through efficient social care services that protect the poor and vulnerable, and through an array of social programs that support human capital accumulation. Social care services, for instance, can support vulnerable households with parental advice on childbearing and raising practices, stimulate the use of health and education services, provide information on nutrition, and nudge parents to use cash transfers to investing into their children's future. Well-designed cash transfers provide vulnerable households and people with disabilities with financial stability, but also support better early childhood and nutrition practices, greater use of health and education services and reduced reliance on child labor. Many social assistance programs also add accompanying measures to direct transfers that can enhance human capital formation, such as providing premiums to children who regularly attend school. And unemployment benefits can be linked to participation in skills development programs that equip jobseekers with newer or higher quality skills, in the best case leading to new, more productive and better paid job matches.

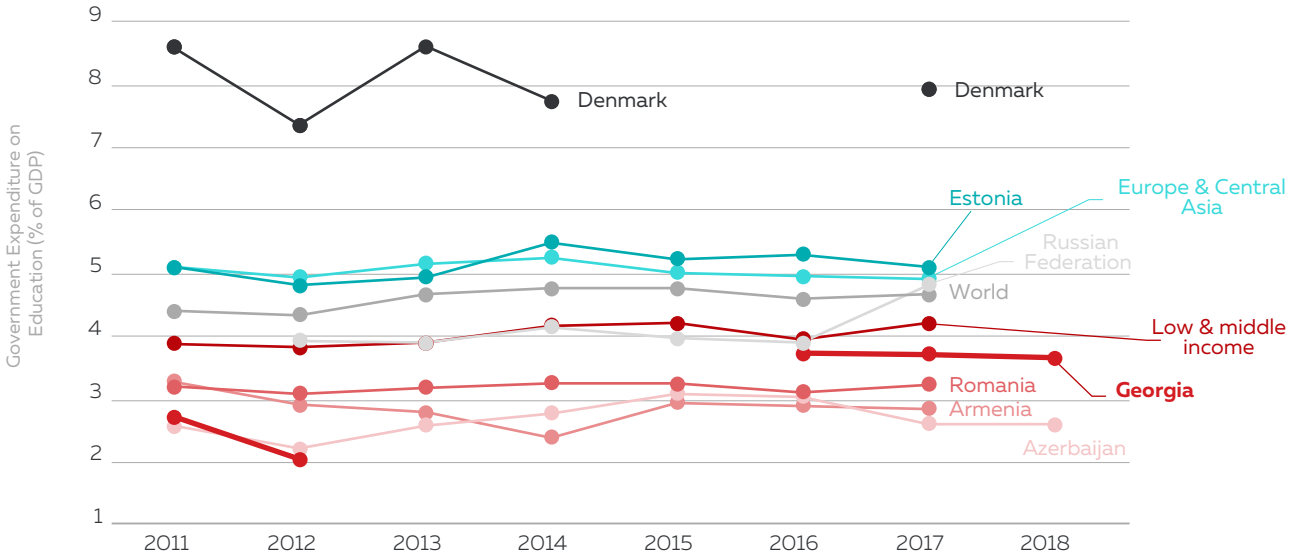
When provided in response to economic shocks or natural disasters, social protection can also protect consumption and mitigate the need for households to engage in negative coping strategies that may affect their wellbeing and degrade their human capital. Many cash transfer programs have rules that can be modified to quickly respond to crises; and for middle class households, unemployment insurance ensures that household consumption and human capital are protected in crises by smoothing income during times of job loss.

Social protection programs also support people's employment and youth's transition into the labor market, thereby ensuring that investments in human capital are fully utilized. Social protection and employment programs promote the creation of more and better jobs, and help the vulnerable population, women, youth and marginalized groups access jobs. Services include helping people finding jobs through profiling and intermediation services, and assisting people to enhance their skills to access better jobs through training programs.

Overview of the education sector

Government expenditure on education has substantially increased in the last decade, but remains below international levels. Government expenditure on education increased from 2.8 percent of GDP to 3.6 percent between 2006 and 2019. In 2019/20 the MoES has allocated almost 70 percent of funding to general (k-12) and preschool education, 10 percent to higher education, 4 percent to VET and a similar amount for science support. The remainder has been allocated to infrastructure, administrative and other support programs. Salaries are the main cost category, comprising up to 70 percent of total operating expenditure. In 2019 the government declared human capital development to be a priority; however, due to the COVID-related budget cuts the objective of allocating a quarter of the budget to the education sector by 2022 seems a rather unachievable task. While Georgia's spending on public education is higher than in some neighboring countries, overall it remains below the averages for both the world and ECA (Figure 12). On average, governments in ECA spend one percentage point of GDP more than Georgia on education, with some countries like Denmark spending twice as much. While quality of spending is essential, without greater investment in the education sector it will be difficult to achieve a quality and inclusive education system that addresses the ever more competitive needs of the labor market.

Figure 12: Public education expenditure remain below regional and global averages



Source: UNESCO Institute for Statistics.

Georgia's education sector underwent important systemic reforms over the last two decades. The education policies in the country have been mainly driven by global education trends, prompting the government to introduce democratic principles, transparent management and child-centered approaches at all levels of education. The major outcomes of the first phase of the reform process between 2004 and 2008 included the introduction of centralized university entry examinations to eliminate corruption; the introduction of a competency-based, student-centered National Curriculum; the establishment of schools as semi-independent legal entities of public law, run by school principals, with greater accountability for the school boards; the introduction of a per-capita funding formula; and the establishment of semi-autonomous institutions to enhance the quality of education, such as a National Assessment and Examination Center (NAEC), a National Center for Educational Quality Enhancement (NCEQE), an Education Management Information System (EMIS) and a Teachers' Professional Development Center (TPDC).

In 2006 the management of ECE was decentralized and it is now the responsibility of local governments. According to administrative data, 1,621 preschool education institutions are registered officially, serving 164,605 children. ECE is the only level of education that has been decentralized to local governments. While decentralization of ECE provides flexibility and helps to tailor the response to the needs of each region, there is a wide variation in financing, service modalities and quality. The MoES is responsible for teacher training and certification of all types of pre-schools. However, the MoES only lays out educational standards, which are rarely enforced due to the limited human and financial resources of municipalities.

General education can be provided in Georgia by both public and private institutions, although enrollment remains largely concentrated in public schools. There are slightly less than 2,100 public schools in Georgia, serving up to 540,000 pupils. In recent years, enrollment in private schools has increased, however, reaching an 11 percent share. Most private schools are located in Tbilisi and large cities.

In the 2005/06 academic year public schools were re-established as semi-autonomous legal entities, in which school principals are elected and are accountable to a school board. The creation of the school boards has been a significant initial step towards establish democratic governance practices and ensuring greater accountability of schools to the school community. Overall, governance of general education is defined by the Law on General Education and the National Curriculum, which define not only learning targets, but also delivery, assessment and management modalities.

The momentum of reform is, however, losing pace. The next wave of reforms, from 2008 onwards, has been less effective in institutionalizing the outcomes and providing support to those implementing the changes on the ground. Due to frequent changes in government and thus in approaches to reform – as well as the lack of a data collection and processing strategy to inform the decision-making process – policies were strongly influenced during this period by political and economic factors, with some notable setbacks such as delays in the teacher certification process.

To support the quality of teaching and students' learning, in 2018 the MoES introduced the third generation competence-based curriculum and launched the so-called New School Model project to provide staged support to schools in the delivery of the new curriculum. As part of the project, specialized groups of experts supported schools to develop school-based curriculums aligned to the individual schools' context and needs and nationally set objectives. The project combines several elements: capacity building for teachers and school professionals to develop and implement the school-based curriculum, use of technologies to facilitate the learning process, introduction of a development-oriented evaluation system, and the establishment of school management to support the educational processes.

General education funding is (formally) per capita and is mostly based on a voucher scheme, which also covers private schools. The voucher scheme applies to 40 percent of schools in Georgia, although these schools enroll the vast majority of students. The remaining 60 percent of schools have their budgets assessed and determined individually: although the funding still reaches the schools directly, it includes per-student elements, per-teacher elements, per-school elements, and, for small schools, a per-class element. Due to the absence of school/national level measurement of learning outcomes the funding formula does not, however, include an equity component.

Vocational education and training (VET) is provided in around 100 public and private institutions. There are twice as many private as public VET institutions, with a few public-private partnerships in the sector of hospitality and infrastructure. Enrolment in VET remains modest, however, with annual registration rates of 15,000 students and considerable high dropout rates (up to 30 percent annually). Despite improvements, public expenditure on VET remains low, and low geographic coverage also limits access, although the limited presence of firms for training would affect access to quality VET outside large cities: only 6 percent of youth and 3 percent of school graduates participate in VET. Also, quality remains poor overall: teacher deployment, management and incentive policies have been lagging in VET until recently, and there is a lack of practical and on-the-job training; and very limited coordination with the employers.

The Georgian higher education system comprises 75 higher education institutions (in 2017), comprising research universities, teaching universities, and colleges, distributed over a public and private higher education sector. Georgia has a medium-sized higher education system in international comparison, but with a relatively high number of institutions given the size of the population. In 2017 slightly more than 144,000 students were enrolled, with about 35 percent of the student population in private institutions (World Bank 2018a).

Tertiary education relies heavily on student tuition fees. More than 70 percent of all public expenditure on higher education is allocated through state grants for tuition fees (undergraduate and graduate), for priority fields and student scholarships for excellence (World Bank 2018a). The tendency of increased numbers of students at tertiary level is further supported by the current funding mechanism, which is manly student-number based, does not include any basic funding component and lacks performance incentives for modernization and internationalization of the higher education sector.

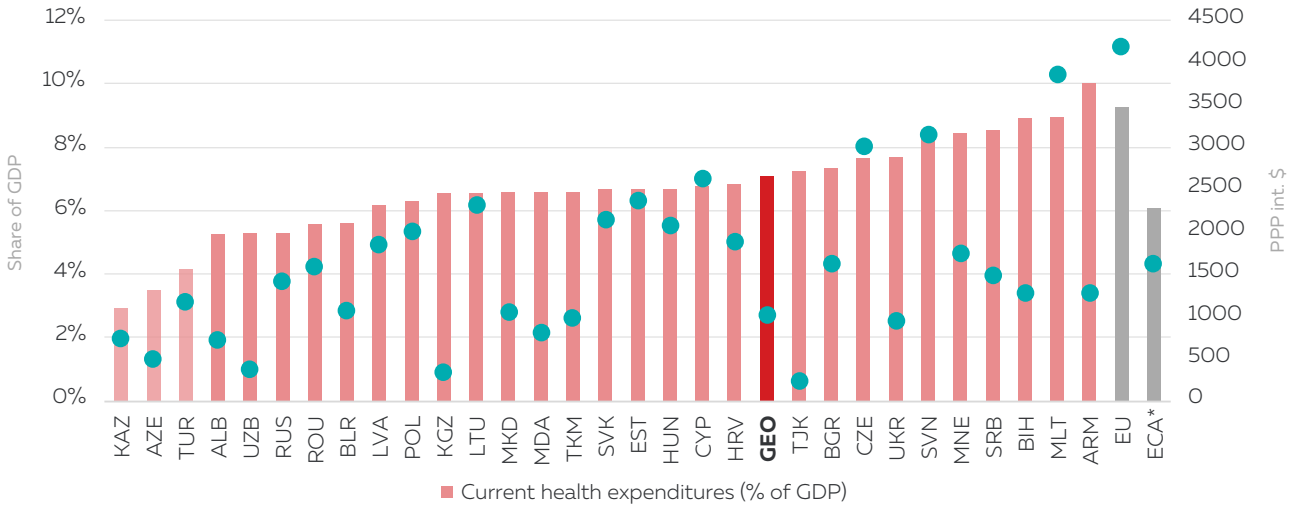
Overview of the health care sector

Georgia's overall spending on health care is larger than that of many countries in the region,

although it remains below the European average. In 2018 (before COVID-19) Georgia spent a little more than 7 percent of GDP on health care (Figure 13). This placed Georgia among the non-EU countries that spend most on health in the region, although spending remained below the EU average (9 percent). When measured in absolute terms (in $ PPP), however, spending remained relatively low compared to many countries in the region, potentially affecting the country's ability to purchase pharmaceuticals or equipment that are priced in the international market.

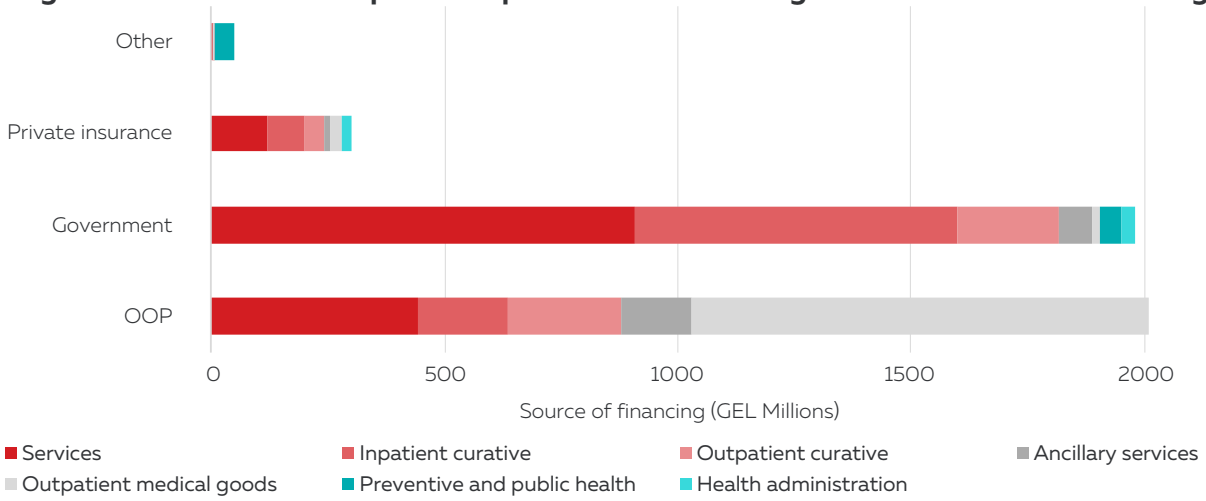
In 2018 out-of-pocket expenditure was, however, the largest source of health care financing, affecting the ability of the poor and vulnerable to seek health care. After the introduction of universal health coverage (UHC) in 2013, public expenditure on health increased substantially between 2012 and 2018, and reached 2.8 percent of GDP. Growing public spending gradually reduced dependence on private out-of-pocket payments, which declined from 75.1 percent of total health expenditure in 2010 to 60 percent in 2018. These increases notwithstanding, out-of-pocket payments (to a large extent for outpatient medical goods) continued, however, to be the largest source of health financing; Government expenditure came second, and private insurance a distant third (Figure 14). While the COVID-19 pandemic has further increased public sector spending, high out-of-pocket payments remain a significant challenge that

Figure 13: Georgia's health care spending is larger than that of many countries in the region



Source: WHO (Global Health Observatory and Global Health Expenditure Database). Data for 2018. Averages are population weighted. ECA: LIC & MIC ECA (excluding Russia)*

Figure 14: In 2018 out-of-pocket expenditure was the largest source of health financing



Source: 2017 National Health Accounts.

may prevent the poor and vulnerable from seeking health care.

The Ministry of Internally Displaced People from Occupied Territories, Labor, Health, and Social Affairs (MoILHSA) has the oversight of the health system. MoILHSA is responsible for developing and implementing national health care policy and strategy; drafting and enforcing health care laws and regulations; setting up and overseeing national public health programs; advocating for adequate allocations from the budget for health care programs; and regulating health care professions, health care facilities and the pharmaceutical market.

The National Center for Disease Control and Public Health (NCDC) is responsible for public health, including immunization, surveillance, disease prevention, health promotion and the laboratory system. NCDC manages about 20 percent of budgetary funds for health care and retains responsibility for financing preventive and public health interventions, including disease surveillance. The State Regulation Agency for Medical and Pharmaceutical Activities is responsible for issuing and controlling the licenses and permits for health care facilities, and for regulating medical professionals and pharmaceuticals.

A National Health Agency (NHA) was established in 2020 to facilitate implementation of the state health care programs. The NHA is now responsible for administering and managing health care programs, including UHC. The NHA manages about 80 percent of public funds for personal health care services and some vertical health programs, and oversees purchasing of services from public and private providers according to a fixed price list.

The vast majority of provision of health care services at all levels is private. Most health care providers are private, for-profit entities, some owned by private insurance companies and medical corporations. The market is relatively fragmented, with the six largest competitors (all of which are private) accounting for only 35 percent of the total number of beds in the country. The pharmaceutical market is highly concentrated, with three major players holding approximately 79 percent of the market share.

Primary health care (PHC) services are provided by several actors with the involvement of numerous stakeholders in various settings and with diverse payment mechanisms. General PHC services are delivered by family practitioners or specialists, who trained in family medicine as a second specialty. While rural doctors are contracted with a monthly salary by the Emergency Situation Coordination and Urgent Assistance Center (a subordinated agency under MoILHSA), urban family doctors are employed by private providers contracted by NHA and paid by capitation. Other medical specialties and diagnostics also have contractual arrangements with NHA (WHO 2018).

Several dedicated programs are being implemented for health care provision. The UHC Program provides access to services for vulnerable groups and population below an annual income threshold of GEL 40,000; disease-oriented programs ensure either services and/or medication for specific diseases and health conditions (diabetes, tuberculosis, HIV, hepatitis C, mental health disorders and addiction). The Rural Doctors Program is being implemented in about 900 villages and covers around 1.1 million people living in rural areas. Locations range from state-owned or municipality-owned health facilities to private hospitals, where doctors work side by side with specialists. Each program has its own scope of services, access criteria and reimbursement volume limits, but the services they provide are usually free at the point of use. A new program for management of COVID-19 was launched in May 2020.

The UHC Program expanded the breadth of state-funded benefits and increased population coverage to almost 82 percent of the population by 2017. The UHC Program primarily focuses on protecting poor households with an expanded benefits package, and the rest of the population with a basic set of publicly funded benefits. Private health insurance plays a minor role in the health system, covering only around 8 percent of the population, mostly through group coverage of employees and their families, and accounting for 6 percent of current spending in health in 2017.

The Health Management Information System (HMIS) captures and manages information on aspects of health care in Georgia. The HMIS provides connection among the key players in the health care sector to enable MoILHSA to make informed decisions in critical domains, establish standards for reporting and real-time information exchange, and ensure a high level of security and confidentiality of sensitive and patient proprietary information. A new Information Technology Agency was also established in 2021 to be the legal successor of MoILHSA and its legal entities in the field of information technology support activities: this will enable further development of the HMIS.

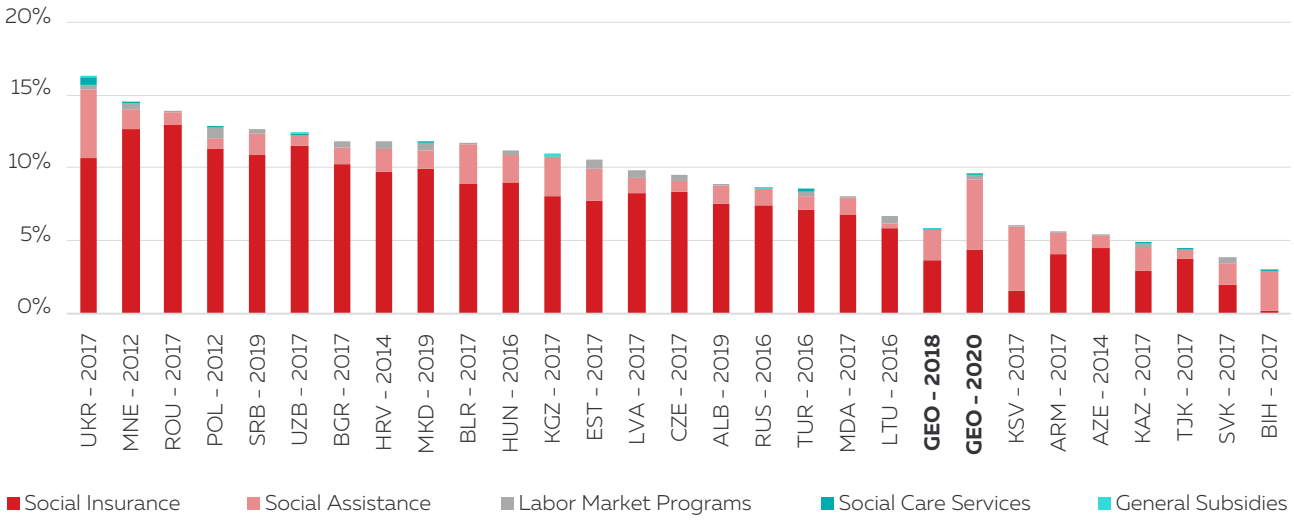
The government is also envisaging service delivery reforms to further strengthen quality and efficiency. These include: (i) digitalizing and better connecting primary care and secondary care providers, so that patient-level information can be shared more easily and securely; (ii) develop further the health care management information system to connect data between PHC providers, NHA and MoILHSA and allow efficiency gains, including detection of inefficient (inappropriate) claims; (iii) revising referral mechanisms, to ensure that more health care is delivered at the primary care level (with hospitals reserved for the most complex cases); (iv) encouraging the formation of group practices in urban and semi-urban areas and practice networks in rural areas, to optimize efficiencies (particularly of administrative functions); and (v) developing the use of telemedicine and other digital technologies across both urban and rural areas, to improve patient access to high-quality care. Progress on these reforms was, however, stalled by the COVID-19 pandemic.

Overview of the social protection sector

In 2018 Georgia spent around 6 percent of GDP on social protection, remaining below what most countries in Europe and Central Asia are spending (Figure 15). The relatively low spending levels are mainly driven by modest spending on pensions relative to other countries. Social assistance spending is in line with ECA averages, but spending on unemployment and labor market programs is extremely limited. It should be noted that social protection spending jumped to almost 10 percent of GDP in 2020 because of the COVID-19 pandemic. Programs were expanded, and some new ones were created (see below), but it is still unclear how much of the higher spending will remain in the medium to long-term. As this report focuses to a large extent on structural, medium to long-term factors affecting the quality of delivery we shall, therefore, base most of the analysis on pre-pandemic spending levels.

Georgia's social protection system is fairly comprehensive, although spending remains heavily tilted towards pensions and social

Figure 15: Social protection spending remains below the ECA average



Source: World Bank SPEED (Social Protection Expenditure and Evaluation Database).

assistance, and the system lacks an unemployment insurance scheme (Figure 16). In recent years the government has embarked on significant social protection reforms. Among other measures, the government introduced the Targeted Social Assistance (TSA) Program in 2006 and targeted child allowances in 2015. More recently there has been a new indexation of the universal basic pension, a contributory pension scheme in 2019, and in 2020 the creation of an agency specifically devoted to employment services. Most government expenditure on social protection at central level remains, however, concentrated on social assistance and non-contributory pensions, with little spending on active labor market programs and social care services, and little social insurance other than the contributory pension system first rolled out in 2019. Moreover, the social insurance component of the social protection system lacks unemployment insurance.

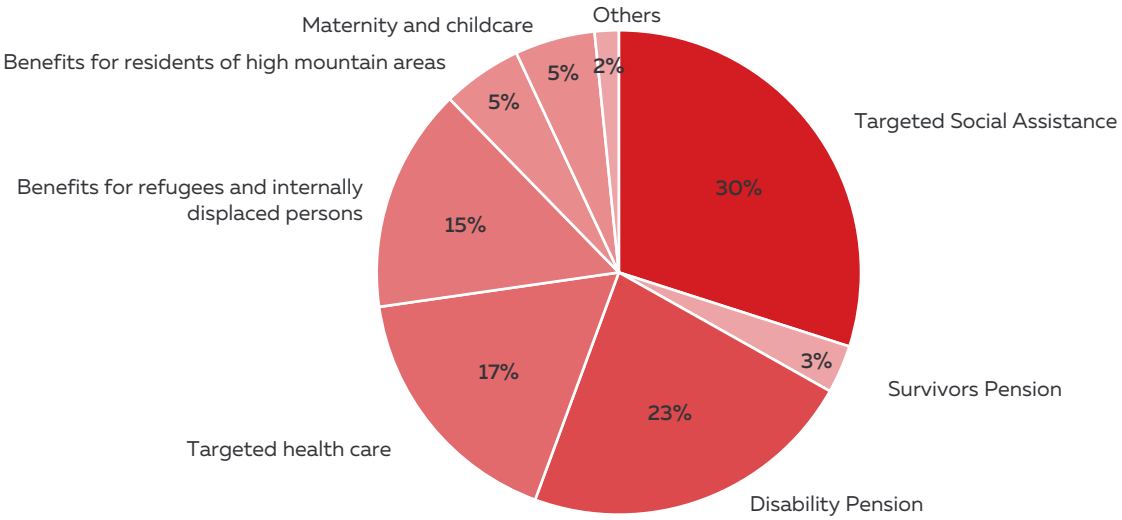
Active labor market programs in Georgia are the responsibility of the newly established State Employment Support Agency (SESA). SESA has been operational since 2020, but currently has rather limited geographical outreach and is still in a nascent stage of development of human resources and programs. In 2020 SESA's activities were almost completely redirected towards administration of COVID-19 emergency measures for the newly unemployed and the self-employed: of the planned GEL 2,790,000 allocated to active labor market programs (ALMPs) in the 2020 budget, only GEL 448,600 was actually spent for these purposes. In addition to SESA programs, municipalities also offer their own training and employment programs.

Social assistance comprises a variety of programs. Poverty targeted programs include the TSA (the country's flagship social assistance program), child benefits introduced in 2015, health exemptions and a multitude of social benefits administered at local level (including health exemptions, exemptions from tuition fees, housing benefits, and energy and transportation subsidies). Categorial social benefits include the internally displaced person allowance (benefit for those from the occupied territories with internally displaced status), social rehabilitation for persons with disabilities, benefits and services for war veterans, and benefits and services for the protection of vulnerable children. The social assistance targeting system is used to target the TSA, the basic health care package for the poor under the UHC Program,

Figure 16: Structure of the centrally administered social protection system in Georgia

Labor market programs	Social assistance benefits and services	Social care services	Pensions and social insurance
· Job matching - Worknet portal, job fairs, government job openings, private portals · On the job programs · Soft skills training · Vocational training · Wage subsidies	· TSA, including child benefit introduced in 2015 · Benefits for the protection of vulnerable children · Locally administered benefits (such as health exemptions, exemptions from tuition fees, housing benefits, and energy and transportation subsidies) · Benefits or exemptions for mountainous areas · Benefits and services for internally displaced persons from occupied territories · Health care coverage for the poor · Disability benefits · Survivors' pensions (children only) · Work injury benefits · War veteran pensions	· Social rehabilitation for persons with disabilities · Housing services and benefits · Services for the protection of vulnerable	· Universal old-age social pension (women 60 years and older and men 65 years and older) · Contributory retirement pension introduced in 2019 · Maternity benefits · No unemployment insurance

Figure 17: The TSA is the largest social assistance program



Note: Central government spending only.

and a variety of municipal programs. Total social assistance spending by the central government in 2018 amounted to approximately 2 percent of GDP: the TSA was the largest program and accounted for 30 percent of social assistance spending (Figure 17).

Several government agencies provide some forms of social care services, including those from MoHILSA, the MoES, the Ministry of Justice, and the Ministry of Corrections and Probations (in charge of penitentiary institutions). The social services administered at central level include housing support for vulnerable groups, support for the elderly and foster children, rehabilitation programs for former inmates, and services and reimbursement for services for people with disabilities. In addition, municipalities also provide a variety of services. The government is also working to deinstitutionalize services for children and persons with disabilities, moving towards a community-and family-based approach, although low overall spending levels in social care services are affecting the reform.

A universal state pension is the only current pension benefit for retired people. The introduction of a contributory funded pension in 2019 did not change this situation, and the new system will not be able to generate regular benefits any time soon. The universal pension is funded from the State budget. In 2018, Georgia spent 3.6 percent of its GDP on its universal pension system. While this expenditure is far lower than what other countries in Europe and Central Asia spend on pensions, it is comparable to what other countries spend from the budget to cover the deficit in their contributory systems. Eligibility is attained at age 60 for women and age 65 for men. In 2020 there were 772,000 pensioners: this number is expected to grow by 149,000 over the next thirty years due to increasing life expectancy.

Municipalities also implement several social protection programs. Some gaps in the centrally administered social protection programs are filled by the local authorities, which spend about 14 percent of their budgets on social protection and health care programs (UNICEF 2017). This is because of the historically decentralized nature of the Georgian state, and the presence of remote areas in the Caucasus. Decentralization enables local levels of government to adapt their programs to the preferences and needs of local communities, but also leads to financing and delivery challenges, especially for the poorer municipalities. The 2019-2025 Decentralization Strategy is also intended to delegate social service provision for children and other vulnerable groups to the local authorities.

4. Maintaining the reform momentum to deliver better and more equitable services

Substantial reforms were initiated in the human development sectors in the early 2000s. At the beginning of the millennium the government enacted several important reforms in the human development sectors. In the education sector, Georgia introduced a competency-based, student-centered National Curriculum; centralized university entry examinations to eliminate corruption; established schools as semi-independent legal entities of public law; introduced a per-capita funding formula; and established semi-autonomous institutions to enhance the quality of education.[4] It also implemented large-scale state-funded programs, such as free textbooks and transportation services for all public school students, promotion of inclusive education, school-based development opportunities and professional support for teachers. In the health sector, the introduction of UHC in 2013 provided a benefit package covering 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. And in the social protection sector, Georgia now provides a variety of benefits, including a universal old-age social pension; the TSA; benefits and services for internally displaced persons from the occupied territories; social rehabilitation for persons with disabilities; benefits and services for war veterans; and benefits and services for the protection of vulnerable children.

It will be important to maintain the momentum of reform, which has slowed in recent years. Many recent reforms, while often designed according to international best practice, have been slowed by implementation challenges and, more recently, by the ongoing COVID-19 pandemic.

In what follows we identify challenges to the delivery of human development services (education, health, and social protection) in three dimensions: quality and effectiveness; equity; and the level efficiency and sustainability of spending. Under **quality and effectiveness**, we investigate the extent to which human development systems can deliver quality services to boost human capital and identify delivery challenges that may prevent effective delivery and lead to gaps in human capital. Under **equity** we describe the extent to which service delivery is inequitably distributed across the territory and the population, and fails to address the needs of specific groups, including ethnic minorities, special needs students and the poor and vulnerable population. Finally, under the **level, efficiency, and sustainability of spending** we look at the extent to which delivery challenges may stem from low spending levels; whether it could be possible to improve the quality of delivery given the current spending levels; and the extent to which how selected programs are designed may lead to unsustainable spending levels in the medium to long term.

Improving the quality and effectiveness of delivery

Implementation challenges are affecting Georgia's ability to deliver quality human development services. Lack of capacity at the local level, overworked or poorly qualified staff, and poor-quality control mechanisms are all affecting the ability of social sectors to deliver quality services. We review the main constraints below.

Education

The quality of early childhood education (ECE) is hampered by insufficient numbers of classrooms, pedagogical approaches that are not child-centered, poorly prepared teachers and the lack of support and career paths for

[4] NCEQE, TPDC, NAEC, EMIS.

teachers (UNICEF 2018b). While Georgia has made a significant step forward by approving education standards for ECE in 2017 that define the desirable cognitive and emotional targets for child development and adopted a new Law on Preschool Education in 2018, implementation of the new approach has been lagging due to various factors, including the limited capacity of local governments and limited qualifications of ECE staff. Before 2016, pre-primary institutions only provided child-care services – and thus employed a workforce that may not have the necessary pedagogical qualifications. Data gathered from 57 municipalities find that 44 percent of ECE teachers/care givers are unqualified, and that 50 percent of managers lack either pre-service or in-service training on ECE and mentoring (UNICEF 2018a). Many municipalities also provide limited continuous education and support to teachers due to budgetary restrictions and a lack of training providers.

Poorly prepared teachers and lack of teachers' support are also affecting the quality of general education. Quality teaching is critical to the holistic development of students. However, weak governance, poorly qualified teachers, underdeveloped teacher career paths and systems for principals' deployment and professional development, as well as insufficient funding of the general education system, are undermining quality. Georgia recognized the importance of teacher quality and appraisal systems during the early stage of education reforms. However, due to the lack of financing and strong political will, proper incentive mechanisms and support, historically there has been much opposition to certification policies and few teachers have been willing to participate. Moreover, due to low qualifications, only 27 percent of all active teachers passed certification examinations in their subject areas and professional skills between 2010 and 2014. As a result, nearly 60 percent of teachers were still uncertified by 2018. Additional certification training and examinations have been organized since 2019 for "practitioner" (uncertified) teachers to obtain the status of "senior" (certified) teachers. Practitioner teachers above 60 years (female) or 65 years (male) were also offered severance packages.

Poor individualized teacher support and a monolithic teachers' professional development system are hindering the implementation of the new curricular reforms. Eighty-one percent of teachers in Georgia are instructed on subject content, pedagogy and classroom practice – a share that is close to the average of countries participating in the Teaching and Learning International Survey (79 percent; OECD, 2019). Nevertheless, teachers in rural settings have received insufficient support to implement student-centered curricula since their early adoption in 2005. The monolithic, centralized professional development system also fails to meet individual teachers' professional needs and – without proper school-based professional support – teachers find it almost impossible to transfer the knowledge gained through the training into the classroom environment. Georgia introduced the first ever online professional development opportunity for STEM teachers between 2016 and 2019, and an electronic platform was established in 2019/20 that has widely been recognized as a major step forward. Nevertheless, in order to further develop and sustain both initiatives, content development needs constant and high-quality support.

The selection and recruitment process for school principals does not build on candidates' strengths in instructional leadership. Poorly qualified principals are affecting the quality of teaching. Effective school leadership has significant effects on student learning outcomes (Bloom et al. 2015), and in most OECD countries school leaders have higher educational attainment than teachers; they also undergo dedicated training. In Georgia, however, only 28 percent of school leaders have completed a program or course in school administration or training for principals (against an OECD average of 54 percent), and at least a third have not yet completed an instructional leadership training program or course (OECD 2019a); moreover, many school principals lack prior teaching experience. The government revised the principals' standards in 2020 to place greater emphasis on supporting a student-centered learning environment; however, because of the pandemic and scarce resources the new standards have not yet been implemented.

Although Georgia has made progress in harmonizing the VET framework to EU standards, access to, quality of and relevance of VET remain a challenge. Georgia began reforming the VET system in 2014. Although a new legislative framework has enabled greater collaboration with the private sector, interactions are still limited because of low interest from the private sector and lack of funding and capacity to manage the coordination. The quality and relevance of the VET programs therefore remains fragile: employment among VET graduates of 2018 is only 63 percent, and declines to 50 percent for 2019 VET graduates, although the COVID-19 pandemic may be responsible for some of the low employment rate. The private sector needs to be incentivized to offer opportunities for on-the-job training and participation in the decision-making process. Taking into account rapid technological changes and the importance of acquiring transversal skills, VET education in Georgia also needs to be delivered in a more flexible, efficient and modernized way, enabling the sharing of resources across programs and schools and using ICT in teaching and learning.

The quality of VET is also hindered by non-systematic recruitment and management of teachers and inability to monitor their performance. The continuous professional development of a vocational education teacher is directly linked to improving vocational education and promoting recognition of the vocational education teaching profession. Attracting and retaining teachers in the field of vocational education is a vital and attractive element of career development. It is critical that VET teachers are provided with opportunities to improve their professional skills and knowledge in close collaboration with the private sector.

In higher education, limited attention to quality is producing graduates who may not be able to meet labor market needs. Labor market studies point towards a skills mismatch resulting in a high unemployment rate among Georgian youth, particularly higher education graduates. The skills mismatch has partly been explained by the poor quality and relevance of vocational and higher education programs, though studies also point towards an oversupply of higher education graduates (Kriechel and Vetter 2019; MoESD 2018).

Improved quality assurance mechanisms and funding formulas could boost the quality of higher education. The introduction of authorization and accreditation mechanisms has helped to improve the quality of higher education institutions: the authorization and accreditation requirements for private institutions in 2010, for instance, led to the closure of more than 100 private institutions (Bochorishvili and Peranidze 2020). Nevertheless, until recently authorization and accreditation requirements focused on inputs, not on outputs such as learning outcomes, employability or research outputs. This has now changed with a new quality assurance framework, which follows European standards. Introducing performance elements into the higher education financing system and institutional research could further support national strategic priorities, such as (early) graduation, labor market orientation, resource diversification, internationalization, research performance and flexibilization.

Health

In spite of universal health coverage, out-of-pocket health expenditures remain high, mostly because of lack of dental care coverage and limited coverage of outpatient medicines. UHC Program benefits are subject to a complicated system of user charges, with co-payments varying based on the type of health service and beneficiary category. For planned inpatient services, most co-payments are in the form of percentage co-payments, where the user pays a share of the UHC Program maximum tariff, while if the price of the service exceeds the maximum tariff the patient pays the difference. Although people living below the poverty line and veterans are exempt from co-payments for most health services, they are not exempt from paying the difference, and there is no cap on how much people must pay. As a result of limited coverage of outpatient medicines, weaknesses in the design of co-payment policy and providers being allowed to bill patients for the balance, even poor households and people with chronic conditions are exposed to high out-of-pocket payments when using publicly financed health services.

Integration and accountability issues lead to excessive reliance on hospital care services. Rural doctors are poorly coordinating with other providers and work without supervision or feedback. Urban family doctors are mainly accountable to their organizations, and they do not usually manage people with high-risk diseases. Doctors are incentivized to push high-risk patients or those with multiple chronic conditions towards hospital care, and hospitals are incentivized to pull patients towards inpatient care. As a result, specialists reportedly treat many cases that family doctors could manage. The scope of services that family doctors and narrow specialists should deliver have not been defined, and there is no mechanism for assessing the appropriateness of referral to specialists (WHO 2018).

There is also lack of trust in primary care providers and the quality of care they provide, although to best meet the needs of the population most care should be provided at primary level (Richardson and Berdzuli 2017). There is no comprehensive health literacy program to build trust in PHC. Low health literacy is a primary contributing factor to health disparities, and patients with low health literacy understand less about their medical conditions and treatments and report worse health status overall (Sumer, Shear, and Yener 2019). Lack of trust in primary care also increases out-of-pocket payments as people self-treat or bypass referral systems to visit specialists directly (Goginashvili, Nadareishvili, and Habicht 2021).

Prices of health care services are not tightly regulated and mechanisms to control service volume are missing. When combined with activity-based payment for hospitals, this encourages over-treatment and the use of more expensive services: this both increases the burden on publicly funded services and shifts costs on to households. There are also strong incentives for private service providers to increase revenue by prescribing brand-name medicines and services not covered by the UHC Program.

There are no regulations for the appraisal of service providers' clinical practices. Though medical practice is regulated by national practice guidelines and protocols, the guidelines only set recommended standards of care against which patients' complaints are judged, and there are no regulations to appraise service providers' clinical practice. A notable exception is the instrument for health personnel performance appraisal developed by the Family Medicine Association in 2006; however, this has not been institutionalized in the system because of the absence of a body to assume this responsibility. To cope with the lack of regulations, private medical corporations and service providers have attempted to introduce their own quality appraisal methods in their facilities, with varying results (Chikovani and Sulaberidze 2017).

Georgia lacks a continuous system to report on population health outcomes. MoILHSA is mandated to produce a national health report every year, and a health system performance assessment every two years, but publication has not occurred on a regular basis. Currently, the National Center for Disease Control and Public Health measures population health as part of its population health surveillance, but this reporting is primarily of rates of communicable diseases. The findings of this surveillance are published in an annual health statistics yearbook.

While Georgia has established a comprehensive HMIS, it still uses paper-based reporting. E-health is mainly used to control programs from a financial perspective, and there is limited use of the data for service volume or quality monitoring purposes. While strategy document "Healthy Georgia, Connected to You" was developed in 2011 to provide a holistic view of necessary e-health activities, there is still no approved strategy for digital health. Until recently there has been no dedicated institution to strategically ensure successful operations and development of the Digital Health domain.

Pharmaceutical prices are high compared to neighboring countries and the cost-plus margin for pharmacies significantly exceeds the margins established in EU countries (Richardson and Berdzuli 2017). Prices for medicines are not regulated, apart from the vertical and additional drug benefit programs under

which the NHA buys medicines on a tender basis. Innovative purchasing instruments, such as managed entry agreements or reference pricing are also not used.

High out-of-pocket spending on pharmaceuticals is also linked to the frequent prescription of brand-name medicines by physicians, and the limited availability of low-cost generic medicines in retail pharmacies (World Bank 2017). Locally produced generic pharmaceuticals are not well-trusted by patients or professionals; and overall cost-effectiveness guidelines are not used. Brand name and generic pharmaceuticals that have been accepted by an approved pharmaceutical regulatory body can be registered automatically without any additional quality certificates from the producers. Although simplified registration increases access to cheaper medicines, it has raised concerns about the removal of requirements for traceability and quality standards for importers (Tokhadze 2016).

Social protection

The TSA program has been successful in reducing poverty, though its performance has deteriorated in recent years and implementation issues persist that may reduce its effectiveness. Central government social assistance mostly comprises proxy means-tested social assistance, geographically targeted assistance, disability pensions, assistance for internally displaced persons and refugees, and health care subsidies, and has an estimated 6-percentage-point impact on poverty. Nevertheless, both coverage and implementation issues persist. The TSA program, based on a proxy means test, has successfully reached poor households, though its performance has deteriorated in recent years due to both design and implementation aspects (Honorati, Sormani, and Carraro 2020). Its registration, eligibility verification and payment procedures are lengthy, and the targeting is not sufficiently adaptive to changes in the income of registrants. The application process, for instance, has to be initiated by an in-person visit from the household to the nearest Social Service Agency (SSA) office (of which there are 69 in the country), and requires three meetings of social agents and beneficiaries to submit a large amount of information, even when this could be retrieved directly by the SSA through the Civil Registry, as is the case for example with birth certificates. Moreover, while efforts have been made to ensure that TSA does not provide disincentives to work (income disregards have been introduced in 2019 and mandatory registration with Worknet of TSA work-able members in 2017), activation of social assistance beneficiaries needs to be actively encouraged through changes in the incentives structure and by strengthening the quality of employment services provided to those who graduate.

Social care is fragmented across multiple government agencies and various levels of government. The menu of social services administered at central level includes housing support to vulnerable groups, support for the elderly and foster children, rehabilitation programs for former inmates, and services and reimbursement of services for people with disabilities. Functional disability assessments are currently being piloted, based on a person's ability for self-care, movement, orientation, relationships, self-control, studying and carrying out labor activities. While SSA social agents are not social workers, they are a potentially effective point of linkage between households in need and social services though this potential is only exploited concerning referrals for domestic violence cases. Referral protocols are also lacking. Even taking into account the functions of the Agency of State Care and Assistance for the (Statutory) Victims of Human Trafficking under the MoILHSA, social care services outreach is not centrally codified and it is thus not clear what points of access exist for vulnerable people to be redirected to the relevant services. There are needs to strengthen social care services and social workers' training, to coordinate case management under a specific central agency and to strengthen the capacity of SSA social agents to provide referrals to people in need. In the face of evidence of high workload, high turnover and insufficient professional development, a revision of SSA's mandate and its human resources policy would be helpful to improve the SSA's ability to support the outreach of social services.

SESA, the agency responsible for implementing employment and labor programs, faces multiple challenges that may hamper its ability to deliver more and higher quality services, especially for vulnerable jobseekers. In 2020 SESA's activities were almost completely redirected towards administering emergency measures for the newly unemployed and the self-employed: it is thus too early to assess the quality and results of the ALMP programs. A few issues, however, stand out that suggest that SESA may be facing significant implementation challenges. First, given the magnitude of the unemployment challenge, SESA is strongly underfunded; it is also understaffed, and does not fully cover poorer and remote regions. Efforts also need to be made to increase the number of private employers posting vacancies on the SESA website and to automatically retrieve postings of public administration job opportunities, as well as on grants and other types of financial support provided by other ministries. Outreach to employers also needs to be increased: in 2020 only 253 employers took part in SESA's activities (registration on worknet.gov.ge, internships, and wage subsidies). The scope and scale of ALMPs is still very small, the provision is not equally distributed across regions, the design is not aligned with the needs of the population and evidence is scant on the effectiveness of existing employment programs. Programs supporting youth's transition to work are few and small, and there are no active measures, including self-employment support, specifically targeted to vulnerable and poor jobseekers in rural areas. There is also a need to foster the provision of job-relevant skills by upscaling and diversifying vocational training among public providers and to stimulate provision of private training (with a focus on job creating sectors) closely with sectoral employer organizations; this includes a need to upgrade the selection, delivery methods and curricula of short term training and to tailor them to the needs of vulnerable groups.

While the Government of Georgia has made considerable progress in providing better socio-economic integration of internally displaced persons (IDPs), a number of challenges still remain. The categorical IDP allowance often leaves the most vulnerable deprived of the support they really need. Moving from status-based assistance to needs-based social protection for IDPs would, however, require a strong integrated social protection system able to respond to IDPs' vulnerabilities through existing forms of social protection, such as TSA for IDPs in extreme poverty, employment and livelihood support services targeted to the needs of IDPs, housing assistance for IDPs, and health and disability services.

Social insurance needs to be further developed or strengthened. Among other challenges, there is no unemployment insurance scheme, leaving those who are temporarily unemployed at risk of poverty; maternity benefits do not cover the self-employed, a sector where many poor women are active; there is insufficient protection against work-related injuries, which only covers high-risk, heavy, hazardous and dangerous workplaces; and employers bear the whole burden for sickness benefits.

While pension spending is sustainable, adequacy will decline until people will have contributed sufficiently into the new contributory scheme. The universal old age pension provides relatively small benefits, equal to 17 percent of the average wage. Projections suggest that universal pension expenditure will be sustainable over time, but this comes at the cost of gradually decreasing adequacy of benefits, in particular for beneficiaries aged less than 70, whose benefits will likely fall to 6 percent of the average wage by 2050. Contributory pensions are still at their onset and it will be at least one or two decades before they have an effect. They are expected to improve consumption smoothing by enabling workers to accrue benefits as a constant share of their income; nevertheless, adequacy will fall until the contributory system is sufficiently funded.

Putting greater focus on equitable delivery and the needs of vulnerable population groups

Inclusive access to quality health, education, social and employment services is central to the "European State" vision driving Georgia's development strategy. The 20 principles of the European Pillar of Social Rights are the beacon guiding the European Union towards a strong social Europe that is fair, inclusive and full of opportunity (European Union 2021). Georgia shares a similar vision, and seeks to translate that vision into collaborative policies, programs, and actions to ensure quality and inclusive access to human capital services for people living in rural or geographically remote areas, socially vulnerable groups, internally displaced persons, and people with disabilities and migrants, among others. Effective inclusion also requires particular attention to be paid and dedicated programs to be implemented for poor and vulnerable households, who may require more support and greater investment to acquire quality human capital.

Several design and implementation challenges prevent effective delivery of human development services to remote, poor and vulnerable populations. To be sure, delivery of services for remote, poor and vulnerable populations suffers from the same implementation flaws as delivery for the general population; but additional and specific design and implementation issues affect their ability to receive quality services, as reviewed below.

Education

While overall enrollment has substantially increased, Georgia's education system still faces unbalanced representation of the vulnerable population in access to ECE and secondary schooling. There is quite significant variation in access to ECE services at regional level: the attendance rate in Tbilisi, for instance, is 88 percent, compared to 41 percent in Kvemo Kartli, which has a high minority ethnic population; and strong disparities in access are also present across socio-economic groups (Figure 8). Similarly, dropout rates from secondary education also vary significantly across regions and socioeconomic groups.

Differences in quality of and access to ECE services relate to a large extent to the unequal distribution of funding and weak management of early childhood services. While decentralization of ECE provides the flexibility to adapt to the needs of each region, municipalities bear the responsibility for financing ECE services, and coverage and financing varies significantly across the country, directly impacting quality. A quarter of Georgian children still lack access to kindergarten, with coverage gaps larger for poor and vulnerable households, posing challenges both to children's development, and to women's ability to participate in the labor market. Capacity and financing constraints across municipalities also affect the quality of service delivery across the country. For instance, while the full-time salary of a preschool teacher can reach GEL 660 ($200), in some municipalities it may only be GEL 130 ($40); and there is also a large variance in access to educational and developmental resources (toys, children's books, stationery and art supplies) across Georgia. No extra funding is provided to ECD institutions to identify developmental or special needs and provide personalized services to children.

Lack of central monitoring and unified standards also affect the quality of ECE across municipalities. While the central government maintains responsibility for monitoring, it has been difficult to enforce quality standards across the territory: monitoring is fragmented, mostly within the context of various projects and stakeholder initiatives (UNICEF 2018b). The absence of infrastructure standards also hinders the development of modern, child-friendly kindergartens. Overall, ECE services suffer from several flaws, including lack of accountability mechanisms at the municipal level; limited municipal budgets, which are not supplemented from the central budget; poor coordination among line ministries and local governments; lack of competences at local level; and, in many municipalities, poor quality infrastructure.

Weak monitoring procedures make it impossible to track individual children's learning pathways throughout ECE, general education and

beyond. Early tracking of learning gaps would help to identify children at risk of underperforming or dropping out, paving the way for interventions to keep children in schools and improve their learning. During 2020/21 MoES initiated a new program to track children left out of general education; nevertheless, this is still at pilot level, and the program only tracks quantitative data on participation in ECE and general education. The absence of early assessments makes it impossible to provide personalized support to children across the system.

The varying quality of school boards and Education Resource Centers (ERC) at local level substantially affects the quality and effectiveness of the schools. During 2005/06 public schools were re-established as semi-autonomous legal entities of public law, with school principals elected by and accountable to the school board (though many are currently serving as "acting principals" and appointed by MoES). In addition, ERCs have been created in every municipality, under the supervision of MoES, to assist and sustain implementation of reforms at local level. Unfortunately, these initiatives and reforms have not resulted in stronger, more transparent, and more democratic governance of schools. School boards and ERCs remain weak and formal, dealing mostly with formal approval of documents and exchanging information between the school and the ministry. To some extent, the ERCs have also become a political instrument: although officially school principals are elected by school boards based on qualifications, in some cases ERCs recommend candidates without taking into account their qualifications. Attracting professionals into school management is also hindered by delays to the certification process for candidates willing to become school principals.

Access to higher education also differs substantially across territories and socioeconomic groups. Tertiary education enrollment is higher for students from the capital/urban areas and for students from advantaged socio-economic backgrounds. Enrolment is nearly eight times lower from the poorest quintile of students than from the wealthiest quintile; and ethnic Azerbaijanis are three times less likely to enroll in higher than ethnic Georgians (World Bank 2014). Several factors are behind these differences, but two stand out. First the Unified National Exams – while improving the quality of the students at entry – may limit access from students who did not have the opportunity to receive quality general education or resort to quality private tutoring, which is widespread in Georgia at this level of education. Second is the high cost of higher education for households: given the low public funding available for higher education, universities rely heavily on students' fees while providing very limited scholarships and loans opportunities, making higher education unaffordable for many students from disadvantaged socioeconomic backgrounds (World Bank 2018a; Bochorishvili and Peranidze 2020). On average, 75 percent of applicants are admitted to higher education institutions and slightly more than 35 percent benefit from state funding to some extent (state grants are distributed among admitted students based on merit and socioeconomic status).

Health

Quality of care varies substantially across the territory and socioeconomic groups, and this affects children's health outcomes. While health outcomes for children under five have significantly improved with major reductions in mortality, Georgia still has a sizable number of left-behind children, mainly from socio-economically deprived households and from rural areas.

Despite the positive developments at earlier stages of UHC Program implementation, a sizable share of households continue to face catastrophic spending on health. Since 2015, household spending on health has been growing steadily and in 2017 it returned to almost pre-UHC Program levels, mainly due to price increases for medicines. The prevalence of catastrophic health expenditure in this period increased from 29.8 percent to 34.2 percent in 2017 (UNICEF 2017). The proportion of households financially challenged with drug purchases increased from 17.5 percent in 2009 to 27.8 percent in 2017. An additional 6.6 percent of Georgian households were estimated to be poor because of out-of-pocket payments for health, slightly higher than the 2010 figure (6 percent). This implies that the risk of impoverishment due to out-of-pocket payments has

remained substantial following the introduction of the UHC Program (World Bank 2017).

Vulnerable socio-economic groups have been more affected by increased household spending on health. Annual spending levels in current GEL surpassed pre-UHC Program levels by almost 66 percent for the four lower quintile groups, but for the richest, it only increased by 6 percent compared to 2011. It appears, therefore, that the UHC Program has afforded greater financial benefits to the better off rather than equally protecting all households from the financial hardships caused by ill-health.

While the burden of disease is significant among the elderly, the government only pays for curative services, with no long-term care being offered. State-funded long-term care services are not envisaged in the government program, despite the high number of individuals in need of daily care (JAM News 2020). Therefore, most of them are cared for by family members, imposing a heavy financial and economic toll on the households.

Social Protection

The high degree of decentralization in the administration of some social assistance benefits generates large disparities across municipalities, with poorer municipalities facing capacity constraints and spending less on social assistance. Municipalities spend about 14 percent of their budgets on social protection and health care programs. Decentralization of spending enables local levels of government to adapt their programs to the preferences and needs of local communities. It generates, however, sizeable disparities in the generosity and extension of coverage of social assistance measures, due to differences in the budgets that municipalities are able to allocate to social protection – with poorer municipalities facing higher poverty rates less able to support their poor and vulnerable populations. Different municipalities also have different eligibility rules for similar types of benefits and services, accentuating disparities across the territory. To cope with these disparities some central programs, such as those targeting high mountainous settlements or internally displaced persons, are specifically designed to cover poorer regions, but they do not fully compensate for the disparities generated by municipal programs. Moreover, lack of service standards and monitoring by the central agencies, lack of qualified personnel at local levels, and coordination challenges are also affecting delivery.

SESA employment programs tend to cover the most affluent regions. The COVID-19 crisis shifted human and financial resources away from active labor market programs exactly at the time when SESA began operating. Even before COVID-19, however, the activities planned by SESA were small in scale, due to insufficient human and financial resources despite a broad mandate covering vocational training, socio-emotional skills training, on the job training, wage subsidies, and job matching services. The geographical outreach of SESA is also rather limited, with 12 centers covering Tbilisi, the Adjara Autonomous Region and seven of nine regions of Georgia, as opposed to the 69 SSA centers that delivered employment services until 2019. Moreover, the SESA centers are currently concentrated in the most well-off and economically active areas of the country.

While well-targeted, the adequacy of social assistance benefits remains relatively low and TSA coverage of the poor and vulnerable population is far from universal. Average social assistance spending per beneficiary per annum amounted to GEL 572 in 2018, roughly less than a quarter of the subsistence minimum. A compounding cause for concern is also that TSA beneficiaries are expected to consume 65 percent of the subsistence minimum at most, by the very construction of the TSA score. Moreover, while the TSA is well targeted and minimizes inclusion errors, it excludes one in four people in the bottom decile (overall it covered 13 percent of all households in October 2020).

Georgia is currently reforming disability benefits and social care services for persons with disabilities. A new version of the Law on the Rights of Persons with Disabilities, approved by parliament in July 2020, stipulates the obligation from 2023 to base disability assessments on bio-psycho-social models (instead of medical models). Pilots of the disability evaluation have been implemented in Adjara,

Samske-Javakheti and Tbilissi. However, the detailed implementation plan for this important reform is still being drafted. Furthermore, assessments related to different options of benefit packages, procedures, scope of services and so on are still under preparation.

Increasing spending levels and making spending more efficient

The government's programs oriented towards human capital (comprising education, health and social protection) command the largest share of government expenditures. In the 2021 budget, the three human capital sectors together accounted for about GEL 7.3 billion (US$2.3 billion equivalent) out of a total budget of GEL 18.4 billion (nearly US$6 billion equivalent).

Nevertheless, spending levels remain low by international standards, and there is room for improving use of existing resources. In some social areas – such as ECE or employment programs – low spending levels make it difficult to achieve higher impacts. But overall improvements in the governance of each sector, as well as better-quality control mechanisms could also improve use of existing resources.

Education

Compared to countries with similar per-capita incomes and relative to the shortage of human capital, government spending on education is low. Government expenditure on education has increased substantially as a percentage of GDP in the last decade, from 2.8 percent in 2006 to 3.6 percent in 2019, and in 2020 Georgia spent 14 percent of GDP per capita on each student. Spending remains however far behind countries with similar economic development and well below Western European countries, where spending is often above 5 percent of GDP. Spending constraints make it challenging to deliver quality education. Most of the spending goes to salaries (up to 70 percent for general education), leaving little room for providing student, teacher and school support, proper monitoring, quality infrastructure and teaching materials.

Low spending also limits the remuneration of teachers and principals, affecting the government's ability to recruit qualified staff, and staff ability to fully dedicate themselves to teaching. The low salaries of teachers, as well as the absence of full-time teaching hours, have historically discouraged high-quality school graduates from applying to teaching preparation programs; therefore most of the admitted applicants score poorly at the National Entrance Examination tests. Moreover, remuneration policies do not provide incentives to teachers to spend extra time in schools for their own professional development or students' learning: only 45 percent of teachers are employed full-time, compared to 77 percent in the Organisation for Economic Co-operation and Development (OECD) countries (OECD 2019a). Rather, many seem to engage in private tutoring: 89 percent of private tutors in Georgia are school teachers, and roughly half of all teachers offer private-tutoring services (OECD 2019a). Similarly, the low salaries of principals are also affecting the quality of school management. The minimum monthly wage of a principal is GEL 480 ($150) and the maximum is GEL 2,500 ($780), which can however only be given to principals who run schools with more than 1,801 pupils. For most principals, remuneration therefore remains lower than average monthly nominal earnings in Georgia, which amount to GEL 1,256 ($390). To supplement their low salaries, principals engage in additional educational activities – as teachers, trainers and private tutors – and are unable to devote considerable time and energy to create a school climate conducive to quality learning.

Ongoing reforms are addressing some of the shortfalls in current remuneration policies, and it will be important to keep the momentum. In May 2019 MoES announced a phased teacher pay increase for certified teachers, up from the current GEL 800 to GEL 1,800 by 2023, as well as monetary incentives for uncertified teachers already receiving a pension to retire. As a result, up to 70 percent of uncertified pension-age teachers left schools, with nearly 50 percent of vacant teaching positions being distributed to certified teachers and given to more than 4,000 newly recruited young teachers. Similarly, principals' standards

were revised and adopted in February 2020, giving more emphasis to their role in creating a student-centered environment and a learning-prone school climate, and ensuring coherence in teaching and learning. Nevertheless, due to the pandemic and upcoming elections implementation has been stalled and the certification process rescheduled.

It is also critical to create further teacher career advancement paths focusing on: (i) providing high-quality professional development based on the individual needs of teachers, school-based professional development support, and diversification of teacher training; (ii) offering diverse career growth opportunities and tracks based on demonstrated evidence of teaching practice (as opposed to paperwork and collection of credits); and (iii) generating high standards for entry into the profession along with practical support in the initial years (induction and probation).

Although Georgia has made progress in harmonizing its VET framework to EU standards, quality and relevance remain a challenge and participation of the private sector limited. Between 2014 and 2017 the VET system in Georgia switched from a subject-based to a work-based curriculum, and MoES implemented numerous public-private partnership initiatives. However, private sector participation remains challenging and formal, while the private sector needs to be incentivized to offer opportunities for on-the-job training and participate in the decision-making process. Accordingly, the recent partnership initiative of MoES and the Chamber of Commerce and Industry to establish the Skills Agency may provide an opportunity to engage the private sector in teacher recruitment, professional development, student assessments and building the institutional capacity of VET colleges. The new Teacher Management and Development System for VET teachers also sets clear expectations for teacher performance through the introduction of VET teacher professional standards to guide teachers' daily work and align necessary resources to ensure that teachers can constantly improve instructional practice. Given the rapid technological changes and the importance of acquiring transversal skills, VET education in Georgia also needs to be delivered in a more flexible, efficient and modernized way, enabling the sharing of resources across programs and schools and using ICT in teaching and learning.

Weak or absent quality control mechanisms at all levels are affecting the quality of learning and the efficiency of spending. Evidence-based quality control mechanisms (such as regular student assessments) are missing, although they are essential to ensure quality teaching across institutions and the territory. Effective quality control requires proper and regular monitoring of institutions' performance, but also support mechanisms to help institutions to address the challenges they are facing, and, ultimately, effective legislation that enable action when institutions keep underperforming. While recent initiatives have improved quality control mechanisms, much remains to be done. In early childhood and general education, monitoring and data collection is sporadic and does not enable tracking of the individual children's learning path through preschool to general education and beyond (although a new program has just begun to track children left out of general education); teacher performance evaluation needs to be linked to classroom practice and student outcomes; school authorization standards are based on inputs, as opposed to evaluating quality; and enforcement of quality assurance mechanisms for public schools has been postponed several times since its official adoption, due to high political sensitivity and the absence of the levels of funding needed for schools to meet the quality standards.

Diversified and clustered school management in general education could increase the efficiency of use of limited resources. Georgia has many small schools and low student-teacher ratios, especially in rural areas, with 65 percent of all schools enrolling less than 25 percent of the country's students. This disparity in school sizes means that the ratio of students to teachers also varies greatly throughout the country. By 2018, Georgia had an average 9:1 student-to-teacher ratio at national level, whereas for rural settings it was nearly 5:1. In addition to inefficient – and expensive – use of teachers,

the ineffective distribution of school building space (most of which would require substantial refurbishment) necessitates overspending on infrastructure. While school consolidation is extremely sensitive from a political perspective, differentiated approaches to school management could be an opportunity for more effective use of existing infrastructure, especially in rural settings, by expanding access to ECE programs, creating informal education centers, and introducing VET and other skill acceleration programs for vulnerable communities. However, the lack of school mapping policies makes it impossible to plan efficiently for school infrastructure development.

The higher education sector suffers from similar flaws – low and inefficient spending, absence of solid monitoring and quality control mechanisms, and the small size of many private institutions. Georgia spends 1 percent of GDP on higher education and 0.6 percent on research and development, lower than in most peer and Western European countries (World Bank 2018a). In addition, implementation of quality assurance mechanisms needs to be strengthened; and many institutions – in particular private ones – remain small in size: 63 percent of private higher education institutions have less than 1,000 students (Bochorishvili and Peranidze 2020).

Health

Despite the introduction of the UHC Program, government spending on health remains low. In 2018, Georgia spent 2.8 percent of its GDP on public spending on health. This is lower than both the regional average (4.9 percent) and the average for its income group of upper middle-income countries (4 percent). While Georgia's government health expenditure as a proportion of general government expenditure is the highest in the South Caucasus region, it is significantly below the levels of comparator countries and the European Union.

Since the introduction of the UHC Program, its budget has more than doubled from GEL 338 million in 2014 to GEL 754 million in 2019, and that year it accounted for 70 percent of all state health care expenditure. Elective inpatient services and emergency services comprises a major part of the UHC Program budget, while outpatient services have limited coverage. The remaining 30 percent of the state health care budget was allocated to vertical health care programs. For 2021, however, the share of total state health care expenditure spent on the UHC Program was due to fall to 50 percent due to the increased cost of vertical programs, which since 2020 have included expenditure on managing and treating patients with COVID-19 (GHG 2021).

In the state-funded benefits package, most funds are spent on costly inpatient services while primary care services remain underfunded. Of 53 European countries, Georgia spends on PHC the least as a share of public spending on health – 12 percent (WHO 2021a); on the other hand the hospital bed utilization rate, at 49 percent, is also low (WHO Health for All Database). Despite growing incidence of NCDs, the country spends only 2 percent of total health expenditure in 2018 on preventive care, revealing a misalignment between the population's health needs and spending priorities (Sulaberidze and Gotsadze 2019).

The oligopolistic behavior of private hospitals and the pharmaceutical sector increase prices and "client capture" through contracts with the NHA. The high bed capacity in private hospitals, together with low occupancy rates, has resulted in high administrative costs. Complex payment systems for hospitals also create opportunities for these institutions to charge higher prices, and the underuse of generic drugs and overpricing of pharmaceuticals make retail prices in Georgia among the highest in Europe. The government's agenda includes re-regulating the pharmaceuticals market by controlling prices and implementing strict prescription of pharmaceuticals but this has not yet been implemented.

Human resource management in the health sector is also inefficient. The health care system is characterized by an excess of doctors, a lack of nurses and uneven geographical distribution of the health care workforce. While the number of professionally active physicians per 100,000 population doubled from 2006 to 2019, the

number of professionally active nurses remained almost the same. (NCDC, 2020, Health Care Statistical Yearbook 2019). In 2019, Georgia had one of the lowest "nurses to doctors" ratios in the whole WHO European region - 0.62 nurses for every doctor. A further issue is regional disparities, with three times as many doctors in Tbilisi as in other regions (WHO 2017).

Social protection

Transferring more resources to targeted social assistance and social care services, improving coordination across programs by making better use of the Social Registry and improving case management practices could improve program coordination and the allocation of benefits to the neediest population. The Social Registry – covering 30 percent of the population – serves as a gateway for households to apply to multiple programs managed by both the central administration (Targeted Social Assistance, and Medical Insurance Program for the Poor) and by municipalities (local benefits targeted to poor and vulnerable households including exemptions from tuition fees, free meals and energy bill discounts). Nevertheless, it does not automatically update important information about beneficiaries; and it is also not connected with local information systems, which makes it difficult to form a comprehensive picture of who receives what benefit, and to identify possible exclusion gaps and overlaps. For instance, there is little coordination between TSA and internally displaced person programs, generating potential duplications. Transferring more resources to social assistance and social care services, boosting the Social Registry's coverage, automatizing updating of information, allowing trained social workers to see a full list of program beneficiaries who are or could be enrolled, and developing effective case management and referral protocols would enable better use of existing resources by avoiding overlaps, identifying exclusion errors and ensuring that support is tailored to beneficiaries' needs. The Proxy Means Test (PMT) and Needs Index used to determine eligibility for the TSA and other poverty-targeted benefits are also currently being updated to improve capacity to identify the poor and to respond to income volatility and sudden changes in verifiable expenditures.

Part of the challenge is the low wages and excess workload faced by social agents and social workers. Relatively low wages and the excessive workload faced by social agents and social workers affect their morale and ability to dedicate enough time and attention to households in need. It also generates high turnover and may affect the ability to hire staff with solid qualifications. At the SSA, for instance, the average number of social agents over a year is about 338. Each of them oversees the completion of comprehensive declaration forms for applicant households and recertification of existing TSA households. A back-of-the-envelope calculation suggests that no less than 20,000 cases are open at a given time and 6,800 new cases are opened every month. This implies that each social agent needs to assess about 20 new cases each month, implying that 20 to 60 household visits should be run each month. Their remuneration is also not adequate to attract, retain and engage a pool of highly motivated social agents with adequate technical and socio-emotional skills. Pay is GEL 6 per unit of work, with a fixed top-up of GEL 250 (GEL 550 for senior social agents) at the achievement of the minimum requirement of 60 units of work. And work-related expenses are not fully reimbursed, implying large travel costs (up to half of net earnings according to some reports).

Spending on employment and active labor market programs remains extremely low, and employment support to the poor and vulnerable population is extremely limited. Georgia does not have unemployment insurance, and the state budgetary allocation to ALMPs is extremely low (GEL 2,790,000). As a comparison, several middle-income countries spend around 0.5 percent of GDP on ALMPs, which is also the average spent by OECD countries. Low spending on employment programs and ALMPs affects employment prospects across the population spectrum, but particularly affects the poor and vulnerable population as it prevents support for their integration into the labor market and raising the quality of their employment, thus perpetuating a vicious cycle of poverty and joblessness. Some wealthier municipalities, such as Tbilisi, do invest in ALMPs, but overall this is not sufficient given the significant needs for better employment.

Boosting cross-sectoral collaboration

Working effectively across sectors and levels of government is essential for supporting the poor and vulnerable population to acquire quality human capital. The challenges faced by many poor and vulnerable households tend to cumulate and reinforce one another. Poor-quality jobs that may require leaving the household for long hours – or even daily worry about being able to feed the family – affect parents' ability to care for and stimulate young children. And mothers who are subject to regular episodes of domestic violence may lack the necessary physical and emotional resources required to follow up on children who perform poorly in school, and eventually drop out. Effective social policies require an integrated approach that spans across sectors, with workers in the social sectors (health professionals, teachers, and social workers) working together to identify vulnerabilities, and providing comprehensive support to households in need (Camacho et al. 2014). This, in turns, requires providing workers with the tools needed for them to work together, such as social registries, cross-sectoral protocols, proper training and clear institutional arrangements that favor coordination.

Georgia still needs to build and reinforce the elements that allow effective cross-sectoral collaboration. While there are clear division of responsibilities on paper between the central and local governments on social policy implementation, the supporting role of the central government remains limited. Similarly, while many programs – even at local level – do make use of the Social Registry to assess eligibility, the registry is not used to build a comprehensive list of support received by households, nor to allow social agents to explore all programs that households may be eligible to. Cross-sectoral referral protocols are almost inexistent (except for domestic violence), and social workers and social agents have not been trained to work with health sector and education professionals to identify as early as possible sources of vulnerabilities and children's' developmental gaps and provide tailored support. Finally, at the ministerial level there are not yet clear institutional arrangements that clearly spell out the roles and responsibilities of each sector in coordinating and implementing cross-sectoral activities.

It will be important to maintain the reform momentum built around early childhood development. As very few services are available to identify and serve young children at high risk of developmental delays, malnutrition, disabilities, chronic illnesses, and atypical behaviors, civil society organizations have worked with the government to develop and expand early childhood intervention (ECI) services in Georgia for children from birth to seven years of age, with specific focus on the birth to three years old age group. The government has strengthened and institutionalized these efforts through policies such as the Early Childhood Intervention State Action Plan (2018-2020). Coordination around early childhood development appears to be well established, with an interagency group on early childhood development as well as a coalition of early intervention service providers (WHO 2020). While recent policy changes indicate commitment to improving outreach on, access to and quality of ECI service provision, there is still a shortage of workers in services supporting children under three years of age with developmental delays and disabilities.

Addressing gender disparities in education and labor markets will also require a multi-sectoral approach. Actions to promote the acquisition of relevant and highly rewarded skills, as well as to improve the ability of women to transition into labor markets and entrepreneurial activities, should be undertaken as first-order priorities in the economic and gender agendas. These include developing skills among girls that are relevant for the labor market; ending occupational segregation and promoting STEM; providing formal care for children and the elderly; assisting women to transition into labor markets; fighting discrimination in labor markets; widening opportunities for female workers and entrepreneurs; and changing beliefs, social norms and biases (World Bank 2021a).

5. Learning from the COVID-19 response: improving the effectiveness and resilience of human development systems

The COVID-19 pandemic put substantial strain on the human development sectors, and highlighted the importance for effective response of solid planning and preparation ahead of crises. The pandemic caught the education and social protection sectors by surprise, and both sectors had to rapidly change the design and delivery modalities of programs that were already under strain from the health crisis. In all sectors, existing delivery challenges have been worsened by the pandemic, but programs and elements where delivery was solid were able to respond better to the pandemic. For instance, the health sector had pandemic preparedness plans and appropriate legal and policy framework and emergency funding mechanisms in place to respond to biological incidents, which enabled a swifter response. The experiences across human development sectors highlight the importance of crisis management planning, and of building solid delivery systems for both normal and crisis times.

Education[5]

To increase social distancing and prevent the spread of the disease, in March 2020 almost all countries in the region closed their entire education systems, including Georgia. Schools in Georgia terminated face-to-face education immediately after the beginning of the pandemic (on February 27, 2020), and went online after one month's break. The entire remainder of the spring semester (March- June 2020) was delivered online, while the whole of 2021 academic year was in a hybrid regime. Overall, Georgia's schools closed (fully or partially) for 35 weeks.

The government took swift measures to help students move towards distance learning modality. The steps taken by the government to respond to the pandemic included free access to Microsoft office 365 to all schools; the launching of television school on March 30, with televised lessons for all age group children broadcast on a daily basis; the enhancement of the EL.ge electronic platform with educational digital resources; the launching of the "I-school" project that provides teachers and primary, basic and high school students with homework projects (so called "complex assignments") of tools and supporting material; and the introduction of the E-assessment journal, that was being piloted prior to the pandemic.

While IT penetration is good in Georgia, issues related to learning environment at home, quality of internet and lack of training on how to use IT technologies have limited the effectiveness of distance learning – especially for rural and poor households. Georgia has been providing every first grader with a laptop for more than 10 years. However, a survey by the National Examination and Assessment Center found that in rural areas less than 40 percent of teachers found the quality of the internet suitable for teaching, compared to 67 percent of teachers in Tbilisi and private school teachers. Moreover, in rural areas children were accessing distance learning mostly through mobile phones, limiting their ability to learn; and the government started providing subsidized internet access to children in need only in January 2021. Many teachers were also not familiar with using IT for teaching, as technology was mostly used to gather knowledge from the internet to prepare teaching materials. Finally, online teaching time was reduced (in part because of the need to resolve IT-related issues), and focus groups with teachers and principals reported that the 20-30 minutes of effective teaching time available would only enable teachers to briefly explain the new topic and provide homework to pupils.

[5] Findings from this session are in part informed by the qualitative focus groups that the team conducted with teachers and principals.

Decentralization of online teaching arrangements and lack of regular monitoring of students and school performance affected the effectiveness of distance learning. Teaching and learning in Georgia have historically been centrally planned, with autonomy given to schools. Full responsibility for managing the hybrid format during the second wave of the pandemic turned out to be difficult for many schools. Management of distance learning during both waves was relatively more successful in private schools and in schools whose principals were bolder in decision-making and had better channels of communication with the parents, and where individual teachers had better ICT skills prior to the pandemic. Moreover, the absence of monitoring mechanisms for school and student performance in public schools affected the government's ability to assess the effectiveness of distance learning and make rapid adjustments to improve the process.

Dropout rates fell significantly during the pandemic. Data from the Education Management Information System show that in Grade 10 (the grade with the highest dropout rate during the last decade) only 833 boys and 479 girls dropped out in 2021, compared to 3,095 and 1,830 respectively in 2019. While this may look like good news, it is most likely a consequence of more limited outside options in the labor market, and the low efforts required from students during distance learning: this negatively affected the learning of all students as documented by the lower scores achieved by students at the 2020 NAEC examinations.

Health

Georgia had pandemic influenza preparedness plans and appropriate legal and policy framework and emergency funding mechanisms to respond to biological incidents, which supported a prompt response (WHO 2019). The key outbreak response capabilities included NCDC's G. Lugar Center for Public Health Research, NCDC's surveillance network, and laboratory capacities with a trained public health workforce who stood on the frontline in the battle against COVID-19. The availability of critical and capable human resources that could swiftly be deployed enabled a prompt response, along with proper plans and legally defined governance and coordination arrangements for the emergency periods.

There would have been insufficient technical readiness and availability of resources without adequate governance arrangements. In preparation for the outbreak and following the requirements set out in the national biological incidence response and management plan, an Interagency Coordination Council (ICC) was established in early 2020. The ICC was instrumental in recognizing the threat and taking immediate actions and, equally importantly, in establishing a vertical decision-making process that supported coordinated actions by all agencies.

The excess bed capacity at hospitals helped to meet the demand for medical care during the COVID-19 pandemic. Georgia ranks among the top five countries in the WHO European Region by the number of acute hospital beds and physicians per 100,000 population, which is a sign of inefficiency during normal times. While excess bed capacity helped the pandemic response, it should not be seen as the best solution to build resilience.

Continuing effective management of potential future waves will be essential for avoiding further measures that would affect social and economic activities. The government demonstrated good stewardship and coordination at the beginning of the pandemic. However, the easing of restrictions and increased mobility have coincided with a significant increase in COVID-19 infections in summer 2021. The new variants also increased the number of new cases. The average number of daily infections exceeded 5,000 in August 2021 and 15,000 in January 2022, as compared to 1,500 at the end of June 2021. The test positivity rate exceeded 8 percent in August 2021 and 20 percent in January 2022, compared to less than 5 percent at the end of June 2021. By the end of January 2022, Georgia had administered around 2,700,000 doses of COVID-19 vaccines, and fully vaccinated over 70 percent of the target population with two doses. Continuing effective management of potential future waves will be essential to avoid further measures that would affect social and economic activities.

Social protection

The only program designed to compensate against losses in income is the TSA, which is not, however, designed to rapidly expand support during crises. Coverage of TSA increased from 11.6 percent of the population in February 2020 to 14.2 percent in March 2021. The expansion of the TSA only partially met the increased needs of the population, both because by design it only is tailored to the poorest of the poor, and because of its lengthy and complex registration procedures. Labor income losses need to be documented for three months in order to significantly affect a household's eligibility; the procedures for registration are also very slow, requiring a multitude of documents and three in-person visits by social agents; and TSA payments only accrue to a household as late as two months after a household's PMT score has been determined. Apart from the TSA, the government has no mechanism to compensate against sudden losses in labor income.

As a result, the government has had to implement a series of emergency programs. The government promptly introduced several emergency social assistance programs through Resolution 286. This Resolution introduced temporary benefits for formal workers who had been furloughed or laid off, and a one-off benefit for self-employed people who lost labor income because of the lockdown restrictions to contain the virus. A purpose-built online portal was developed to collect and verify applications for the one-off benefit. The emergency measures cost GEL 918 million in 2020, or 1.7 percent of that year's GDP (Table 1).

The solidity of existing beneficiary, tax and payment mechanisms helped to enable the fast roll-out of the emergency measures. These mechanisms included a well-developed IT infrastructure, especially an advanced social registry covering nearly 30 percent of the population and assigning them with a proxy means tested welfare score; high capacity of the Revenues Service to verify the employment status of formal wage workers and formally registered self-employed persons; the capacity to quickly develop an ad hoc portal for the self-employed; and well-developed payment systems for social assistance (through Liberty Bank) and for the delivery of electricity subsidies.

Developing emergency response social protection measures and passing the required legislation ahead of future crises would improve further the quality of response. With a few design and legislative modifications to allow more flexible expansion and swifter enrolment, the TSA could be effectively used during crises to avoid households falling into destitution, and avoid the need to design programs from scratch. Similarly, developing legislation, monitoring tools and financing modalities to support the formal sector ahead of crises would help to ensure that support is provided promptly to the right beneficiaries. Designing a solid monitoring and evaluation system in advance would also enable the assessment of program performance in real time and the making of swift adjustments where needed.

Table 1: COVID-19 emergency-related social protection budget

Type of social protection transfer	GEL million
Utility cost subsidies	382.7
Compensation for socially vulnerable households	64.7
Assistance to persons with disabilities, including children with disabilities	26.0
Unemployment assistance for the employed	131.2
One-off assistance for children under 18	187.8
Compensation for the self-employed	110.8
One-time coverage of tuition fees for higher education students from socially vulnerable households.	14.8
Total in 2020	**918.1**

6. Conclusions and recommendations

Georgia's human capital needs a quality boost, and while substantial reforms have taken place in the past two decades it will be important to maintain the reform momentum. Overall, spending in the human development sectors remains low and inefficient; most workers in the social sectors are poorly remunerated, and many lack the necessary qualifications and support mechanisms; monitoring and quality control mechanisms are insufficient; and while decentralization of service provision brings accountability at local level, poor municipalities lack the financial and technical support needed to deliver quality services. To cope with these pitfalls the government has initiated several important reforms: the ongoing development of a social code, for instance, may help improve the effectiveness of social spending through stronger intersectoral dialogue and an improved institutional framework. Nevertheless, because of the pandemic and other factors some reforms are stalling, and some crucial aspects such as investing in regular monitoring and evaluation may still be missing in some sectors. To improve further human capital, the government (specifically the Ministry of Finance, MoILHSA, and MoES, and affiliated institutions) should keep the reform momentum going as part of a broader reform agenda. Important cross-sectoral areas for reform are discussed next, and more detailed reform areas for each sector are presented in the subsequent tables.

- **Increase the level and efficiency of social sector spending.** Despite the social sectors making up a large share of the government's budget, spending remains low by international standards. Efficiency gains can also be achieved through better use of existing resources; but without increasing spending it will be difficult to implement effective and impactful reforms.

- **Make social spending more equitable.** Inequalities in education learning outcomes across socioeconomic groups remain high, as students from disadvantaged backgrounds receive poorer quality education and little additional support to help them improving learning outcomes; and gender disparities in the labor market remain substantial. High catastrophic health expenditure also confronts poor households facing health shocks with the dire choice of further impoverishment, or forsaking treatment. It is therefore important to make spending more pro-poor across the social sectors, facilitating the access of the poor and vulnerable to quality education – including at tertiary level – and ensuring that catastrophic health expenditure does not push people further into poverty. To promote more equitable labor market outcomes across gender groups it is also important to promote among girls skills that are relevant for the labor market; end occupational segregation and promote STEM; provide formal care for children and the elderly; and proactively assist women to transition into labor markets.

- **Revisit the decentralization process.** Decentralization brings many benefits – but to be effective, it requires strong oversight and substantial support for financially vulnerable municipalities that have capacity issues. Too many responsibilities are given to municipalities without adequate monitoring and accountability mechanisms, technical support, and adequate mechanisms to compensate for substantial differences in their wealth and incomes.

- **Boost monitoring, evaluation and feedback loop mechanisms, making use of new oppor-**

tunities offered by digitalization. In the field of education, regular student assessments and links to school performance are missing, and it is not possible to follow students' performance through the years. In the health sector paper-based reporting is still common, and collected data are rarely used for monitoring quality and service volumes. And despite the existence of a Social Registry for the social protection sector, it is still not possible to have a holistic vision of all the central and municipal programs accessed by households, and "one-stop shops" have not been implemented, under which centralized management of social programs would help vulnerable households to more easily access the programs they would qualify for. Employment programs are also not rigorously evaluated. While the management of the social sectors is being progressively digitalized, it is also important to ensure that more and better data are used to improve performance through feedback loop mechanisms and building the capacity of workers to make use of these digital platforms.

- **Improve the social sectors' workforce management and support.** The quality of medical and pedagogical education, both undergraduate and graduate, needs improving. In all human development sectors it is difficult to attract and maintain qualified professionals due to low salaries and poor working environments. The low salaries of doctors, for instance, lay them open to accepting in-cash or in-kind gifts from the pharmaceutical sector. But low pay is only one element of a bigger workforce management challenge. Staffing is often insufficient, or poorly distributed: there are not enough social agents and social workers, there are too many teachers in rural areas but still a shortage of qualified teachers in certain areas (particularly in STEM subjects), and there are not enough nurses. Hiring and promotions are not always based on merit or, at least, on candidates having achieved some minimal qualifications. And support, continuous education and training opportunities provided to many workers in the social sectors are limited, making it difficult for people to grow professionally. In some instances, such as with social workers, there is also a need to boost workers' qualifications by improving training and limiting the entry of unqualified staff.

- **Boost cross-sectoral coordination and collaboration.** Better cross-sectoral coordination will be essential for addressing challenges such as ECD, nutrition, school dropouts, youth employment and aging: many of these challenges have multiple roots, and only a comprehensive approach tailored to the needs and vulnerabilities of each individual will be able to effectively address them. Effective coordination will require putting in place institutional arrangements with clear roles and responsibilities for each institution and the development of referral protocols and cross-sectoral monitoring tools. Equally important, it will also require the provision of financial and other incentives for institutions to work effectively with one another – often arrangements that look sound on paper do not function well because of institutions' lack of incentives.

- **Prepare and invest in crisis response plans.** Overall, Georgia's response to the pandemic appears to have been relatively efficient given the need to act quickly. Nevertheless, there was a clear relationship between sectors' preparedness for crisis, and their ability to respond quickly and effectively. To be sure, one is never prepared for a crisis; but one can learn from the past and be better prepared to address future crises. Ensuring that the TSA is flexible enough to be used as a crisis response program or boosting online teachers' support, for instance, may help the response to future crises, including rising food and commodity prices and future COVID-19 waves.

Sector-specific reform areas

Table 2: Reform areas – Education

Education – Quality	Short term	Medium/Long term
Introduce a regulatory framework and support system for ECE teachers	Establish teacher's certification and professional development system at ECE level, ensuring linkages to general education	Develop effective teachers' support system for ECE and boost teachers' professional qualifications, strengthen local governments capacity in management and monitoring of ECE quality and delivery
Improve system for teacher management and development	Revise the existing "Teacher Scheme" with greater focus on evaluation of actual teaching practice, tailored school based professional support, and diversified provision of teacher training	Develop flexible teacher career pathways including possibilities for promotion both in leadership and teaching tracks, based on interest and ability, as well as school needs Increase attractiveness of pre-service teacher training programs; emphasize support during initial years of practice including mandatory induction
Establish regulatory framework for VET teachers	Introduce VET teacher management and development system with clear expectations and greater engagement of the private sector	Introduce effective system for VET teacher management and development with flexible pathways, diverse professional and career growth opportunities, and greater engagement of the private sector, as well as progressive salaries with salary increments
Improve principals' qualifications and meritocracy of appointments in ECE and general education	Introduce minimum qualification levels for principals related to instructional leadership Certify existing principals and introduce bonus pay for certified school principals	Develop solid training and performance evaluation system for principals linked to school quality improvements
Strengthen quality assurance mechanisms in higher education, with greater focus on internationalization of higher education	Implement new Quality Assurance Framework Build capacity of higher education institutions to develop international standard curriculum and services	Introduce performance elements in funding formula Increase visibility of the Georgian higher education system among advanced systems and boost international standard accreditation, as well as dual degree and exchange programs
Improve learning environment	Develop short-, medium-, and long-term public school infrastructure development strategies and action plans Develop unified school design, rehabilitation and construction criteria	Implement the action plans
Education – Inclusion	**Short term**	**Medium/Long term**
Address decentralized funding of ECE	Establish effective funding mechanism for ECE, with equity considerations	Introduce compensation mechanism to help boost access to and quality of ECE in municipalities with lower participation of vulnerable groups
Address heterogeneous ECE outcomes	Develop unified quality standards for ECE, ensuring smooth transition to general education level Develop central monitoring system for quality of ECE with engagement of local governments	Develop accountability and support system to improve quality of ECE in underperforming municipalities
Improve access to ECE	Establish ECE centers in all municipalities/ villages with diversified approaches to management and delivery of ECE	Develop solid system for tracking ECE participation and achieving universal participation in school readiness programs among 5-6-year-old population Introduce parent education programs at municipal level

Improve quality of School Boards and Education Resource Centers	Invest in Education Resource Centers and provide adequate support for monitoring and supporting school quality	Strengthen ERCs' capacity to plan and monitor ECE Rethink unified approach to School Boards and ERCs to increase quality participation and reduce political influence
Improve equity of general education funding	Revise general education per capita formula and increase equity component, to ensure individualized support	
Increase access to VET	Diversify VET delivery through increased private sector participation and increased curriculum flexibility	Introduce compensation/ incentive policies to increase private sector participation in VET delivery and reduce dropout rates among students
Improve access to higher education for students from disadvantaged socioeconomic backgrounds	Develop dedicated support to poor and vulnerable students at the general education (secondary) level to improve their learning outcomes	Improve access to and reduce cost of higher education for students from poor and vulnerable backgrounds through reform of the university entry examinations, scholarships, alternative funding of tuition fees and other means
Education - Spending and efficiency	**Short term**	**Medium/Long term**
Improve monitoring and quality control mechanisms at ECE and general education level	Develop regular student assessments to assess school readiness and student performance	Link quality assessment system with funding and support mechanisms Develop tracking system for poorly performing students and individualized support system
Improve school performance monitoring and support mechanisms	Develop regular school performance assessment and school support mechanisms	Develop financing and support system to improve school performance and quality of infrastructure and materials
Introduce diversified institutional management opportunities at ECE, general education and VET levels	Update education infrastructure census and develop effective delivery plan, ensuring quality and relevance Introduce effective system of institutional empowerment and accountability at all levels	Introduce flexible curriculum and management at all levels, based on the needs of the students (in full-time/ community schools, learning hubs, after school programs, apprenticeships, etc.)
Develop effective mechanisms for funding VET	Revise VET funding formula, linking to institutional performance Introduce mechanisms to support income generating activities of VET institutions	Introduce incentive policies for greater private sector participation (including PPP) and increased participation of youth and adults in VET
Improve spending on higher education and research and development, while strengthening accountability mechanisms	Invest in capacity building of professionals in R&D and higher education infrastructure, particularly in computer and science labs	Link higher spending to selected outcomes and meeting defined quality standards
Introduce well-phased, merit-based salary increase based on demonstrated evidence of teaching practice at all levels	Introduce teacher practice evaluation system at all levels, through creating teacher career advancement paths in both teaching and management areas	Approve well-phased teacher salary increase scheme, along with accompanying measures of quality assurance and improved working conditions
Education – Crisis preparedness	**Short term**	**Medium/Long term**
Expand support for and usage of online learning	Expand internet and IT support to vulnerable population and remote schools Develop further online teaching materials and support, boost digital content and integration in the teaching process at all levels	Mainstream digital resource utilization in teaching and learning at all levels Train teachers in use of online materials and online teaching techniques

Table 3: Reform areas - Health

Health - Quality	Short term	Medium/Long term
Improve human resources management	Improve salaries and public image of nurses to attract more applicants to training programs Revisit hiring and promotion mechanisms to base them on merit	Increase the number of nurses Provide continuous education and training opportunities for health care professionals
Boost primary care services	Revise referral mechanisms to ensure that more health care is delivered at primary health care level Develop a comprehensive health literacy program to build trust in primary health care services	Scale up payment model to achieve a nationwide PHC model Disseminate the health literacy program nationwide
Health – Inclusion	**Short term**	**Medium/Long term**
Ensure provision of quality of care across the territory and socioeconomic groups	Revise primary health care benefits package and payment model Incorporate NCD prevention and control into the workload of rural doctors	Ensure adequate geographical distribution of health care professionals Use telemedicine to offer consultations in remote areas Incorporate long-term care arrangements into the benefit scheme
Increase the affordability of medicines and expand the coverage of drug benefits under the UHC Program	Develop innovative purchasing instruments such as managed entry agreements (MEAs) and reference pricing	Establish stronger price regulation
Health - Spending and efficiency	**Short term**	**Medium/Long term**
Reorient health care system towards primary care	Change treatment incentives towards primary and preventive care	Revise guidelines to expand scope of primary health care services
Improve efficiency through the introduction of provider contracting reforms	Introduce a unified fee policy for all health services, informed by a comprehensive costing exercise	Pilot and scale up diagnosis-related group (DRG) payments for hospital care Introduce selective contracting for quality
Improve efficiency by enhancing monitoring, connectivity and digitalization	Develop a comprehensive digital health strategy Improve monitoring through data collection, disease surveillance, and management of beneficiary records	Improve the digital system by including provider payment mechanisms, standardization, and unification of medical information
Health – Crisis preparedness	**Short term**	**Medium/Long term**
Improve the resilience and preparedness of the health system	Expand the scope of pandemic influenza preparedness plans and appropriate legal and policy framework to cover additional threats	Establish necessary infrastructure and train adequate human resources to deal with future crisis Create additional emergency funding mechanisms to respond to biological incidents

Table 4: Reform areas – Social Protection

Social Protection - Quality	Short term	Medium/Long term
Improve the effectiveness of the TSA	Ease registration procedures to reduce burden on households and social agents; automate and digitalize eligibility verification processes	Introduce design features to promote activation of social assistance beneficiaries

Improve the effectiveness of employment services	Develop tools to better tailor employment services and programs to vulnerable groups (TSA work-able beneficiaries, internally displaced persons, youth, persons with disabilities) Pilot and evaluate effective measures to activate hard-to-employ groups Strengthen the partnership with employers to expand the provision of work-based youth employment programs Develop evaluation and tracking systems to assess the quality of the programs delivered	Increase number, qualifications and salaries of SESA staff to improve quality and reduce turnover Tailor the programs' offer to regional labor market needs
Social Protection - Inclusion	**Short term**	**Medium/Long term**
Improve the coverage of the poor of the TSA and the adequacy of basic pensions	Pilot the updated eligibility rules for TSA to better cover the poor population and adapt to sudden changes in income and other vulnerabilities Improve the adequacy of the universal basic pension (now being just above the poverty line)	Roll out the updated targeting formula nationally Reform the status-based internally displaced person allowance to make it needs-based
Support poor municipalities to deliver local social protection services	Map the provision of social protection services delivered at the local level and identify needs	Develop financing and support mechanisms to help poor municipalities design and deliver local social protection services
Expand SESA's coverage and offer in less affluent regions	Expand SESA coverage in less affluent regions Expand SESA staff/capacity and programs offered across the territory	Tailor the programs' offer and scale to regional labor market needs
Social Protection - Spending and efficiency	**Short term**	**Medium/Long term**
Consolidate and coordinate social care across ministries and levels of government	Map social care services across ministries Develop clear Terms of Reference for each service, as well as referral protocols	Develop an integrated Case Management system that allows the provision of individualized and coordinated support
Make human capital policies more coherent through the development of social code	Develop a social code based on best practices, broad-based consultations and financial considerations	Monitor progress in implementation of the social code
Improve coverage and usage of Social Registry	Expand number of households covered by the Social Registry, beyond beneficiaries of social programs Enhance the Social Registry's inter-operability with local information systems and other government databases	Develop a data warehouse to record all programs received by specific households, and identify gaps and overlaps in human capital services Develop a case management methodology, practices and tools to optimize the information in the Social Registry to deliver better tailored benefits
Improve effectiveness of social workers and social agents	Increase number and decrease workload of social workers and social agents Improve qualifications but also remuneration of social workers and social agents	Develop professional development and support system for social workers and social agents and training on improved case management practices
Strengthen social insurance		Strengthen and expand the role of contributory social insurance
Manage transition between pension systems	Monitor elderly poverty until contributory system becomes fully effective	Design support schemes for the elderly poor to the extent required
Social Protection – Crisis preparedness	**Short term**	**Medium/Long term**
Improve the crisis responsiveness of existing social protection programs	Implement legislation to allow TSA to rapidly expand and modify eligibility and generosity during crises Conduct crisis response assessment to understand potential gaps in support during crises	Design emergency programs for middle class and formal sector workers to be financed and implemented during crises Improve coverage of Social Registry and its adoption by programs to accelerate enrolment during crises

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