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Report No: PAD3901

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A

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

TO

GEORGIA

FOR

GEORGIA EMERGENCY COVID-19 RESPONSE PROJECT

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

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

APPROVED BY THE BOARD ON APRIL 2, 2020

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

CURRENCY EQUIVALENTS

(Exchange Rate Effective: April 28, 2020)

Currency Unit =	Georgian Lari (GEL)
GEL 3.21 =	US$ 1
EUR 0.92 =	US$ 1
US$ 1.09 =	EUR 1

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Cyril E Muller
Country Director:	Sebastian-A Molineus
Regional Director:	Fadia M. Saadah
Practice Manager:	Tania Dmytraczenko
Task Team Leader(s):	Volkan Cetinkaya, Maddalena Honorati

ABBREVIATIONS AND ACRONYMS

AIIB	Asian Infrastructure Investment Bank
ALMP	Active Labor Market Program
BFP	Bank-facilitated procurement
CDC	Centers for Disease Control and Prevention
COVID-19	Coronavirus disease
CPF	Country Partnership Framework
DA	Designated Account
DLI	Disbursement-linked indicators
ESMF	Environmental and Social Management Framework
EU	European Union
EUR	Euro
F&C	Fraud and corruption
FM	Financial management
FTCF	Fast Track COVID-19 Facility
GDP	Gross domestic product
GoG	Government of Georgia
GEL	Georgian Lari
HCF	Health care facility
HEIS	Hands-on expanded implementation support
HIES	Household Income and Expenditure Survey
IBRD	International Bank for Reconstruction and Development
ICU	Intensive care unit
ICWMP	Infection Control and Waste Management Plan
IDA	International Development Association
IDP	Internally displaced person
IFI	International financial institution
IFR	Interim Financial Report
IHR	International Health Regulations
IMF	International Monetary Fund
MIP	Medical Insurance Program
MoF	Ministry of Finance
MoILHSA	Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs
MPA	Multiphase Programmatic Approach
NCDC	National Center for Disease Control
NCD	Noncommunicable disease
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project implementation unit
POM	Project Operations Manual
PMT	Proxy means test

PPE	Personal protective equipment
PPSD	Project Procurement Strategy for Development
SEP	Stakeholder Engagement Plan
SESA	State Employment Support Agency
SOE	Statement of Expenditures
SPRP	COVID-19 Strategic Preparedness and Response Program
SSA	Social Services Agency
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TSA	Targeted Social Assistance
UHC	Universal Health Coverage
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
US$	United States dollar
VHI	Voluntary Health Insurance
WB(G)	World Bank (Group)
WHO	World Health Organization

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DATASHEET

BASIC INFORMATION

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

Financing & Implementation Modalities

[✓] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Disbursement-linked Indicators (DLIs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[✓] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	

Expected Project Approval Date	Expected Project Closing Date	Expected Program Closing Date
30-Apr-2020	30-Apr-2022	31-Mar-2025

Bank/IFC Collaboration

No

MPA Program Development Objective

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

MPA Financing Data (US$, Millions)

MPA Program Financing Envelope	4,630.75

Proposed Project Development Objective(s)

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

Components

Component Name	Cost (US$, millions)
Emergency COVID-19 Response	71.85
Enabling health measures to contain the COVID-19 outbreak through temporary income support for poor households and vulnerable individuals	107.85
Project Management	0.30

Organizations

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

MPA FINANCING DETAILS (US$, Millions)

Board Approved MPA Financing Envelope:	4,630.75
MPA Program Financing Envelope:	4,630.75

of which Bank Financing (IBRD):	2,731.10
of which Bank Financing (IDA):	1,899.65
of which other financing sources:	0.00

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

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

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	80.00

Non-World Bank Group Financing

Other Sources	100.00
Asian Infrastructure Investment Bank	100.00

Expected Disbursements (in US$, Millions)

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

INSTITUTIONAL DATA

Practice Area (Lead)
Health, Nutrition & Population

Contributing Practice Areas
Social Protection & Jobs

Climate Change and Disaster Screening

This operation has not been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

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

COMPLIANCE

Policy

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

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[✓] Yes [ ] No

Have these been approved by Bank management?

[✓] Yes [ ] No

Is approval for any policy waiver sought from the Board?

[ ] Yes [✓] No

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

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

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

Legal Covenants

Sections and Description

The Borrower, shall prepare and adopt no later than thirty (30) days after the Signature Date, a Project operations manual ("Project Operations Manual") containing: detailed guidelines and procedures for the implementation of the Project, including with respect to: administration and coordination, monitoring and evaluation, financial management, procurement and accounting procedures, environmental and social safeguards, corruption and fraud mitigation measures, a grievance redress mechanism, personal data collection, and processing in accordance with

applicable national law and good international practice, roles and responsibilities for Project implementation including the specific roles and responsibilities of the agencies referred to in Section I.A of Schedule 2 above, and such other arrangements and procedures as shall be required for the effective implementation of the Project, in form and substance satisfactory to the Bank.

Sections and Description

The Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Bank.

Sections and Description

The Borrower, through MoILHSA and the Ministry of Finance shall prepare and adopt no later than thirty (30) days after the Signature Date the "Global Budget and Reimbursements Manual".

Sections and Description

The Borrower, through MoILHSA, shall: (a) establish no later than thirty (30) days after the Signature Date, and thereafter maintain throughout the implementation of the Project, a Project Implementation Unit ("PIU") with composition, resources, and terms of reference acceptable to the Bank; and (b) vest responsibility for day-to-day implementation of the Project to such PIU.

Sections and Description

The Borrower shall no later than sixty (60) days after the Signature Date, provide the Bank a proposed plan ("Plan of Action") setting out the timeline and steps for carrying out the recommendations set out in the 2018 and 2019 a reports from the State Audit Office of Georgia pertaining to the information system of the social assistance program and the pension program respectively, being implemented by the Social Service Agency, and such other actions necessary for the effective implementation of an information security management systems of the social assistance program Social Service Agency, all in accordance with the Law of Georgia on Personal Data Protection and good international practice.

Sections and Description

The Borrower shall no later than ninety (90) days after the Signature Date, adopt the Plan of Action, after taking into account recommendations of the Bank, and thereafter begin to implement the Plan of Action in accordance

with its terms, in a manner satisfactory to the Bank.

Conditions

Type	Description
Disbursement	The Borrower has adopted a decree governing and establishing a satisfactory to the Bank framework for Cash Transfers and Unemployment Benefits.

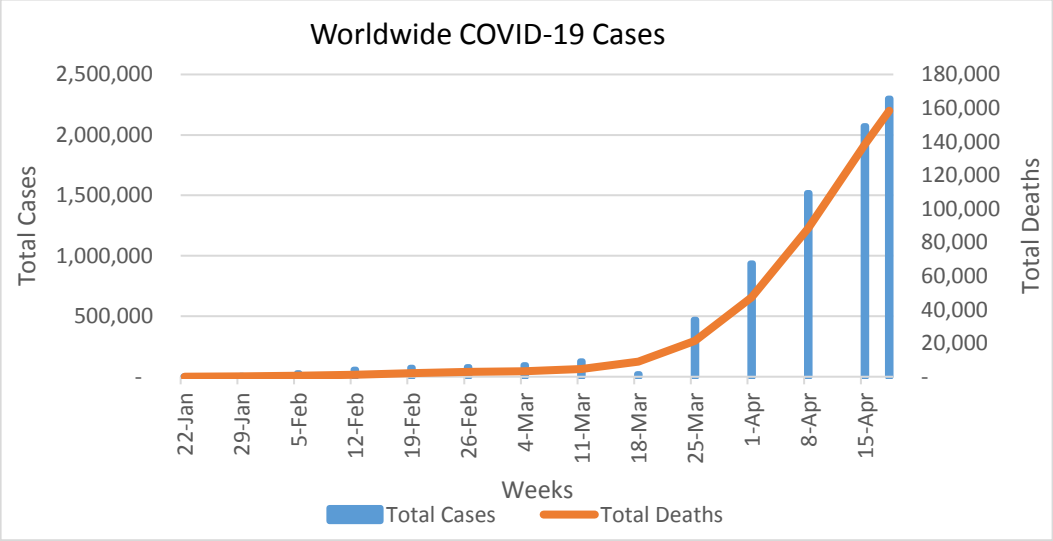
I. PROGRAM CONTEXT

1. **This Project Appraisal Document (PAD) describes the emergency response to Georgia for the coronavirus disease (COVID-19).** The COVID-19 Strategic Preparedness and Response Program (SPRP) using the Multiphase Programmatic Approach (MPA) was approved by the World Bank's Board of Executive Directors on April 2, 2020 (PCBASIC0219761), with an overall Program financing envelope of up to US$6.0 billion.

A. MPA Program Context

2. **An outbreak of COVID-19 caused by the 2019 novel COVID-19 (SARS-CoV-2) has been spreading rapidly across the world since December 2019, when the initial cases were diagnosed in Wuhan, Hubei Province, China.** Since the beginning of March 2020, the number of cases outside China has increased thirteenfold and the number of affected countries has tripled. On March 11, 2020, the World Health Organization (WHO) declared a global pandemic as the COVID-19 rapidly spread across the world (see Figure 1). As of April 19, 2020, the outbreak has resulted in an estimated 2,335,000 cases, 162,000 deaths, and 605,000 recovered cases in 185 countries.[1]

Figure 1. COVID-19 Cases



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

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

[1] John Hopkins University, Coronavirus Resource Center https://coronavirus.jhu.edu/map.html.

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

4. **This project is prepared under the global framework of the World Bank COVID-19 Response** and includes US$80 million in IBRD financing allocated under the Fast Track COVID-19 Facility (FTCF). An additional US$100 million is provided as co-financing from the Asian Infrastructure and Investment Bank (AIIB).

B. Updated MPA Program Framework

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

Table 1. MPA Program Framework

Phase #	Project ID	Sequential or Simultaneous	IPF, DPF or PforR	Estimated FTCF IBRD Amount ($ million)	Estimated IDA Amount from Crisis Response Window ($ million)	Estimated Other Amount ($ million)	Estimated Approval Date	Estimated Environmental & Social Risk Rating
1	P173911	Simultaneous	IPF	80	0	100.0 from AIIB	April 30, 2020	Substantial

[2] Marquez, PV. 2020. "Does Tobacco Smoking Increase the Risk of Coronavirus Disease (Covid-19) Severity? The Case of China." http://www.pvmarquez.com/Covid-19.
[3] Fauci, AS, Lane, C, and Redfield, RR. 2020. "Covid-19 — Navigating the Uncharted." *New Eng J of Medicine*, DOI: 10.1056/NEJMe2002387.
[4] Del Rio, C., and Malani, PN. 2020. "COVID-19—New Insights on a Rapidly Changing Epidemic." *JAMA*, doi:10.1001/jama.2020.3072.

C. Learning Agenda

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

II. CONTEXT AND RELEVANCE

A. Country Context

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

8. **Georgia's economic reforms have favored economic growth and poverty reduction.** The outlook for the Georgian economy has been positive: GDP growth increased from 4.9 percent in the first half of 2019 to 5.1 percent by the end of 2019, and 4.3 percent was expected for 2020. While domestic demand has been supported by higher consumption, investments have contracted because of the completion of several infrastructure projects and a decline in foreign direct investment. Net exports have improved considerably, reflecting slowing imports and the increased re-export of used cars and copper ores. On the supply side, all sectors, except mining and electricity production, have contributed to growth. Georgia's system of targeted social transfers and economic growth together have helped to nearly halve the poverty rate from 37.4 percent in 2007 to 20.0 percent living below the national poverty line in 2018, and to improve the income and living conditions of the bottom 40 percent of the population. The unemployment rate declined to 12 percent in 2019. However, the country now faces significant domestic and external risks, and the growth projections are challenged by the larger global downturn arising from the COVID-19 pandemic and the impact of lockdowns and the shuttering of businesses in the country. Georgia's GDP growth is expected to decline, and risks to economic growth include greater than expected sluggishness in trading partners' economies, weaker than expected domestic demand, slower growth in tourism revenues, and tighter liquidity in global financial markets. In addition, the drop in domestic economic activity, foreign investment, and exports, combined with the regional

and global economic slowdown, have led to the depreciation of the Georgian Lari (GEL) by 13 percent in March 2020 (IMF), increasing consumer prices and putting pressures on the country's foreign exchange.

9. **A state of emergency was declared on March 21, 2020, to counter the global coronavirus pandemic.** The first cases of COVID-19 in Georgia were confirmed on February 26, 2020. As of April 18, 2020, the total number of infected people had risen to 388, with 86 recoveries and 4 deaths.[5] Critical restrictions are imposed on movement in line with social distancing practices that are emerging worldwide. Following the announcement of the state of emergency, all educational institutions and many public venues, including gyms, museums, theaters, malls, bars, and restaurants, were closed. Strict transportation restrictions were introduced, including the suspension of air and rail traffic, as well as border closures with neighboring countries Armenia, Azerbaijan, and Russia. Additional quarantine measures have followed, including curfew from 9:00 pm to 6:00 am and the prohibition of meetings of more than 10 people, public events, and other mass events; and schools and universities have shifted to online and distance-learning methods.[6] The Government decided to make all medical care related to COVID-19 free of charge, regardless of whether patients have medical insurance.

10. **In the absence of immediate mitigation measures, the COVID-19 health crisis is likely to be most severe for vulnerable households, influencing their ability to abide by actions (such as social distancing) to contain the spread of the disease.** COVID-19 poses serious social and economic challenges to the country and represents a severe risk of eroding important gains in the fight against poverty. The lockdown and closure of all nonessential business activities, especially if sustained over time, are expected to slow production, increase layoffs, and reduce labor income, particularly for private sector workers, with significant adverse impacts on employment and poverty. Economic activities, particularly in the tourism and hospitality sectors, have come to a standstill. The longer the outbreak persists, the more (and more severely) it is likely to negatively affect the overall employment and economy. Considering the global spread of COVID-19 and its impacts in Europe, South Caucasus, and Russia (the destinations for more than 90% of the Georgian migrant stock), there are likely to be reductions in remittances.[7] Increasing unemployment and declining remittances are expected to have negative effects on vulnerable households, potentially increasing the prevalence and depth of poverty. The adverse effects are likely to be disproportionately felt by households with inadequate coping strategies or insurance mechanisms. In the absence of financial support for vulnerable households that have lost their main source of income, there are concerns that there will be incentives *not* to stay-at-home, as people will go out to look for ways to support themselves and their families.

[5] Prevention of Coronavirus Spread in Georgia https://stopcov.gov.ge/en

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

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

B. Sectoral and Institutional Context

11. **Georgia has made progress in improving its health system's performance and outcomes, but the increasing burden of noncommunicable diseases (NCDs) and high prevalence of risk factors presents challenges.** Infant mortality has declined significantly, from 22.5 per 1,000 live births in 2009 to 7.9 in 2019, and under-five mortality declined from 24.7 per 1,000 live births to 9.4 in the same period. Average life expectancy in Georgia, 74 years, is comparable to that of other countries at a similar level of income but remains below the European Union (EU) average of 81 years.[8] NCDs account for more than 81.2 percent of the burden of disease in Georgia, and 92.2 percent of all deaths. The prevalence of risk factors is high: 28 percent of the adult population is hypertensive, 21 percent is obese, and almost 58 percent of men smoke. Georgia's population is also aging rapidly: around 17.5 percent of the population is older than 60 years, and 3.3 percent is older than 80 years.[9] This poses additional challenges in dealing with a COVID-19 emergency, since evidence from other countries suggests that the older populations, especially those with pre-existing health conditions, are at higher risk of contracting the disease and, if infected, often require more intensive care.

12. In 2007 the Government of Georgia (GoG) launched the medical insurance program (MIP), which targeted poor households, teachers, orphaned children, and some other vulnerable groups. It covered a defined set of primary care benefits, emergency care, elective surgery, delivery, and cancer treatment. The GoG contracted out the MIP to private insurance companies. In 2009, the GoG introduced the voluntary health insurance (VHI) program to encourage non-MIP beneficiaries to enroll with private insurance companies. The VHI program targeted people aged 3-60 years of age not covered by MIP and not already covered by private insurance. In 2010, the Government divided the country into 26 medical regions, and beneficiaries were assigned to the private insurance company responsible for their region of residence. Private insurers for each region were selected through public tender and granted a three-year contract for monopoly provision, but they were required to renovate hospitals and primary care facilities in their region. Today, although Georgia has moved from private VHI to publicly funded health coverage, more than 85 percent of hospitals is still privately owned and most operate with fewer than 100 beds.

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

[8] Geostat https://www.geostat.ge/en/modules/categories/320/deaths.
[9] Geostat https://www.geostat.ge/en/modules/categories/41/population.

catastrophic out-of-pocket spending on health care. Since its introduction, UHC program spending has been steadily increasing to approximately 75 percent of public health spending in 2016.

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

15. **The GoG has initiated an effective multisectoral response to COVID-19.** In January 2020, the government adopted Decree #164, "Approval of Measures to Prevent the Possible Spread of the New Coronavirus in Georgia and Approval of an Emergency Response Plan for Cases Caused by COVID-19" (amended on April 1, 2020, with the GoG Decree #625) and established a national multisectoral committee. Under the Operational Response Plan approved by the GoG, each line ministry and Government entity has clearly defined roles and responsibilities at every stage of the COVID-19 response. On January 31, 2020, Georgia adopted the case definition of COVID-19 and intensified epidemiological surveillance throughout the country. On March 2, 2020, the Government Reserve Fund allocated GEL 1 million (US$358,358 equivalent) to the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs (MoILHSA) to respond to the challenge of the new coronavirus in Georgia. The Government has also scaled up its communication efforts by establishing a unified hotline and an informational platform (StopCov.ge is a web site available in five languages with all necessary governmental links and related information). In addition, on April 16, 2020, the GoG launched the STOP COVID contact tracing app, which has been used in Japan, South Korea, and Singapore. The app creates a unique ID for each user, through which it determines social contacts. All data are stored on the mobile phone, locally, using a powerful encoding system that is in compliance with European data protection legislation. Bluetooth, GPS, and other technologies are used to determine which smartphones have been near each other, including information about the date of contact, duration (more than 15 minutes), and distance (less than 2 meters). If a person is diagnosed with COVID-19, those who have been in contact with the confirmed case over the past few days will receive a warning and an instruction to remain in self-isolation and contact the appropriate authorities immediately.

16. **To ensure the health system's preparedness to address the pandemic, the Government has identified a list of public and private facilities that are designated to provide treatment to COVID-19 patients.** Given that more than 85 percent of health facilities in Georgia are privately owned, the Government has decided to leverage the capacity of the private facilities while at the same time strengthening the public facilities to fill

critical gaps. Pursuant to Resolution 184 of the Government of Georgia (March 23, 2020) on establishment of different rules for the implementation of public and other administrative services, the Government has identified a list of public and private medical institutions to ensure full mobilization of the health sector in accordance with the MoILHSA's guidelines. The list includes facilities that will manage high-risk patients (individuals in quarantine or self-isolation areas and those who had contact with confirmed COVID-19 patients), as well as facilities, referred to as fever clinics, designated for primary triage and diagnostics for individuals presenting with fever. In addition, seven public laboratories have been designated for testing.

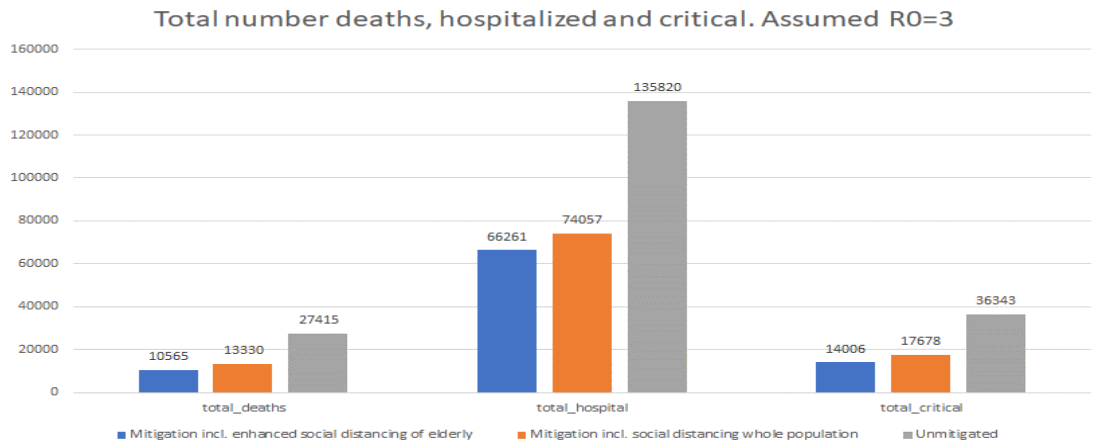
17. **All diagnostic, laboratory, and treatment costs of the COVID-19 patients are covered by the GoG.** SSA will reimburse facilities in accordance with the conditions set out in Resolution #36 of the Government of Georgia (February 21, 2013) on UHC and Resolution #674 (Appendix #20, December 31, 2019)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

18. **Following the approach adopted in other countries, such as Germany, the Government has introduced a temporary transfer to public and private hospitals in the form of a global budget to ensure standby readiness and to compensate the facilities for losses in revenue due to COVID-19.** The Government has established thresholds—number of registered COVID-19 cases—for engaging facilities in the response plan. Once the threshold is met, the facility is notified and must empty its premises within 48-96 hours to accept COVID-19 patients. SSA will transfer funds to facilities to compensate them for revenues lost as a result. To ensure that medical facilities are on standby and ready to receive COVID-19 patients, the Government has developed a mechanism to compensate the designated facilities for idle capacity. The MoILHSA has estimated the cost per unoccupied bed using expenditure data provided by the facilities for the last three months. Facilities with 80 beds or fewer will receive on average GEL 100 per bed, and those with more than 80 beds will receive GEL 120 per bed. This fixed amount includes the salaries of medical staff, utility bills, and operational costs. The Government has defined three stages for standby readiness based on the number of cases (1,050 beds in the first stage, 2,000 beds in the second stage, and 4,000 beds in the third stage).

19. **In addition to strengthened surge capacity, mitigation measures such as social distancing are key in the response to the pandemic.** The health system needs to prepare to face an increased demand for hospitalization and critical care of COVID-19 patients, while remaining able to provide at least basic services for the non-COVID19 patients. However, to flatten the curve and not overwhelm the health system all at once, evidence from other countries shows that mitigation measures including social distancing are essential to reduce community transmission and therefore the number of people infected. An assessment of social distancing measures from China found that nonpharmaceutical interventions such as community social distancing and lockdowns reduced the transmission of COVID-19, and the first wave of COVID-19 outside Hubei province was abated because of such aggressive nonpharmaceutical interventions. As a result, the case fatality rate outside of Hubei was nearly five times lower than that in Hubei, and was correlated with the reduction in

mobility.[10] Modeling revealed that relaxing the social distancing when the epidemic size was still small would have pushed COVID-19 prevalence back to baseline. Evidence from the 1918 Spanish flu pandemic in the United States has also shown that nonpharmaceutical interventions, when imposed early in the course of an epidemic, can result in lower peaks and fewer total cases of illness than instances in which authorities did not impose or delayed imposing lockdowns.[11] Although large uncertainty remains about COVID-19 and most predictions are based on evolving modeling, epidemiologists are warning that countries should expect to see population infection rates of 25-80 percent over the course of the epidemic[12] unless mitigation measures are taken. In Georgia, this could mean up to 53 percent more infections, nearly 83 percent more hospitalizations, and a 100 percent increase in deaths in the absence of mitigation measures like social distancing (Figure 2).

Figure 2. Estimated impact of mitigation measures in Georgia



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

20. **To enforce social distancing measures, it is essential to establish mechanisms to support the most disadvantaged and the poor.** First, providing social assistance and financial support (in the form of cash transfers) allows people to stay at home and respect the required social distancing and lockdown orders, rather than pursue activities outside their homes to support their livelihoods. Also, measures to contain the outbreak and the resultant economic downturn will not only affect the poor but will also potentially send large numbers of people into poverty, exacerbating inequalities among the population. Marginalized communities are bearing disproportionate costs of lockdowns because their members are more likely to have lost their jobs (formal or

[10] Leung, K., Wu, J. T., Liu, D., and Leung, G. M. (2020). First-wave COVID-19 transmissibility and severity in China outside Hubei after control measures, and second-wave scenario planning: a modelling impact assessment. *The Lancet*.
[11] Correia, S., Luck, S., & Verner, E. (1918). Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu.
[12] See, for example, Ferguson N. et al. https://www.imperial.ac.uk/media/imperial-college/medicine/sph/ide/gida-fellowships/Imperial-College-COVID19-NPI-modelling-16-03-2020.pdf.

informal) and not to have a stable home or shelter, or access to food, health care, and other basic services. They are also less likely to be able to observe basic public health measures, including handwashing, because their communities lack proper water and sanitation facilities, so they are more at risk of the spread of infection. Additionally, women constitute the majority of workers in the nonagricultural informal sector in many countries[13] and thus are more vulnerable to loss of livelihood and economic insecurity during lockdowns. While working from home is an option for white-collar professionals, lower-income individuals are more likely to work in blue-collar jobs or other service roles that cannot be performed remotely. As a result, they are disproportionally more likely to face employment furloughs or outright termination. Therefore, strategies to ensure that such communities are not pushed further into poverty and marginalized by social distancing policies should be part of the full response. Lessons from previous epidemics indicate the importance of clear communication about social protection measures to maintain order and ensure compliance.

21. **Containment measures taken to preserve public health have caused job losses and led increases in poverty.** The COVID-19 outbreak is causing countries worldwide to increase their prevention and preparedness regimes to hinder the spread of the virus. Like many other countries, Georgia adopted restrictive lockdown measures, including quarantines and restrictions on travel, causing a disruption of supply chains and an economic downturn that will directly affect a significant proportion of the population and push many into poverty. World Bank preliminary estimates suggest that a three-month long shock to wages, agricultural income, and remittances will increase official poverty.

22. **The COVID-19 health and economic crisis is likely to affect the following groups in Georgia**: (a) individuals relying on vulnerable employment (defined as casual labor, temporary work, and informal self-employment), who are likely to lose their jobs because of the social distancing and quarantines that led to business closures; (b) formal workers in all sectors—especially the tourism, service (transportation and retail), and tradable sectors—that have been affected by the economic lockdown; (c) poor and near-poor households, which have less margin to cope with potential price increases;[14] and (d) migrant workers who are unable to send money home to their families. As confinement and social distancing are urgently needed to flatten the curve, social protection measures need to provide the right incentives to the most vulnerable individuals to stay at home. Assistance—in the form of targeted cash transfers or in-kind benefits—is needed to make sure that vulnerable households can cope with the situation.

23. **Georgia has a comprehensive social protection system that has played a key role in protecting poor and vulnerable households in the past decade.** Social protection in Georgia includes a universal old-age social pension(women 60 years and older and men 65 years and older); the TSA, including a child benefit introduced in 2015; benefits and services for internally displaced persons (IDPs) from the occupied territories; social rehabilitation for persons with disabilities; benefits and services for war veterans; and benefits and services for protection of vulnerable children. There is also a myriad of social benefits administered at the local level (including health exemptions, education exemptions, housing benefits, and energy and transportation

[13] UN Women. Transforming Economies, Realizing Rights: Progress of the World's Women 2015-2016. UN Women, 2015.
[14] Many households could experience higher prices and scarcity of basic goods due to the disruption in trade and distribution. The poor already spend most of their income on food, and the Ebola crisis of 2014-15 showed how prices can skyrocket, making even staple foods unaffordable.

subsidies). A newly implemented 2019 pension law complemented the flat universal pension, including a benefit of approximately 18 percent of the average monthly income, with a contributory pension savings system (see Annex 3 for more details).

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

25. **The absence of unemployment benefits and the limited protection for formal private sector workers in Georgia are substantial weaknesses in the COVID-19 context, as it is expected that many workers will be laid off from their jobs.** There is no unemployment insurance scheme or assistance program in Georgia. In addition, the labor code only provides one month of severance payment, at a flat rate, equivalent to one month of salary. While home-based work arrangements are provided for public sector workers and their contracts and salaries are maintained, private sector workers under standard and nonstandard contracts are currently unprotected if they lose their jobs because of the outbreak. The absence of financial support to this group could cause them to look for any kind of work, thereby undermining the stay-at-home mandate and jeopardizing efforts to contain the spread of the virus.

26. **The Government has already taken measures to mitigate the negative impacts stemming from COVID-19 on households and on firms hit particularly hard by the lockdown, as in the tourism sector**. Since February 2, 2020, when the first case of COVID-19 was confirmed, all lab tests and treatment expenses related to COVID-19 have been paid for by the Government for all citizens and reimbursed at actual cost (governed by the corresponding ministerial decrees). On March 13, 2020, the Government announced economic support measures to mitigate the negative impacts of COVID-19: (a) deferral of commercial bank loan repayments for three months (April to June 2020); (b) a three-month postponement of the payment of value-added tax (March, April, May) for firms in the tourism sector; (c) suspension of property and income taxes until November 2020; and (d) provision of subsidized credit to small and medium-sized hotels, as well as an increase in the credit guarantee scheme and the acceleration of value-added-tax refunds. Under the GoG Resolution #220 of April 3, 2020, the Government will subsidize utility fees for three months (March, April, May) for electricity, sanitary service, gas, and water bills for households that consume less than 200 kWh of electricity and 200 cubic meters of natural gas per month. The Government is considering other measures to support people who lose their jobs because of the outbreak and the lockdown. On April 24, 2020, the Prime Minister unveiled a set of emergency-response measures, including support for people who lost their jobs, temporary cash assistance to poor and vulnerable households, and wage subsidies.

27. **The MoIHLSA has been quickly adapting the social assistance delivery mechanisms to make them COVID-19-responsive, although further adaptation is needed and communication about COVID-19 needs to be enhanced.** Application and registration procedures have been simplified to facilitate access to the TSA;

recertification procedures for TSA beneficiaries have been postponed, allowing beneficiaries to remain in the program; and fewer documents are required to apply. Online applications are available, and home visits have been postponed.[15] Municipal budgets for social assistance are oriented to food distribution and in-kind transfers. Further adaptation may be needed to comply with social distancing guidelines—for example, using mobile money instead of cash-in-hand payments, ensuring hygienic conditions, and using radio or media rather than in-person workshops to convey behavioral change messages, including on handwashing and complying with social distancing requirements.

28. **Donors and development partners have been active in supporting Georgia in responding to the COVID-19 emergency.** The UN Resident Coordinator Office supported the establishment of the "health procurement group" with the participation of UN Agencies, the World Bank (WB), and the Georgian health authorities to ensure harmonization on the commodity lists provided by WHO. WHO has been providing technical assistance to the Government on its preparedness and response efforts. The health parts of the Country Strategic Preparedness and Response Plan have been finalized, costed, and entered in the COVID-19 online Partners Platform (https://covid-19-response.org/). To address vulnerabilities in health care provision in Abkhazia, the United Nations Development Programme (UNDP) is organizing deliveries of medical commodities to hospitals. The deliveries are funded by United States Agency for International Development (USAID), the EU, and UNDP and are transported via the UNDP-EU joint coordination mechanism. The UN Resident Coordinator Office also coordinates other activities by UN Agencies to mitigate economic and social consequences on vulnerable groups: for example, the United Nations High Commissioner for Refugees supports refugee communities and the Gali population in Abkhazia under an expanded cash assistance program; and UNICEF has provided food support to Roma families. The EU Delegation to Georgia announced that it would support vulnerable populations through its network of nongovernmental organizations, redirecting the resources of ongoing projects, and would work with financial institution partners to redirect funds (and topping up) to increase the liquidity of financing for small and medium enterprises. While Government and donor financing for health (including this project) approximates the projected needs in the sector to respond to the COVID-19 pandemic, the needs in social protection significantly outweigh the available funding.

29. **Several international agencies are supporting the MoILHSA in providing training to health care workers**. Recently the Global Fund to Fight AIDS, Tuberculosis and Malaria supported the MoILHSA in training primary health care workers throughout the country. The Government of Czechia also provided support through Caritas for training primary health care workers. Open Society Georgian Foundation has been providing trainings on infectious prevention and critical care, predominantly in the fever clinics. USAID and the CDC are also involved in training hospital personnel. Trainings are prioritized as follows: first, the training will be provided for 44 clinics (29 standby and 15 fever clinics); second, to the 100 largest hospitals; and third, to all clinics.

30. **Besides the UN Agencies and development partners mentioned above, the GoG is working actively with international finance institutions and development agencies to mitigate the impact of COVID19 in the country.** According to the Prime Minister's Office, the IMF, WB, AIIB, EU, Asian Development Bank, European

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

Bank for Reconstruction and Development, European Investment Bank, German Development Fund, and French Development Agency will support the Georgian economy with US$1.5 billion by the end of 2020. For instance, on March 26, 2020, the WB approved a EUR 45 million Economic Management and Competitiveness Development Policy Operation that aims to support Georgia's ongoing reforms in areas critical for inclusive economic growth and will also help the country's efforts to mitigate the economic impact of the COVID-19 pandemic. The following development partners have committed to allocate funding to support the GoG in the fight against COVID-19:

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

C. Relevance to Higher-Level Objectives

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

32. **The project is aligned with the WBG's Georgia Country Partnership Framework (CPF) for 2019-2022, namely Focus Area 2: Enhance efficiency of health care delivery system, and Focus Area 3: Strengthening the resilience of households.**[16] While the original CPF did not include pandemic response and preparedness, the spread of the pandemic has generated a need for urgent investment in health and social protection. The project design matches the objectives of (a) efficiency, through its interventions aimed at strengthening the intensive

[16] FY19–FY22 Country Partnership Strategy report #121853-GE discussed by the Executive Directors on May 22,2018

care network and response capacity; and (b) inclusive access, through the component aimed at mitigating the containment measures' spillover effect on the poor.

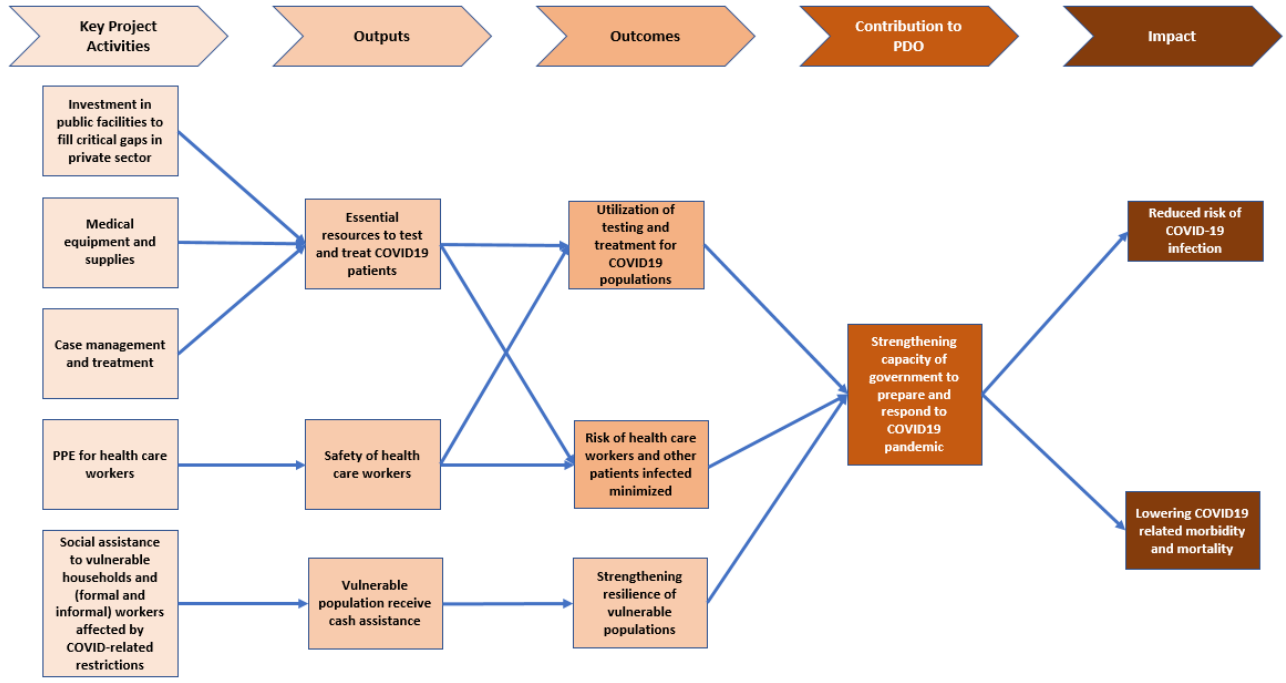
33. **The WBG remains committed to providing a fast and flexible response to the COVID-19 epidemic,** making use of all WBG operational and policy instruments and working in close partnership with governments and other agencies. Grounded in One-Health, which provides for an integrated approach across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

III. PROJECT DESCRIPTION

A. Development Objectives

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

Figure 3. Results Chain



35. **The PDO-level indicators are the following:**

(a) Number of tests performed for COVID-19 identification

(b) Number of COVID-19 patients treated per SSA reimbursement guidelines
(c) Share of population in the poorest quintile who are receiving the COVID-19 pandemic-related social assistance programs

36. **The proposed project will be implemented over a period of two years with a total World Bank and AIIB financing of US$180 million**, of which US$80 million is from the IBRD and includes US$17.6 million equivalent from the FTCF IBRD allocation for Georgia. The project includes US$100 million from the AIIB. The project costs by component/subcomponent and the financing plan are presented in Annex 1.

B. Project Components

Component 1. Emergency COVID-19 Response (EUR 29.1 million, US$ 31.9 million equivalent)

Subcomponent 1.1: Case Detection and Confirmation (EUR 7.3 million, US$ 8.0 million equivalent)

37. **This subcomponent will help to strengthen public health laboratories and epidemiological capacity for early detection and confirmation of cases.** It will support the strengthening of disease surveillance systems and the capacity of the selected public health laboratories to confirm cases by financing medical supplies and equipment: PPE and hygiene materials, COVID-19 test kits, laboratory reagents, polymerase chain reaction equipment, and specimen transport kits. The support under the project will enable Georgia to increase its testing capacity to 1,000-1,200 samples per day.

Subcomponent 1.2: Health System Strengthening for Case Management (EUR 21.8 million, US$ 23.9 million equivalent)

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

39. **Under this subcomponent, the Government will procure equipment, drugs, and medical supplies to strengthen the capacity of the seven public health facilities designated for COVID-19.** Among these is Rukhi Hospital, a newly built hospital located near Abkhazia serving a large internally displaced population that is particularly vulnerable to COVID-19. To operationalize the hospital for admitting COVID-19 patients, the project will support the procurement of essential equipment and supplies: intensive care unit (ICU) equipment (e.g. ventilators, patient monitors, bronchoscopes), as well as equipment for non-critical care and operating rooms. In the other designated public hospitals, the project will finance ICUs and beds; minor repairs, such as remodeling ICUs and increasing the availability of isolation rooms; and other capacity needs to improve service delivery for COVID-19.

40. **This subcomponent will also transfer funds directly to public and private facilities that are designated to receive COVID-19 patients to compensate them for idle capacity and ensure standby readiness to provide**

COVID-19 care. This fixed amount calculated per bed covers salaries of medical staff, utility bills, and operational costs. The project will also finance case management and treatment of COVID-19 patients in public and private facilities by supporting the reimbursement of claims by the SSA for COVID-19-related services. The SSA will reimburse facilities for the actual costs of medicines, diagnostics, and consumables used to treat COVID-19 cases. To ensure sustainability, the project will support consulting services to revise the payment methods for health care services, including setting tariffs for COVID-19. It will also finance case management for non-severe cases in nonmedical settings (e.g., hotels temporarily rented for this purpose) for individuals who cannot self-isolate at home, and it will finance ambulances to support urgent transportation of patients across the hospital network to designated reference facilities.

Component 2. Enabling Health Measures to Contain the COVID-19 Outbreak through Temporary Income Support for Poor Households and Vulnerable Individuals (EUR 43.7 million, US$ 47.8 million equivalent)

41. Component 2 complements the support provided under Component 1 by introducing mitigation measures in the form of financial support for poor and vulnerable households to enable them to comply with social distancing and COVID-19 containment measures and lockdown orders.

Subcomponent 2.1: Cash Transfers to Poor and Vulnerable Households (EUR 8.1 million, US$ 8.9 million equivalent)

42. **This subcomponent will assist households that are negatively affected by the health measures adopted to contain the outbreak and the resulting economic downturn** by supporting: (a) the scale-up of the TSA program for extremely poor households; (b) a new temporary cash benefit for vulnerable households; and (c) a top-up benefit for households with more than three children.

43. **By design, the TSA program targets extremely poor households based on a proxy means test (PMT) scoring formula that is partially shock responsive**. It is expected that about 38,000 new households will apply to and be eligible for the TSA program[17] during the next few months in a scenario in which 20 percent of formal wage workers will lose their jobs and wage workers staying in their jobs will have their labor income reduced by 20 percent. The project will finance only part of the expected new eligible households (about 6,000 households). The benefit amounts remain the same.[18] This subcomponent will also finance a temporary cash transfer for households that are vulnerable to falling into poverty because of the economic downturn resulting from the measures adopted to contain the outbreak. The temporary benefit, provided on demand, will be a payment of GEL 100 (around US$31) per month per household. . Eligible households for this temporary benefit will be identified through the existing PMT scoring formula, namely registered with a score between 65,000 and 100,000. The temporary monthly benefit will be given for up to 6 months in addition to the existing social assistance benefits (child benefits and other small benefits administered at the municipal level). About 70,000 households[19] are expected to be eligible for this temporary cash benefit in the immediate term. Female-headed

[17] Households with a score less than 65,000 are eligible for the TSA program.
[18] The average monthly TSA transfer is estimated to be GEL 283 per household, nearly three-quarters of their average aggregate monthly consumption, estimated at GEL 384 (Household Income and Expenditure Survey 2018, Geostat).
[19] Assuming an uptake of 80 percent of eligible households in a scenario where 20 percent of wage workers lose their jobs.

households will be actively pursued for this temporary cash benefit as women are more likely to work in the informal sector and therefore be affected during the pandemic. Finally, this subcomponent will support a top-up benefit of GEL 100 for 6 months for TSA and child benefit beneficiary households[20] with three or more children.

44. **The implementation of this subcomponent will rely on the existing administration through SSA**, which will determine and verify eligibility and will contract with Liberty Bank to make payments. Application procedures and the implementation processes have already been simplified and adapted to minimize the risk of contagion in compliance with the regulations on social distancing.

Subcomponent 2.2: Temporary Unemployment Assistance for Individuals who Lose their Job because of the COVID-19 Outbreak (EUR 35.6 million, US$ 38.9 million equivalent).

45. **This subcomponent will finance temporary unemployment assistance benefit for private sector formal wage workers**. The temporary unemployment assistance benefit will consist of a flat benefit of 200 GEL (US$63) per month provided to formal wage workers in private companies who are laid off as a result of COVID-related restrictions and the economic lockdown of nonessential businesses. The benefit amount is commensurate to the cost of living: as a comparison, the monthly social pension (old-age pension) is set at 220 GEL (US$70) per person per month. The duration of the unemployment assistance benefit is up to 6 months. In a conservative scenario in which 20 percent of wage workers are laid off, about 135,000 formal wage workers are expected to be dismissed and eligible for this unemployment benefit.[21] The Revenue Service will compile a list of laid-off workers based on companies' income tax declarations and will validate the accuracy of bank account details. It will submit the list of unemployed people and their bank account details to the State Employment Support Agency (SESA) under the MoIHLSA, which will further verify eligibility (eligible unemployed individuals may not be beneficiaries of TSA and of the temporary cash benefits in subcomponent 2.1). SESA will pay the unemployment benefits to the bank accounts provided by the Revenue Service.

46. **This subcomponent will also support the introduction of a one-off benefit targeted to self-employed and informal workers who lost their job because of the economic downturn resulting from the measures adopted to contain the outbreak.** The one-off benefit will be provided on demand through an online portal and SESA. Beneficiaries will be selected if they comply with the following criteria: (a) not having any source of declared income, as verified through the tax income payroll database of the Revenue Service; and (b) not being a beneficiary of public social assistance (including the TSA, the social pensions, and the temporary cash transfers supported by subcomponent 1). The one-off benefit amount will be around GEL 300 (around US$96). SESA will carry out the eligibility determination and verification processes in coordination with the Revenue Service, in compliance with regulations on social distancing.

47. **Funds allocated to Component 2 of the project will not be sufficient to address all the needs of vulnerable individuals in the country.** Although it will be difficult to estimate financing needs precisely, given

[20] Households with PMT score less than 100,000.
[21] According to the Ministry of Finance, there are about 670,000 private sector wage workers in the income payroll tax database.

that the situation evolves by the day, the financial needs for social protection are expected to be large. The Government will likely use its own resources and funds from other development partners. State budgets will also be used to finance information campaigns to raise awareness about the new benefits supported by this component.

Component 3. Project Management and Monitoring (EUR 121,500, US$ 133,000 equivalent)

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

49. **Large volumes of personal data, personally identifiable information, and sensitive data are likely to be collected and used** in connection with the management of the COVID-19 outbreak. Measures to ensure the legitimate, appropriate, and proportionate use and processing of those data may not feature in national law or data governance regulations, and such data may not be routinely collected and managed in health information systems or systems providing social assistance. Personal data will be processed to determine and verify eligibility for temporary social assistance benefits supported by the project in compliance with the Georgia personal data protection law, in accordance with existing personal data-sharing agreements between the Revenue Service and the MoIHLSA, which will be assessed to ensure alignment with international standards on personal data protection policies. A Plan of Action will be prepared no later than 60 days after the signature date and will be adopted 90 days after the signature date setting out the timeline and steps for carrying out the recommendations set out in the 2018 and 2019 reports from the State Audit Office of Georgia pertaining to the information system of the social assistance program and the pension program respectively implemented by the Social Service Agency, and other actions necessary for the effective implementation of an information security management systems of the Social Service Agency, all in accordance with the Law of Georgia on Personal Data Protection and good international practice.

C. Project Beneficiaries

50. **The expected project beneficiaries will be the population at large,** given the nature of the disease, and particularly infected people and at-risk populations, such as the elderly and people with chronic conditions; medical and emergency personnel; medical and testing facilities; and public health agencies engaged in the response. In addition, the expected project beneficiaries of Component 2 will be poor and vulnerable households, including those with informal workers identified through the Government's existing administrative systems,[22] IDPs and refugees, and formal private sector workers who are unemployed or will become unemployed because of the lockdown due to the restrictions adopted by the GoG to contain the spread of COVID-19.

D. Waivers

51. The project will use waivers granted through the MPA:

- Partial waiver relating to the application of Anti-Corruption Guidelines to unsuccessful bidders in the context of Retroactive Financing and existing Framework Agreements in place between the borrower and suppliers and financed under retroactive financing or advanced procurement.
- Waiver of paragraph 22 of the IPF policy relating to the requirement to seek the approval of the Board prior to signing the legal agreements for individual projects under the global emergency MPA Program for projects classified as High or Substantial Risk (pursuant to the Environmental and Social Policy) given the similarity of environmental and social risks across COVID-19 operations and the commonality of approaches to their mitigation across all COVID-19 projects, embedded in the project design and environmental and social requirements that apply to each project (as set out in paras of the MPA PAD).

IV. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

52. **The designated implementing agency for the project is MoILHSA,** which is formally accountable for the health of the population, oversight of the health system, and the quality of health services, as well as for managing the social protection and employment programs of the GoG. MoILHSA will be responsible for the fiduciary and technical aspects, as well as the operational implementation, of the project, in close coordination with the Ministry of Finance (MoF). The SSA, a state-subordinated institution under the administration of MoILHSA, is responsible for purchasing publicly financed health services in the country, implementing social services and programs, and supporting the most vulnerable social groups**.**

53. **The project will be implemented using the existing institutions and capacities of the Government, which are deemed adequate to assure the smooth technical implementation and oversight of the project**. The implementation arrangements for Component 1 will involve MoILHSA in its health care function, together with SSA, in coordination with the National Center for Disease Control (NCDC) and the State Procurement Agency.

[22] The income tax database, the social registry, and the scoring formula (PMT) used to determine eligibility for poverty-targeted social benefits.

The MoILHSA will conduct centralized procurement of lab equipment, test kits, equipment, and supplies for hospitals. As a purchasing agency, the SSA will reimburse the providers for COVID-19-related services. Activities conducted by the MoILHSA will be coordinated when relevant with the NCDC, which is at the forefront of the epidemic response.

54. **Component 2 will be implemented by the MoILHSA in its social protection function through the SSA and SESA, together with the Revenue Service under the MoF**. Specifically, the SSA will be in charge of (a) determining and verifying eligibility for the TSA and the temporary benefits for vulnerable households; and (b) making payments to beneficiaries of subcomponent 2.1 through the special accounts at the Liberty Bank and connected bank cards. SESA will be responsible for (a) verifying self-employed and informal workers' eligibility for the one-off cash transfer and formal workers' eligibility for the unemployment benefit (beneficiaries of subcomponent 2.2) by cross-checking the lists of eligible unemployed (first validated by the Revenue Service) and applicants for the temporary assistance to informal workers to exclude individuals already receiving either the TSA or the temporary cash benefits and avoid double-dipping; and (b) making payments to beneficiaries of subcomponent 2.2 (for eligible unemployed people, through their personal bank accounts, based on the details provided by the Revenue Service). All formal employees are captured by the Revenue Service, and 95 percent of them have a bank account.[23] Companies already submit income tax declarations for their workers in the Revenue Service online system.[24] Companies will be required to include bank account details in the income tax declaration. The employee name and bank account details provided in the income tax declaration are automatically crossed-checked with commercial banks. There is already an agreement in place between the Revenue Service and all commercial banks on data exchange, making the reconciliation of bank accounts with commercial banks easier. No cash-based payment is envisioned. The main functions of the key agencies involved in project implementation are described in Box 1.

55. **A PIU will be established under MoILHSA within 30 days after the signing date,** comprising existing staff from MoILHSA, SSA, MoF, State Procurement Agency, Treasury, and the NCDC, and consultants hired under the project. The PIU will be led and coordinated by MoILHSA. Given the overwhelming scope of the response to COVID-19 and the urgency of actions, several key consultant positions will be needed: consultants for procurement, FM, social and environmental safeguards, a health specialist, and a consultant to support the overall coordination, monitoring, and evaluation of the project activities. Other consultants can also be hired as needed during project implementation. The PIU will need to be adequately staffed for FM and procurement functions, including accounting, reporting, budgeting and funds flow, and internal controls, as well as for social and environmental aspects.

56. **As a designated implementing agency, the MoILHSA will assign a focal point to work with the World Bank team throughout project implementation.** A Project Director, who could be a Deputy Minister supported by key technical staff, will be designated by the project effectiveness date. Also, by the project effectiveness date the MoILHSA will designate focal points for the health and social protection components. The focal points will also be responsible for interacting with the Bank team on technical matters.

[23] The cost of opening a bank account in Georgia is negligible. Laid-off workers without a bank account will be encouraged to open one.
[24] In Georgia income tax declarations have to be sent by employers within 15 days after the end of the month.

Box 1. Key agencies involved in project implementation.

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

MoILHSA – project implementing agency. In charge of health care, labor, social protection, and IDPs' issues. Accountable for the health of the population by overseeing the health system and the quality of health services.

SESA - State Employment Support Agency, state-subordinated institution under the administration of MoILHSA.

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

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

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

State Procurement Agency – independent legal entity of public law in Georgia. Provides oversight to ensure compliance with the Government's procurement procedures by establishing policies for regulating the procurement process.

B. Results Monitoring and Evaluation Arrangements

57. **Monitoring and evaluation activities will be the responsibility of the PIU.** The PIU will (a) monitor project implementation; (b) collect data and information related to the PDO and intermediate indicators; and (c) prepare progress reports by coordinating with related departments at the MoILHSA, MoF, and other implementing agencies. Progress reports will cover compliance with the planned project activities, the updated procurement plan, the achievement of indicators as defined in the Results Framework, and the Environmental and Social Framework. The PIU will submit these reports to the World Bank on a quarterly basis. Roles, responsibilities, and the methodology will be described in the Project Operations Manual (POM) to be adopted within 30 days after the signing date.

C. Sustainability

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

V. PROJECT APPRAISAL SUMMARY

A. Technical, Economic, and Financial Analysis

59. **Carrying out a comprehensive technical appraisal is difficult because the unprecedented COVID-19 pandemic is rapidly unfolding.** However, the project's approach has been informed by lessons learned from previous epidemics and emerging science on this pandemic. Scientists are still seeking to understand and assess the epidemiology and clinical presentation of COVID-19, as well as the optimal mix of interventions. As of April 18, 2020, it is estimated that 6.9 percent of confirmed cases worldwide have resulted in death.[25] However, WHO has been careful not to describe this as a mortality rate, as the situation is unfolding, and testing and reporting constraints have inhibited an accurate understanding of the incidence and prevalence of the disease since it was first identified in late 2019. Initial data from Italy and other countries indicate that COVID-19 is more likely to cause severe respiratory distress, necessitating intensive care and hospitalization, in patients with underlying health conditions. High-risk groups[26] include those who are immune-suppressed, suffering from respiratory diseases, over the age of 70, or pregnant, or have specific cancers, severe respiratory conditions, metabolic disorders, or a significant congenital heart disease.[27]

60. **Georgia's demographic characteristics and existing disease burden suggests that the COVID-19 pandemic may have a significant impact on population health**. As case fatality rates are higher[28] in older age groups, the country's aging population has been identified as a key vulnerability. Around 17.5 percent of the population is older than 60 years, and 3.3 percent is older than 80 years.[29] Of the top 10 causes of premature death in Georgia, 7 are relevant co-morbidities for COVID-19 disease: ischemic heart diseases, stroke, hypertensive heart diseases, lung cancer, chronic obstructive pulmonary disease, diabetes, and chronic kidney disease.[30] A large share of the population has cancer (five-year prevalence cases are 20,742), and lung cancer is the most common form of cancer among men.[31] Given that COVID-19 affects the respiratory system, smoking is an important risk factor and appears to have played a large part in the gender distribution and severity of

[25] https://coronavirus.jhu.edu/map.html.
[26] https://digital.nhs.uk/coronavirus/shielded-patient-list.
[27] Heyman, D, and Shindo, N, on behalf of the WHO Scientific and Technical Advisory Group for Infectious Hazards. 2020. *The Lancet*, https:/doi.org/10.1016/S0140-6736(20)30374-3.
[28] For example, data from the Italy outbreak indicate that, while case fatality is rare in children and rates are 0.3-1 percent for adults aged 30-50 years, case fatality rates increase sharply in the older population groups: 1 percent for adults aged 50-59 years, 3.5 percent in the 60-69 bracket, 12.5 percent in the 70-79 bracket, 19.7 percent in the 80-89 bracket, and 22.7 percent in the 90+ bracket.
[29] https://www.geostat.ge/en/modules/categories/41/population.
[30] http://www.healthdata.org/georgia.
[31] https://gco.iarc.fr/today/data/factsheets/populations/268-georgia-fact-sheets.pdf.

COVID-19 in China.[32] Thus, it stands to be an aggravating factor for the potential outbreak in Georgia, where 55.5 percent of men and 4.8 percent of women smoke.[33]

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

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

63. **There is a strong economic rationale for the project's investment to strengthen the Government's response to the COVID-19 pandemic.** Although there are significant gaps in knowledge of the scope and features of the COVID-19 pandemic, it is apparent that one main set of economic effects will derive from increased sickness and death among humans and the impact this will have on the potential output of the domestic and global economy. The most direct impact will be through the impact of increased illness and mortality on the size and productivity of the world labor force. The loss of productivity as a result of illness which, even in normal influenza episodes, is estimated to be 10 times as large as all other costs combined, will be quite significant.

64. **Another significant set of economic impacts will result from the uncoordinated efforts of private individuals to avoid becoming infected or to survive the infection.** The SARS outbreak of 2003 provides a good example. The number of deaths due to SARS was estimated at "only" 800 deaths, and it resulted in economic losses of about 0.5 percent of annual GDP for the entire East Asia region, concentrated in the second quarter.

[32] Cai, W. 2020. "Sex difference and smoking predisposition in patients with COVID-19." *Lancet Respir Med*, Doi.org/10.1016/PII. At: https://www.thelancet.com/action/showPdf?pii=S2213-2600%2820%2930117-X.
[33] http://www.euro.who.int/__data/assets/pdf_file/0020/337430/Tobacco-Control-Fact-Sheet-Georgia.pdf?ua=1.

In addition, there is a potential impact on the overall availability of health workers as they too are infected with the virus. This issue is tightly linked to the availability of PPE. Most countries are experiencing shortages of PPE, a fact that affects not just the exposure of health workers to COVID-19, but also the exposure of other patients in a hospital to not just coronavirus, but other pathogens as well. This situation could lead to increases in hospital-acquired infections and contribute to greater mortality and morbidity among the labor force.

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

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

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

68. **Mitigation measures under Component 2 will support households' livelihoods and provide incentives to temporarily stop their activity and comply with social distancing and stay-at-home orders.** Under Component 2, financial support will be provided to poor households and vulnerable individuals affected by the COVID-19 outbreak through different instruments: the TSA, temporary cash transfers for vulnerable households identified through the existing social assistance system, unemployment benefits targeting formal workers who have lost their jobs and a one-off benefit targeting the self-employed and informal workers. The rationale for these benefits is to protect different segments of the population, all substantially affected by the lockdown and the obligation to stop work. During the 2008 financial crisis, a combination of safety nets, unemployment benefits, and tax changes reduced the unemployment shock by 60 percent.

69. **The TSA program is expected to be scaled up to address the expected negative impacts on labor market outcomes (subcomponent 2.1).** TSA eligibility is determined by a PMT score, which captures labor and

agricultural household revenues from the second-last month before the application,[34] among other proxies of living conditions. Losses in formal labor income will result in lower TSA scores, thus increasing the probability that households will qualify for the TSA permanent program. It is expected that many households that are not eligible now will become eligible in the coming months as the effects of the lockdown measures are felt in the labor market. The pressure that can be placed on the TSA system from an income shock such as the one that has been caused by COVID-19 can be meaningful. A simulation of the effects of the crisis run using HIES 2018 data reveals that, assuming that 20 percent of wage workers lose their job for a month and wage workers who do not lose their jobs have their income reduced by 20 percent, 47,980 households that are not now receiving TSA will fall below the 65,000 PMT threshold—more than a quarter of the number of current beneficiaries.

70. **Temporary cash transfers (subcomponent 2.1) will be introduced to support vulnerable households and families with children that are not eligible for TSA but are severely hit economically by the COVID crisis and the lockdown.** Worldwide, cash transfers are among the social protection programs that are most widely used as crisis response mechanisms, including in the context of economic downturns. Strong empirical evidence shows that cash transfers reduce poverty, are spent wisely by beneficiaries, and generate economic multipliers. For example, during the 2008 financial crisis, most member states of the EU used discretionary cash transfers that significantly cushioned the impact of the recession. The temporary cash transfers planned in Georgia will cover households that do not benefit from TSA but are vulnerable notably those households with a PMT score just above the TSA eligibility threshold. Those households will experience a decrease or a loss in resources because of the COVID-19 outbreak and lockdown, as well as increased needs (health expenditures). The transfers will be announced as a temporary measure to limit potential longer-term work disincentives. The targeting of this temporary benefit will furthermore allow reaching out population groups that are more at risk in direct face-to-face interactions, which tend to be concentrated in the lower range of the income distribution.[35] A temporary to-up benefit for households with three or more children will offer complementary financial support to families with many dependents.

71. **Temporary unemployment assistance (subcomponent 2.2) is meant to provide income support to informal and formal workers dismissed because of the lockdown measures.** The COVID-19 crisis is expected to significantly increase unemployment in Georgia as in other countries. In the absence of an unemployment scheme and in the context of limited protection for workers, temporary unemployment transfers, including one-off transfers, are a common option to support those who become unemployed. Studies on the role of unemployment benefits highlight the welfare-increasing effect of unemployment benefits, which is particularly important in a context of inefficient private insurance markets and high risk-aversion during economic downturns. From a macroeconomic perspective, unemployment benefits have a stabilizing and consumption-smoothing effect on the economy, as they support the demand for goods and services. They allow households to maintain their income and consumption during unemployment. In standard economic settings, the substitution effect between work and leisure and the income effect have contrasting welfare implications. In particular, there are concerns about disincentives for job-seeking. However, in a lockdown situation such

[34] Government of Georgia, Res. 758, December 31, 2014.
[35] Avdiu and Nayyar, "When face-to-face interactions become an occupational hazard: Jobs in the time of COVID-19," Brookings Institution's Future Development Blog, https://www.brookings.edu/blog/future-development/2020/03/30/when-face-to-face-interactions-become-an-occupational-hazard-jobs-in-the-time-of-covid-19/.

disincentive effects are secondary, as the unemployed are indeed expected to stay at home and not look for a job in the immediate term. Also, the temporary nature of the benefit, adjusted to the outbreak period, reduces such concerns. Although the temporary unemployment benefit transfer is set at a low level, it will support equally a large number of individuals and households with losses in income, so that they can comply with the stay-at-home requirement**.**

72. **The targeting of informal and self-employed workers is warranted by the fact that these categories of workers are hard-hit by the economic shock** yet may not be fully covered by the traditional social protection schemes. Informal workers are more difficult to target. About 37 percent of wage workers are likely to be informal,[36] and they tend to be overrepresented among poor households, as informality is associated with lower pay.[37]

B. Fiduciary

Financial Management (FM)

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

74. **The FM assessment of the implementing agency has confirmed that the FM arrangements will be in place to implement the project and meet the minimum requirements of the World Bank's OP/BP 10.00, once the agreed actions are implemented.** A desk review assessment was carried out from information provided by the implementing agency. This assessment took into consideration the Bank's Operational Policy 8.00, *Rapid Response to Crises and Emergencies*, and the Guidance Note on FM in Rapid Response to Crises and Emergencies. To strengthen FM arrangements, the following actions need to be taken: (a) MoILHSA should adopt the POM, including the FM and disbursement aspects of the cash transfer scheme under Component 2 and the Global Budget and Reimbursements Manual, with FM arrangements that are satisfactory to the Bank (within 30 days after the signing date); and (b) an FM specialist should be hired for the PIU under terms of reference satisfactory to the Bank (within 30 days after the signing date). The POM should describe in detail the arrangements for project planning, budgeting, accounting, financial reporting, funds flow, internal controls, and auditing. In particular, the POM needs to describe the flow of funds for the three types of cash transfers under Component 2, including how the flow of funds will be managed from the Designated Account (DA) to final beneficiaries, as well as the roles and responsibilities of each agency involved.

[36] World Bank's own calculations based on LFS 2018. Informal wage workers are defined as those without a written contract, not paying payroll income taxes on salaries, and without leave benefits.
[37] Of informal wage workers, 49.7 percent earn less than GEL 400 per month, compared to 30.6 percent of formal wage workers.

75. **The PIU will prepare the project accounts in accordance with Cash Basis International Public Sector Accounting Standards.** The POM will describe the internal controls processes, including budgeting, planning, accounting, and financial reporting. Adequate audit and control mechanisms will be functional to ensure that the cash transfers under Component 2 are made for the intended purposes and reach the intended beneficiaries. In addition to the mandatory financial audit of the project financial statements, operational audits of the unemployment benefits and temporary cash transfers will be made by the Internal Audit Departments of MoIHLSA and MoF (for transactions of the Revenue Service). Ex-ante controls over project funds will be ensured through cross-checks, reviews, and approvals, which will be elaborated in detail in the Social Assistance and Cash Transfers Section of the POM. Ex-post controls over project funds will be ensured by involving the Internal Audit Departments of the implementing agency in reviewing, on a sample basis, social assistance and cash transfers under the project. Social assistance and cash transfer transactions will be also reviewed during the mandatory financial audit of the project accounts. The Bank team will support the PIU with hands-on training based on the implementing agency's capacity and knowledge of Bank-financed operations. The PIU will use the existing accounting system of the implementing agency for project accounting and reporting purposes. Like all other projects financed by the Bank, all payments under this project will be conducted through the eTreasury System.

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

77. **The audit of the project financial statements prepared by the PIU will be conducted (a) by the State Audit Office of Georgia or by independent private auditor acceptable to the Bank in accordance with terms of reference acceptable to the Bank, and (b) according to the International Standards on Auditing** issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. Annual audited project financial statements will be submitted to the Bank within six months after the end of each fiscal year and at the project closing. The MoILHSA will publicly disclose the audit reports on their websites within one month after receiving them from the auditor. After formally receiving the audit reports from the borrower, the Bank will make them publicly available according to the World Bank Policy on Access to Information.

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

79. **The loan will be disbursed through Bank's standard disbursement methods**, which include (a) advances to the DA using Statements of Expenditures (SOEs); (b) payments against Special Commitments; (c) reimbursement of eligible expenditures; and (d) direct payments. The project will be required to adopt e-disbursements, and the minimum value of applications as well the frequency of the reporting of the SOEs will be specified in the Disbursement and Financial Information Letter.

80. **The project will be jointly co-financed by the Bank and the AIIB**—that is, the Bank and AIIB will jointly finance the same contracts under the project in accordance with agreed financing parameters. The AIIB will follow the Bank's FM and procurement operational guidelines and its Environmental and Social Framework. While negligible, there is a potential risk of a financing gap in case the co-financing agreement does not materialize. The collaboration between the Bank FM team and the AIIB will be as follows: (a) the Bank FM team will review all periodic audited project financial statements and unaudited IFRs provided by the implementing agency; (b) the Bank FM team will follow up with the implementing agency on these reviews, including monitoring and consultation on the implementation of recommendations in the auditors' reports; and (c) the Bank FM team will serve as the focal point for AIIB vis-à-vis the implementing agency in all matters related to FM under the project. For disbursements, the Bank will (a) review each withdrawal application furnished by the implementing agency to verify that the amount requested is eligible for financing under the AIIB's Financing Agreement; and (b) notify AIIB that the withdrawal application is in proper order, and that it has determined that the amount requested is eligible for financing under the AIIB financing. The co-Financing Agreement between the World Bank and AIIB is expected to be signed in by May 31, 2020. If, for some unforeseen reasons, funding from AIIB does not materialize as planned, the Parties will consider restructuring the Project to commensurate with the reduced amount.

81. **The implementation of contracts with WHO, UNICEF, and UNDP will be organized using the pre-approved templates with each UN Agency**, using outcome-based types of contracts. The MoILHSA will hire these agencies through indirect contracting. These agencies have been assessed by the World Bank at a corporate level, and agreement templates have been made available. In this regard, the UN Agencies will apply FM procedures in their contracts with MoILHSA.

82. **Retroactive financing of up to 40 percent of the project financing is allowed**, as long as expenditures are procured in accordance with applicable World Bank Procurement Regulations. The Bank reviewed and agreed on the list of eligible expenditures for retroactive financing during appraisal. The retroactive financing period is up to 12 months prior to the signing of the Loan Agreement.

83. **FM risk is Substantial.** The overall residual FM risk for the project is Substantial before and after the application of the mitigation measures, given the emergency nature of the project, the complexity of the project, and vulnerabilities of the cash transfers. Also, in rating the project FM risk, consideration has been given to the implementing agency's limited experience in implementing projects funded by international financial institutions (IFIs). The PIU is yet to be established, the POM and the Global Reimbursements Manual are also yet to be prepared which pose a fiduciary risk. These risks may have the following negative impacts on project implementation: (a) budget allocations to the project activities are not done in a timely manner, or budget funds assigned to the project are misallocated; (b) payments to contractors are delayed because of rigorous budget appropriation rules; or (c) social assistance and cash transfers are not directed to those targeted under this project. These risks will be mitigated through (a) flexible disbursement arrangements, including retroactive financing (up to 40 percent of the total loan amount), variable DA ceiling, and advances based on the forecast of funds required for the semester; and (b) in addition to ex-ante and ex-post controls, the implementing agency will receive intensive hands-on assistance from the Bank during project implementation.

84. **FM implementation support and supervision plan.** During project implementation, the World Bank FM team will (a) conduct regular check-ups with the implementation agency on FM and disbursement matters; (b) keep engaged with counterparts on issues affecting performance, compliance, and reporting, and provide the necessary support and guidance; (c) selectively review claims for cash transfers; (d) review the project's IFRs; (e) perform desktop and on-site supervisions based on the project's assessed risk and performance; (f) perform frequent sample-based verification of transactions, and (g) depending on the risks that may arise during implementation with respect to social assistance and cash transfers, engage with the State Audit Office of Georgia on conducting interim reviews/audits in addition to the mandatory financial audit of the project.

Procurement

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

86. **Use of Systematic Tracking of Exchanges in Procurement (STEP).** All procurement transactions for post and prior contract review under the project must be recorded in or processed through the Bank's planning and tracking system, STEP. This ensures that comprehensive information on procurement and implementation of all contracts for goods, works, non-consulting services, and consulting services awarded under the whole project are automatically available. This tool will be used to manage the exchange of information (such as bidding documents, bid evaluation reports, no-objections, and so on) between the implementing agency and the Bank. The Bank team has provided training to the borrower on how to establish its account and on the use of STEP.

87. **Procurement plan.** A number of major procurements will be conducted under the project: (a) necessary material and technical equipment for case management; (b) equipment for health facilities; (c) fully equipped ambulances; and (d) PPE and minor repairs in public health facilities.

88. **Retroactive financing** will be considered under the project, subject to the conditions defined in 5.1 and 5.2 of the Procurement Regulations for Borrowers. In accordance with the Procurement Regulations, the Bank requires the application of, and compliance with, the Bank's Anti-Corruption Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights. To ensure compliance with these provisions in bidding processes that have already been conducted and for which the awarded/signed contracts did not include the relevant fraud and corruption (F&C) provisions, the MoILHSA has agreed to amend those contracts (to be financed under this project) and to require the suppliers/consultants and contractors to sign the Letter of Acceptance of the World Bank's Anticorruption Guidelines and Sanctions Framework provided by the Bank, so that these contracts can be eligible for financing under this project. The Bank will not finance any contracts that do not include the Bank's F&C- and audit-right-related clauses. The MoILHSA will also present to the Bank the list of contractors, suppliers, local agents, and manufacturers under these contracts so that the Bank can ensure that the firms chosen are not, and were not at the time of award or contract signing, on the Bank's list of debarred firms. Contracts awarded to firms debarred or suspended by the Bank (or those that

include debarred or suspended subcontractors) will not be eligible for Bank's financing. The Bank will check the eligibility of the firms/companies.

89. **Hands-on expanded implementation support (HEIS).** For the procurement of initial needs, the Bank may provide HEIS to the borrower as follows: (a) provision of draft technical requirements and specifications, as requested by the MoILHSA; (b) assistance to the implementing agency in drafting procurement documents; and (c) advice on evaluation procedures, including participation as observers during contract negotiations, only to clarify matters related to the Bank's Procurement Regulations.

90. **Upon the Borrower's request, in addition to the above procurement approach options, the Bank has agreed, as part of its hands-on expanded implementation support (HEIS),** to provide Bank Facilitated Procurement (BFP), to proactively assist the Borrower's implementing agency in accessing existing supply chains for the agreed list of critical medical consumables and equipment needed under the Project. Once the suppliers are identified, the Bank will proactively support the Borrower with negotiating prices and other contract conditions. The Borrower will remain legally responsible for entering into contracts and Project implementation, including assuring relevant logistics with suppliers, such as arranging the necessary freight/shipment of the goods to their destination, receiving and inspecting the goods and paying the suppliers, with the Bank Direct Payment disbursement option available to it. If needed, the Bank may also provide HEIS to the implementing agency in contracting to outsource logistics.

91. BFP to access available supplies may include aggregating demand across participating countries, whenever possible, and extensive market engagement to identify suppliers. The Bank is coordinating closely with the UN agencies (specifically WHO and UNICEF) that have established systems for procuring medical supplies and charge a fee which varies across agencies and type of service and can be negotiated (around 5% on average). In addition, the Bank may help the Borrower to access other governments' available stock.

92. In providing BFP, as part of HEIS, the Bank will remain within its operational boundaries and mandate of providing Project implementation support, and not engaging in Project implementation, all to support the Borrower to achieve the Project's development objectives. Procurement for goods, works, and services outside this list will follow the Bank's standard procurement arrangements (which may include traditional, non-BFP, HEIS) with the Borrower responsible for all procurement steps.

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

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

95. **Fast-track procurement.** The proposed procurement approach prioritizes fast-track emergency procurement for the required goods, works, and services. Key measures to fast-track procurement include the following: a bid-securing declaration may be used instead of a bid security; performance security may not be required for small contracts for works and supply of goods (however, money may be retained during the defects liability period for works contracts; manufacturer warranties will be requested for goods contracts); and advance payment may be increased to up to 40 percent of the contract price when secured with an advance payment guarantee.

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

97. **Procurement implementation arrangements**. Given the PIU's lack of experience in conducting procurement under the World Bank's Procurement Regulations, to avoid delays during implementation, the PIU under the MoILHSA will execute procurement with support under the HEIS service from the Bank, in accordance with the HEIS and BFP letter signed on April 22, 2020. The MoILHSA will designate a local procurement specialist who will work in close cooperation with the Bank. Component 2 will involve at most minor procurement. The electronic Government Procurement system will be used for all procurements conducted under the project.

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

99. These risks are elevated by the global extent of the COVID-19 outbreak, which has created shortages of supplies and necessary services, which may result in increased prices and cost. Moreover, the fact that various industries are feeling the impact of COVID-19 also challenges the procurement process and implementation of contracts. To deal with potential procurement delays because of the spread of COVID-19, the Bank will support

the MoILHSA in applying any procedural flexibilities (e.g., extension of bid submission deadlines, advising on the applicability of force majeure, electronic bid submission, etc.). The Bank team will also monitor and support implementation to agree with the MoILHSA on the reasonableness of the procurement approaches and obtained outcomes considering the available market response and needs. The overall procurement risk is assessed as High.

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

101. **Bank's oversight arrangements**. The Bank will exercise oversight of procurement through increased implementation support; HEIS, if requested; and increased procurement post-review based on a 20 percent sample of signed contracts. The Bank will not conduct prior review under this project. To monitor physical progress, the Bank may rely on alternative arrangements such as third-party monitoring, beneficiary feedback, remote supervision through GPS-enabled technology, reliance on UN Agencies with presence in the country, independent verification agents, and implementation support missions whenever and wherever possible. The Bank will also explore options for increased reliance on the supreme audit institution to conduct procurement post-review, which may include collaborating with FM staff to expand the terms of reference for project audit to cover procurement aspects to the extent possible.

C. Legal Operations and Policies

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

D. Environmental and Social Standards

102. **Environmental and social risks are assessed as Substantial**. The major areas of risk for the project are (a) occupational health and safety for medical staff, laboratory staff, and communities during the detection, transportation of patients/tests/chemicals and reagents, and treatment stages of the COVID-19 cycle; (b) occupational health and safety related to the collection, transportation, and disposal of medical waste; (c) temporary environmental risks associated with minor repair works at health care facilities (HCFs), and occupational health and safety of construction workers, HCF staff, and surrounding communities; (d) difficulties in

delivering temporary social assistance to vulnerable groups during COVID-19 constraints on the mobility of people and reduced capacity of public offices; and (e) risk of excluding eligible beneficiaries, especially informal workers, from the temporary social assistance scheme. The Bank's ESS 1, ESS 2, ESS 3, ESS 4, and ESS 10 are relevant for the project and will be followed to manage these risks. The works are expected to be limited to small repairs and will take place within existing hospital buildings; land acquisition is currently not expected. If there is a need to acquire land or property during project implementation, the purchase will likely be conducted on a willing buyer-willing seller basis, and the process will be thoroughly screened according to the guidance in the Environmental and Social Management Framework (ESMF). If it is determined during project implementation that impacts within the scope of ESS 5 would occur, then ESS 5 will become relevant and the borrower will need to prepare a Resettlement Plan. The environmental and social risks are associated with ensuring that contagion vectors are controlled through strict adherence to standard procedures for medical waste management and disposal and the use of appropriate PPE for all health care workers. Working with local authorities and communities to ensure that social distancing measures and quarantine regimes are strictly adhered to is also vital for lowering the speed and incidence of infection. Risks of exclusion from temporary social assistance are addressed in the project design through expanded eligibility thresholds for social assistance, which also cover informal workers.

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

104. **Community engagement and awareness building**. GoG has established a community engagement and outreach element of the overall framework and implementation plan to tackle the pandemic during its various stages as part of the project. To optimize the impact of the COVID response, the engagement of communities is critical to build community knowledge, confidence, and trust; ensure that the Government optimizes resources by responding to needs; promote behavior change; and ensure that the vulnerable are able to access services and support. To supplement the GoG element, under Component 3 the project will support the development of communication strategies, mass campaigns and information, education, and awareness building to ensure that culturally relevant information is disseminated to communities to properly sensitize them to the risks related to COVID, supported by tailored awareness-raising on preventive actions and the Government's COVID response. These flows of information will be designed to reach the vulnerable, including the elderly (who are most affected by COVID-19). The following community engagement processes are envisaged under the project:

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

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

VI. GRIEVANCE REDRESS SERVICES

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

VII. KEY RISKS

107. **The overall project risk rating is Substantial.** Risks in four of the eight categories are rated Substantial, as discussed below. The political and governance, sector strategies and policies, technical design, and stakeholder risks are all rated Moderate. While a considerable degree of risk is inherent in a project of this urgency, important mitigation measures have been integrated into the project design.

108. **Macroeconomic – Substantial.** The immediate challenge facing Georgia is the impact of the COVID-19 pandemic. The pandemic and the associated travel disruptions will adversely affect the tourism industry, a sector that contributes over 7 percent to GDP, and will reduce remittances and commodity prices. The result will be reduced external inflows and risks to stability, given high dollarization and unhedged balance sheets. Access to concessional financing from IFIs partly mitigates these risks. Efforts to contain the spread of the virus (i.e., "social distancing") have dampened consumer confidence and demand. Beyond the COVID-19 pandemic, substantial quasi-fiscal risks emanate from Georgia's state-owned enterprises and power purchasing agreements, which provide state guarantees for the purchase of excess electricity from power generators; however, the institutional and regulatory capacity to deal with fiscal risks is increasing. In addition, the repayment of the Eurobond in 2021 creates some refinancing risk in case markets tighten, partially mitigated by the availability of concessional finance from IFIs.[38] The project will mitigate the macroeconomic risk by supporting the COVID-19 response effort with World Bank financing resources and by mobilizing other donor (AIIB) support through a joint cofinancing agreement.

109. **Institutional capacity for implementation and sustainability – Substantial.** MoILHSA has no previous experience in implementing Bank-financed operations. The implementation of the proposed project will require technical, operational, and fiduciary staff at the ministry. In addition, the PIU, which is yet to be established, will comprise existing staff from different Government agencies (MoIHLSA, MoF, Treasury, State Procurement Agency), whose scope of work will be increased to manage the Project. Most of these staff do not have prior experience with WB fiduciary procedures. While the government is fully committed to adopt in the very short term a decree to regulate the introduction of temporary cash benefits and unemployment benefits (which is a disbursement condition for component 2, delays in adopting such decree increase the implementation capacity risk. In addition, delays in the preparation of the POM and the Manual for Reimbursements related to project activities under subcomponent 1.2 may substantially increase the risk of implementation delays, given that the bulk of project activities require the PIU to be in place and that the two manuals be satisfactory to the Bank. To mitigate this risk, the Bank team will enhance monitoring and oversight by (a) strengthening the task team in all key areas of the project to ensure intense supervision of and support to the various agencies involved in project implementation, especially in the context of travel bans and home-based work; and (b) training PIU members and Government officials involved in project implementation on World Bank operational procedures, and specifically on the technical, operational, and fiduciary functions.

110. **Fiduciary – Substantial.** The overall procurement risk is assessed as High and the FM risk as Substantial. The overall residual FM risk for the project is Substantial before and after the application of the mitigation measures, given the emergency nature of the project, the complexity of the project, and vulnerabilities of the cash transfers. Also, the implementing agency has limited experience in implementing IFI-funded projects and the PIU is yet to be established. The major risks to procurement are (a) slow procurement processing and decision-making; (b) a poor contract management system, with potential time and cost overruns and poor-quality deliverables; (c) lack of experience in dealing with such a novel epidemic; and (d) increased risk of F&C (abuse of simplified

[38] World Bank ECA Economic Update Spring 2020, page 52.
https://openknowledge.worldbank.org/bitstream/handle/10986/33476/9781464815645.pdf.

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

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

VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Georgia

Georgia Emergency COVID-19 Response Project

Project Development Objective(s)

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

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
To prevent, detect, and respond to the threat posed by the COVID-19 pandemic.			
Number of people tested for COVID-19 identification per MoILHSA protocol (Number)		9,699.00	100,000.00
Number of COVID-19 patients treated per SSA reimbursement guidelines. (Number)		431.00	2,000.00
Share of the population in the poorest quintile who are receiving		36.00	45.00

Indicator Name	DLI	Baseline	End Target
the COVID-19 pandemic related social assistance programs. (Percentage)			

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Emergency COVID-19 Response			
Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents per MOILHSA guidelines. (Number)		0.00	4.00
Number of personal protection equipment (PPE) purchased. (Number)		0.00	800,000.00
Number of designated public hospitals with fully equipped and functional intensive care units (ICUs) for COVID-19 patients (Number)		0.00	4.00
Number of designated public hospitals with isolation capacity. (Percentage)		0.00	4.00
Enabling health measures to contain the COVID-19 outbreak through temporary income support for			
Number of vulnerable households receiving temporary cash benefit. (Number)		0.00	70,000.00
Number of formal private sector workers laid off because of COVID-related lock down who receive temporary unemployment		0.00	135,000.00

Indicator Name	DLI	Baseline	End Target
benefits, by gender. (Number)			
Number of TSA beneficiary households. (Number)		118,100.00	124,000.00
Complaints received related to COVID-related social assistance programs. (Percentage)		0.00	5.00
Number of informal workers who receive the one-off benefit , by gender (Number (Thousand))		0.00	340,000.00
Project Management			
Percentage of beneficiaries reporting that community engagement and outreach meet their needs. (Percentage)		0.00	70.00

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

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

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Number of designated laboratories with COVID-19 diagnostic equipment, test kits,	Number of designated laboratories supported	Every 6 months	MOILHSA	Laboratory Audit	MOILHSA

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

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

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

	headed households.				
Complaints received related to COVID-related social assistance programs.	This indicator tracks the number of complaints received relating to COVID-19 related social assistance programs to help identify problems and address them as necessary. COVID-19 pandemic related social assistance programs refer to the emergency cash benefit, the temporary unemployment benefit, and the TSA.	Every 6 months	SSA management system	SSA monitoring report	SSA in MoILHSA
Number of informal workers who receive the one-off benefit , by gender	Number of informal workers who lose their activity because of COVID-related lockdown restrictions who receive a temporary unemployment benefit, by gender.	Every 6 months	SESA	SESA	MoIHLSA
Percentage of beneficiaries reporting that community engagement and outreach meet their needs.	This indicator tracks the number of complaints received relating to COVID-19 related social assistance programs to help identify problems and address them as necessary. COVID-19 pandemic related social	Every 6 months	SSA management system	SSA monitoring report	SSA and MoILHSA

	assistance programs refer to the emergency cash benefit, the temporary unemployment benefit, and the TSA.				

ANNEX 1: Project Costs

COUNTRY: Georgia
Costs and Financing of the Georgia Emergency COVID-19 Project

	Program Components	Project Cost		IBRD Financing		AIIB financing	
		EUR	*USD Equivalent*	*EUR*	*USD Equivalent*	*EUR millions*	*USD Equivalent*
1	**Emergency COVID-19 Response**	**65,546,524**	**71,770,167**	**29,091,283**	**31,853,500**	**36,455,241**	**39,916,667**
1.1	Case Detection and Confirmation	16,420,841	17,980,000	7,288,004	7,980,000	9,132,837	10,000,000
1.2	Health System Strengthening for Case Management	49,125,683	53,790,167	21,803,279	23,873,500	27,322,404	29,916,667
2	**Enabling health measures to contain the COVID-19 outbreak through temporary income support for poor households and vulnerable individuals**	**98,388,206**	**107,730,167**	**43,667,291**	**47,813,500**	**54,720,916**	**59,916,667**
2.1	Cash transfers to poor and vulnerable households	18,245,379	19,977,778	8,097,782	8,866,667	10,147,597	11,111,111
2.2	Temporary unemployment assistance for individuals who lost their job because of the COVID-19 outbreak	80,142,827	87,752,389	35,569,508	38,946,833	44,573,319	48,805,556
3	**Project management and monitoring**	**273,681**	**299,667**	**121,467**	**133,000**	**152,214**	**166,667**
	Total Costs	**164,208,411**	**179,800,000**	**72,880,040**	**79,800,000**	**91,328,371**	**100,000,000**
	Front-end Fees	182,750	200,000	182,750	200,000		
	Total Financing Required	**164,391,161**	**180,000,000**	**73,062,790**	**80,000,000**	**91,328,371**	**100,000,000**

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

Component 1: Emergency COVID 19 response	**Year 1**	**Year 2**	**Total**
Subcomponent 1: Case Detection and Confirmation			
Equipment, diagnostic supplies (including lab reagents and testing kits), infection protection and transportation for laboratories	$17,770,000		$17,770,000
Total Subcomponent Cost (US$)	***$17,770,000***		$17,770,000
Subcomponent 2: Health System Strengthening for Case Management			
Infection protection supplies	$13,000,000		$13,000,000
Equipment and minor repairs to strengthen public facilities	$10,000,000		$10,000,000
Quarantine and mild case management in nonmedical settings	$7,000,000		$7,000,000
Global budget to public and private facilities to ensure preparedness	$7,000,000		$7,000,000
Costs of case management and treatment	$16,000,000	$500,000	$16,500,000
Consulting services (e.g., training, payment systems)	$500,000		$500,000
Total Subcomponent Cost (US$)	***$53,500,000***	***$500,000***	***$54,000,000***
Total Component Cost (US$)	**$71,270,000**	**$500,000**	**$71,770,000**

ANNEX 3: Overview of the Social Protection System in Georgia

1. **Georgia has a comprehensive social protection system, which played a key role in protecting the poorest in the past decade.**[39] Social protection includes a universal social pension for people over 65 years old, the TSA (including the child benefit introduced in 2015), benefits and services for IDPs from the occupied territories, social rehabilitation for persons with disabilities, benefits and services for war veterans, benefits and services for the protection of vulnerable children, and a myriad of social benefits administered at the local level (including health exemptions, education exemptions, housing benefits, and energy and transportation subsidies).[40] A newly implemented 2019 pension law complemented the flat universal pension, including a benefit of approximately 18 percent of the average monthly income, with a contributory pension savings system. Compared to other countries in the region and globally, Georgia stands out for its high spending on social assistance (about 6% of GDP), mostly accounted for by the non-contributory old-age social pensions and the TSA.[41] Box 3-1 lists the social assistance and labor programs in the country.

2. **The TSA is the flagship social assistance program targeted to extremely poor households.** The TSA has been considered one of the most successful programs in Eastern Europe and Central Asia in terms of coverage of the poor, targeting accuracy, and poverty impact. Established in 2005, the TSA provides a monthly cash transfer to poor households identified through a proxy means test (PMT) assessment.[42] After the old-age pensions, the TSA is Georgia's largest social protection program in terms of both spending and coverage. As of March 2020, TSA covered about 11 percent of Georgia's population,[43] and an additional 2% was covered by the child allowance. In 2018, TSA and the child support scheme jointly covered 40 percent of households in the poorest quintile[44] (HIES 2018). The targeting accuracy is among the highest in the region, with 80 percent of the TSA budget accruing to the bottom decile.[45] In the past it was estimated that the TSA had lifted 6 percent of the population out of extreme poverty, lowering the poverty rate from 9.7 to 3.9 percent.[46] A recent analysis suggests that the TSA benefit package does not generate work disincentives.[47]

[39] Poverty decreased from 32.5% in 2006 to 17.1% in 2016. Social assistance, including the old-age social pension, TSA, and Universal Health Coverage, was the main driver of poverty reduction (Poverty note 2017).
[40] Universal Health Coverage (UHC) is not included here in the definition of social protection despite its "social" objectives. The UHC was launched in 2013 with the aim of making health care more affordable.
[41] State of Social Safety Nets 2018. World Bank.
[42] The PMT assessment is used to determine eligibility not only for the TSA but also for a health insurance package (so called Medical Insurance Program for Poor, MIP) and various programs administered at the local level.
[43] As of March 2020, 118,100 households (equivalent to 392,600 people) had a PMT score below 65,001 and qualified for TSA benefits .
[44] Quintiles of per capita consumption before transfers, per equivalent adult, adjusted by a cohabitation factor.
[45] Authors' calculations based on HIES 2018 data.
[46] Baum, Tinatin, Anastasia Mshvidobadze, and Josefina Posadas. 2016. "Continuous Improvement: Strengthening Georgia's Targeted Social Assistance Program." Washington, DC: World Bank Group.
[47] Carraro, Ludovico, Maddalena Honorati, and Alicia Marguerie. 2019. "Assessing Potential Work Disincentives of the Targeted Social Assistance System in Georgia." Washington, DC: World Bank Group.

Box 3-1. Social assistance and labor programs in Georgia

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

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

4. **The processes facilitating TSA delivery are generally fast and accessible and have been promptly adapted to social distancing requirements.** To apply for TSA, a household needs to register with the social registry by visiting the local SSA office and submitting the information needed to compute the PMT score. Within 30 days an assessment is made to verify the household information, the PMT score is assigned, and the decision of whether the household qualifies for TSA is made. In normal times this process requires two in-house visits to a household to verify the application before payment, but, to reduce social contact, both visits have now been suspended by Res. 184 of March 23, 2020. Households qualifying for the transfer are then paid by SSA from the month after the decision is made. Payment is processed by JS-Liberty Bank, a commercial bank that has been delegated by SSA to open current accounts for beneficiary households. Each month SSA notifies JS-Liberty of the benefit amounts to be transferred to the households. Throughout the eligibility period, the PMT score is constantly updated, as some sources of income and utility expenditures are automatically verified by SSA through other administrative sources and the recipients themselves are required to provide notice of major changes. However, Res. No. 184 freezes the amounts of entitlements, except in the case of a member's death. Recipient households generally have to be reassessed every four years, but Res. No. 184 suspends the terms for reassessment.

Table 3-1. Monthly TSA transfer depending on PMT score (GEL)

PMT score range	Benefit per household member (in GEL / months)	Additional benefit per child (age<16) (in GEL / months)
0-30,000	60	50
30,001-57,000	50	50
57,001-60,000	40	50
60,001-65,000	30	50
65,001-100,000	0	50

Note: As of April 2020.

[48] The PMT for the Program was revised in 2015 with support from the World Bank and UNICEF to capture more objective information to measure income and assets. To do this, the household information is cross-checked with various databases including the Ministry of the Interior (car registration), the gas and electricity companies, revenue service, and customs control. See Baum, et al. 2016.
[49] The child benefit amount was increased from GEL 10 to 50 in January 2019.

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

6. **Recently a contributory pension scheme has been introduced.** Since January 2019, joining a pension scheme is mandatory for all employees (over 40 years old), and voluntary for self-employed over 40 years old. Contributions are made on a private pension account. The pension scheme is financed by the employer (2% of the employee's salary income) and the employee (2% of the employee's salary income), whose contributions are matched by the Government (1% or 2% of the salary income, depending on the annual salary level, and up to GEL 60,000 per year).[50] Self-employed individuals transfer 4 percent of their annual income to the individual pension account. About 563.5 million GEL has been accumulated in the pension fund since January 1, 2019, according to the Georgian Pension Agency. The pension savings system currently has 959,548 citizens and 61,165 organizations registered.

7. **The current old-age social pension payments reach all retirees but provide modest amounts.** Before the introduction of the accumulated pension system in 2019, a public basic universal flat-rate pension existed to avert poverty in old age. Everyone living in Georgia can benefit from it on reaching the retirement age (65 years for men and 60 years for women).[51] Since January 1, 2020, the pension amounts to GEL 220 a month per person. Pensioners living in the mountainous regions receive higher amounts (GEL 246), and those who are above 70 will receive GEL 300 starting July 1, 2020.

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

[50] The Government will transfer (a) 2% of the income of the participant to one's private pension account when the annual salary of the participant/income of the self-employed individual is less than GEL 24,000, and (b) 1% of the income of the participant when the annual salary of the participant/income of the self-employed individual is between GEL 24,000 and GEL 60,000. If the annual salary of an employee/income of the self-employed individual is greater than GEL 60,000, the Government will only contribute GEL 60,000.
[51] The pension is paid out to everyone, independent of his/her employment record, residence in the country during the active life, paid taxes, and level of means.

9. **Informal workers, likely not covered by the TSA, are expected to disproportionately suffer from the economic crisis.** Using the latest LFS data available, it is estimated that there are between 165,122 and 286,760 informal wage workers (which is between 11.9 percent and 20.7 percent of the employed population), who are at risk of losing their activity during the lockdown and will not be covered by any measure for formal workers (relying on payroll declarations) or measures for the most vulnerable (who have no income).[52] Informal workers tend to have lower wages than formal ones. Roughly 49 percent of informal wage workers earn less than GEL 400 per month, compared to 30.6 percent among formal wage workers.[53]

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

11. **The Employment Department of the SSA is at a very early stage of development: the scope of its employment services and programs is still very small and the staff capacity limited.** The Employment Department of the SSA was established in 2013 to serve as a Public Employment Service implementing both employment intermediation services and ALMPs. The SSA Employment Department still has very limited capacity to meet its core mandate, in terms of budget and number of staff. Its scope of activity is primarily to manage the Worknet online portal, for registration of job seekers, employers' vacancies, and job matching and other services such as intermediation services, counseling (individual and group), professional career planning, employment support for vulnerable groups (persons with disabilities), job fairs, and labor market research. In terms of ALMPs, SSA manages the implementation of subsidies for employers interested in promoting employment for young people (18-29 years of age), short-term vocational training and retraining, and internships.[54] Table 3-2 lists the country's labor market programs. There has been an effort to provide holistic services (skills enhancement, job

[52] World Bank own calculations based on LFS 2018. We use two definitions of formality: (1) having a written contract, firm paying taxes on payroll, and having leave benefits, and (2) having a written contract and firm paying taxes on payroll.
[53] World Bank own calculations based on LFS 2018. We present here computations using the first definition of formality provided in the above footnote. Under the second definition, informal workers are even more represented in the lower wage brackets (56.2 percent earning less than GEL 4000 versus 34.5 percent among formal wage workers).
[54] The trainings last 6 months maximum, and there is no age limit to benefit from them. A voucher of GEL 1,000 per person (GEL 1,500 for disabled) is provided. Job seekers choose from a list of public and private providers. So far SSA does not report cases of trainings for which demand exceeds capacity. The internships are sponsored for 3 months, with a stipend of GEL 200 per month per intern. Three people are allocated for a given vacancy, and the employer must offer a 6-month contract to at least one of them at the end of the internship. The wage subsidy is offered to employers for 4 months at 50 percent if they commit to retain the person for at least 6 months. It is mainly targeted to place disabled persons.

placement, and wage subsidies) to support the poor and vulnerable. The programs aim to activate mostly vulnerable groups, most commonly the unemployed, low-skilled workers, youth, stateless people, and people with special needs. The menu of services provided does not include support for entrepreneurship or self-employment activities. Overall, the services provided have a relatively small coverage (see Table 3-2). The SSA staff capacity for job counseling and for the design, delivery, monitoring, and evaluation of ALMPs is limited; changes in staff profile and training for the effective provision of employment services is needed.

Table 2-2. ALMPs – number of beneficiaries and spending by program, 2017-2018

Program	Number of beneficiaries		Budget (GEL)	
	2017	2018	2017	2018
State Program on Training and Retraining and Qualification	2,360	1,032*	2,014,000	2,090,000
State Program on Employment Support Services / Wage Subsidies				
• Wage subsidies / employers	23	6*		
• Wage subsidies / employees	59	23		
• Consultancy services for supported employment		103*		
Employment Promotion Services	Over 10,000 (2015-2018)			
Intermediation services	2,500	1,323		
Job fairs and mass interviews				
• Employment Forums	13	1*		
• Employment Festivals	1			
Internship program to boost employment				
• Employers	26	41		
• Jobseekers	129	173		

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

Note: * Data are for the first half of 2018.

ANNEX 4: Forecasting the Effects of COVID-19 on Social Assistance Needs

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

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

3. **PMT scores affect both eligibility for TSA benefits and the amount of the transfer,** according to the rules set out in Decree 145, July 28, 2006, and outlined in Table 3.1. The COVID-19 crisis will increase TSA expenditure by increasing the claimable amount for households below a PMT of 65,000 and by increasing the number of households with a PMT score below 65,000. In addition, a number of households with children (aged less than 16) will fall below the 100,000 threshold for the child allowance.

4. **A household's revenues affect the PMT score through a formula described in the GoG Res. No. 758 of Dec. 31, 2014.** The PMT score can be roughly understood as the ratio between the predicted value of consumption (C_i) and a needs index, whereby C_i is a function of verifiable variables related to the household's demographics, assets, income conditions, and expenditure patterns. Labor income enters C_i through a revenue index R_i, equal to one plus the sum of the following: all cash revenues (including labor income) from the second-last month before application; the average of other monetary revenues received in the last 12 months before application; retirement pensions received by each member in the second-last month (with a cap of GEL 180 per beneficiary); social packages received by each member in the second-last month (capped at the value to which each member was entitled as of December 31, 2018); and amount of TSA received by each member in the second-last month (capped at the value to which each member was entitled as of December 31, 2018, namely GEL 10 per child instead of GEL 50 per child, which was introduced starting January 1, 2019). The formula for C_i can be summarized as

$$C_i = F_i \cdot R_i^{K_{i,j}} - L_i$$

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

5. **The value of $K_{i,j}$ depending on the type of settlement, is the following**:

	Capital	Large city	Other urban settlement	Rural settlement
$K_{i,j}$	0.251	0.196	0.047	0.149

6. **The crisis is modeled to affect revenues through two channels.** First, a share of wage workers will lose their job and, with that, all their income from labor for a whole month. Second, workers who do not lose their job will see a reduction in their income. We thus assume no loss in the income of non-wage workers, which is likely going to create an underestimate if the crisis pervades the economy.

7. **To empirically estimate current PMT and post-COVID-19 PMT scores** we use a subsample of the Household Income and Expenditure Survey 2018, with one observation for each of the 5,248 households interviewed in the 2018 wave, and reconstruct the variables used in the calculation of the PMT according to the latest version of PMT and TSA legislation. This gives us the pre-shock PMT score. To build the post-shock PMT score we identify wage workers as those individuals whose answer to the question "Please define your employment status for the last three months" is "A person working for fixed salary (cash or in-kind) on the basis of a written or oral contract."[55] We then assume that, with a given probability p_{fired}, the worker completely loses their job, and that their labor and agricultural revenues from that job are zero for that period (agricultural revenues are included to account for workers in agricultural firms). We simulate with a random number generator the job loss for the worker. If the wage worker does not lose their job, we then assume them to lose a share income_{loss} of their labor and agricultural income. As revenue data are only obtained at the household level, an assumption is made that each employed[56] member contributes an equal share to the household's labor and agricultural revenues. The share of household's labor and agricultural income that is lost is then equal to

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

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

8. **The number of eligible households estimated by the model will increase noticeably as a result of the negative income shock.** Under the relatively benign assumptions of a 20 percent probability of job loss and 20 percent reduction in revenues for all salaried workers who do not lose a job, the predicted number of eligible households with PMT<65,000 will rise from a baseline of 110,480 to 122,290. Under the negative assumption that 50 percent of wage workers lose their job and the others see an income loss of 50 percent, the number of predicted eligible households below the 65,000 threshold will rise to 147,797. Also, the number of households with PMT between 65,000 and 100,000 and at least one child aged less than 16 years old will rise noticeably. This is highly relevant because, a priori, the effect of the income shock on the number of households in this group is ambiguous, as some of them will move away from this group into the lower segment of the PMT distribution, while others will move into this group from the upper segments of the distribution.

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

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

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

Table 3-1 (a). TSA beneficiaries after an income loss of 20% of wage workers' income, as a function of the share of wage workers who lose their job

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

Table 4-1 (b). TSA beneficiaries after a 20% share of wage workers lose their job, as a function of the income loss for those who do not lose a job

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