

# Poverty & Equity Brief

Europe & Central Asia

## Georgia

October 2020

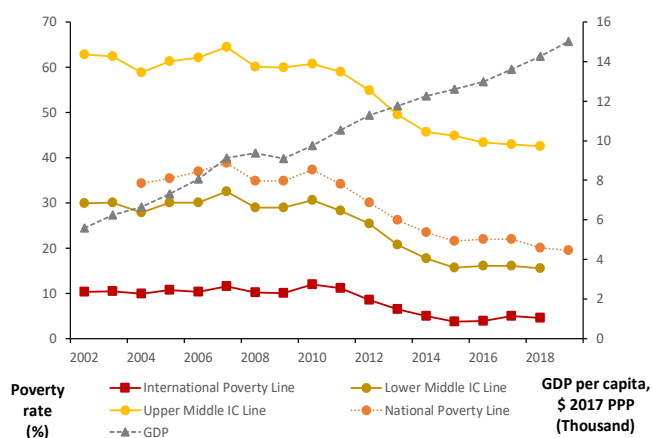
After continuous poverty decline between 2010 and 2015—mainly driven by increased labor market opportunities, pensions, social assistance, and agricultural sales—and signs of stagnation in 2016 and 2017, poverty showed reductions in 2018 and 2019. Using the international lower-middle income country poverty line of \$3.2 (PPP 2011) per day, the poverty rate was 15.5 percent in 2018, lower by 0.5 percentage points than the rate in 2017, partly explained by improvements in employment. The poverty rate based on the upper middle-income class poverty line of \$5.5 (PPP 2011) was 42.5 percent of the population in 2018, 0.5 percentage points lower than 2017. Using the line of \$1.90 PPP, extreme poverty in Georgia decreased from 5.0 percent to 4.5 percent between 2017 and 2018. In 2020, the 2011 PPP was revised to take into account the effects of (i) national accounts rebasing, (ii) improvement of the underlying price data, (iii) regression of non-participating countries, and (iv) national accounts expenditure shares and relative prices between all of the countries in each comparison region. The revised 2011 PPP for Georgia resulted in a small decrease of 0.3 and 0.4 percentage points in poverty in 2018 (relative to the original PPP), for the \$3.2 and \$5.5 international poverty lines, respectively. The poor and the bottom-40 benefited from increased income from pensions and other public transfers, as well as wages from hired employment. The national absolute poverty rate reported by the National Statistics Office of Georgia (Geostat) suggests continuous progress in poverty reductions in 2019. Using this indicator, national poverty decreased from 20.1 percent in 2018 to 19.5 in 2019.

The poverty reduction trend from the last couple of years will likely stall in 2020 as households cope with the adverse effects of COVID-19. Although Georgia has taken swift measures and COVID-19 has had a milder health impact when compared to other countries in the region, lower remittances, business closures and higher unemployment are likely to affect poverty. The shared prosperity premium in Georgia was positive during 2013-2018 at 1.2 percentage points. Between 2017 and 2018, consumption of the bottom 40 grew at a faster pace than the average consumption of all Georgians, with a 5-percentage points difference with the top-60 percent. Inequality decreased in Georgia in 2018. The Gini coefficient was 0.36 in 2018, lower than the 2017 estimate (0.38), as measured by the harmonized consumption aggregate used for international comparisons. Potential effects of COVID-19 are likely to affect the poor more as they may have inadequate coping strategies or insurance mechanisms.

| POVERTY   | Number of Poor<br>(thousand) | Rate<br>(%) | Period    |
|---|------------------------------|-------------|-----------|
| National Poverty Line   | 724.8                        | 19.5        | 2019      |
| International Poverty Line<br>1.9 in Georgian lari (2018) or US\$1.90 (2011 PPP) per day per capita             | 167.3                        | 4.5         | 2018      |
| Lower Middle Income Class Poverty Line<br>3.2 in Georgian lari (2018) or US\$3.20 (2011 PPP) per day per capita | 578.5                        | 15.5        | 2018      |
| Upper Middle Income Class Poverty Line<br>5.4 in Georgian lari (2018) or US\$5.50 (2011 PPP) per day per capita | 1,583.1                      | 42.5        | 2018      |
| Multidimensional Poverty Measure  |                              | 4.5         | 2018      |
| SHARED PROSPERITY   |                              |             |           |
| Annualized Consumption Growth per capita of the bottom 40 percent   |                              | 2.65        | 2013-2018 |
| INEQUALITY  |                              |             |           |
| Gini Index  |                              | 36.4        | 2018      |
| Shared Prosperity Premium = Growth of the bottom 40 - Average Growth  |                              | 1.23        | 2013-2018 |
| GROWTH  |                              |             |           |
| Annualized GDP per capita growth  |                              | 3.96        | 2013-2018 |
| Annualized Consumption Growth per capita from Household Survey  |                              | 1.42        | 2013-2018 |
| MEDIAN INCOME   |                              |             |           |
| Growth of the annual median income/consumption per capita   |                              | 2.35        | 2013-2018 |

Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

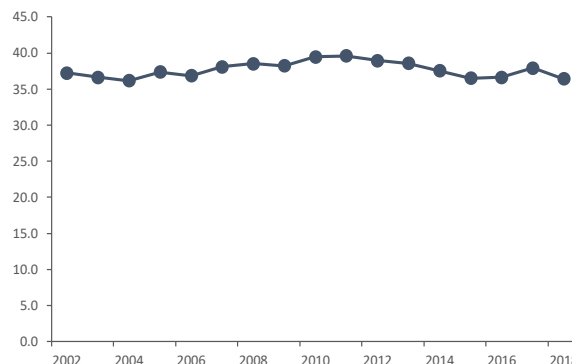
## POVERTY HEADCOUNT RATE, 2002-2019



Source: World Bank using HIS/ECAPOV/GMD

## INEQUALITY TRENDS, 2002-2018

### Gini Index



Source: World Bank using HIS/ECAPOV/GMD

## KEY INDICATORS

| Distribution among groups: 2018         | International Poverty Line (%) |      | Relative group (%) |        | Multidimensional Poverty Measures: 2018<br>(% of population)  |
|---|--------------------------------|------|--------------------|--------|---|
|   | Non-Poor                       | Poor | Bottom 40          | Top 60 |   |
| Urban population                        | 96                             | 4    | 35                 | 65     | <b>Monetary poverty (Consumption)</b><br>Daily consumption less than US\$1.90 per person 4.5  |
| Rural population                        | 95                             | 5    | 47                 | 53     |   |
| Males                                   | 96                             | 4    | 40                 | 60     | <b>Education</b><br>At least one school-aged child is not enrolled in school 1.1<br>No adult has completed primary education 0.0  |
| Females                                 | 95                             | 5    | 40                 | 60     |   |
| 0 to 14 years old                       | 93                             | 7    | 51                 | 49     | <b>Access to basic infrastructure</b><br>No access to limited-standard drinking water 8.6<br>No access to limited-standard sanitation 1.5<br>No access to electricity 0.0 |
| 15 to 64 years old                      | 96                             | 4    | 39                 | 61     |   |
| 65 and older                            | 98                             | 2    | 31                 | 69     |   |
| Without education (16+)                 | 84                             | N/A* | 60                 | 40     |   |
| Primary education (16+)                 | 93                             | 7    | 43                 | 57     |   |
| Secondary education (16+)               | 95                             | 5    | 43                 | 57     |   |
| Tertiary/post-secondary education (16+) | 99                             | 1    | 23                 | 77     |   |

Source: World Bank using HIS/ECAPOV/GMD

Source: World Bank using HIS/ECAPOV/GMD

Notes: N/A missing value, N/A\* value removed due to less than 30 observations

## POVERTY DATA AND METHODOLOGY

The national poverty methodology uses absolute poverty line based on cost of basic needs methodology. Geostat reports poverty indicators based on relative poverty (40 and 60 percent of median income). The national poverty methodology uses a welfare aggregate based on consumption (base year 2015) and it is scaled using adult equivalent estimates by Geostat. Prices are deflated across regions and time. Consumption information is collected through the Household Income and Expenditure Survey (HIES) –formerly Integrated Household Survey, IHS– a nationally representative survey that collects quarterly consumption, income and other social indicators. The latest available year is 2018. In 2017, the HIS became the HIES and the sampling frame was updated to match the 2014 Population Census. Geostat also updated the HIS survey weights and recalculated national poverty rates for the period 2004-2016 accordingly, to match the 2014 Census. The World Bank's international poverty rates are based on the "dollar a day" methodology designed to reflect how the world's poorest countries define a minimum threshold of living standards, applicable across time and space using a sample of relative price levels within and across countries. The rate of international poverty is a headcount of the poor in a given country based on this international threshold, translated into local currencies and adjusted for temporal and spatial price differences. The welfare aggregate used for international poverty uses the per-capita scale. The quality of data for monitoring welfare in Georgia is high, and surveys are run quarterly.

## HARMONIZATION

The numbers presented in this brief are based on the ECAPOV database. The ECAPOV micro database was established in 1998 to support a regional poverty report. The database is managed and harmonized by the Europe and Central Asia Team for Statistical Development (ECATSD). ECAPOV includes 29 countries, with an average of 8 surveys per country. Recently, EU-SILC data for EU countries, received from Eurostat, have been added to the collection. Each survey in ECAPOV is organized into 6 modules following the Global Monitoring Database (GMD) harmonization guidelines, including the construction of the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.