

# HOW DO GEORGIAN CHILDREN AND THEIR FAMILIES COPE WITH THE IMPACT OF THE FINANCIAL CRISIS?

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REPORT ON THE GEORGIA WELFARE  
MONITORING SURVEY, 2009

*DRAFT*

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This report examines the welfare of the population of Georgia in the context of the global economic crisis. It presents a comprehensive analysis of poverty and key welfare indicators using data from the 2009 Welfare Monitoring Survey. Well-being is examined on a range of dimensions including household consumption, material deprivation and subjective experience. The results help to signal potential deterioration in child and human welfare and should assist the government and international donor community to develop an adequate response.

The report was prepared by the Social Policy Research Unit of the University of York in partnership with UNICEF Georgia country office. The main authors were Dr. Meg Huby (University of York), Professor Jonathan Bradshaw (University of York) and Dimitri Gugushvili (UNICEF Georgia CO). Survey design, sampling and weighting of the data was conducted by Mamuka Nadareishvili. The field work was conducted by the Institute for Social Studies and Analysis.

## 1. EXECUTIVE SUMMARY

- 1.1 In 2009 UNICEF commissioned a nation-wide panel survey to measure the impact of the **financial crisis on Georgian children and their families**. The first round of the survey, conducted during May-July, explored core welfare indicators of households, including incomes, consumption, employment and livelihoods, housing, material and subjective well-being and access to utilities, social services and benefits. It also explored the strategies that households resort to in order to mitigate the risks posed by negative global developments.
- 1.2 The survey covered 4808 households across Georgia and its findings are **nationally representative**. For consumption poverty three different measures were used – the official poverty line - 89.7 GEL a month per person (60% of median expenditure); the extreme poverty line - 61.1 GEL a month per person (equivalent of 1.25 USD a day); and the general poverty line - 122.2 GEL a month per person (equivalent of 2.5 USD a day). Where possible, analysis has been carried out across the following dimensions – rural vs. urban, age groups, women's educational status and income/consumption groups.
- 1.3 Nearly a quarter of households in Georgia fall below the official poverty threshold. **These poor households include 28 per cent of Georgia's children.**
- 1.4 Differences in the **standards of living** indicate considerable inequities among different localities and groups of population. Urban households are much better-off on almost all dimensions of well-being. Ajara has the lowest official poverty rate in the country (13%) whilst in contrast Mtskheta-Mtianeti is the poorest (37%). The households that have the highest risk of poverty are those that do not have any earners, own no land, live in Mtskheta-Mtianeti region, are not composed of only pensioners, and have three or more children. Household poverty rates are higher where women have lower levels of education, particularly in rural areas.
- 1.5 **Employment** has a significant impact on reducing poverty as having a member of the household in regular paid work halves the incidence of both extreme and official poverty. However, employment does not eliminate the risk of poverty as 20 per cent of households that have at least one employed member fall below the official poverty line. Also, 20 per cent of households have neither employed members, nor own land.
- 1.6 Nearly 10 per cent of households experience a lack of access to **water, sanitation and heating** and 63 per cent lack access to at least one of these forms of utility. Over three quarters of officially poor households lack one or more utilities. These households are also more than twice as likely to experience material deprivation (lack of 5 of 7 household items) as households above the official poverty threshold.
- 1.7 Over 40 per cent of all households in the survey stated either that they cannot provide themselves with **enough food**, or that they feed themselves so poorly that their health is endangered. These households contain 37 per cent of all children and

- 45 per cent of all pensioners. Only between a fifth and a quarter of the population live in households stating that their daily food and non-food needs can be met.
- 1.8 Pensions are an effective tool for reducing poverty. Without pensions more than half of pensioners would fall below the official poverty line. Compared to pensioners children benefit disproportionately less from **social transfers** as there are no specific benefits for them. The main family benefit targeted social assistance has an important impact on households that receive it but the benefit only reaches 20 per cent of those defined officially as poor. Over a third of officially poor households receive no social assistance of any kind.
- 1.9 In almost 60 per cent of all households in 2008-9 at least one person needed **medical services** or medicines which the household could not afford to purchase. For the poorest fifth of households the figure is more than 75 per cent. Financial costs act as barriers to healthcare in a higher percentage of rural than urban households.
- 1.10 The richest fifth of households spend nearly ten times as much on health care as the households in the poorest fifth. For every category of health care, spending increases with consumption. For poorer households, **out-of-pocket expenditure** on medical services and medicines can be catastrophic. In nearly a third of households, health care accounts for more than a quarter of non-food expenditure.
- 1.11 Less than a quarter of the population in Georgia is covered by any kind of **health insurance** and this figure drops to just less than a fifth in urban areas. Free health insurance, is concentrated in the poorest fifth of households but even in these households only just over a fifth of the population is covered.
- 1.12 Over half of Georgian households have seen their economic conditions worsen over the past year. The poorest households have been twice as severely hit by **the crisis** as the richest ones with increasing debts owed to banks, pawnshops or individual lenders. The majority of affected households have no additional means of livelihood or support from the state or informal sources. Reducing food or buying cheaper food was reported by almost 95 per cent of households in the poorest fifth compared to only just over a half of the best off group.
- 1.13 Ironically, while **debt repayments** were seen as a cause of worsening economic situations in almost two thirds of households, borrowing was still used as an additional source of livelihood in straitened times. During the last year, 36 per cent of all households had borrowed money. Over a half of the poorest households report high or very high risks of being unable to satisfy even their minimum needs next year and pessimistic views about future economic change are markedly more apparent among poorer households.

## **2. BACKGROUND**

The year 2009 was marked by a major recession of the global economy, unprecedented since the Great Depression in the 1930s. The financial crisis quickly spread to different parts of the world and affected almost all countries. In Georgia the impact of the financial crisis is further aggravated by the adverse consequences of the August 2008 armed conflict with Russia and political turbulence following the mass protest rallies organized by the Georgian opposition in downtown Tbilisi during April-July 2009.

It is a conventional wisdom that the poor and vulnerable population are usually hit the hardest by economic and other shocks. Due to limited assets and resources they also have more limited room to cope with the challenges brought by the crisis. Empirical evidence generated during the previous regional crises show, that deterioration of children's conditions usually outpaces deterioration of economic situation. Increase in child mortality, stunting and wasting stemming from malnutrition and early withdrawal from school are frequently observed during economic crises. More importantly, some of these setbacks in child outcomes cannot be reversed as quickly even when the economy returns to its normal path.

Prompted by the potential risk of deterioration of children's conditions in Georgia as a result of the crisis, UNICEF commissioned a nation-wide panel – Welfare Monitoring Survey in order to measure the impact of the global economic crisis on the welfare of the population of Georgia. The primary objectives of the survey are to provide an in-depth understanding of how the crisis impacts on Georgian children and their families and to inform policy decision-making process by identifying key priority challenges that require immediate policy responses. For this purpose the survey explores the dynamics of core welfare indicators of households during 2009-2010. It also explores the strategies that the households resort to in order to mitigate the risks posed by the negative global developments. The present report is based on the data obtained from the first round of the survey conducted in May-July 2009.

### **2.1 Socio-economic developments in Georgia over the past several years**

During 2003-2007 the Georgian economy recorded impressive growth rates. Throughout this period the economy grew by 9.7 per cent a year on average. This pace was maintained until the second half of 2008 – in the first six months the Georgian economy grew by 7.9 per cent. Immediately after the August 2008 conflict GDP started to decline; as a result the annual growth rate dropped to 2.1 per cent. In 2009 the Government and IMF forecasted GDP to contract by 4 per cent.

In Georgia the impact of the financial crisis is further aggravated by the results of the August 2008 military conflict with the Russian Federation and mass street protests staged by the opposition in downtown Tbilisi. As a result of brief, but intensive military conflict with Russian Federation, 138 000 people were forced to leave their homes. 32 000 remained in displacement six months later and thousands of those who were able to return face destroyed property and diminished livelihoods. Political tensions between the government and opposition reached their peak during April –July 2009, when the

opposition mobilized tens of thousands of its supporters to effectively paralyse downtown Tbilisi for more than 100 days.

The government's liberal economic reforms were instrumental for fostering economic growth before the crisis. Since acquiring power in 2004 the Government of Georgia led by President Mikhail Saakashvili launched an ambitious reform agenda aimed at liberalization of economy. The reform package included mass privatization, deregulation, reduction in the number and rates of taxes, trade liberalization and downsizing of the public sector. As a result Georgia has the fourth most flexible labour market regulations, fourth lowest tax burden<sup>1</sup> and ranks 11<sup>th</sup> in the ease-of-doing business ranking. It also considerably improved its position on the Index of Economic Freedom (32<sup>nd</sup> in 2009 compared to 99<sup>th</sup> in 2005)<sup>2</sup> and Transparency International's *Corruption Perception Index* (66<sup>th</sup> in 2009 compared to 124<sup>th</sup> in 2003).<sup>3</sup>

Economic growth has not been matched by similar success in reducing unemployment. Counter-intuitively, during 2003-2008 the absolute number of employed people decreased by 213 000.<sup>4</sup> Georgia's unemployment rate is significantly higher than the OECD average, while labour force participation and employment rates are lower.<sup>5</sup> Self-employed comprise 64 per cent of all employed people (more than 1 million), and the vast majority of them are engaged in small-scale farming. The urban unemployment rate (28.8%) is four times higher than in rural areas (7.1%), due to the fact that all persons residing in rural areas who own a land plot are considered to be employed.

Unemployment has increased immediately after the crisis – by the end of 2008 it jumped by 3.2 percentage points - from 13.3 per cent in 2007 to reach 16.5 per cent.<sup>6</sup> Women and men have been equally affected - women's unemployment increased by 3.5 per cent, while men's by 2.9 per cent. Urban residents have been more affected than rural – urban unemployment rose by 5 per cent in 2008 compared to a 1.7 per cent increase in rural unemployment.

Despite the impressive economic performance before the crisis, tackling poverty remains a key challenge for Georgia. According to official statistics over a fifth (22.1%) of the Georgian population lives in poverty and a tenth (9.4%) in extreme poverty. Similar estimations are made by the World Bank – the Poverty Assessment conducted in 2008 showed that 23.7 per cent of Georgia's population is poor, while 9.3 per cent are extremely poor.<sup>7</sup> The lack of officially available comparable data makes it difficult to

<sup>1</sup> Forbes (2009) Tax Misery and Reform Index, available at: <http://www.forbes.com/global/2009/0413/034-tax-misery-reform-index.html>

<sup>2</sup> <http://www.heritage.org/Index/Ranking.aspx>

<sup>3</sup> [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table)

<sup>4</sup> Statistics Department, Employment and Unemployment, [http://geostat.ge/?action=page&p\\_id=145&lang=geo](http://geostat.ge/?action=page&p_id=145&lang=geo)

<sup>5</sup> World Bank (2008) Georgia Poverty Assessment, p.73

<sup>6</sup> Statistics Department, Employment and Unemployment, [http://geostat.ge/?action=page&p\\_id=145&lang=geo](http://geostat.ge/?action=page&p_id=145&lang=geo)

<sup>7</sup> In 2008 the World Bank conducted Georgia Poverty Assessment based on the results of Living Standards Measurement Survey (LSMS) and Household Budget Survey. In this assessment absolute poverty measures have been used – 47.1 GEL for extreme poverty and 71.6 GEL for general poverty.

capture the actual dynamics of poverty during 2003-2008.<sup>8</sup> However, data that exist for 2005-2008 show a minor (2%) decline in general poverty and a smaller (0.6%) reduction in extreme poverty.

Child poverty rates in Georgia are alarming. Using the same LSMS data and poverty thresholds, UNICEF conducted a Georgia Child Poverty Study in 2008. The study found that children are poorer than the rest of the population in Georgia. 28 per cent of children live in poor households compared to 23.6 per cent of the population.<sup>9</sup> It also showed that child poverty is not confined to any particular vulnerable group (such as Internally Displaced Persons or households with a disabled head), but rather is a mainstream phenomenon. The highest incidence of child poverty was observed among children whose parents are unemployed – a child has a 92 per cent risk of being poor if neither of her or his parents is working.

The Government of Georgia is taking active measures to counter the financial crisis. In the face of stalled FDI and reduced economic activity the Government of Georgia has designed a fiscal stimulus package to mitigate the negative consequences of the crisis by injecting additional resources into the economy. The cost of the package is 2.2 billion GEL (13 per cent of GDP in 2009). This includes 1.45 billion GEL for major infrastructure projects, 500 million GEL to be spent by donor organizations and a further 250 million GEL in income tax cuts.

Despite the economic slowdown the government has increased social expenditure. While total public expenditure has decreased in both absolute and real terms – from 5.5 billion GEL in 2008 to 5.2 billion GEL in 2009 - expenditure on health, social protection, education and refugees has increased from 1.9 billion GEL to 2.2 billion GEL, mainly at the expense of reduced defence expenditure.<sup>10</sup> This corresponds to a significant increase of the share of social expenditure in total public expenditure – from 34.7 per cent to 42.3 per cent. Nevertheless, Georgia is one of the lowest social spenders in the CEE/CIS region, with only 4.1 per cent of GDP spent on social protection, 2.8 per cent on education and 1.6 per cent on health.<sup>11</sup>

Support from international donor community has played an important role in mitigating the negative impact of the triple crisis. In October 2008 at the Brussels conference donor countries and international financial institutions pledged to provide 4.5 billion USD to Georgia (both public and private sectors) over the course of 2008-2011 for overcoming the consequences of the August events. This corresponds to 35 per cent of estimated GDP in 2009. While originally intended to cushion the impact of the military conflict, the support has undoubtedly helped to mitigate the impact of the financial crisis.

Given the specific characteristics of Georgian economy, the primary channels for transmission of the crisis effects are dry-up of capital inflows, reduced remittances, and

<sup>8</sup> Statistics Department has been continuously changing methodology for calculation of poverty. Currently it publishes poverty rates calculated against relative poverty thresholds – 60% of median income for general poverty and 40% of median income for extreme poverty.

<sup>9</sup> UNICEF (2008) Georgia Child Poverty Study

<sup>10</sup> Author's calculations based on Ministry of Finance figures

<sup>11</sup> UNICEF (2009), *TransMONEE report*



less export revenue. Existing administrative data show that FDI has dropped from 1564 million USD in 2008 to 505 million in the first three quarters of 2009<sup>12</sup>, remittances have decreased from 1002 million to 841 million USD<sup>13</sup> and exports from 1496 million USD to 1135 million USD during the same period<sup>14</sup>. Unlike other developing countries Georgia has less risk of reduced foreign aid, as donor countries and organizations have provided a generous 4.5 billion USD support, a large share of which has already been received. In addition, Georgia has successfully negotiated a 420 million USD increase to the IMF's 750 million USD stand-by-arrangement.

At the household level the main channels of transmission of crisis effects can be increasing unemployment, limited access to financial services and reduced remittances. So far the government has successfully maintained and even increased social expenditure in both absolute and relative terms. However, the social safety net and most public services remain narrowly targeted.

## 2.2 Methods

### *The Welfare Monitoring Survey*

The survey covers the whole country of Georgia (excluding territories outside the Georgian Government's control) and is designed as a panel survey staged to run in two consecutive years. At each stage, two types of survey tools, were used: a) a structured questionnaire for a face-to-face interview and b) a diary questionnaire to be completed by households in the week following the face-to-face interviews. The questionnaires explore different dimensions of well-being of the Georgian population, incorporating questions about household assets, income and consumption, employment and livelihoods, food security, access to health, education and social services and household coping strategies. The first stage of the survey was completed between May and July 2009 and it is planned to conduct the second stage one year later. A local company was contracted to conduct the field-work and the survey data were analysed by researchers at the University of York, UK.

### *Survey sample*

The survey target sample consisted of households that participated in Household Integrated Survey (HIS) conducted by the Georgian National Statistics Office (Geostat) in 2008. The HIS used two-stage clustering with stratification by region, settlement size and mountain or lowland location. Geostat generously provided the survey company with 6758 target addresses, the aim being to achieve interviews with approximately 6000 households. In the event, successful interviews were held in 4808 households, a response rate of 71 per cent (Table 2.1). At 13 per cent of target addresses, no-one was at home and in 7 per cent interviews were refused (Figure 2.1). In other cases addresses were unoccupied or household members had moved, died or were otherwise unable to respond.

<sup>12</sup> Geostat (2010), *Foreign Direct Investment*, [http://geostat.ge/?action=page&p\\_id=139&lang=geo](http://geostat.ge/?action=page&p_id=139&lang=geo)

<sup>13</sup> National Bank of Georgia (2010) *Transfers from Abroad*, <http://nbg.gov.ge/index.php?m=306>

<sup>14</sup> Geostat (2010), *External Trade*, [http://geostat.ge/index.php?action=page&p\\_id=137&lang=eng](http://geostat.ge/index.php?action=page&p_id=137&lang=eng)



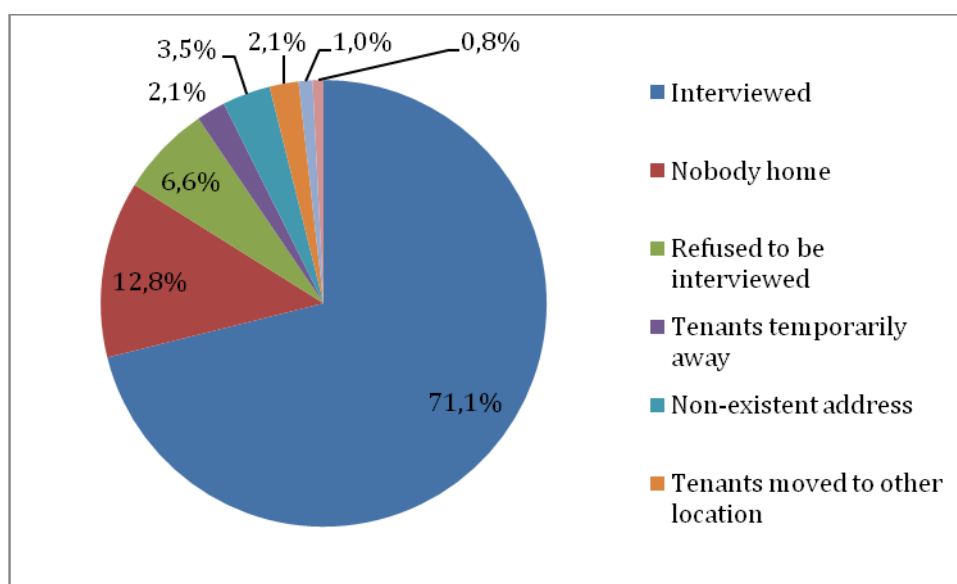
In 162 of the 4808 households that were interviewed, collection of the diary data on weekly expenditure and food consumption proved impossible so that consumption measures could not be calculated. The base number of households is thus 4646 when analyzing consumption expenditure or related matters.

**Table 2.1: Questionnaire response rates by region**

<b>Region</b>	<b>Target addresses</b>	<b>Completed questionnaires</b>	<b>Response rate (%)</b>
Tbilisi	1335	544	40.7 <sup>a</sup>
Ajara	503	293	58.3 <sup>a</sup>
Imereti, Racha	1176	928	78.9
Shida Qartli	468	393	84.0
Qvemo Qartli	756	656	86.8
Samtskhe-Javakheti	378	319	84.4
Samegrelo, Svaneti	606	428	70.6
Guria	378	325	62.4
Kakheti	780	629	80.6
Mtskheta-Mtianeti	378	293	77.5
<b>Total</b>	<b>6758</b>	<b>4808</b>	<b>71.1</b>

<sup>a</sup>The high rates of non-response in Tbilisi and Ajara region are explained by the timing of the survey. During the summer season a large number of Tbilisi dwellers leave the city due to high temperatures. In Ajara during the summer period many households move to the coastal areas for seasonal work.

**Figure 2.1 Non-response reasons**



Some questions in the main survey sought data on households, others on individuals. For the latter, up to 14 people in each household provided responses. In total 17,372 individual people gave responses although not all individuals answered all questions.

#### *Data weighting*

Two weighting variables were developed, one for use with the 4808 households in which all parts of the survey were filled in and one for use with the 4646 households where only the main questionnaire was completed. The weights adjust the number of households to reflect the proportionate distribution between regions.

#### *Income and expenditure per equivalent adult (PAE)*

In order to allow comparison between households of different size and composition, measures of income and expenditure are adjusted in the relevant parts of this report to amounts per equivalent adult (PAE). The calculation is based on that of the Georgia Department of Statistics. First an equivalent adult coefficient is calculated for each household (Table 2.2).

**Table 2.2: The scale used to calculate number of equivalent adults in a household**

Age	Gender	Equivalent Adult coefficient
<8		0.64
>=8 and <16		1
>=16 and <65	Male	1
>=16 and <60	Female	0.84
>=65	Male	0.88
>=60	Female	0.76

To correct for economies of scale in larger households, the number of equivalent adults is then raised to the power  $\alpha$ , where  $\alpha=1$  for a single person household and  $\alpha=0.8$  where household size is greater than one.

#### *Comparison with other data*

The Welfare Monitoring Survey panel survey is designed to measure the dynamics of welfare indicators with two stages conducted with a one year interval. The first (2009) stage of the survey is to serve as a baseline. Substantial data on the wellbeing of the Georgian population in previous years already exist (UNICEF Georgia Child Poverty Study 2007 and World Bank Georgia Poverty Assessment 2008). Using methods compatible with these studies enriches the analysis and provides a longer timeframe for analysing the dynamics. However, there are limits to the comparisons that can be made. These stem from variation in the degree to which data can be disaggregated, the varying use of individuals and households as units of analysis, and the fact that the WMS is unique in the detail it provides on household consumption patterns.

### 3. WELFARE PROFILE

#### 3.1. Average household income

##### *Total household incomes*

**The average household monthly income in Georgia is 322 GEL. Average monthly incomes are over twice as high in urban (428 GEL) as in rural (212 GEL) areas.** Table 3.1 shows that this difference is mainly driven by higher wage incomes in urban areas. However, urban incomes from all other sources are also higher, with the exception of income from social transfers.

**Table 3.1: Average total monthly monetary household income (GEL) by source (WMS 2009)**

	Urban	Rural	Total (n=4808)
Source of income	428.0	212.0	321.8
Salaries	251.9	58.0	156.5
Self employment	64.9	37.0	51.1
Social transfers	63.4	86.0	74.5
Private transfers	12.0	3.9	8.0
Rental of property or vehicles	2.5	0.5	1.5
Foreign transfers	11.6	4.1	7.9
Other sources	21.8	22.6	22.2

Self-employed income includes that earned from private activities and from the sale of domestic animals and products such as milk, eggs, cheese, butter and wool. It also includes proceeds from the sale of other agricultural goods and products such as wine, vodka, vegetable oil, flour and dried fruit. Social transfers may take the form of pensions and supplements or social assistance to vulnerable families or families with many children, orphans, disabled or blind people, or unemployed pensioners. Some households receive IDP or prevention and reintegration allowances. Private transfers include alimony, scholarships and cash assistance from relatives or friends living in Georgia while assistance from relatives, friends and others living abroad is counted under foreign transfers.

##### *Household income per adult equivalent (PAE) by location*

**In Georgia average monthly income per adult equivalent is 139.7 GEL.** There is significant variation in incomes between urban and rural locations. Urban households on average have nearly twice the income per adult equivalent of rural households. The nature of terrain is also important with higher incomes found in the lowlands (Table 3.2).

This is related to the fact that over 98 per cent of urban households are located in lowland areas.

**Table 3.2: Average monthly equivalent household income (PAE GEL) by rurality and terrain**

<b>Location</b>	<b>n</b>	<b>Mean monthly income (PAE)</b>	<b>t</b>	<b>Sig.</b>
Urban	2443	182.5	17.4	***
Rural	2365	95.4		
Lowland	4366	143.8	7.1	***
Mountain	442	99.3		
Total	4808	139.7		

\*\*\* p<0.001; \*\*p<0.01; \* p<0.05

Lorenz curves illustrate degrees of inequality. The more an actual curve deviates from the diagonal, the more inequality is present. The Gini coefficient, calculated as twice the area between the curve and the diagonal, has a value of 0 for an equal distribution and 1 for maximum inequality. Urban incomes are almost twice as high as those in rural areas but both show a similar high degree of inequality with Gini coefficients of 0.47 and 0.46 respectively.

There are also significant differences in equivalent household income between administrative regions. In Tbilisi the mean income is 211 GEL, more than twice that of the two poorest regions, Guria (90 GEL) and Samegrelo (94 GEL). Table 3.3 shows, however, that inequality in Tbilisi is high (Gini coefficient = 0.50).

**Table 3.3: Average monthly household income (GEL PAE) by region**

<b>Region</b>	<b>Average Income (GEL PAE)</b>	<b>Gini coefficient</b>
Tbilisi	211.0	0.50
Ajara	141.3	0.46
ImereTi, Racha	120.7	0.43
Kakheti	117.5	0.46
Shida Qartli	115.5	0.47
Mtskheta-Mtianeti	113.0	0.47
Qvemo Qartli	109.2	0.48
Samtskhe-Javakheti	102.0	0.54
Samegrelo	94.5	0.46
Guria	90.9	0.43

Region	Average Income (GEL PAE)	Gini coefficient
Tbilisi	211.0	0.50
Ajara	141.3	0.46
ImereTi, Racha	120.7	0.43
Kakheti	117.5	0.46
Shida Qartli	115.5	0.47
Mtskheta-Mtianeti	113.0	0.47
Qvemo Qartli	109.2	0.48
Samtskhe-Javakheti	102.0	0.54
Samegrelo	94.5	0.46
Guria	90.9	0.43
<b>Total (n=4808)</b>	<b>139.7</b>	<b>0.48</b>

### 3.2 Average household consumption

**Total average monthly household consumption in Georgia is 442 GEL and is higher in urban (515 GEL) than in rural areas (365 GEL).** Consumption figures are always higher than those for income because of the role played by in-kind consumption, particularly in rural areas. The average monthly income of 322 GEL is equal to 73 per cent of total household consumption. In urban areas income equals 83 per cent of consumption on average and only 58 per cent in rural parts of the country. The World Bank Georgia Poverty Assessment <sup>15</sup> shows income constituting 77 per cent of consumption in 2007, 85 per cent in urban and 65 per cent in rural areas. This suggests that the contribution made by in-kind consumption is increasing, more in rural than in urban parts of Georgia.

#### *Consumption by category*

**Urban households spend more than their rural counterparts on every category of consumption except food eaten in the home** (Table 3.4). Average total spending on food is similar in urban (187 GEL) and rural (188 GEL) areas but while this represents only 36 per cent of total consumption in the former, it represents 52 per cent in rural Georgia.

**Table 3.4: Average monthly household consumption by category for urban and rural areas**

<sup>15</sup> World Bank (2008) Georgia Poverty Assessment, p. 48

Category of consumption	Urban or Rural		
	Urban	Rural	Total
Eating in the household	170.7	182.4	176.4
Long-term nonfood expenditure	196.3	107.0	152.4
Education expenditure	27.7	6.9	17.5
Health care expenditure	53.5	37.5	45.6
Expenditure on eating out of home	16.5	6.1	11.4
Current non-food consumption	51.0	24.9	38.1
<b>Total monthly consumption (n=4646)</b>	<b>515.7</b>	<b>364.9</b>	<b>441.5</b>

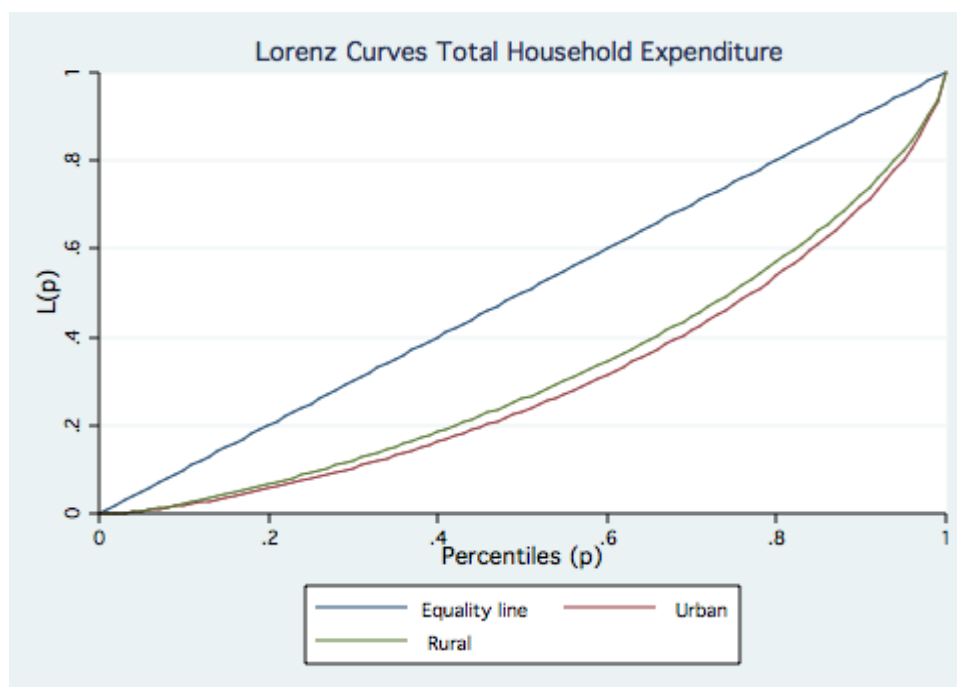
*Household consumption per adult equivalent (PAE) by location*

**When household consumption is expressed per adult equivalent, rural households still spend significantly more on eating in the home (80 GEL) each month than do urban households (74 GEL) but spend significantly less on education, health care, eating out and non-food items (Table 3.5).**

Inequality in expenditure is significantly ( $p < 0.05$ ) greater in urban (Gini coefficient = 0.40) than in rural areas (Gini coefficient = 0.36).

**Table 3.5: Composition of average monthly household consumption per adult equivalent (PAE) by category for urban and rural areas**

	Urban		Rural		Total	
	GEL	%	GEL	%	GEL	%
Eating in the home	73.9	33.3	79.9	50.6	76.9	40.4
Long-term nonfood items	85.3	38.4	45.7	28.9	65.8	34.5
Education	10.0	4.5	2.1	1.3	6.1	3.2
Health care	23.7	10.7	17.9	11.3	20.9	11.0
Eating out	7.8	3.5	2.4	1.5	5.2	2.7
Current non-food items	21.2	9.6	10.0	6.4	15.7	8.2
<b>Total monthly expenditure (n=4646)</b>	<b>221.9</b>	<b>100.0</b>	<b>158.0</b>	<b>100.0</b>	<b>190.6</b>	<b>100.0</b>

**Figure 3.5: Inequality in equivalent household expenditure by urban and rural areas.**

Tbilisi is the region where total monthly consumption PAE is highest at 247 GEL on average. Guria and Mtskheta-Mtianeti have the lowest levels at 145 GEL and 140 GEL a month respectively (Table 3.6). However, while Guria is the region where expenditure is the most evenly distributed (Gini coefficient = 0.27), Mtskheta-Mtianeti has a degree of inequality (0.40), close to that of Tbilisi where inequality is highest (0.45).

**Table 3.6: Average monthly equivalent household consumption by region**

Region	Total monthly consumption	Gini coefficient
Tbilisi	247.1	0.45
Ajara	201.6	0.34
Shida Qartli	190.4	0.35
Kakheti	187.3	0.40
Samegrelo	170.6	0.35
Qvemo qartli	163.2	0.38
ImereTi, Racha	157.4	0.36
Samtskhe-Javakheti	151.0	0.38
Guria	144.8	0.27
Mtskheta-Mtianeti	140.3	0.40
Total (n=4646)	190.6	0.38



## 4. DIMENSIONS OF WELLBEING

There is no single quantifiable indicator of well-being<sup>16</sup>. However, different components of welfare can be measured.<sup>17</sup> In this report we consider the well-being of people in Georgia from a range of perspectives by examining levels and patterns of household consumption and material deprivation. We analyse the extent to which people feel able to meet their needs and the difficulties they face in obtaining access to the basic utilities of water, sanitation and heating. We also assess the social dimension of well-being in terms of access to education, employment, health care, financial services and social assistance.

### (4a) Consumption poverty

#### *Poverty thresholds*

In this section we use the average total monthly equivalent expenditure of households on all items as a measure of consumption. We compare this consumption with three different poverty thresholds. A household is defined as living in poverty if its consumption falls below one or more of these thresholds.

It is important to note that the choice of poverty thresholds used is an arbitrary one, reflecting levels of poverty that external observers, rather than the poor themselves, regard as demanding policy attention. However, an advantage of measuring consumption-based poverty in this way is that it allows comparison over time. In 2007 the World Bank calculated that, in order to ensure an intake of 2,260 calories, a person needed 47.1 GEL a month in Georgia. A UNICEF Child Poverty Study taking a more realistic account of the cold winters in Georgia and consequent additional household basic needs used a threshold of double this amount (94.2 GEL).

Here we have used the official threshold recommended by Geostat, 89.7 GEL a month (60 per cent of median consumption in 2009). In addition we used a threshold of 61.1 GEL a month (based on the World Bank's US\$1.25 a day required to meet calorific needs) to identify extreme poverty. Our analysis in Section 3 (Table 3.4) shows that even in rural areas total household expenditure is twice that of expenditure on food so we have used a more general poverty threshold of 122.2 GEL (equivalent to 2.5 USD a day in GEL at May-July 2009 exchange rates). The percentage of the population living in households below the poverty line (headcount rate) reflects the pattern of the percentage of households below the line (household poverty rate). The poverty gap is the average percentage by which consumption would need to rise to bring poor households above the poverty line.

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<sup>16</sup> See, for example, Bradshaw, J., & Mayhew, E. (Eds.) (2005). In 'The well-being of children in the UK' (Second edition), London: Save the Children.

<sup>17</sup> Other tools for measuring well-being are more focused on MDGs. Amongst others these include Multiple Indicator Cluster Survey (MICS), Reproductive Health Survey (RHS), Demographic and Health Survey (DHS).

**Box 4.1 Different poverty thresholds used in various poverty assessments in Georgia**

- Official poverty line used by Geostat (2009) – 89.7 GEL per person per month (60% of median consumption)
- Extreme poverty line used by the World Bank Poverty Assessment (2009) – 47.1 GEL per person per month (based on consumption of 2 260 calories of food)
- General poverty line used by the World Bank Poverty Assessment (2009) – 71.6 GEL per person per month (based on consumption of 2 260 calories of food plus non-food expenditure)
- Extreme poverty line used in the Welfare Monitoring Survey (2010) – 61.1 GEL per person per month (equivalent of 1.25 USD a day per person in GEL at May-July 2009 exchange rates)
- General poverty line used in the Welfare Monitoring Survey (2010) – 122.2 GEL per person per month (equivalent of 2.5 USD a day per person in GEL at May-July 2009 exchange rates)

Nearly a quarter of households, including 28 per cent of children, fall below the official poverty line of 89.7 GEL (Table 4.1). Using the lowest threshold (61.1 GEL), nearly nine per cent of households in Georgia and nearly a tenth of the population live in poverty. Under the more realistic general poverty threshold over 41 per cent of households and nearly 45 per cent of the population are poor.

**Table 4.1: Comparison of the percentage of all households that are poor, and the percentage of the population and percentage of all children living in poor households (Consumption poverty).**

Poverty threshold	GEL	Measure	2009 Welfare Monitoring Survey
Extreme	61.1	% households	8.9
		% population	9.9
		% children	11.5
Official	89.7	% households	23.7
		% population	25.7
		% children	28.4
General	122.2	% households	41.5
		% population	44.8
		% children	49.0

*Location effects*

### Rural and urban

The percentage of households living in extreme poverty is not significantly different in rural and urban areas. However, the rural areas fare significantly worse for both official and general poverty and the difference is more marked as the poverty threshold is increased. General poverty affects over 48 per cent of rural households compared to 35 per cent of households in urban areas (Tables 4.2a to 4.2c). On the other hand, average poverty gap is consistently higher in urban areas, suggesting that urban poverty is, on average, more profound than poverty in the countryside.

### Regions

The highest rates of household poverty and the highest headcount rates are found in Mtskheta-Mtianeti, and the lowest rates in Ajara, for all three poverty thresholds (Tables 4.2a to 4.2c). Mtskheta-Mtianeti is also the region with the lowest average monthly equivalent household expenditure (see Chapter 3, Expenditure).

**Table 4.2a: Spatial variation in measures of extreme poverty (Poverty line = 61.1 GEL)**

<b>Location (n=4646)</b>	<b>Poverty rate (% households)</b>	<b><math>\chi^2</math> Sig.</b>	<b>Headcount rate (% people)</b>	<b>Average poverty gap(%)</b>
Urban	8.6	ns	9.4	33.9
Rural	9.3		10.5	26.5
Tbilisi	11.8	***	12.1	36.2
Ajara	1.1		1.6	11.2
Guria	2.6		3.6	15.7
ImereTi, Racha	9.7		11.2	24.2
Kakheti	9.4		10.0	23.3
Mtskheta-Mtianeti	13.8		15.8	28.5
Qvemo Qartli	8.4		9.8	27.9
Samtskhe-Javakheti	8.3		8.9	23.8
Samegrelo	7.6		9.9	31.0
Shida Qartli	8.3		10.0	38.9
<b>Total</b>	<b>8.9</b>		<b>9.9</b>	<b>30.1</b>

**Table 4.2b: Spatial variation in measures of official poverty (Poverty line = 89.7 GEL**

<b>Location (n=4646)</b>	<b>Poverty rate (% households)</b>	<b><math>\chi^2</math> Sig.</b>	<b>Headcount rate (% people)</b>	<b>Average poverty gap (%)</b>
Urban	19.9	***	20.1	32.6
Rural	27.7		31.5	26.5
Tbilisi	20.6	***	19.9	38.9
Ajara	12.7		15.5	15.8
Guria	23.7		32.7	17.3
ImereTi, Racha	28.5		30.8	26.1
Kakheti	25.1		27.3	27.0
Mtskheta-	37.1		39.8	28.2
Mtianeti	27.5		31.3	25.8
Qvemo Qartli	27.1		31.2	24.6
Samtskhe-				
Javakheti	24.4		28.6	28.6
Samegrelo	19.9		22.6	33.3
Shida Qartli				
<b>Total</b>	<b>23.8</b>		<b>25.7</b>	<b>29.1</b>

**Table 4.2c: Spatial variation in measures of general poverty (Poverty line = 122.2 GEL)**

<b>Location (n=4646)</b>	<b>Poverty rate (% households)</b>	<b><math>\chi^2</math> Sig.</b>	<b>Headcount rate (% people)</b>	<b>Average poverty gap (%)</b>
Urban	34.9	***	36.1	34.7
Rural	48.3		53.7	32.2
Tbilisi	33.7	***	33.6	38.8
Ajara	31.2		38.2	23.3
Guria	50.3		61.8	25.7
ImereTi, Racha	48.9		53.6	32.4
Kakheti	42.8		45.8	33.3
Mtskheta-	59.5		62.5	34.0
Mtianeti	49.2		54.9	31.9
Qvemo Qartli	50.2		55.8	30.1
Samtskhe-				
Javakheti	42.1		46.0	33.0
Samegrelo	32.1		35.7	36.2
Shida Qartli				
<b>Total</b>	<b>41.5</b>		<b>44.8</b>	<b>33.2</b>

*Household type*Children in households

**Both poverty rates and headcount rates increase significantly in households where there are children and young people under 16 years old<sup>18</sup>.** This is true regardless of the threshold used and differences become more marked as the number of children in the household increases. Poverty gap measures show no such clear pattern, (Tables 4.4a to 4.4c).

Using the general poverty line, over 44 per cent of households with one or two children are living in poverty. The figure rises to almost 60 per cent for households with three or more children.

**Table 4.4a: Variation in measures of extreme poverty (Poverty line = 61.1 GEL) with number of children in households**

Type of household (n=4646)	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Average poverty gap (%)
With no children	7.8	**	8.2	31.2
With children	10.5		11.2	29.0
With no children	7.8	***	8.2	31.2
With 1 or 2 children	9.8		10.4	31.1
With 3+ children	16.0		15.0	19.7
<b>Total</b>	<b>8.9</b>		<b>9.9</b>	<b>30.1</b>

**Table 4.4b Variation in measures of official poverty (Poverty line = 89.7 GEL) with number of children in households**

Type of household (n=4646)	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Average poverty gap (%)
With no children	21.5	***	22.8	28.9
With children	26.8		27.9	29.3
With no children	21.5	***	22.8	28.9
With 1 or 2 children	25.4		26.3	29.4
With 3+ children	36.7		35.2	29.0
<b>Total</b>	<b>18.3</b>		<b>25.7</b>	<b>29.1</b>

<sup>18</sup> Convention on the Rights of the Child defines child as a person under the age of 18 (UN Convention on the Rights of the Child, article 1). However, in this report we treat people aged 16 years or more as adults in accordance with the cut-off point used by Geostat for calculating the number of equivalent adults in each household. The Georgia Poverty Assessment of the World Bank (2008) also uses this definition.

**Table 4.4c: Variation in measures of general poverty (Poverty line = 122.2 GEL) with number of children in households**

Type of household (n=4646)	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Average poverty gap (%)
With no children	38.3	***	40.5	32.8
With children	46.0		47.9	33.8
With no children	38.3	***	40.5	32.8
With 1 or 2	44.2		45.5	33.6
children	59.1		59.3	34.7
With 3+ children				
<b>Total</b>	<b>41.5</b>		<b>44.8</b>	<b>33.2</b>

The overall child poverty rate - the percentage of all children living in poor households - varies between 11.5 per cent and 49 per cent of all children, depending on the threshold used (Table 4.5). For every threshold the percentage of children living in poor households is higher than the headcount for the whole population and much higher than that for pensioners.

#### Pensioner households

Pensioners in Georgia are defined as men over 64 years old and women who are over 59. Over half (52%) of all households include at least one pensioner and 41 per cent of households with children include one pensioner or more. As of January 2010, 838,493 people (20.5% of the population) received pensions.<sup>19</sup> Poverty rates and headcounts are consistently lower in pensioner-only compared to other types of household. This suggests that perhaps social transfers are more effective for pensioners than for other groups (Table 4.3a to 4.3c).

**Table 4.3a: Variation in measures of extreme poverty (Poverty line = 61.1 GEL) between pensioner-only and other households**

Type of household (n=4646)	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Average poverty gap (%)
Not pensioners	9.5	*	10.2	29.8
only	6.2		6.3	29.5
Single pensioner	6.0		5.9	37.4
More than 1 pensioner				
<b>Total</b>	<b>8.9</b>		<b>9.9</b>	<b>30.1</b>

<sup>19</sup> Social Services Agency (2010) Data on pension recipients, available at: <http://ssa.gov.ge/index.php?id=32&lang=1>, website accessed on 20 January 2010

**Table 4.3b Variation in measures of official poverty (Poverty line = 89.7 GEL) between pensioner-only and other households**

Type of household (n=4646)	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Average poverty gap (%)
Not pensioners only	24.5	*	26.1	29.5
Single pensioner	18.8		18.8	27.0
More than 1 pensioner	21.1		20.7	26.1
<b>Total</b>	<b>18.3</b>		<b>25.7</b>	<b>29.1</b>

**Table 4.3c: Variation in measures of general poverty (Poverty line = 122.2 GEL) between pensioner-only and other households**

Type of household (n=4646)	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Average poverty gap (%)
Not pensioners only	42.6	**	45.4	33.5
Single pensioner	34.0		34.0	32.4
More than 1 pensioner	38.3		38.1	31.2
<b>Total</b>	<b>41.5</b>		<b>44.8</b>	<b>33.2</b>

**Table 4.5: Headcount poverty rates for children and pensioners (4646 households)**

% living in poor households	Poverty threshold		
	Extreme (< 61.1 GEL)	Official (< 89.7 GEL)	General (< 122.2 GEL)
Children	11.5	28.4	49.0
Pensioners	7.3	22.2	41.7
Population	9.9	25.7	44.8

### *Education*

**Low levels of education of women in households are correlated to higher poverty rates.** Of households where no women over 15 have education at secondary school level, 13.2 per cent are in extreme poverty. These poor households contain 15.8 per cent of people in the least educated group. The relationship between women's education and poverty status becomes more marked as the poverty threshold gets higher. In terms of



both official and general poverty, both the percentage of poor households and the percentage of people affected decrease sharply with increasing educational achievements of women.

The poverty gap is fairly similar at basic levels of education but for households in extreme poverty it increases steeply where at least one woman is educated to degree level (Tables 4.6a to 4.6c).

**Table 4.6a: Variation in measures of extreme poverty (Poverty line = 61.1 GEL) with women's education**

	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Poverty gap (mean %)
Highest female education level:				
None	13.2	***	15.8	28.5
Secondary	12.7		14.3	28.5
Vocational	8.4		8.7	24.3
Higher	5.5		6.6	37.2
<b>Total (n=4449)</b>	<b>9.0</b>		<b>9.9</b>	<b>29.7</b>

**Table 4.6b: Variation in measures of official poverty (Poverty line = 89.7 GEL) with women's education**

	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Poverty gap (mean %)
Highest female education level:				
None	33.0	***	37.2	28.6
Secondary	32.6		36.2	29.3
Vocational	25.5		27.7	26.4
Higher	13.5		15.4	31.9
<b>Total (n=4449)</b>	<b>23.8</b>		<b>25.7</b>	<b>29.1</b>

**Table 4.6c: Variation in measures of general poverty (Poverty line = 122.2 GEL) with women's education**

	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Poverty gap (mean %)
Highest female education level:				
None	53.5	***	60.3	35.5
Secondary	52.7		57.6	35.1
Vocational	45.0		49.4	31.6
Higher	28.0		30.8	31.0
<b>Total (n=4449)</b>	<b>41.6</b>		<b>44.8</b>	<b>33.2</b>

### Employment

The 2009 Welfare Monitoring Survey provides data about whether each household member over 15 years old (or below 15 if working) was engaged in any activity (even if only for one hour) during the previous week. We have used the data to construct three different measures of the employment status of households. The first records whether any member of the household works in a private or public institution or organisation on a salary or wage, or is self-employed in a trade, craft or professional activity. These people are assumed to be regular *earners*. The second measure of employment includes regular earners together with people who work their own land, take care of livestock, do other agricultural work or have temporary jobs with remuneration in cash or kind. These people are *employed in some way*, whether or not they earn cash on a regular basis. Using the third measure, households are deemed to include at least one employed person if anyone in the household is *employed or owns land*, whether or not they work that land themselves. The relative frequencies of households in each category are shown in Table 4.7. None of these measures represents the unemployment rate, the percentage of people who are out of work.

**Table 4.7: Employment status of households using three different definitions (n=4646)**

	<b>% of households</b>	<b>Number of households</b>
With no regular earner	60.5	2809
With no employment	42.2	1962
With no-one who is either employed or a land owner	19.4	903

Households with anyone employed in any of the three senses described above have significantly lower poverty rates than where no-one is employed (Tables 4.8a to 4.8c). Having a member of the household in regular paid work halves the incidence of both extreme and official poverty.

These tables, however, must be interpreted with caution because of the definitions of employment status described above. While questions relating to employment activities refer only to the week prior to the survey, the assessment of poverty is based on questions relating to consumption during the previous year (health care, education, long-term non-food expenditure) or week (food expenditure in and outside the home and current non-food expenditure). A household may have no members who have been employed in any way during the previous week and be classed as having no employment. But one or more people in the household may have been engaged in employment activity at other points during the year and thus have a higher overall consumption level than might be expected from its employment status. The 87 per cent of households with no employment or land ownership but which are not in extreme poverty, for example, have an average PAE income of 114 GEL a month (median 101 GEL). Questions on income relate to the past month (regular income) and year (non-regular income) so it is likely that some of these households had employment but not in the particular week before the survey.

**Table 4.8a: Variation in measures of extreme poverty (Poverty line = 61.1 GEL) with measures of employment in households**

	<b>Poverty rate (% households)</b>	<b><math>\chi^2</math> Sig.</b>	<b>Headcount rate (% people)</b>	<b>Poverty gap (%)</b>	<b>t Sig.</b>
Any earners	5.4	***	6.0	32.8	ns
No earner	11.3		13.2	29.3	
Anyone employed	7.0	***	8.0	29.8	ns
No-one employed	11.6		13.5	30.4	
Anyone employed or a landowner	8.0	***	8.7	28.9	ns
No-one employed or a landowner	12.9		16.8	33.4	
<b>Total (n=4646)</b>	<b>8.9</b>		<b>9.9</b>	<b>30.1</b>	

**Table 4.8b: Variation in measures of official poverty (Poverty line = 89.7 GEL) with measures of employment in households**

	<b>Poverty rate (% households)</b>	<b><math>\chi^2</math> Sig.</b>	<b>Headcount rate (% people)</b>	<b>Poverty gap (%)</b>	<b>t Sig.</b>
Any earners	14.1	***	15.3	29.6	ns
No earner	30.0		34.5	29.0	
Anyone employed	19.9	***	21.9	27.8	ns
No-one employed	28.9		32.7	30.3	
Anyone employed or a landowner	22.3	***	24.4	27.8	***
No-one employed or a landowner	29.6		33.4	33.2	
<b>Total (n=4449)</b>	<b>23.7</b>		<b>25.7</b>	<b>29.1</b>	

**Table 4.8c: Variation in measures of general poverty (Poverty line = 122.2 GEL) with measures of employment in households**

	Poverty rate (% households)	$\chi^2$ Sig.	Headcount rate (% people)	Poverty gap (%)	t Sig.
Any earners	27.7	***	29.8	30.5	**
No earner	50.5		57.4	34.2	
Anyone employed	35.7	***	38.6	31.8	**
No-one employed	49.4		56.1	34.7	
Anyone employed or a landowner	40.2	***	43.5	31.9	***
No-one employed or a landowner	46.9		52.1	38.0	
<b>Total (n=4449)</b>	<b>41.5</b>		<b>44.8</b>	<b>33.2</b>	

**(4b) Material deprivation***Durable household goods*

Material deprivation is measured here in terms of certain durable goods in a household. The following items have been included in the analysis: cars, cell phones, washing machines, televisions, refrigerators, vacuum cleaners, and irons (Table 4.9).

**Table 4.9: Lack of selected durable goods in households (n=4808)**

	% of households lacking item	% of total population living in such households	% of all children living in such households	% of all pensioners living in such households
Vacuum cleaner	79.3	77.5	76.6	81.8
Car	78.7	73.9	70.8	81.3
Washing machine	67.7	64.0	60.9	71.4
Refrigerator	42.8	40.0	40.5	44.9
Cell phone	34.9	27.3	22.7	43.2
Iron	15.1	13.0	13.2	17.4
Television	8.7	5.8	4.4	10.2

Pensioners are over-represented in households lacking each one of the selected items, particularly electronic goods such cell phones and televisions. We regard a

household as materially deprived if it lacks five or more of the listed items. Table 4.10 shows that, on this measure, 27.2 per cent of households are deprived and this material deprivation affects proportionately more pensioners (32.6%) than children (20.9%) or the population as a whole (22.3%).

**Table 4.10: Number of selected durable goods lacked by households. Shaded cells indicate households lacking 5 or more types of goods (n=4808).**

Number of selected types of item lacked	% of households lacking	% of total population living in such households	% of all children living in such households	% of all pensioners living in such households
0	6.8	8.5	10.0	5.6
1	13.6	15.3	16.1	11.3
2	14.1	15.8	15.8	13.5
3	17.8	19.0	19.3	16.5
4	20.4	19.1	17.9	20.4
5	16.1	14.7	14.7	18.9
6	8.0	5.9	5.1	9.8
7	3.1	1.7	1.1	3.9

#### *Housing conditions*

Table 4.11 shows that the most frequently reported kinds of housing problem are leaking roofs, damp dwellings and damaged roofs, floors and walls.

**Table 4.11: Housing problems reported by households (n=4808).**

	% of households experiencing problem	% of total population living in such households	% of all children living in such households	% of all pensioners living in such households
Damaged, leaking roof	40.2	40.4	43.0	43.2
Damaged floor or walls	39.1	39.1	40.3	40.7
Earth floor	13.7	13.3	13.9	14.9
Dwelling is damp	40.9	41.6	43.1	43.6
Broken windows	19.8	19.8	20.3	21.6
Insufficient light	10.4	10.6	11.6	10.7
Noise	10.7	10.1	10.2	9.9
Dwelling too small	27.6	33.8	39.2	24.7

Households are deemed to be experiencing housing deprivation if they experience at least two major housing problems from the list and if the condition of the dwelling is confirmed by the interviewer to be in bad or very bad condition (Table 4.12).

**Table 4.12: Households and groups experiencing housing deprivation (n=4808).**

<b>% of households in housing deprivation</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
27.6	26.5	27.5	28.9

#### *Double material deprivation*

**Fifteen per cent of all households experience material deprivation in both lack of durable goods and in experiencing poor housing conditions.** These households include 12.7 per cent of the population, 13 per cent of all children and 17.7 per cent of all pensioners.

#### **(4c) Subjective poverty**

Subjective poverty is based on the self-assessment of households. Households stating either that they cannot provide themselves with enough food, or that they feed themselves so poorly that their health is endangered are considered to be subjectively poor.

**Over 40 per cent of all households are subjectively poor on this criterion.** They contain 37 per cent of the population, 37 per cent of all children and 45 per cent of all pensioners.

**Table 4.13: Households' own assessments of their ability to meet their needs (n=4687)**

	<b>% of households</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
We easily satisfy our daily and other consumer needs	0.9	0.9	1.0	0.9
We can more or less satisfy our daily and other consumer needs	21.4	22.2	22.4	16.0
Our income (including in-kind) is only enough for food	37.5	39.1	39.6	38.2
We cannot provide ourselves	30.5	29.0	28.2	34.3

even with sufficient food

We feed ourselves so poorly that our health is under threat	9.7	8.8	8.8	10.6
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Using self-reported information about the adequacy of consumption from the 2007 LSMS, the World Bank (2008) categorises levels of subjective poverty as shown in Table 4.14. The percentage of individuals living in households classed as extremely poor decreased from 9.8 to 8.8 in 2009. However, the percentage of people living in poor and very poor category households increased by a much greater margin from a total of 59.8 to 68.1 over the period.

**Table 4.14: Changes in the subjective evaluation of well-being between 2007 (LSMS) and 2009 (WMS)**

World Bank (2008) category label	Questionnaire response	% of households (2009)	% of total population living in such households (2009)	% of total population living in such households (2007)
Good	We easily satisfy our daily and other consumer needs	0.9	0.9	2.7
Average	We can more or less satisfy our daily and other consumer needs	21.4	22.2	27.8
Poor	Our income (including in-kind) is only enough for food	37.5	39.1	34.9
Very poor	We cannot provide ourselves even with sufficient food	30.5	29.0	24.9
Extreme poor	We feed ourselves so poorly that our health is under threat	9.7	8.8	9.8

**In 2009, unemployment of family members was the most frequently reported main problem facing households (36%) closely followed by problems in buying medicines or gaining access to medical services, together cited by 32 per cent of households.** Comparison with World Bank figures for 2007 shows a similar pattern (Table 4.15). However, while there has been a significant fall in the percentage of people living in households affected mainly by hunger or malnutrition, there has been a rise in concern



about problems of unemployment and the ability to pay for medical services and medicines.

Of course different types of households do experience different types of problems. In 70 per cent of households that consist only of one or more pensioners, buying medicines or medical services was the main problem experienced. In other types of household this figure is only 24 per cent, while 43 per cent saw unemployment as their main worry.

The percentage of households with children where paying off debts or bank loans was the main problem is over twice as high (9%) as in childless households (4%).

**Table 4.15: Main problems reported by households**

<b>Problem</b>	<b>% of households</b>	<b>% of total population living in such households (WMS 2009)</b>	<b>% of total population living in such households (LSMS 2007)</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Unemployment	36.3	42.2	37.4	42.6	26.1
Buying medicines	17.5	13.3	11.2	9.9	25.7
Medical services	14.3	12.5	8.2	10.1	19.5
Housing conditions <sup>20</sup>	9.3	9.3	9.7	11.6	7.5
Hunger or malnutrition	8.1	7.3	17.7	8.2	9.0
Paying debt or bank loans	5.8	7.2	5.8	9.3	4.2
Paying utility charges	5.7	5.0	6.9	4.6	5.8
Leisure or entertainment	1.7	1.8	0.9	2.0	1.3
Buying clothes	0.5	0.7	0.6	0.8	0.5
Furniture	0.4	0.4	0.6	0.5	0.2
Buying school items	0.3	0.4	1.0	0.5	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Number of cases</b>	<b>4624</b>	<b>16899</b>		<b>3258</b>	<b>3228</b>

<sup>20</sup> 'Housing conditions' are not mentioned in the World Bank 2008 report but the figure of 9.7 refers to the percentage of individuals living in households reporting 'amenities' as the main problem they face.

**(4d) Social exclusion**

Five aspects of social exclusion were identified using the survey data:

- a. *Incomplete education* is indicated if there is anyone in the household who would have liked more education, or if there is no-one in the household who is over 15 years old who is educated at least to secondary level.
- b. *No employment or land ownership* is indicated if no-one in the household owned land and no-one over 15 years old was employed in any way in the past week.
- c. *Lack of access to health care* is indicated if either medical services or medicines were needed in the last year but not purchased because of lack of money or availability.
- d. *Lack of access to loans or credit* is indicated if any member of the household tried unsuccessfully to borrow money during the last 12 months from a money lender, bank or pawn-shop.
- e. *Lack of social assistance* is indicated if social assistance was requested but not fully or mainly granted during the past 12 months.

Table 4.16 shows the percentages of households experiencing social exclusion in different numbers of these five aspects, and the percentages of residents, children and pensioners living in such households. Almost no households experienced all five types of exclusion.

**Table 4.16: Households and people affected by different aspects of social exclusion (n=4808)**

	<b>% of households experiencing problem</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Incomplete education	19.9	22.4	28.8	19.2
No land ownership or employment	19.9	15.6	15.2	21.5
Lack of access to healthcare	58.6	58.1	56.6	63.8
Lack of access to credit	4.3	5.1	5.7	2.8
Lack of social assistance	19.9	19.5	19.1	21.3

We defined a household as being socially excluded if it experienced at least three of these aspects of exclusion. Over 8 per cent of households fell into this category, including 8.1 per cent of all residents, 8.5 per cent of all children and 8.5 per cent of all pensioners (Table 4.17).

**Table 4.17: Households and people affected by multiple aspects of social exclusion (n=4808)**

<b>Number of problems related to social exclusion</b>	<b>% of households affected</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
0	24.5	25.3	23.7	19.8
1	38.1	38.0	37.2	40.9
2	28.8	28.6	30.6	30.9
3	7.5	7.1	7.1	7.8
4	1.1	1.0	1.4	0.7

#### **(4e) Lack of utilities**

A household is deemed to lack utilities if it experiences difficulties in obtaining adequate access to water, sanitation or heating.

- Water:* a household is deemed to be in difficulty if there is no supply of cold water or no supply inside the dwelling.
- Sanitation:* sanitation is deemed to be problematic if a household has no sewerage system or no available bathroom.
- Heating:* households where the dwelling was practically not heated during the past winter or where annual spending on domestic fuel accounted for more than 10 per cent of total annual household expenditure.

Table 4.18 shows how many households were experiencing problems in meeting their most basic needs for water, sanitation and heating.

**Table 4.18: Households and people affected by difficulties in access to utilities (n=4808)**

	<b>% of households experiencing problem</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Water	48.4	48.0	47.5	53.9
Sanitation	56.4	56.7	56.2	62.9
Heating	17.7	14.4	12.4	20.1

Nearly 10 per cent of households experienced lack of access to water, sanitation and heating and 63 per cent lacked access to at least one of these forms of utility (Table 4.19).

**Table 4.19: Households and people affected by multiple aspects of access to utilities (n=4808)**

<b>Number of problems related to access to utilities</b>	<b>% of households affected</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
0	37.3	38.5	39.7	31.2
1	12.6	11.7	11.1	12.7
2	40.6	42.0	42.4	44.1
3	9.6	7.7	6.7	12.0

#### **(4f) Multiple dimensions of poverty and deprivation**

Table 4.20 summarises the percentages of households affected by each of the dimensions of poverty and deprivation described in this section.

**Table 4.20: Households and people affected by multiple aspects of social exclusion**

<b>Dimension</b>	<b>% of households affected</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Extreme poverty (< 61.1 GEL)	8.9	9.9	11.5	7.3
Official poverty (< 89.7 GEL)	23.7	25.7	28.4	22.2
General poverty (< 122.2 GEL)	41.5	44.8	49.0	41.7
Material deprivation	15.0	12.7	13.1	18.1
Subjective poverty	39.4	37.1	36.4	44.7
Social exclusion	8.5	8.1	8.6	8.4
Lack of utilities	63.2	62.0	61.1	70.5

For many households, problems of poverty compound one another. Of those falling below the official poverty line, for example, over three quarters also lack one or

more utilities. These households are also more than twice as likely to experience material deprivation as households above the official poverty line (Table 4.21).

**Table 4.21: The percentage of households below and above the official poverty line that experience poverty in other dimensions.**

	<b>Equivalent monthly household expenditure</b>	
	<b>&lt; 89.7 GEL</b>	<b>≥ 89.7 GEL</b>
Lack of utilities	75.4	59.4
Subjective poverty	57.6	33.7
Material deprivation	28.6	10.8
Social exclusion	12.7	7.2

## 5. MODELLING THE PROBABILITY OF CONSUMPTION POVERTY

Statistical multiple regression models can be used to predict the probability of a household with particular characteristics falling below each specified poverty line. Here we developed models, using locational, demographic, educational and employment characteristics, for urban and rural areas separately. This is because we might expect the interactions between the characteristics that help explain variations in the probability of poverty to operate differently in towns and cities from in the countryside.

### Urban areas

Table 5.1 shows the best model to predict the probability of households falling below the official poverty line of 89.7 GEL in urban areas. When all other variables are fixed, the odds<sup>21</sup> ratio shows the effect of a characteristic on the odds of a household being poor. The odds of a household in urban parts of Ajara being poor, for example, are only a tenth of the odds for a household in Tbilisi. Households consisting only of pensioners are less likely to be poor than households of other types. This fits with the earlier results in Chapter 4 and suggests that government expenditure on pensions may be having a beneficial effect. Indeed we shall see in Chapter 6 that without the benefits of the pension system, the percentage of all pensioners living in officially poor households would be increased from 22 to 55 per cent.

Education is important for reducing the odds of poverty, on average by a third, but only at tertiary level. The odds of being in poverty are reduced by nearly three quarters if at least someone in the household is in employment or owns land and are reduced by two thirds for every additional wage earner in the household. Neither the gender of the head of household, the number of children nor the highest educational qualification of women makes any additional contribution to the model for households in urban areas.

### Rural areas

The picture in rural areas is rather different. In rural areas, Ajara has the lowest percentage of households living below the official poverty threshold (18%). The model presented in Figure 5.2 shows that, compared to Ajara, the odds of rural households being poor are increased in every region. In Mtskheta-Mtianeti the odds are increased 3.7 times. As for urban areas, pensioner only households are less likely than others to be poor. Compared to having no children in the households, those with one or two children have higher odds of being in poverty. Households with three or more children are particularly vulnerable with odds that are three times higher.

In contrast to urban areas, the highest level of education in the household in general makes no additional contribution to the model but if a woman in the household has vocational training or tertiary education the odds of poverty are reduced. However, the effect of the gender of the head of household is still not significant.

As in the urban model, the odds of poverty are reduced by nearly two thirds for every additional earner in the household but in the rural model any kind of employment or land ownership has no additional effect.

<sup>21</sup> The odds of an event occurring =  $p/(1-p)$  where  $p$  = probability of the event.

**Table 5.1: Logistic regression of household characteristics on official poverty (equivalent household monthly expenditure less than 89.7 GEL) for urban areas**

<b>Household characteristic</b>	<b>B coefficient</b>	<b>Odds ratio</b>	<b>Wald Sig.</b>
<i>Region (compared to Tblisi)</i>			
Ajara	-2.0	0.1	***
Guria	-0.6	0.5	ns
Imere-Ti, Racha	-0.1	0.9	ns
Kakheti	-0.7	0.5	*
Mtskheta-Mtianeti	0.3	1.4	ns
Qvemo qartli	-0.4	0.7	ns
Samtskhe-Javakheti	-0.2	0.8	ns
Samegrelo	-0.3	0.8	ns
Shida Qartli	-1.3	0.3	***
<i>Pensioner households (compared to others)</i>			
Households consisting of pensioner(s) only	-0.8	0.4	***
<i>Highest educational level (compared to below secondary)</i>			
Secondary	-0.1	0.9	ns
Vocational	-0.3	0.5	ns
Higher	-1.2	0.3	**
<i>Employment</i>			
Anyone in household employed or owning land (compared to none)	-0.3	0.7	*
Total number of earners in the household	-0.5	0.6	***
<i>Constant</i>	0.2	1.2	ns

Number of cases = 1507; Hosmer & Lemeshow  $< 0.5$ ; Nagelkerke  $R^2 = 0.165$

Significance levels: \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$



**Table 5.2: Logistic regression of household characteristics on official poverty (equivalent household monthly expenditure less than 89.7 GEL) in rural areas**

Household characteristic	B coefficient	Odds ratio	Wald Sig.
<i>Region (compared to Ajara)</i>			
Guria	0.7	2.0	*
Imere-Ti, Racha	0.8	2.3	***
Kakheti	0.8	2.2	***
Mtskheta-Mtianeti	1.3	3.7	***
Qvemo qartli	0.5	1.7	*
Samtskhe-Javakheti	0.5	1.7	*
Samegrelo	0.6	1.8	*
Shida Qartli	0.5	1.7	*
<i>Number of children (compared to none)</i>			
1	0.5	1.7	***
2	0.5	1.7	***
3 or more	1.1	3.0	***
<i>Pensioner households (compared to others)</i>			
Households consisting of pensioner(s) only	-0.7	0.5	***
<i>Highest educational level of women in the household (compared to below secondary)</i>			
Secondary	-0.3	0.7	ns
Vocational	-0.7	0.5	***
Higher	-1.1	0.3	***
<i>Employment</i>			
Total number of earners in the household	-0.5	0.6	***
Constant	-1.1	0.3	***

Number of cases = 2916; Hosmer & Lemeshow = 0.167; Nagelkerke  $R^2$  = 0.116

Significance levels: \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$

**In summary, the urban households most likely to be poor are in Mtskheta-Mtianeti, are not composed of only pensioners, have no household member educated at tertiary level, no-one employed or owning land and no earners.**

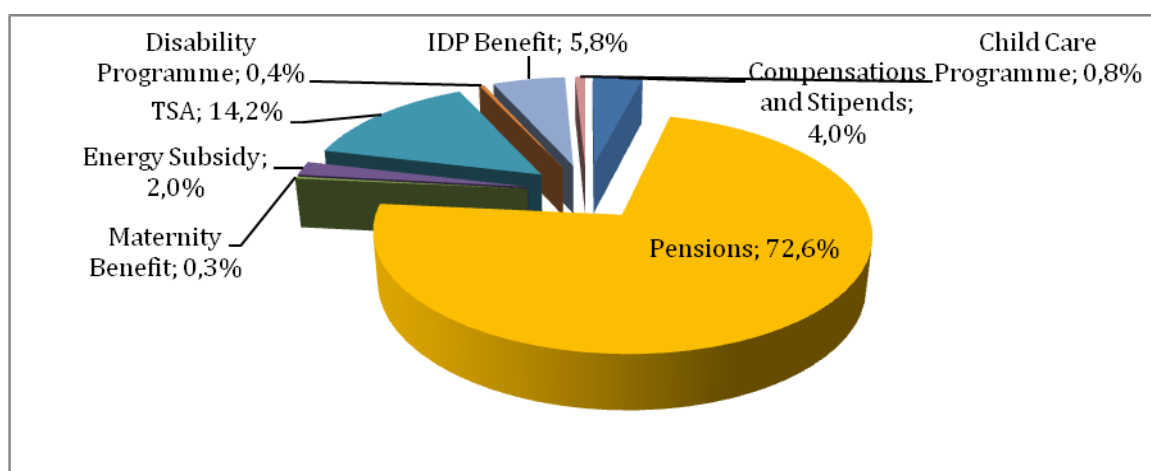
**In rural areas the model predicts the highest odds of poverty again in Mtskheta-Mtianeti, in non-pensioner-only households, with three or more children, with no women educated beyond secondary level and with no earners.**

## 6. SOCIAL TRANSFERS

**Social protection expenditure is the second largest spending item of the central budget**, accounting for 17.7 per cent of the central public expenditure, (5.2% of GDP) in 2008<sup>22</sup>.

**As in other countries of the region pensions are the largest component of the social protection system.** In 2009, 72.6 per cent of social expenditure was spent on different forms of pension which were received by 838,493 people (20.5% of the population)<sup>23</sup>. Flat-rate pensions are divided into four categories including pensions for old-age, disability, survivors and victims of political repression (together with WW II veterans). In addition there are privileged pensions called compensations and stipends, mostly for former military and police personnel and members of academia. These are calculated on the basis of the length of service and the final salary.

**Figure 6.1: Percentage composition of social expenditure 2009**



**Since 2004 the Government has undertaken a significant reform of the pension system.** It cleared large pension arrears accrued by the previous administration (2004), abolished minimum contribution requirements (2005), merged 84 different types of pensions into four main categories (2005) and continuously increased them. Old-age pension, for example, was increased from 14 GEL (7 USD) in 2004 to 80 GEL (47 USD) in 2009. The mode of pension delivery has been changed from individual hand-in-hand deliveries to electronic transfers through the banking system. Furthermore, pensions are now being funded from general taxation instead of earmarked taxes. In addition, Tbilisi municipality introduced a pension supplement based on the number of years in employment.

**Targeted social assistance forms the second major component of Georgia's social security system.** In 2006 the government introduced a means-testing principle in order to better target the poorest segment of the population. For this purpose a database of the

<sup>22</sup> Author's calculation based on the Ministry of Finance figures on public expenditure in 2008, source: "The Law on State Budget 2009", available at [www.mof.ge](http://www.mof.ge)

<sup>23</sup> Social Service Agency (2010) Pensioner Database, available at <http://www.ssa.gov.ge/index.php?id=800&lang=1>, website accessed on 20 January 2010

socially vulnerable population was formed. Living conditions of over 540,000 households with almost 1.7 million individuals registered at the database are regularly assessed through proxy means-testing. Based on the ranking score obtained through the means-test a household may be eligible for free health care vouchers or cash benefits, as well as some one-off benefits. As of January 2010, 420,800 people (9.6% of the population) were receiving cash transfers<sup>24</sup>.

**By 2009 the level of TSA had almost doubled.** Previously eligible households were receiving 30 GEL for the first member of the household plus 12 GEL for each additional member. Starting from March 2009 additional members of household receive 24 GEL. The government was also planning to increase the coverage of TSA to 900,000 people<sup>25</sup>, with the additional 500,000 people receiving a lower amount of benefit. However this plan has not materialized. The number of beneficiaries has increased by only 25,000, corresponding to the number of new internally displaced persons (IDPs) who are not required to undergo means-testing.

**The third component, categorical benefits include lump-sum transfers for specific disadvantaged or “deserving” groups, including IDPs, orphans, disabled people, World War II veterans and victims of political repressions.** The largest categorical benefit is IDP assistance (for people displaced as a result of the 1992-93 armed conflicts). However, all categorical benefits are now being phased-out. They are closed for new entrants and gradually will be replaced by TSA<sup>26</sup>.

In addition to centrally administered social transfers, most municipalities also provide some cash and in-kind benefits, albeit both the coverage and the value of these benefits is quite low. The total social expenditure (62.1 million GEL) does not exceed five percent of combined municipal budgets<sup>27</sup>. The majority of municipal benefits are one-off, while targeting is mostly category-based, though some local authorities, including Tbilisi are actively using the database of socially vulnerable families for identifying the beneficiaries of their social programmes.

The analysis of the WMS 2009 focuses on three main classes of benefits: pensions, targeted social assistance (TSA) or 'subsistence allowance', and categorical and other benefits. For the purpose of the analysis municipal social benefits are included in 'categorical and other' benefits. In each category data are only available for benefits providing personal regular income.

### Coverage of social transfers

Social protection benefits are the main means of redistributing resources to improve the living standards of poor and vulnerable groups of the population. Around 59 per cent of

<sup>24</sup> Social Subsidies Agency (2010) Data on recipients of targeted social assistance, available at: <http://ssa.gov.ge/index.php?id=32&lang=1>, website accessed on 20 January 2010

<sup>25</sup> Government of Georgia (2008) United Georgia Without Poverty, p.5, also available at: [http://government.gov.ge/index.php?lang\\_id=GEO&sec\\_id=68](http://government.gov.ge/index.php?lang_id=GEO&sec_id=68) . website accessed on 20/01/10

<sup>26</sup> World Bank (2009) Georgia Poverty Assessment, p. 92

<sup>27</sup> Young Economists (2009) Analysis of Municipal Budgets, in press

households receive some form of social transfer and over 12 per cent receive more than one type (Table 6.1).

**Table 6.1: Households in receipt of different types of social assistance. (n=4646)**

<b>Type of social assistance received</b>	<b>% of households</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Pensions only	42.1	41.6	35.9	74.2
TSA only	2.7	3.1	4.8	0.3
Categorical benefits only	2.2	2.4	2.7	0.2
Pension and TSA	7.3	6.2	5.8	11.8
Pension and categorical benefits	3.4	2.7	2.2	6.1
TSA and categorical benefits	0.4	0.5	0.8	0.1
Pension, TSA and categorical benefits	1.0	0.8	0.9	1.7
None of these	40.8	42.7	47.0	5.4

Pensions have the highest coverage reaching 53.8 per cent of households, followed by TSA (11.5%) and lastly other categorical benefits (7.2%).

**Table 6.2: Households in receipt of three different types of social assistance by poverty status.**

<b>Type of social assistance received</b>	<b>% of households (n=4646)</b>	<b>% of extremely poor households (n=414)</b>	<b>% of officially poor households (n=1178)</b>	<b>% of generally poor households (n=2067)</b>
Pensions	53.8	47.0	54.0	54.7
TSA	11.5	19.8	20.0	17.3
Categorical benefits	7.1	8.2	7.5	7.9
None of these	40.8	39.7	35.1	36.4

Over a third of officially poor households receive no social assistance of any kind. But more importantly, extremely poor households are more likely to receive no social assistance, than the relatively better-off poor. Table 6.2 shows that while TSA receipt is

more prevalent in poorer households, this is not the case for categorical benefits. Around seven to eight per cent of households receive these benefits regardless of the base used.

If household monthly PAE consumption figures are reduced by the amount of pension income received PAE, they can be ranked from lowest to highest and split into tenths (deciles). Table 6.3 shows the consumption levels of these deciles. The table also shows the distribution of pension receipt across all household deciles.

**Table 6.3: Pension receipt in households by pre-pension PAE consumption decile (n=4646).**

<b>Decile<sup>a</sup></b>	<b>Range (GEL)</b>	<b>Average monthly pre-pensions PAE consumption (GEL)</b>	<b>% of households in decile receiving pensions 2009</b>
1	(0.0-16.51)	3.2	95.2
2	(16.67-47.73)	34.7	78.9
3	(47.81-68.23)	58.0	65.3
4	(68.27-88.73)	78.5	53.2
5	(88.83-110.85)	99.7	50.5
6	(110.87-136.29)	122.6	42.8
7	(136.30-172.35)	153.3	43.7
8	(172.47-222.59)	195.4	39.9
9	(222.79-325.26)	263.6	38.2
10	(325.35-2804.82)	576.8	30.5
Total	(0.00-2804.82)	158.5	53.8

<sup>a</sup>Decile group of pre-pensions PAE consumption based on ranking of all households

If we repeat the analysis to consider only those households containing pensioners (at least one man aged 65 or more or at least one woman aged 60 or more), we see that the average consumption in each 'pensioner decile' is lower but that most of these households do receive pension benefits (Table 6.4).

**Table 6.4: Pension receipt in households containing people of pension age by pre-pension PAE consumption decile (n=2387).**

<b>Decile<sup>a</sup></b>	<b>Range (GEL)</b>	<b>Average monthly pre-pensions PAE consumption (GEL)</b>	<b>% of households in decile receiving pensions 2009</b>
1	0.00-0.00	0.00	100.0
2	0.01-23.87	13.0	98.7
3	24.11-45.86	36.0	98.0
4	45.93-62.63	54.4	98.7

5	62.69-83.83	73.4	95.2
6	83.90-105.72	95.7	92.2
7	105.87-136.94	120.9	90.1
8	136.95-180.59	158.2	88.7
9	180.93-256.04	213.1	82.6
10	256.57-2244.32	413.3	88.9
Total	0.00-224.32	117.5	93.3

<sup>a</sup>Decile group of pre-pensions PAE consumption based on ranking of households with pensioners

Table 6.5 shows that TSA covers more than two fifths (41%) of households in the lowest decile for pre-TSA PAE consumption and 20 per cent of households in the next lowest decile. Very few households with pre-benefit PAE consumption of more than 100 GEL a month receive TSA.

**Table 6.5: Receipt of TSA in households by pre-TSA PAE consumption decile (n=4646).**

Decile <sup>a</sup>	Range (GEL)	Average monthly pre-TSA PAE consumption (GEL)	% of households in decile receiving TSA
1	0.00-55.88	35.5	41.1
2	55.91-78.67	68.1	20.0
3	78.67-97.62	88.5	11.4
4	97.77-116.50	106.9	8.7
5	116.53-137.14	127.1	11.0
6	137.18-166.04	151.1	6.2
7	166.04-201.75	183.0	7.1
8	201.8-248.00	224.1	4.1
9	248.25-355.46	293.3	2.3
10	355.87-2804.82	599.0	2.9
Total	0.00-2804.82	187.6	11.5

<sup>a</sup>Decile group of pre-TSA PAE consumption based on ranking of all households

Seven per cent of households receive categorical benefits and these are concentrated in the lowest consumption decile where they are received by a fifth of all households (Table 6.6).

**Table 6.6: Receipt of categorical benefits in households by pre-categorical benefits PAE consumption decile (n=4646).**

Decile <sup>a</sup>	Range (GEL)	Average monthly pre-categorical benefits PAE consumption (GEL)	% of households in decile receiving categorical benefits
1	0.00-60.44	39.7	20.8
2	60.49-81.46	71.2	7.6
3	81.50-98.40	89.8	7.8
4	98.42-116.93	107.7	4.5
5	116.94-137.38	127.5	6.2
6	137.40-165.22	150.7	5.7
7	165.28-201.75	182.8	4.4
8	201.80-245.93	223.4	5.2
9	246.02-349.88	291.2	6.9
10	350.74-2804.82	598.2	1.7
Total	0.00-2804.82	188.1	7.1

<sup>a</sup>Decile group of pre-categorical benefits PAE consumption based on ranking of all households

## The impact of social transfers on household consumption poverty

### *Pensions*

Almost 45 per cent of all children live in households with at least one pension recipient (Table 6.1). This reflects the complex household structures prevailing in Georgia, many households including three generations. If pension income is removed from the household consumption value used to calculate poverty rates, those rates rise considerably (Table 6.7). Over a fifth (22.2%) of all pensioners are living in households defined as poor using the official poverty threshold. If there were no social transfers in the form of pensions this figure would rise to nearly a half (54.6%). In the households officially defined as poor, there are also 9.2 per cent of all children who are lifted out of poverty by household receipt of pension income.

**Table 6.7: The estimated effects of pension income on household poverty rates**

<b>Poverty threshold</b>	<b>% of households in poverty (n=4646)</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Extreme poverty (< 61.1GEL)	8.9	9.9	11.5	7.3
Excluding pensions	26.6	23.7	20.5	41.2
Official poverty (< 89.7 GEL)	23.7	25.7	28.4	22.2
Excluding pensions	40.4	39.1	37.6	54.6
General poverty (< 122.2 GEL)	41.5	44.8	49.0	41.7
Excluding pensions	55.1	55.2	56.0	67.2

*Targeted Social Assistance*

Compared to pensions, the effect of Targeted Social Assistance (TSA) on national poverty rates is lower as this type of transfer reaches less than twelve per cent of households. However, for those households that receive it, TSA has a stronger impact - it reduces extreme child poverty by a third (Table 6.8).

**Table 6.8: The estimated effects of TSA income on household poverty rates**

<b>Poverty threshold</b>	<b>% of households in poverty (n=4646)</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Extreme poverty (< 61.1GEL)	8.9	9.9	11.5	7.3
Excluding TSA	12.4	13.6	16.4	10.9
Official poverty (< 89.7 GEL)	23.7	25.7	28.4	22.2
Excluding TSA	26.3	28.1	31.3	25.6
General poverty (< 122.2 GEL)	41.5	44.8	49.0	41.7
Excluding TSA	43.2	46.2	50.2	44.3



There are significantly fewer TSA recipients among households who are not materially deprived as defined in Section 4(b) above. Thirty three per cent of materially deprived households are in receipt of TSA compared with only 7.6 per cent of others.

#### *Categorical Benefits*

TSA, introduced in 2006, will gradually replace all categorical benefits (World Bank, 2009: p.108) but the WMS 2009 shows over seven per cent of households still in receipt of these benefits. However, the effect they have on poverty is smaller, reducing household poverty rates by around two percentage points.

**Table 6.9: The estimated effects of categorical benefit income on household poverty rates**

<b>Poverty threshold</b>	<b>% of households in poverty (n=4646)</b>	<b>% of total population living in such households</b>	<b>% of all children living in such households</b>	<b>% of all pensioners living in such households</b>
Extreme poverty (< 61.1GEL)	8.9	9.9	11.5	7.3
Excluding categorical benefits	10.3	11.3	13.1	8.6
Official poverty (< 89.7 GEL)	23.7	25.7	28.4	22.2
Excluding categorical benefits	25.2	27.2	30.2	24.2
General poverty (< 122.2 GEL)	41.5	44.8	40.9	41.7
Excluding categorical benefits	42.4	45.6	49.6	43.3

It is important to note that categorical benefits have greater effects on their target groups than on national poverty levels. In the WMS, households including a person with a disability are those where there is someone unemployed because of disability or in receipt of social assistance to 1st category disabled or blind people or to families with many children and a disabled child. Focusing on only these households, the impact of categorical benefits is higher. Receipt of categorical benefits in households with a disabled person reduces the official poverty rate by six percentage points (Table 6.10).

**Table 6.10: The estimated effects of categorical benefit incomes on household poverty rates for only those households including at least one disabled person, an IDP or an orphan.**

<b>Poverty threshold</b>	<b>% of households (with disabled person) in poverty (n=173)</b>	<b>% of households (with IDP) in poverty (n=116)</b>	<b>% of households (with orphan(s)) in poverty (n=25)</b>
Extreme poverty (< 61.1GEL)	13.4	8.0	11.0
Excluding categorical benefits	17.3	24.0	45.3
Official poverty (< 89.7 GEL)	32.2	21.3	29.5
Excluding categorical benefits	38.6	39.7	51.2
General poverty (< 122.2 GEL)	52.8	42.2	51.2
Excluding categorical benefits	56.3	54.7	57.1

In the WMS, internally displaced persons (IDPs) are only identified as those in receipt of IDP allowance. The effect of the allowance on poverty rates, for example the reduction of almost a half for official poverty in Table 6.9, is likely to be overestimated as the calculation takes no account of households with IDPs who are not receiving the benefit. The situation is similar if we consider households with orphans. Again these can only be identified in the WMS by receipt of social assistance for orphans. The figures in Table 6.9 suggest a high impact of social assistance to orphans but do not take account of any households with orphans where assistance is not received.

#### *Effects of social transfers on poverty gaps<sup>28</sup>*

In addition to affecting the rates of poverty, social transfers have the potential to reduce the amount of consumption needed to lift households out of poverty. Table 6.11 shows the effects of pensions, TSA and categorical benefits on the poverty gap for those households in receipt of the three types of benefit.

<sup>28</sup> The poverty gap is the average percentage by which consumption would need to rise to bring poor households above the poverty line.

**Table 6.11: The effects of social transfers on poverty gaps.**

<b>Poverty threshold</b>	<b>Poor households in receipt of pensions</b>		<b>Poor households in receipt of TSA</b>		<b>Poor households in receipt of categorical benefits</b>	
	Poverty gap	% point effect	Poverty gap	% point effect	Poverty gap	% point effect
Extreme poverty (< 61.1GEL)	30.4	87.4 (n=195)	26.6	46.5 (n=83)	35.1	62.4 (n=34)
Excluding transfer	117.8		73.1		97.5	
Official poverty (< 89.7 GEL)	27.1	61.4 (n=595)	27.8	32.0 (n=244)	33.8	38.4 (n=83)
Excluding transfer	88.5		59.8		72.2	
General poverty (< 122.2 GEL)	32.4	46.8 (n=1055)	36.0	22.6 (n=379)	34.9	28.3 (n=152)
Excluding transfer	79.2		58.6		63.2	

In extremely poor households, for example, pension receipt reduces the average poverty gap by 87.4 percentage points. But pensions are received by less than half of the 414 households in this group (Table 6.2). This problem is more marked for TSA. The allowance reduces the poverty gap by 46.5 per cent for those extremely poor households that receive it; but these constitute less than 20 per cent of all extremely poor households. Similarly categorical benefit receipt reduces the poverty gap by up to 62 percentage points, but is received by only seven to eight per cent of poor households.

## 7. FINANCIAL ACCESS TO HEALTH CARE SERVICES

**Since the 1990s the Georgian health system has struggled to replace the soviet-inherited Semashko model.** A comprehensive health sector reform was launched in 2006. The central pillars of the current reform include optimization of hospital sector, full-scale privatization of publicly-owned hospitals and primary health care units, and the introduction of free health care insurance for the population below the poverty line. It is anticipated that as a result of these reforms financial and geographical access to health care services will significantly improve. Official data show a positive trend of declining child and maternal mortality rates, and increasing life expectancy.<sup>29</sup>

**While health indicators are improving, financial barriers to health services persist for a considerable part of population.** Public expenditure on health (1.5% of GDP) remains low while the share of private expenditure in total health expenditure (73%) is the highest in Europe.<sup>30</sup> Underdeveloped forms of risk pooling imply that out-of-pocket expenditure is a dominant funding mode, accounting for 72 per cent of all private expenditure, again the highest share in Europe.<sup>31</sup> Not surprisingly, health care consumption is very low, with less than two outpatient visits per person a year.<sup>32</sup>

**This analysis of the WMS 2009 looks at five dimensions of financial access to health care provision in the context of the crisis: the composition of household spending on health, its catastrophic costs, the distribution of health insurance, financial barriers to obtaining health care and services and the impoverishing effects of spending on health.**

### Composition of spending on health care

**The average annual household expenditure on health care in the year preceding the 2009 WMS was just over 250 GEL per equivalent adult, accounting for 11 per cent of all expenditure.** Expenditure on health care covers emergency medical assistance (including transportation costs), visits to doctors, medical procedures, surgical operations, hospital services, maternity care fees, women's consultations, regular checkups, immunisation costs, nursing and carers' fees, purchase of medicines, medical insurance premiums and other informal costs.

**Only 12.3 per cent of households incurred no health costs at all.** As indicated in the fourth chapter buying medicines and medical services were stated as the main problems confronted by 17.5 and 14.3 percent of households respectively (Table 4.15). Over a

<sup>29</sup> Ministry of Labour, Health and Social Affairs (2009) National Health Report, available at [www.moh.gov.ge](http://www.moh.gov.ge)

<sup>30</sup> World Health Organization, World Bank and Ministry of Labour, Health and Social Affairs (2009) Georgia Health System Performance Assessment, p.33, available at: <http://www.euro.who.int/document/E92960.pdf>

<sup>31</sup> World Bank (2009) Georgia Poverty Assessment, p. 109

<sup>32</sup> Ministry of Labour, Health and Social Affairs, Department of Statistics, Oxford Policy Management, UK and Curatio International Foundation (2007) Georgia Health Utilization and Expenditure Survey, p.62, available at: <http://www.curatiofoundation.org/curatio/index.jsp?id=2&act=3&documentid=221>

quarter of all pensioners and nearly 10 per cent of all children live in households where buying medicines is the main problem the household reports. Households in which buying medicines is the main problem contain a fifth of all pensioners and a tenth of all children.

Columns 2 and 3 of Table 7.1 show that, on average, the purchase of medicines was the main component of health care spending, both in absolute terms and as a percentage of all health-related expenditure. However these average values mask high variation in health spending. Column 4 of the table shows, for example, that 82 per cent of households spent money on purchasing medicines in the last year at an average cost of 171 GEL (Column 5). Nearly 6 per cent paid for surgical operations at an average cost of 628 GEL. The remaining 94 per cent, however, had zero expenditure on this item so the average cost for all households is much lower (36 GEL).

**Table 7.1: Use of health care services and average composition of annual healthcare spending by households over the past year (n=4646)**

	<b>Average annual expenditure (GEL PAE)</b>	<b>Average % of all health expenditure</b>	<b>% of households using each form of health care</b>	<b>Average expenditure of users (GEL PAE)</b>
Purchasing medicines	140.93	63.99	82.3	171.3
Surgical operations	36.56	3.39	5.8	628.1
Visits to doctor	29.11	8.99	29.8	97.7
Hospital services	13.25	1.52	4.2	314.0
Regular check-ups	7.92	2.51	10.8	73.6
Maternity care	7.56	2.23	4.0	189.0
Emergency medical help	6.14	1.96	5.9	105.0
Medical insurance premiums	3.70	1.04	2.7	136.2
Women's consultations	2.80	1.10	4.6	61.3
Other items	2.12	0.72	2.3	94.9
Immunisation costs	0.18	0.16	1.2	15.4
Nursing and care fees	0.38	0.08	0.3	138.0
<b>Total</b>	<b>250.72</b>			

**Spending on health care per equivalent adult is significantly higher overall in urban (285 GEL) than in rural areas (215 GEL).** The difference is particularly marked in spending on women's consultations, maternity care and immunisation but households in urban areas also spend more on medical insurance, medicines and visits to the doctor (Table 7.2).

**Table 7.2: Average composition of annual healthcare spending (GEL PAE) by urban and rural location (n=4646)**

	Average annual expenditure (GEL PAE)		
	Urban	Rural	Significance
Purchasing medicines	153.60	127.84	**
Surgical operations	43.89	29.00	ns
Visits to doctor	27.99	30.27	ns
Hospital services	19.12	7.92	**
Regular check-ups	8.67	7.12	ns
Maternity care	11.00	4.01	***
Emergency medical help	6.84	5.42	ns
Medical insurance premiums	6.18	1.13	***
Women's consultations	4.31	1.23	***
Other items	2.40	1.95	ns
Immunisation costs	0.32	0.04	***
Nursing and care fees	0.65	0.11	*
Total	284.96	215.34	***

**Spending on most types of health care is higher in Tbilisi than in other regions but there are exceptions.** Household spending on surgical operations per adult equivalent is markedly higher in Imereti, Racha than elsewhere and visits to the doctor account for particularly high levels of spending in Mtskheta-Mtianeti, Samtskhe-Javakheti, Samegrelo and Shida Kartli. Spending on emergency medical help is highest in Samtskhe-Javakheti, Ajara and Mtskheta-Mtianeti (Table 7.3). It is not possible to say whether higher spending on medical emergencies, surgery and doctors' visits results from higher costs of such services in certain areas or from higher frequency of need for the services.

**The fifth of households with the highest overall consumption spend nearly ten times as much on health care per equivalent adult as the households in the poorest fifth.** For every category of health care, spending increases with consumption quintile (Table 7.4).

**Table 7.3: Average composition of annual healthcare spending (GEL PAE) by region (n=4646)**

	Average annual expenditure (GEL PAE)										
	Tbilisi	Ajara	Guria	Imereti, Racha	Kakheti	Mtskheta- Mtianeti	Qvemo Qartli	Samtskhe- Javakheti	Samegrelo	Shida Qartli	Total
Purchasing medicines	162.03	150.30	138.62	142.29	145.49	138.73	77.04	106.64	146.84	145.12	140.93
Surgical operations	32.39	7.22	30.02	76.65	34.95	44.07	16.20	32.17	24.48	26.97	36.57
Visits to doctor	33.84	11.20	22.86	22.94	25.10	52.80	25.29	38.31	35.27	38.49	29.11
Hospital services	25.97	0.99	0.68	11.71	8.52	15.22	1.35	3.02	14.93	15.47	13.25
Regular check-ups	11.14	0.76	4.30	10.55	7.54	3.75	0.58	3.20	9.93	10.52	7.92
Maternity care	14.67	4.10	4.32	3.19	5.43	6.25	9.76	2.60	4.78	5.35	7.56
Emergency medical help	8.82	13.27	6.75	3.57	7.68	9.48	1.75	14.12	0.71	0.47	6.14
Medical insurance premiums	11.21	0.59	0.39	0.13	1.51	2.41	0.17	0.36	3.04	1.51	3.70
Women's consultations	6.53	1.83	2.08	1.31	1.67	2.54	1.69	0.65	0.38	2.17	2.80
Other items	3.05	0.64	0.60	0.41	8.69	3.30	0.00	5.28	0.00	0.48	2.18
Immunisation costs	0.56	0.00	0.00	0.05	0.05	0.07	0.11	0.00	0.00	0.10	0.18
Nursing and care fees	1.01	0.00	0.00	0.00	0.70	0.00	0.21	0.00	0.28	0.00	0.38
Total	311.21	190.90	210.60	272.80	247.31	278.63	134.16	206.35	240.63	246.67	250.72

**Table 7.4: Average composition of annual healthcare spending (GEL PAE) by consumption quintile (1 is lowest) (n=4646)**

Average annual expenditure (GEL PAE)						
	1	2	3	4	5	Total
Purchasing medicines	48.11	79.79	122.45	171.22	283.19	140.93
Surgical operations	2.39	5.29	14.79	33.87	126.56	36.57
Visits to doctor	6.80	10.73	23.38	39.29	65.39	29.11
Hospital services	1.08	2.46	4.52	17.71	40.53	13.25
Regular check-ups	1.31	3.04	4.76	8.25	22.25	7.92
Maternity care	1.12	6.54	7.75	8.39	14.00	7.56
Emergency medical help	2.81	4.78	5.60	5.62	11.90	6.14
Medical insurance premiums	0.24	0.55	1.51	3.27	12.92	3.70
Women's consultations	0.62	1.38	2.02	2.50	7.47	2.80
Other items	0.65	0.44	1.48	0.85	7.47	2.18
Immunisation costs	0.04	0.02	0.36	0.08	0.41	0.18
Nursing and care fees	0.00	0.00	0.00	1.14	0.79	0.38
Total	65.17	115.03	188.61	292.18	592.89	250.72

### Catastrophic health care costs

**For some households, out-of-pocket expenditure on medical services and medicines can be catastrophic. In 54 per cent of households it constitutes over ten per cent of total expenditure. In 31 per cent of households, health care expenditure accounts for more than 25 per cent of non-food expenditure.**

### Health insurance

Georgia has the highest out-of-pocket expenditure for health services in Europe, as free public health services cover only a limited number of people and the health insurance market is underdeveloped. **Less than a quarter of the population in Georgia is covered by any kind of health insurance and this figure drops to just less than a fifth in urban areas.** While more people in urban households have work-related health insurance, a higher percentage of rural residents are covered by free or cheap insurance schemes (Table 7.5).



**Table 7.5: Distribution of types of health insurance of individual people by location (n= 16,932)**

	%		
<b>Type of health insurance</b>	<b>Urban</b>	<b>Rural</b>	<b>Total</b>
None	80.5	72.6	76.6
Insurance of vulnerable families	7.1	18.5	12.8
Cheap (5 GEL) insurance program	4.1	6.8	5.4
Employer sponsored corporate insurance	3.2	1.4	2.3
Insurance from own resources	2.5	0.4	1.4
Self-financed insurance at a job	1.1	0.3	0.7
Other	1.4	0.2	0.8

Free health insurance, aimed at people in vulnerable families, is concentrated in the poorest fifth of households but even in these households only just over a fifth (21.3%) of the population is covered (Table 7.6).

**Table 7.6: Distribution of types of health insurance of individual people (n= 16,932) by PAE consumption quintile of household**

	% individuals by consumption quintile of household					
<b>Type of health insurance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Total</b>
No health insurance	70.8	74.0	79.2	81.1	79.0	76.6
Insurance of vulnerable families	21.3	17.2	11.6	7.7	3.5	12.8
From cheap (5 GEL) insurance program	6.5	6.6	5.6	4.1	3.9	5.4
Employer sponsored corporate insurance	0.6	1.0	1.4	3.8	5.3	2.3
Insurance from own resources	0.3	0.7	1.3	1.8	3.5	1.4
Self-financed insurance at a job	0.4	0.3	0.7	0.9	1.3	0.7
Other	0.1	0.2	0.2	0.6	3.5	0.8

Of all the people covered by free insurance, over a third (36.2%) live in households in the poorest consumption (PAE) quintile. Nearly five per cent live in the richest quintile (Table 7.7).

**Table 7.7: Distribution of recipients of free insurance by PAE consumption quintile of household**

<b>Quintile</b>	<b>Percentage of all free insurance recipients</b>
1	36.2
2	28.9
3	18.9
4	11.2
5	4.8
<b>Total (n= 2160)</b>	<b>100.0</b>

Similarly, Table 7.8 shows a concentration of free insurance recipients in the lower PAE consumption deciles.

**Table 7.8: Distribution of recipients of free insurance by PAE consumption decile of household**

<b>Decile</b>	<b>Percentage of all free insurance recipients</b>
1	17.6
2	18.7
3	14.1
4	14.8
5	11.8
6	7.0
7	6.5
8	4.7
9	2.5
10	2.4
<b>Total (n= 2159)</b>	<b>100.0</b>

### **Financial barriers to health care**

**In almost 60 per cent of all households in 2008-9 at least one person needed medical services or medicines which the household could not afford to purchase.** Financial costs acted as barriers to both types of healthcare provision in a higher percentage of rural than urban households (Table 7.9).

**Table 7.9: Financial barriers to healthcare by urban or rural location**

	<b>% of households where health care was needed but unaffordable</b>			<b>n</b>
	<b>Medical services</b>	<b>Medicines</b>	<b>Either services or medicines</b>	
Urban	44.8	42.0	48.6	2361
Rural	52.6	54.3	48.0	2285
<b>Total</b>	<b>48.6</b>	<b>48.0</b>	<b>59.1</b>	<b>4646</b>

The regions in which affordability limits access to health care affects the highest percentage of households are Qvemo Qartli and Guria. In Qvemo Qartli almost three quarters of households went without certain medical services and/or medicines in the last year because they were not affordable (Table 7.10).

**Table 7.10: Financial barriers to healthcare by region**

	<b>% of households where health care was needed but unaffordable</b>			<b>n</b>
	<b>Medical services</b>	<b>Medicines</b>	<b>Either services or medicines</b>	
Tbilisi	49.6	45.2	58.1	1227
Ajara	37.1	47.3	53.4	353
Guria	58.9	60.9	67.5	151
ImereTi, Racha	51.1	47.0	58.5	880
Kakheti	36.0	39.1	52.1	470
Mtskheta-Mtianeti	41.4	39.7	50.9	116
Qvemo Qartli	62.6	65.1	74.7	455
Samtskhe-Javakheti	36.5	37.9	48.5	203
Samegrelo	49.1	52.5	60.7	464
Shida Qartli	54.4	47.7	62.1	327
<b>Total</b>	<b>48.6</b>	<b>48.0</b>	<b>59.1</b>	<b>4646</b>

Not surprisingly, cost as a barrier to health care affects a higher percentage of households at lower levels of consumption. In the poorest quintile over three quarters of households went without certain medical services and/or medicines in the last year because they were not affordable (Table 7.11).

**Table 7.11: Financial barriers to healthcare by consumption (PAE) quintile of household**

	% of households where some form of health care was needed but unaffordable			n
	Medical services	Medicines	Either services or medicines	
Quintile 1 (poorest)	64.1	67.9	76.3	930
2	57.7	61.5	72.7	929
3	50.3	47.9	60.3	929
4	44.1	38.3	52.9	929
5	27.0	24.5	33.3	929
<b>Total</b>	<b>48.6</b>	<b>48.0</b>	<b>59.1</b>	<b>4646</b>

**Box 7.1 Defining measures for health care costs**

The costs of health care in a household are defined as *catastrophic* if:

1. They constitute over 10 per cent of total household consumption.
2. They constitute over 25 per cent of household non-food consumption.

The *impoverishing impacts* of health care costs are assessed by measuring:

1. The decrease in poverty rates that would occur if households were recompensed in full for their health care spending.
2. The increase in poverty rates that results from the deduction of health care from total household spending.

**The impoverishing impact of out-of-pocket expenditure on health care**

We can illustrate the impoverishing effects of out-of-pocket health care payments by identifying the percentage of households that would fall below the different thresholds of consumption poverty if health care services were provided free of charge. Adding the amount spent on health care to each household's total expenditure simulates the effect of free health care services by recompensing households for their health service costs.

Under this scenario, the number of households living in poverty would be lower. The size of the effect depends on the poverty threshold used. Table (7.12) below shows that the extreme poverty rate falls by 1.3 percentage points, official poverty by 3.6 and the general poverty rate by 5.0 percentage points when expenditure on health care is credited back to household budgets. Such falls in the poverty rate can only be regarded as increasing well-being if there is no decrease in the level of healthcare provided.

**Table 7.12: The estimated effects on poverty rates of providing free health care services**

<b>Poverty threshold</b>	<b>% of households affected (n=4646)</b>	<b>% of total population living in such households (n=16972)</b>	<b>% of all children living in such households (n=3240)</b>	<b>% of all pensioners living in such households (n=3185)</b>
Extreme poverty (61.1GEL)	8.9	9.9	11.5	7.3
Excluding health care expenditure	7.6	8.6	10.3	6.3
Official poverty (89.7 GEL)	23.7	25.7	28.4	22.2
Excluding health care expenditure	20.1	22.1	24.7	18.0
General poverty (122.2 GEL)	41.5	44.8	49.0	41.7
Excluding health care expenditure	36.5	39.3	42.9	36.0

Percentage point reductions in poverty rates are more marked in rural than in urban areas, especially at higher poverty thresholds (Table 7.13).

**Table 7.13: Percentage point reductions in household poverty rates when households are recompensed for their healthcare costs.**

	% point reduction in household poverty		
	<b>Urban</b>	<b>Rural</b>	<b>Total</b>
Extreme poverty (61.1GEL)	1.2	1.4	1.3
Official poverty (89.7 GEL)	2.7	4.6	3.6
General poverty (122.2 GEL)	3.9	6.0	5.0

An alternative approach, used by the World Bank (2008) is to examine the change in poverty rates when health care spending is deducted from total expenditure. In this case the total consumption measure falls so poverty rates increase (Table 7.14).

**Table 7.14: Increases in household poverty rates when healthcare costs are deducted from total consumption.**

	% households in poverty		
	Before deduction of health care spending	After deduction of health care spending	% point increase
Extreme poverty (61.1GEL)	8.9	12.6	3.7
Official poverty (89.7 GEL)	23.7	30.4	6.7
General poverty (122.2 GEL)	41.5	49.9	8.4

## 8. HOUSEHOLD COPING STRATEGIES

The WMS 2009 sought to identify the types of financial problem facing Georgian households. The survey elicited information about householders' views on their own situations and how these had changed over the past year. Where economic circumstances had worsened, people were asked how they had coped with such change and how they perceived their prospects for the future.

In Chapter 4 we saw that 4624 (96%) of 4808 households identified the main problem from which they suffered (Table 4.15). These problems included:

- Unemployment
- Buying medicines
- Medical services
- Housing conditions
- Hunger or malnutrition
- Paying debt or bank loans
- Paying utility charges
- Leisure or entertainment
- Buying clothes
- Furniture
- Buying school items

**In the 4624 households where problems were reported during the last year, almost half (49.3%) had seen their economic situations worsen over the period.** Table 8.1 shows that this figure was slightly higher for urban (51.3%) than for rural areas (47.1%).

**Table 8.1: Respondents' views of the changing economic situation of household by urban and rural location**

<b>Change over last year</b>	<b>% Urban households</b>	<b>% Rural households</b>	<b>% Total households</b>
Has significantly worsened	16.7	21.2	19.0
Has worsened	34.6	25.9	30.3
Has not changed essentially	43.3	48.8	46.0
Has improved	2.3	1.9	2.1
Has significantly improved	0.1	0.0	0.1
Don't know	2.7	2.1	2.4
Refused to answer	0.1	0.1	0.1
Number of households (n)	2317	2307	4624

Of the 4507 households who answered the question about changing economic circumstances, 4350 also completed the questions needed to calculate an aggregate measure of total consumption PAE<sup>33</sup>. Application of the weight for full questionnaire responses (see Methods in Chapter 2) identified 4358 households in this category. These were ranked according to their PAE consumption and divided into 20 per cent portions (quintiles).

In the poorest consumption quintile, a significant worsening of economic conditions was almost twice as common (28%) as in the richest fifth (15%) of households (Table 8.2).

<sup>33</sup> Consumption per adult equivalent (PAE) is explained in Chapter 2, Methods.

**Table 8.2: Respondents views of the changing economic situation of the household by quintile group of PAE consumption (1 is lowest).**

Change over last year	% of Quintile				
	1	2	3	4	5
Has significantly worsened	27.9	19.9	18.7	19.2	14.5
Has worsened	28.1	30.3	31.3	32.4	33.1
Has not changed essentially	42.2	48.7	47.7	46.0	49.0
Has improved	1.7	1.0	2.3	2.3	3.4
Has significantly improved	0.1	0.1	0.1	0.0	0.0
Number of households (n=4360 <sup>a</sup> )	872	871	873	873	871

<sup>a</sup> Number of valid cases is different from the total count in the cross tabulation table because the cell counts have been rounded.

#### *Reasons for worsening economic situations*

In households where the economic situation had worsened or significantly worsened during the last 12 months, respondents were asked to give up to three main reasons. Some, however, gave more and the total number of reasons given by people in 2185 households was 3646.

**The most frequently given reason for the deterioration in the economic circumstances of households was the need to repay debts.** These might include loans from banks, pawnshops or individual lenders. Debt repayment accounted for 38 per cent of all reasons mentioned and was mentioned in nearly two thirds of households. Other frequent reasons included serious illness of household members, job losses and unspecified falls in income. Decreases in agricultural production, either for subsistence or for trade, include general reductions as well as those resulting from loss of cattle, crops or harvests. (Table 8.3)

**Table 8.3: Reasons given by household members for worsening economic circumstances, shown as the percentage of times they were mentioned and as the percentage of households in which they were mentioned.**

	Responses		% Households (n=2185)
	N	%	
Debt repayments	1396	38.3	63.9
Serious illness	638	17.5	29.2
Decrease in household income	501	13.8	22.9
Loss of job(s)	430	11.8	19.7
Decreased agricultural production	226	6.2	10.3
Decreased remittances from abroad	199	5.5	9.1
Loss of breadwinner	157	4.3	7.2
Increased prices	51	1.4	2.3



Children's education costs	28	0.8	1.3
Loss of family member(s)	10	0.3	0.4
Draining of savings	8	0.2	0.3
House destroyed	2	0.0	0.1
Increased family size	2	0.0	0.1
<b>Total</b>	<b>3646</b>	<b>100.0</b>	<b>166.8</b>

#### *Additional sources of livelihood*

Households were asked which of a list of additional sources of livelihood they were able to draw upon when their economic situation worsened. These are shown in Table 8.4 where the shaded rows indicate other sources, not listed but mentioned by respondents.

**Most households (62%) faced with worsened economic situations had no additional source of livelihood.** A fifth received assistance from a relative or friend and others borrowed money elsewhere (Table 8.4).

**Table 8.4: Additional sources of livelihood mentioned by members of households experiencing worsening economic circumstances.**

	Responses		% Households
	N	%	(n=2093)
Have had no additional livelihood source	1300	56.5	62.1
Assistance from a relative or a friend	426	18.5	20.3
Borrowing from a bank or other financial institution	107	4.7	5.1
Social assistance to vulnerable households	103	4.5	4.9
Borrowing from a relative or a friend	96	4.2	4.6
Dissaving	94	4.1	4.5
Sale of property (land, house, livestock, car, etc.)	54	2.3	2.6
Assistance from a non-relative or a non-friend	41	1.8	1.9
Other social assistance	25	1.1	1.2
Borrowing from a non-relative or a non-friend	19	0.8	0.9
Assistance from another NGO (charity organization)	16	0.7	0.7
Assistance from municipality	8	0.3	0.4
Disabled pension	3	0.1	0.2

Assistance from religious organizations	3	0.1	0.1
Knitting	3	0.1	0.1
Fixed pension	3	0.1	0.1
Rental	1	0	0
Aid for IDPs	1	0	0
<b>Total</b>	<b>2300</b>	<b>100</b>	<b>109.9</b>

Assistance from relatives, friends or other people was a more common additional source of livelihood for urban than for rural households. The same was true of borrowing. Rural households were more likely to have relied on social assistance or to have no additional resources (Table 8.5).

**Table 8.5: Additional sources of livelihood mentioned by members of households experiencing worsening economic circumstances in urban and rural areas.**

	<b>% Urban households</b>	<b>% Rural households</b>
Assistance in kind	26.4	17.0
Borrowing or dissaving	17.6	12.0
Renting or sale of goods	2.4	3.3
Charitable assistance	0.5	1.3
Social assistance or pension	4.3	9.6
None	58.2	67.2
<b>Total households</b>	<b>1121</b>	<b>990</b>

It is generally the better off households that have alternative sources of livelihood available to them (Table 8.6). Two thirds of households in the poorest quintile have none and ten per cent rely on social assistance.

**Table 8.6: Additional sources of livelihood mentioned in households experiencing worsening economic circumstances by quintile group of PAE consumption (1 is lowest).**

	<b>% of households in each quintile</b>				
	1	2	3	4	5
Assistance in kind	19.1	16.4	24.2	22.9	28.7
Borrowing or dissaving	11.1	12.1	17.3	12.4	23.4
Renting or sale of goods	1.6	3.3	2.0	2.3	5.5
Charitable assistance	1.6	0.9	0.4	0.4	0.9
Social assistance or pension	9.5	8.5	8.5	4.2	2.4
None	66.3	67.4	59.6	66.4	50.4
<b>Total households</b>	<b>492</b>	<b>426</b>	<b>409</b>	<b>406</b>	<b>378</b>

*Alleviating the impact of worsening economic situations*

In order to examine coping strategies, survey respondents were asked what they did to alleviate the impact of their worsening economic circumstances. The most frequently mentioned response was consuming cheaper food (mentioned in over 40 per cent of households) or reducing food consumption (mentioned in over a third of households). In nearly a fifth of households the purchase of some non-food items was stopped and in many cases a switch was made to buying cheaper or second hand items. Reductions in visits to the doctor for regular check-ups were mentioned in over 12 per cent of households. In a third of households, nothing specific was reported as helping to alleviate worsening economic conditions (Table 8.7).

**Table 8.7: Means used to alleviate the impact of worsening economic situations in households reporting problems.**

	Responses		% Households (n=2109)
	N	%	
Started consuming cheaper food	869	21.5	41.2
Did nothing special	714	17.4	33.9
Reduced food consumption	705	17.5	33.4
Stopped buying some non-food items	397	9.9	18.8
Started buying cheaper non-food items	331	8.2	15.7
Reduced visits to doctor for regular checkups	258	6.4	12.2
Started buying second-hand items	250	6.2	11.9
Spend less on entertainment	172	4.3	8.2
Produced more food for own consumption	94	2.3	4.5
Spend less on mass media (newspapers, internet)	87	2.2	4.1
Made greater use of public transport or walked more	65	1.6	3.1
Household member went elsewhere for seasonal work	57	1.4	2.7
Household member gave up education course	11	0.3	0.5
Made greater use of public health care services	10	0.2	0.5
Withdrew child from nursery, school or college	4	0.1	0.2
Transferred children from private to public school	2	0.1	0.1
Postponed admission to nursery, school or college	3	0.1	0.1
Cancelled vehicle or house insurance	1	0	0.1
Postponed child's study in higher education	1	0	0
Is occupied by cattle breeding	1	0	0
<b>Total</b>	<b>4032</b>	<b>100</b>	<b>191.2</b>

Urban households were more likely to have changed their non-food consumption, buying cheaper or second hand products, and to have changed their use of health services and private transport. Rural households on the other hand were more likely to have increased production of food for their own consumption or to have had no means to alleviate their worsening economic situations (Table 8.8).

**Table 8.8: Means used to alleviate the impact of worsening economic situations in urban and rural households reporting problems.**

	<b>% Urban households</b>	<b>% Rural households</b>
Change in food consumption	73.8	75.6
Moving to find work	2.0	3.5
Increase in subsistence production	1.4	8.0
Change in non-food consumption	65.0	51.6
Change in use of educational services	1.5	0.4
Change in use of health services	15.6	9.3
Reduced use of private transport	4.5	1.5
None	29.9	38.4
<b>Total number of households</b>	<b>1125</b>	<b>983</b>

While most means of alleviating economic pressure varied little across consumption quintiles, there is a marked difference regarding food. Reducing food or buying cheaper food was a means used in almost 95 per cent of households in the poorest quintile compared to only just over a half of the best off group (Table 8.9).

**Table 8.9: Means used to alleviate the impact of worsening economic situations in households reporting problems across PAE consumption quintiles (1 is lowest).**

	<b>Quintile</b>				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Change in food consumption	94.8	77.0	75.4	67.9	53.6
Moving to find work	1.7	2.2	3.4	3.1	3.2
Increase in subsistence production	3.7	3.2	6.1	5.6	3.8
Change in non-food consumption	58.3	59.0	60.9	55.8	60.0
Change in use of educational services	1.2	0.9	1.4	0.9	0.5
Change in use of health services	10.0	17.2	12.7	11.7	12.2
Reduced use of private transport	2.5	2.7	2.5	4.7	3.2
None	27.7	36.9	31.5	38.4	35.8
<b>Total number of households</b>	<b>478</b>	<b>417</b>	<b>411</b>	<b>417</b>	<b>385</b>

*Debt and borrowing*

**Ironically, while debt repayments were seen as a cause of worsening economic situations in almost two thirds of households (see Table 8.3 above), borrowing was used as an additional source of livelihood in straitened times, especially by urban households. During the last year, 36 per cent of all households had borrowed money.** In total, 1990 sources of borrowing were used in 1667 households. People in these households had most frequently borrowed from a bank or pawn shop (48.7%) or from a relative or friend (36.8%). In nearly a quarter of households the source of the loan was a shop or drug store (Table 8.10.)

**Table 8.10: Sources of borrowing among crisis-affected households during the last year**

<b>Source</b>	<b>Number of loans</b>	<b>% Loans</b>	<b>% Households</b>
Relative or friend	612	30.7	36.8
Private person or money lender	109	5.5	6.6
Bank or pawn shop	809	40.7	48.7
Credit association	51	2.6	3.1
Shop or drugstore	409	20.5	24.6
<b>Total</b>	<b>1990</b>	<b>100.0</b>	<b>119.7</b>

In urban households people were more likely to borrow from a bank or pawn shop while in rural areas more households resorted to informal sources such as friends, relatives or shops (Table 8.11).

**Table 8.11: Sources of borrowing among crisis-affected households during the last year in urban and rural households**

<b>Source</b>	<b>% Urban households</b>	<b>% Rural households</b>
Relative or friend	20.9	52.4
Private person or money lender	6.5	6.7
Bank or pawn shop	64.1	33.5
Credit association	6.1	0.1
Shop or drugstore	12.9	36.1
<b>Total number of households</b>	<b>824</b>	<b>839</b>

Similarly, banks and pawn shops were largely the preserve of people in higher consumption quintile households. In poorer households people were more likely to borrow from friends, family or shops.

In over a quarter of households debts had not been even partially repaid. This figure was lower in urban (17.6%) than in rural households (35.6%). In the lowest consumption quintile, 38.9 per cent of households that had borrowed money still had not repaid any of it at the time of the survey. This figure was only 19 per cent of households in the richest quintile. However, no information is available on the ages of the loans. Borrowing could have taken place on the previous day or up to a year before the survey.

*Future prospects*

In about a third of households, respondents did not know how their economic situations were likely to change over the next 12 months. Of those who did express an opinion, 16.8 per cent took the view that things would improve. A high proportion (45.6%) did not foresee any essential changes and over a third anticipated worsening conditions. Twice as many rural households (12.4%) as urban ones (6.6%) thought that their economic situations would significantly worsen and pessimistic views were markedly more apparent in the lower consumption quintiles (Table 8.12).

**Table 8.12: Household opinions of changing economic situations during the next 12 months by PAE consumption quintile (n=3036<sup>a</sup>).**

Economic situation	% of PAE consumption quintile					Total
	1	2	3	4	5	
Will significantly worsen	19.0	11.3	6.9	7.1	4.1	9.7
Will worsen	32.7	34.3	26.9	25.0	20.0	27.9
Will not change essentially	39.2	41.1	44.9	50.6	52.2	45.6
Will improve	8.7	13.2	20.4	16.6	23.5	16.4
Will significantly improve	0.5	0.0	0.9	0.6	0.2	0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>a</sup> Excludes those who answered 'Do not know'.

In over a half of households in the poorest quintile, the risk that the household will not be able to satisfy even its minimum needs is seen as high or very high (Table 8.13).

**Table 8.13: Household opinions of the risk that the household will not be able to satisfy its minimum needs during the next 12 months by PAE consumption quintile (n=3464<sup>a</sup>).**

Extent of risk	% of PAE consumption quintile					Total
	1	2	3	4	5	
Very high	35.9	26.3	23.9	16.8	12.0	23.1
Higher than medium	26.0	23.2	20.8	25.0	15.7	22.2
Medium	27.1	34.6	35.6	37.2	35.9	34.0
Lower than medium	9.7	11.8	13.3	9.8	14.1	11.7
Our household will not suffer from this problem	1.3	4.1	6.4	11.1	22.4	9.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>a</sup> Excludes those who answered 'Do not know'.

## 9. SYNTHESIS

### Income and consumption

The average household monthly income in Georgia is 322 GEL but there is wide variation between different places. Average monthly incomes are over twice as high in urban (428 GEL) as in rural (212 GEL) areas. Urban households on average have nearly twice the income per adult equivalent (PAE) of rural households. In Tbilisi the mean PAE income is 211 GEL, more than twice that of the two poorest regions, Guria (90 GEL) and Samegrelo (94 GEL). Inequality in Tbilisi is particularly high (Gini coefficient = 0.50).

The total average monthly household consumption in Georgia is 442 GEL and is higher in urban (515 GEL) than in rural areas (365 GEL). However, inequality in expenditure is also significantly ( $p < 0.05$ ) greater in urban (Gini coefficient = 0.40) than in rural areas (Gini coefficient = 0.36). Consumption figures are always higher than those for income because of the role played by in-kind consumption, particularly in rural areas. Average monthly income of 322 GEL is equal to 73 per cent of total household consumption. In urban areas income equals 83 per cent of consumption on average and only 58 per cent in rural parts of the country. The World Bank Report (2008: 48) shows income constituting 77 per cent of consumption in 2007, 85 per cent in urban and 65 per cent in rural areas. This suggests that the contribution made by in-kind consumption is increasing, more in rural than in urban parts of Georgia. In terms of PAE consumption, rural households spend relatively more on eating in the home (80 GEL) each month than do urban households (74 GEL) but spend significantly less on education, health care, eating out and non-food items.

### Consumption poverty

Poverty defined in terms of household consumption is a very real problem in Georgia. The incidence of consumption poverty varies across different parts of the country. The highest rates of household poverty are found in Mtskheta-Mtianeti, and the lowest rates in Ajara, for three poverty thresholds. Rural areas fare significantly worse for both official and general poverty and the difference is more marked as the poverty threshold is increased. Nearly a quarter of households, including 28 per cent of children, fall below the official poverty line of 89.7 GEL. Using the lowest threshold (61.1 GEL), nearly nine per cent of households in Georgia and nearly a tenth of the population live in poverty. Under a more realistic general poverty threshold of 122.2 GEL over 41 per cent of households and nearly half of all children are poor. Both poverty rates and headcount rates increase significantly in households where there are children and young people under 16 years old. This is true regardless of the threshold used.

Household poverty rates increase where women have lower levels of education, particularly in rural areas. A third of households where no women have education at beyond secondary school level are classed as poor using the official poverty threshold. Employment of any kind reduces the likelihood of poverty. The odds of poverty are reduced by nearly two thirds for every additional earner in the household.

## **Material deprivation**

Material deprivation is defined as lack of five or more durable household items: vacuum cleaner, car, washing machine, refrigerator, cell phone, iron and television. On this criterion, over a quarter of all households are materially deprived. These include 32.6 per cent of pensioners and 20.9 per cent of children. Housing deprivation is defined as experiencing two major housing problems. Households experiencing housing deprivation include 27.5 per cent of children and 28.9 per cent of pensioners. Fifteen per cent of all households experience double material deprivation, both in lacking durable goods and in experiencing poor housing conditions. These households include 12.7 per cent of the population, 13 per cent of all children and 17.7 per cent of all pensioners.

## **Subjective poverty**

Poverty can also be examined from the point of view of those whom it affects. Over 40 per cent of all households in the survey stated either that they cannot provide themselves with enough food, or that they feed themselves so poorly that their health is endangered. These households contain 37 per cent of all children and 45 per cent of all pensioners. Only between a fifth and a quarter of the population live in households where daily food and non-food needs can be met.

Unemployment of family members is the most frequently reported problem facing households (36%) closely followed by problems in buying medicines or gaining access to medical services, together cited by 32 per cent of households. In 70 per cent of households that consist only of one or more pensioners, buying medicines or medical services was the main problem experienced.

The percentage of households with children where paying off debts or bank loans was the main problem is over twice as high (9%) as in childless households (4%).

## **Social exclusion**

Eight per cent of households experience social exclusion in at least three out of five ways: exclusion from education, employment, health care, credit or social assistance. A quarter of households were free from all of these problems.

## **Lack of utilities**

Access to clean water and sanitation are crucial to human health and well-being. In countries like Georgia where winter conditions can be extreme, heating the home is also a basic need. Nearly 10 per cent of households experience lack of access to water, sanitation and heating and 63 per cent lack access to at least one of these forms of utility. Over three quarters of households below the official poverty line also lack one or more utilities. These households are also more than twice as likely to experience material deprivation as households above the official threshold.

In general, households living below the official threshold for consumption poverty are more likely than others to be suffering from other dimensions of poverty as well.



## Social transfers

Around 59 per cent of households in Georgia receive some form of social transfer, pensions reaching 53.8 per cent of households, TSA 11.5 per cent and other categorical benefits 7.1 per cent. 53 per cent of households with children receive some form of social transfer. Over a third of officially poor households and 40 per cent of extremely poor households receive no social assistance of any kind (Table 9.1).

**Table 9.1: Households in receipt of different types of social assistance.**

Type of social assistance received	% of households (n=4646)	% of extremely poor households (n=414)	% of officially poor households (n=1178)	% of generally poor households (n=2067)
Pensions	53.8	47.0	54.0	54.7
TSA	11.5	19.8	20.0	17.3
Categorical benefits	7.1	8.2	7.5	7.9
None of these	40.8	39.7	35.1	36.4

Over a fifth (22.2%) of all pensioners are living in households defined as poor using the official poverty threshold. If there were no social transfers in the form of pensions this figure would rise to nearly a half (54.6%). In the households officially defined as poor, there are also 9.2 per cent of all children who are lifted out of poverty by household receipt of pension income.

Targeted Social Assistance (TSA) reaches 11.5 per cent of all households and reduces extreme household poverty by 3.5 percentage points. The effect of categorical benefits is smaller, reducing household poverty rates by less than two percentage points. About 41 per cent of the poorest tenth<sup>34</sup> of households receive TSA and 21 per cent receive categorical benefits.

Social transfers significantly reduce poverty gaps, however, a significant share of the poor currently are not receiving benefits. In extremely poor households, pension receipt reduces the average poverty gap by 87.4 percentage points but pensions are received by less than half of these poor households. TSA reduces the poverty gap by 46.5 per cent for those extremely poor households that receive it; but these constitute less than 20 per cent of all extremely poor households. Similarly categorical benefit receipt reduces the poverty gap by up to 62 percentage points, but is received by only seven to eight per cent of poor households.

<sup>34</sup> Deciles based on households ranked by pre-benefit PAE consumption.

## **Financial access to health care**

On average, 11 per cent of all annual household spending goes on medical services and medicines. Only 12.3 per cent of households incur no health costs at all. Buying medicines and medical services were stated as the main problems confronted by 17.5 and 14.3 percent of households respectively. Spending on health care per equivalent adult is significantly higher overall in urban (285 GEL) than in rural areas (215 GEL). The difference is particularly marked in spending on women's consultations, maternity care and immunisation but households in urban areas also spend more on medical insurance, medicines and visits to the doctor. The fifth of households with the highest overall consumption spend nearly ten times as much on health care per equivalent adult as the households in the poorest fifth. For every category of health care, spending increases with consumption quintile.

For some households, out-of-pocket expenditure on medical services and medicines can be catastrophic. In 54 per cent of households it constitutes over ten per cent of total expenditure. In 31 per cent of households, health care expenditure accounts for more than 25 per cent of non-food expenditure. In almost 60 per cent of all households in 2008-9 at least one person needed medical services or medicines which the household could not afford to purchase. For the poorest fifth of households the figure is more than 75 per cent. Financial costs acted as barriers to both types of healthcare provision in a higher percentage of rural than urban households.

Less than a quarter of the population in Georgia is covered by any kind of health insurance and this figure drops to just less than a fifth in urban areas. Free health insurance, is concentrated in the poorest quintile of households but even in these households only just over a fifth (21.3%) of the population is covered. This points to good targeting, but limited coverage.

## **Household coping strategies**

In the poorest fifth of households the perception that economic conditions have significantly worsened over the past year is twice as common as in the richest fifth. The most frequently given reason for the deterioration in the economic circumstances of households was the need to repay debts. These might include loans from banks, pawnshops or individual lenders.

Most households (62%) faced with worsened economic situations had no additional source of livelihood. A fifth received assistance from relatives or friends and others borrowed money elsewhere. Over a third of households had reduced their food consumption in response to increasing financial pressure and 40 per cent had started consuming cheaper food. Reducing food or buying cheaper food was reported by almost 95 per cent of households in the poorest quintile compared to only just over a half of the best off group.

Ironically, while debt repayments were seen as a cause of worsening economic situations in almost two thirds of households, borrowing was used as an additional source of

livelihood in straitened times. During the last year, 36 per cent of all households had borrowed money.

Over a half of households in the poorest quintile report high or very high risk of being unable to satisfy even their minimum needs in the following year and pessimistic views about future economic change are markedly more apparent among poorer households.