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Report No: PAD4662

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF EUR 358.5 MILLION  
(US\$400 MILLION EQUIVALENT)

TO

GEORGIA

FOR THE

GEORGIA HUMAN CAPITAL PROGRAM

February 24, 2022

Global Practices for Education; Health, Nutrition and Population; Social Protection and Jobs  
Europe And Central Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2022)

Currency Unit

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GEL 3.3994 = EUR1

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GEL 3.0521 = US\$1

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EUR 0.8961 = US\$1

## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

AFD	Agence Française de Développement
ALMP	Active Labor Market Program
COA	Chart of Accounts
CPF	Country Partnership Framework
DLIs	Disbursement Linked Indicators
DLRs	Disbursement Linked Results
DRG	Diagnosis Related Group
ECA	Europe and Central Asia
ECE	Early Childhood Education
EMIS	Education Management Information System
ERC	Educational Resource Center
ESCO	European Skills, Competences, Qualifications, and Occupations
ESSA	Environmental and Social Systems Assessment
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
GEOSTAT	National Statistics Office of Georgia
GoG	Government of Georgia
GPA	Grade Point Average
GRS	Grievance Redress Service
HEIs	Higher Education Institutions
HIES	Household Income and Expenditure Survey
I2Q	Innovation, Inclusion and Quality project
IBRD	International Bank for Reconstruction and Development
IDPs	Internally Displaced Persons
IPF	Investment Project Financing
ICT	Information and Communications Technology
IRSSP	Integrated Reporting System for Social Protection
LEPL	Legal Entity of Public Law
MEA	Managed Entry Agreements
MESD	Ministry of Economy and Sustainable Development
MOES	Ministry of Education and Science
MOF	Ministry of Finance
MOILHSA	Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs
NAEC	National Assessments and Examination Center
NCD	Noncommunicable diseases
NCEQE	National Center for Educational Quality Enhancement
NDC	Nationally Determined Contribution
NHA	National Health Agency
OECD	Organization for Economic Co-operation and Development
OOP	Out-of-Pocket
OPCS	Operations Policy and Country Services



OPRC	Operational Procurement and Review Committee
PAP	Program Action Plan
PCU	Program Coordination Unit
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PISA	Program for International Student Assessment
PMU	Program Management Unit
PDO	Program Development Objective
PforR	Program for Results
PHC	Primary Health Care
PMT	Proxy Means Testing
PWD	Persons with Disabilities
RAMPA	Regulation Agency for Medical and Pharmaceutical Activities
SAOG	State Audit Office of Georgia
SELFIE	Self-reflection on Effective Learning by Fostering the use of Innovative Educational Technologies
SESA	State Employment Support Agency
SPA	State Procurement Agency
SPJ	Social Protection and Jobs
SSA	Social Services Agency
STEM	Science, Technology, Engineering and Mathematics
TIMSS	Trends in International Mathematics and Science
TPDC	Teacher Professional Development Center
TSA	Targeted Social Assistance
TVET	Technical and Vocational Education and Training
UHCP	Universal Health Coverage Program
UNE	Unified National Examinations
WB	World Bank
WHO	World Health Organization



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**DATASHEET****BASIC INFORMATION**

Country(ies)	Project Name	
Georgia	Georgia Human Capital Program	
Project ID	Financing Instrument	Does this operation have an IPF component?
P175455	Program-for-Results Financing	No

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Small State(s)	<input type="checkbox"/> Conflict
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)	
Expected Project Approval Date	Expected Closing Date
22-Mar-2022	31-Dec-2028

Bank/IFC Collaboration

No

**Proposed Program Development Objective(s)**

To make the human capital delivery system in Georgia more efficient and inclusive.

**Organizations**

Borrower : Georgia

Implementing Agency : Ministry of IDPs from the Occupied Territories, Labor, Health and Social Affairs



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## COST & FINANCING

### SUMMARY

<b>Government program Cost</b>	5,988.00
<b>Total Operation Cost</b>	400.00
Total Program Cost	400.00
<b>Total Financing</b>	400.00
<b>Financing Gap</b>	0.00

### Financing (USD Millions)

<b>International Bank for Reconstruction and Development (IBRD)</b>	<b>400.00</b>
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### Expected Disbursements (USD Millions)

Fiscal Year	2022	2023	2024	2025	2026	2027	2028
<b>Absolute</b>	0.34	111.96	86.86	95.13	98.98	6.73	0.00
<b>Cumulative</b>	0.34	112.30	199.16	294.29	393.27	400.00	400.00



## INSTITUTIONAL DATA

### Practice Area (Lead)

Education

### Contributing Practice Areas

Health, Nutrition & Population, Poverty and Equity,  
Social Protection & Jobs

### Climate Change and Disaster Screening

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

## SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

### Risk Category

### Rating

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

## COMPLIANCE

### Policy

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

☐ Yes ☒ No

Does the program require any waivers of Bank policies?

☐ Yes ☒ No



**Legal Operational Policies**

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

**Legal Covenants****Sections and Description**

Schedule II, Section I (A) 2. The Borrower shall, no later than 120 days after the Effective Date, unless agreed otherwise between the Bank and the Borrower, establish and thereafter maintain throughout the implementation of the Program, a ministerial-level committee (“Human Capital Steering Committee” or “HCSC”), chaired by MOF, with representatives from MOES, MOILHSA, and other relevant ministries and entities, to oversee the overall coordination of Program implementation, with staffing and resources appropriate to fulfil its functions under the Program.

**Sections and Description**

Schedule II, Section I (A) 3. The Borrower shall, no later than 120 days after the Effective Date, unless agreed otherwise between the Bank and the Borrower, establish and thereafter maintain, throughout the implementation of the Program, a unit (“Program Coordination Unit” or “PCU”) to coordinate and monitor Program implementation (including implementation, monitoring, and reporting on environmental and social aspects), within the MOF, consisting of members from the MOF, MOES, and MOILHSA, with staffing and resources appropriate to fulfil its functions under the Program.

**Sections and Description**

Schedule II, Section I (A) 4. The Borrower shall, through MOES and MOILHSA, in collaboration with MOF, no later than 120 days after the Effective Date, unless agreed otherwise between the Bank and the Borrower, hire or appoint at least two environmental and social specialists to the PCU, with one specialist reporting to MOES and one specialist reporting to MOILHSA, under terms of reference satisfactory to the Bank.

**Conditions**



## I. STRATEGIC CONTEXT

### A. Country Context

1. **Georgia has made great strides in improving its human capital, but further transformational reforms in education, health, and social protection are needed to position human capital as a driver of growth and prosperity for the country.** Georgia's robust economic growth – on average, 5 percent annually between 2005 and 2019 – was supported by increasing capital per worker as well as reforms in governance and the business environment. Sustaining such high growth in the future will require increasing Georgia's human capital. Transformative reforms to strengthen human capital – the knowledge, skills and health that people invest in and accumulate throughout their lives – are critical to change the growth and development trajectory of this nation of 3.7 million people with a Gross Domestic Product (GDP) per capita in 2020 of US\$4,267<sup>1</sup>. Such reforms will help to move the country away from poor education outcomes towards being a top performer; from being a country with the highest out-of-pocket (OOP) health expenditures among its peers in the region to offering among the most affordable healthcare services; and from administering a social protection system limited in reaching the most vulnerable, to a system that will benefit poor people, help them gain employment, and be more resilient in the face of future crises.
2. **Georgia has adopted a holistic approach to accelerate human capital accumulation.** The Government's focus on strengthening human capital is well supported by global evidence. Investing in people through nutrition, health care, quality education, jobs and skills helps develop human capital, and this is key to ending extreme poverty and creating more inclusive societies.<sup>2</sup> While high-income countries yield on average 70 percent of their wealth from human capital,<sup>3</sup> Georgia's human capital accounts for only 48 percent of its wealth, indicating ample room for improvement in the quality, cost-efficiency, and equity of human capital services. High quality human capital will help Georgia avoid the middle-income trap by identifying new avenues of growth.<sup>4</sup> Georgia's traditional economic activities such as tourism, hospitality, high-value agricultural exports, and emerging new areas such as software development, require a more educated and healthier workforce. Those workers and others around them need a strong safety net that protects individuals while ensuring economic transformation. Social benefits provided through safety nets are especially useful if accompanied by policies to help people obtain jobs. Augmenting Georgia's human capital will contribute to knowledge accumulation, structural change, and dynamic economic growth.<sup>5</sup> As one of the early adopters of the World Bank's Human Capital Project, Georgia has committed to placing human capital at the center of the country's development strategy (Georgia 2022-2031 Ten-Year Development Strategy). To implement this ambitious vision and transform human capital service delivery, the Government of Georgia (GoG) needs to undertake difficult reforms and redirect public investment towards desired results in the human development sectors. There is strong evidence that if Georgia strengthens its human capital, the country can achieve sustained, inclusive economic growth, a workforce prepared for the more highly skilled jobs of the future, and the ability to compete effectively in the global economy. The cost of

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<sup>1</sup> World Bank. Current prices (2020).

<sup>2</sup> World Bank. 2019. World Development Report 2019: The Changing Nature of Work. Washington, DC: World Bank.

<sup>3</sup> World Bank. 2021. The Changing Wealth of Nations 2021: Managing Assets for the Future. Washington, DC: World Bank.

<sup>4</sup> Angrist, N., Djankov, S., Goldberg, P.K., Patrinos, H.A. 2021. Measuring human capital using global learning data. Nature 592: 403-408.

<sup>5</sup> Bye, B. and T. Faehn. 2021. The Role of Human Capital in Structural Change and Growth in an Open Economy: Innovative and Absorptive Capacity Effects. CESifo Working Paper Series 8857.



inaction on human capital development, in turn, is rising.<sup>6</sup>

3. **Georgia's economic development path was severely jolted by the COVID-19 pandemic.** Georgia's small and open economy expanded rapidly during the pre-COVID-19 period. Rapid growth contributed to the halving of the national poverty rate between 2007 and 2019. However, the COVID-19 pandemic reversed some of these gains. After the country achieved early success in containing the spread of the disease, infections surged in late 2020, and by the summer of 2021 Georgia had one of the world's highest infection rates per capita. Economic output fell, contracting by 6.8 percent in 2020, as mobility restrictions were implemented, and tourist arrivals collapsed. Despite a robust fiscal response, estimated at 7.5 percent of GDP, close to the regional average for Europe and Central Asia (ECA), the poverty rate at the international upper-middle-income poverty line (US\$5.50 per capita per day, 2011 PPP)<sup>7</sup> rose from 42 percent in 2019 to an estimated 47 percent in 2020.
4. **The COVID-19 pandemic has affected both the current stock and the future accumulation of human capital.** As with other countries, the health impact of the pandemic has gone beyond infections and deaths: 33 percent of rehabilitation and palliative and long-term care services experienced major disruptions. Disruptions in care have been particularly problematic for people living with non-communicable diseases (NCDs). These are long-term patients whose well-being is contingent on uninterrupted or regular care in clinics and hospitals. The pandemic has also impacted people's livelihoods with lasting negative effects. The unemployment rate surpassed 20 percent in the fourth quarter of 2020, with more than one-third of the labor force unable to work at the peak of COVID-19 restrictions. The young generation has also been affected. Like almost all other countries across the globe, Georgia closed schools for 65 days, almost one-third of the 2019-2020 academic year. The quick transition to remote learning left little time for most students, parents, teachers, and school authorities to prepare. While a formal assessment of the impact of school closures on learning outcomes in Georgia has yet to take place, international evidence suggests that the pandemic will result in substantial learning and earning losses, especially for marginalized groups including poor students, students with special needs, and ethnic minorities.
5. **Climate change also presents significant risks to Georgians' health, livelihoods, and environment, threatening the country's human capital and economic recovery efforts.** In recent years, the number of natural disasters in the country has increased almost three-fold and, in many cases, these disasters have been catastrophic, with fatalities and significant economic losses.<sup>8</sup> Repeated natural disasters underscore the need for adaptive social protection, as demonstrated during the COVID-19 pandemic. At the same time, impacts of climate change such as pollution harm people's health and livelihoods. However, the GoG is fully committed to combating climate change.<sup>9</sup> Georgia's Nationally Determined Contribution (NDC) supports a low-carbon development approach in key sectors to promote climate-friendly economic development. The GoG also seeks to mobilize resources to strengthen the country's adaptive capacities by fortifying its human capital. It recognizes the importance of human capital in mitigating and adapting to the impacts of climate change, such as climate change related education for children and youth to make them more conscientious about environmental sustainability. Education's role in addressing climate change plays out over inter-generational periods, but it is as vital as other more immediate connections between human capital and climate that concern health and social protection.

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<sup>6</sup> World Bank. 2019. World Development Report 2019: The Changing Nature of Work. Washington, DC: World Bank.

<sup>7</sup> PPP - Purchasing power parity.

<sup>8</sup> WBG Climate Change Knowledge Portal (CCKP 2020).

<sup>9</sup> European Union. 2021. Georgia's updated NDC.



6. **Given that Georgia's ambition is to apply for the European Union (EU) membership by 2024, the GoG must take concerted action together with civil society and stakeholders to ensure congruence with EU social policies.** Achieving EU membership will require a significant effort towards improving governance, the rule of law, inclusion, and equity, all underpinned by greater fiscal efficiency and discipline. In areas such as economic policy, business environment, governance, and rule of law, Georgia has made good progress. In other areas pertaining to human development and social policy, also relevant for eventual EU membership, progress has been slow. For example, Georgia's Program for International Student Assessment (PISA) scores are nearly three years behind EU averages, social benefits are not always well targeted towards the neediest, and OOP costs of healthcare remains one of the highest in Europe. Additionally, more is needed to ensure congruence between Georgia's legal framework and core principles of the European Pillar of Social Rights, for example in equal treatment and non-discrimination in employment, social protection, education, and access to public goods and services. The prospect of eventual EU membership provides an external impetus for reforms now to meet the EU *acquis*, as well as longer term improvement in human development sectors.<sup>10</sup> Alignment with EU social policy frameworks will bring about better quality at lower cost, and a stronger focus on equity and inclusion.<sup>11</sup>

## B. Sectoral and Institutional Context

7. **Over the past decade, and with World Bank support, Georgia has implemented key reforms in the human development sectors.** Introduced in 2018, the *New School* program introduced a highly progressive European style competence-based curriculum. Implementation has already begun for the primary and basic levels (grades 1 to 9) and will be extended to the upper secondary level. Multiple elements of the curricular reform reflect best practices of countries such as Estonia, Poland, and Portugal that have improved PISA scores significantly.<sup>12</sup> The introduction of the Universal Health Care Program (UHCP) in 2013 provided a benefits package to cover primary and secondary care services, including planned ambulatory care, emergency outpatient and inpatient services, elective surgery, oncological services, obstetric care, and some essential drugs. Social protection includes an universal old-age social pension (for women 60 years and older and for men 65 years and older). Launched in 2006, the Targeted Social Assistance (TSA) program was expanded in 2015 to include benefits for children, internally displaced persons (IDPs), war veterans, job intermediation services and active labor market programs (ALMPs), and social rehabilitation for persons with disabilities. Health and education benefits for vulnerable children are also offered by local governments.
8. **To place human capital at the center of Georgia's development strategy, the Ministry of Finance (MOF) is committed to adopt a longer-term and holistic approach to human capital reforms that can stand the test of time and changes in government.** This implies that technically and politically difficult reforms need to be implemented across several sectors and institutions. The reforms support the government's goals for improving human capital outcomes as articulated in the forthcoming 2022-2031 strategy:

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<sup>10</sup> For example, the European policy cooperation framework in education prescribes a benchmark for member countries to have not more than 15 percent of low performers in PISA. Even though only a few EU member countries meet this benchmark, the benchmark is substantially lower than Georgia's current share of 64 percent of low performers and provides a useful objective for improvement.

<sup>11</sup> Evidence of this alignment can be seen in the ten-year strategies currently being prepared by the GoG vis-à-vis the EU's social policy framework exemplified in the EU's: (i) EU4Health 2021-2027 – a vision for a healthier EU; (ii) European Pillar of Social Rights; and (iii) Key Competencies for Lifelong Learning.

<sup>12</sup> Elements include a focus on 21<sup>st</sup> Century competencies of problem solving and collaboration using project-based learning and a strong focus on formative assessment. For internationally learned lessons that drive the reforms, see Reimers (2020) and Crato (2021). More details about the findings and application to Georgia are in the Technical Assessment (Annex 3).



- To create an education system for lifelong learning towards 21<sup>st</sup> century competencies including competencies to address sustainability and climate change, to drive innovation and entrepreneurship, and meet the needs for future jobs and the digital economy. To improve overall education outcomes while making the quality and opportunities for the most disadvantaged better and more equitable. This will involve expanding and improving the quality of preschool programs which benefit the most vulnerable and have strong potential to break intergenerational poverty;
- To revitalize the Primary Health Care (PHC) system to be regionally balanced and with affordable secondary and tertiary care; efficiently manage contracting with hospitals and pharmaceutical companies to increase value for public money spent on health and, thus, reduce OOP health spending, especially on pharmaceuticals;
- To improve the social protection system to better identify poor families with children and be responsive to negative shocks and sudden changes in vulnerability and new forms of poverty, including as a result of natural disasters exacerbated by climate change. The goal is to establish inclusive and resilient system that helps the needy and helps connect people to job opportunities through effective employment services and skill training; and,
- To expand the use of digital technology to better deliver services and to increase transparency, cost-effectiveness, and inclusion.

9. **Achieving these human capital outcomes requires coordination among a wide array of ministries, agencies, affiliated institutions, and local governments, with overarching leadership from MOF.** The relevant ministries provide a strong institutional backbone to deliver human capital services. Yet too often they work in isolation, leading to deficiencies in reform implementation, missed opportunities for synergy, and insufficient focus on common challenges and results. Strong cross-sectoral coordination and a holistic approach to reform which accounts for the institutional setup and leverages MOF's overarching coordinating role will be important to achieve transformative human capital results. MOF is in a critical leadership position as it can holistically address budgeting, financing, and spending efficiency issues that are common across the human capital delivery system. As MOF is also coordinating Georgia's Human Capital Early Adopter pilot with the World Bank, MOF is well-positioned to convene stakeholders, and coordinate resources with a focus on results. A joint and well-coordinated approach to policy development and reform implementation is critical to ensure reforms yield the intended human capital outcomes.

10. **A series of service delivery challenges remain in areas that are critical for human capital development.** These include: (i) inefficient social sector spending in general education, hospital care, pharmaceuticals, and targeted social assistance; (ii) insufficient inclusion of the most disadvantaged and vulnerable populations in the essential services that develop and safeguard human capital; and (iii) fragmented information systems and connectivity that prevent effective social sector management and information sharing. An overview of these challenges is presented below, with more details in the Technical Assessment Summary (Annex 3).

### ***Efficiency of human capital delivery system***

11. **The UHCP has become the fastest growing social program, but there are recent concerns about its financial sustainability.** Early gains in health outcomes, equity, and financial protection are credited to the UHCP after it was introduced in 2013. More recently, fiscal space constraints and inefficiencies in implementation have begun to pose threats to the financial sustainability of the program and its achievements. The UHCP accounts for about one-fourth of all social transfers, and spending pressures from this program have accumulated. In 2020 the UHCP constituted about 73 percent of public health spending. The UHCP has consistently overspent its budgeted



amount in recent years, which raises questions about the program's sustainability and adds to the concern that health expenditures are not managed effectively. With an aging population, government social spending, especially for health, is expected to increase further. To ensure the financial sustainability of the UHCP, the National Health Agency (NHA), with the support and coordination of the MOF, needs to make more effective use of available public funds and to receive better value for money from current spending.

12. **NHA's strong leverage as the biggest purchaser of public health services is not deployed strategically to manage UHCP costs, as the agency relies on outmoded payment methods.** The processes of prior authorization and claims management are a drain on the NHA's administrative capacity because of the extensive paperwork involved. In practice, all claims from hospitals are reimbursed. In addition, a complex payment system for hospitals with different tariff settings and copayment rules enables providers to game the system, which leads to increased administrative costs and constrains the NHA's ability to control costs. To be a strategic purchaser, the NHA must have the ability to define the service mix and volume and select the provider-mix to efficiently and effectively allocate the pooled funds to providers that deliver services under the UHCP. The policy response includes the use of Diagnosis Related Group (DRG) payment systems, which categorize hospital patients into similar diagnostic groups. Each group is related to the costs or resources needed to treat the patients in the group.<sup>13</sup> In addition to payment for hospital services, the current pharmaceutical reimbursement and purchasing system also contributes to inefficient health spending, which can be seen in Georgia's relatively high OOP expenses made by patients. While medicines provided under MOILHSA's vertical<sup>14</sup> programs are centrally procured, medicines for inpatient care are purchased directly by hospitals, with large variations in prices. Although 10.3 percent of the total government budget is dedicated for public health spending, which is about average for Georgia's income level, the share of OOP health spending is 48 percent, higher than in many other comparable countries (see Annex 3). Despite rising allocation of government's budget to health, more public health spending is not being translated into better financial protection in the form of lower OOP spending. Instead, relatively high OOP spending is likely to distort people's incentives towards overuse of costly in-patient care (free under the UHCP) while outpatient services—particularly primary health care—are underutilized. For example, average outpatient visits per capita per year in Georgia was 3.3, compared to 7.8 on average in the Commonwealth of Independent States.
13. **Georgia's healthcare delivery system needs to be reoriented for better articulation and coordination between primary and hospital care.** Over the past three decades, Georgia's health system has gone through a series of significant reorganizations. To rebuild its healthcare infrastructure, the GoG started to privatize polyclinics and many public hospitals in 2007. Currently, about 80 percent of all hospital beds are private; primary care and outpatient specialists are essentially private. In addition, there are specialized clinics such as dispensaries for tuberculosis care, mental healthcare units, clinics for HIV and Hepatitis C treatment, and antenatal clinics that provide services under the respective vertical state programs. As a result of extensive privatization and decentralization in the health sector, and fragmentation caused by the vertical state programs, the coordination between primary and hospital care is weak. Reducing reliance on expensive hospital and emergency care and improving service delivery in PHC is required to promote sustainability of human capital services. MOILHSA's

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<sup>13</sup> See Bredenkamp, C., S. Bales, and K. Kahur. 2020. Transition to Diagnosis-Related Group Payments for Health: Lessons from Case Studies. International Development in Focus. Washington, DC: World Bank.

<sup>14</sup> Vertical programs focus on the treatment of specific health problems or conditions, e.g. tuberculosis, HIV, and mental disorders. The programs are financed directly from the government budget.





2022-2025 Primary Care Road Map, prepared with a support from WHO, aims to develop high quality, evidence-based person-centered PHC services.

14. **Spending education resources efficiently towards improving quality remains a critical challenge.** Education accounts for 13 percent of total government spending, which is on par with countries with similar income levels, though spending is lower than average when measured as a percentage of GDP. When it comes to value for money, the mean PISA score for Georgian students is nearly 100 points below the OECD average showing the need to allocate education resources better and to target learning gaps. The magnitude of the gap implies that Georgian 15-year-olds perform on average at a level of OECD 12-year-olds. The PISA data also indicates a quality divide and learning gap between urban and rural/mountainous schools. With a view to enhance future human capital, the policy response is centered on a competency-based curricular reform that takes into consideration the climate-related and digital transformations. However, the curricular reform cannot be successfully implemented without a coordinated approach involving the efficient reconfiguration of the school network, investments in school facilities, and allocation of resources towards improving teaching and learning practices.
15. **The TSA program has successfully provided cash transfers to poor households, but outdated and inefficient targeting tools limit the responsiveness of the social protection system for timely and adaptive service delivery.** Making the social protection delivery system more resilient to sudden changes in vulnerabilities represents a central challenge. This was especially evident in the context of the COVID-19 crisis when emergency social protection support was needed. Child poverty for children 0 to 17 years old is 26.4 percent – higher than in previous years due to the COVID-19 pandemic – compared to 21.3 percent for the overall population.<sup>15</sup> Social benefits could be better targeted and delivered more quickly and efficiently to needy households with children by updating the targeting formula, digitizing key implementation processes, and streamlining registration in the Social Registry.

### *Inclusion*

16. **Adequate social protection policies and programs can help reduce human capital underutilization, especially among women, youth with lower educational attainment.** Underutilization of human capital is evidenced by high unemployment – nearly 18 percent in the pre-pandemic year of 2019, compared to an EU average at that time of 6 percent – and low-productivity employment of highly educated workers (Source: Georgia Country Economic Memorandum). Employment services and programs are underfunded and limited in scale compared to the needs of job-seekers. It is not only a matter of access to employment services, as the quality of existing active labor market programs including professional skill training is not tailored to the needs of vulnerable unemployed and employers, hence limiting their effectiveness and efficiency. Skills shortage is one of the biggest problems affecting employers: more than 40 percent of firms identified inadequately educated workforce as a major constraint, compared to 24 percent average in ECA, and 20 percent globally.<sup>16</sup> Worryingly, the perceived skills shortage by employers has worsened in recent years and is highest among innovative and growing firms.<sup>17</sup> Tools to identify skills need, including green jobs, are needed to reorient the Technical and Vocational Education and Training (TVET) system and increase the labor market responsiveness of employment services, particularly for the vulnerable.

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<sup>15</sup> GEOSTAT Household Income and Expenditure Survey 2020.

<sup>16</sup> World Bank Enterprise Survey 2019. <https://www.enterprisesurveys.org/en/data/exploreeconomies/2019/georgia>.

<sup>17</sup> *Ibid*.



17. **Inequitable access to quality upper secondary education (grades 10-12) between urban and rural areas and by family socio-economic status, represents a persistent challenge to raising human capital outcomes.** Georgia is unique among countries as each public school offers education from grade 1 to grade 12. This can be referred to as a single or unitary structure of schools.<sup>18</sup> In practice, due to low population density in some areas, of the nearly 2,100 public schools, there are about 400 schools with no students enrolled in grades 10-12. Of the remaining 1,700 schools, 1,200 schools have a small number of upper secondary students. The mean enrollment is 25 students for rural areas and 59 for urban areas. These 1,200 schools enroll about a fourth of the total of upper secondary students and they struggle to find teachers in specific subjects like science and are unable to provide strong learning environments or well-equipped laboratories. These schools are not able to offer alternative courses and extra-curricular activities. Only around 390 schools have a large enough student body to be able to provide educational services such as specialized teachers and course alternatives—using a threshold measure of 100 students in grades 10-12 in an urban school and 50 students in grades 10-12 in rural schools. The current financial model does not support adequate scale to deliver the modernized curriculum as it reflects historical costs, including low student-teacher ratios, with limited incentives to improve fiscal efficiencies or improve quality and performance of teachers, school leadership and the learning environment.
18. **The role of upper secondary education as a gateway to college, university, or the labor market is diminished, particularly for disadvantaged students, because of inadequate policy attention and investments.** Secondary school students appear to have low levels of engagement as evidenced by PISA data on student absenteeism. Even at the early age of 15 years, when students are just entering the upper secondary level, there is massive absenteeism (see Annex 3). Furthermore, students at this level of education, even those whose families' finances may be stretched, are heavily reliant on private tutoring to offset the weaknesses of mainstream schooling and particularly to prepare for the Unified National Examinations (UNE), the university entrance exam.<sup>19</sup> Given that access to higher education solely depends on the performance in the UNE, access to expensive and high-quality private tutoring increases the chances of students to enter the best universities and get access to scholarships, perpetuating an inequitable system that favors the wealthiest families.
19. **Reforms are needed to make the university admission system more inclusive and less dependent on private tutoring.** Transforming the admission process will require tackling the following existing issues: (i) limited impact of a student's academic performance in upper secondary school on university admission: The inclusion of the Grade Point Average (GPA) scores as part of the admissions process would be one way to address this; (ii) centralized admission with a limited role for universities in student admission: Utilizing student interviews as part of the admissions process is being considered; and (iii) disconnect between university entrance exams and the ongoing reforms in the sector: Providing a diversity of academic pathways to enter a higher education (not just dependent on a single examination-based approach). Educational authorities intend to streamline policies across agencies such as the Curriculum Department, the Teacher Professional Development Center, and the National Center for Educational Quality Enhancement (NCEQE).

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<sup>18</sup> Review of Grade Organization, World Bank Working Paper for the South Caucasus Education ASA (forthcoming). Most countries have separate elementary and upper secondary schools and some also have separate middle schools (lower secondary).

<sup>19</sup> The UNE is designed and administered by the National Assessments and Examination Center (NAEC). For the role of private tutors in helping students prepare for the UNE, see Kobakhidze, M. 2015. Shadow Education Research through TIMSS and PIRLS: Experiences and Lessons in the Republic of Georgia, in M. Bray (ed.), *Researching Private Supplementary Tutoring: Methodological Lessons from Diverse Cultures*. Comparative Education Research Center.





20. **The provision of good quality preschool education, particularly in rural areas, is adversely affected by an uneven level of funding across municipalities, a weak compliance framework for ensuring quality and standards, and inadequate teacher training.** Local governments are responsible for the provision of Early Childhood Education (ECE) services, with financing from general government transfers, but the quality standards for its provision, including ECE teacher training, fall under the centralized responsibility of MOES. Preschools, whether public or private, need to be certified by MOES. Currently, there is no information available on the quality of ECE services. The policy's intention is to implement quality standards regarding nutrition, education, and the physical environment. International evidence shows that the rate of return to ECE is among the highest across the education sub-sectors and an effective way to reduce poverty.<sup>20</sup>
21. **The human capital delivery system also faces a recurrent challenge of gender disparities.** Female students have higher school attendance rates and better test performance than males, yet occupations remain highly gender segmented, with only 16 percent of science, technology, engineering and mathematics graduates in 2018 and only 6 percent of industrial workers being women.<sup>21</sup> Accordingly, females tend to be employed in economic activities with lower earnings, and the labor force participation is 19 percent lower among working-age females.<sup>22</sup> Females also lag in terms of access to the internet and digital technologies. Based on 2019 survey results, 82 percent of households headed by men had internet access, compared to 74 percent of women-headed households.<sup>23</sup> Significant differences also exist between men and women regarding health risk factors and accessing services. The prevalence of behavioral risk factors for NCDs also varies by gender, with risks higher for men than women in most age groups.<sup>24</sup>
22. **Georgia intends to address gender challenges.** A key starting point is the removal of implied negative gender stereotypes in educational materials and introducing positive gender-balanced role-models. MOES is being supported in this task by national and international civil society organizations (CSOs) including UN Women and the UN Population Fund. Gender sensitization in teacher professional development courses would help teachers appreciate the roles they might play in transmitting hidden biases. Education technology plays a key role by improving access to high quality online training materials, with in-person mentoring and support from education resource center (ERC) specialists. Additionally, in the individualized employment service programs, entrepreneurship programs, and digital skill development training, the GoG supports women and girls. The good practices of this commitment derive from the joint GoG, World Bank, and UN Women collaboration around the IBRD-financed projects: Log-in Georgia and Relief and Recovery for Micro, Small and Medium Enterprises.

### **Coordination**

23. **Insufficient data management and lack of coordinated information flows further contribute to a disconnect between human capital service providers and beneficiaries.** There is a need for MOILHSA to incrementally strengthen care coordination by aligning incentives of patients and providers with the right objectives and putting in place the right infrastructure and tools, especially electronic data management systems. Such a reorientation would ensure that, for most chronic diseases, the onset of the disease is prevented, or secondary prevention is

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<sup>20</sup> Heckman, J.J. 2011. The Economics of Inequality: The Value of Early Childhood Education. *The American Educator* Spring: 31-35.

<sup>21</sup> World Bank. 2021. Country Gender Assessment.

<sup>22</sup> GEOSTAT, Labour Force Survey 2019.

<sup>23</sup> GEOSTAT, Women and Men in Georgia 2019 (accessible at [https://www.geostat.ge/media/27546/W%26M-ENG\\_2019.pdf](https://www.geostat.ge/media/27546/W%26M-ENG_2019.pdf)).

<sup>24</sup> STEPS Analysis, WHO: <https://apps.who.int/iris/bitstream/handle/10665/337486/WHO-EURO-2020-1667-41418-56460-eng.pdf>.



provided early on; and treatment, where needed, is provided early, thus avoiding the more acute and catastrophically expensive treatments. Coordination of care and information flows across providers reduces duplication of tests and procedures, and a strong primary care function based on a longstanding doctor-patient relationship ensures continuity of care and better case management. In education, it is important to advance the implementation of the School Digital Action Plan, supporting evidence-based decision making on infrastructure, leadership, collaboration and networking, continuing professional development, pedagogy, and assessment. In general, Georgia has made good progress towards digitization of the economy, and the current challenge is to enhance broadband access in rural areas and provide universal access and take-up of digital health, education, and social services across agencies and sectors for all beneficiaries.

24. **Lack of an integrated monitoring and reporting system for social benefits, provided by a combination of local and central government agencies, adversely affects inclusion and system efficiency.** The decentralization of social protection at the municipal level coupled with the lack of an integrated reporting system for social protection, and human capital services more broadly, makes it difficult to coordinate and track beneficiaries and benefits across programs run by central and local governments, affecting the inclusiveness and the efficiency of spending. While the Social Registry serves as an integrated and dynamic “gateway” for households to apply for social programs, Georgia does not have an integrated reporting system to coordinate and track beneficiaries and benefits across programs, and across central and local government.

#### *Climate action*

25. **Climate mitigation and adaption, in the long run, depend crucially on human capital.** There are two main pathways for human capital policies to support the GoG’s climate agenda. The first channel is a set of direct actions leading to reduced emissions in the provision of human capital services – these include energy efficiency related actions as well as the increased use of digital communication and management tools. The second channel includes policies related to generating knowledge and awareness about climate change and the motivation to address climate change, starting from a young age, but with actions through youth and indeed the entire lifecycle. These climate actions include promoting the use of energy-efficient equipment and hardware in school and digital healthcare system, incorporating modules on climate change and energy efficiency in environmental education, teacher training and workshops on climate resilient and energy efficient school and promoting access to green jobs through skill training (see Annex 8).

### **C. Relationship to the Country Partnership Framework (CPF)<sup>25</sup> and Rationale for Use of Instrument**

26. **Investing in human capital and building resilience are included as focus areas of the CPF FY19-FY22 for Georgia.** The proposed operation is at the center of the CPF’s ambition to rebalance the program towards a more pronounced focus on human capital. The CPF notes that investment in human capital is strategically important because of the lack of adequate skills for the modern economy. This is often flagged as a critical constraint in employer surveys. The CPF describes the burden caused by high OOP expenditures for those from poor households and the fragmentation of the health system that heightens vulnerability. Under Focus Area 3 (Building Resilience), the CPF points to the need to strengthen the resilience of households through stronger safety nets. The Performance and Learning Review (PLR), currently under preparation, highlights alignment with

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<sup>25</sup> The CPF (Report No. 121853-GE) of April 25, 2018.



the EU *acquis* for human capital policy. The CPF also mentions the intent of the World Bank to help Georgia establish a European “rights and responsibility approach” in its TSA model. Another crucial point is the alignment of the operation with the CPF directions regarding climate change mitigation, gender, and disability inclusion, and the imperative for coordination with other development partners.

27. **The PforR instrument is best suited to support the implementation of reforms, which require a combination of investments, policy reform, and capacity building.** Georgia seeks to build on previous reforms with the proposed PforR operation. This operation will help to establish and cement a results-oriented culture in the GoG as a whole. Even though program-based budgeting has been instituted since 2012, past shortcomings in its implementation have been noted by successive audit reports. The most recent available report, the State Audit Office of Georgia (SAOG) Report on the State Budget for 2020, reiterates the problems regarding insufficient clarity on the intermediate targets and on follow-up regarding the achievements of results. The PforR instrument requires a clear definition of results indicators and activities within the subprograms, together with the verification protocols and the institutionalization of results measurement. Implementing agencies - the MOES and MOILSHA, would be incentivized to meet the results, which would engender a culture of accountability. The themes of efficiency, inclusion, and connectivity permeate the activities of the proposed PforR operation.
28. **The ambitious nature of the human capital transformation to be achieved by GoG further reinforces the selection of a PforR operation as the appropriate choice of instrument.** With strategically selected Disbursement-Linked Results (DLRs), the Program would have a much larger impact than the size of the operation itself. The vision of Georgia as a European State goes beyond the political and technical rules of the EU *acquis* and specific requirements for full membership to standards regarding the rights, privileges, duties, and benefits of a European citizen. The PforR would support Georgia in subsequent implementation of the European Policy Frameworks—including the European Pillar of Social Rights; EU4 Health 2021-2027, and the EU Digital Education Action Plan. Having more than a third of the GoG budget directed towards human development sectors and European Policy Frameworks would serve as a demonstration of Georgia’s European alignment. The PforR would support the implementation of results-oriented models to allocate resources for General Education, UHC, and TSA – and these three subprograms together constitute 67 percent of the GoG’s Human Capital expenditures.

## II. PROGRAM DESCRIPTION

### A. Government Program

29. **The GoG program for human capital for 2022-2031 provides a set of transformative policy priorities for the development of human capital and its effective engagement in the development of the country.** The content of this GoG program is elaborated in *two strategies* prepared by MOES and MOILSHA. The vision, mission, goals, and strategic objectives of the GoG program are defined in the Ten-Year Plan (2022-2031) for the Development of Education and Science and the Ten-Year Plan (2022-2031) of the MOILSHA. The human development sectors have formed the biggest part of the GoG budget in recent years, indicating the GoG’s priority and commitment to the development of human capital. In the 2021 budget, the three human development sectors together accounted for about GEL 7.3 billion (US\$2.3 billion) out of a total budget of GEL 18.4 billion (nearly US\$6 billion) or about 39 percent.
30. **The portion of the GoG program for human capital for 2022-2031 that will be implemented in the period 2022-2027 under this operation is termed as the “GoG Program for human capital for 2022-2027,” and forms the**



**Program Boundary.** Table 1 provides an overview of the GoG Program and the Program Boundary. The overall GoG Program consists of US\$5,988 million equivalent of spending, of which the IBRD will support US\$400 million (almost 7 percent) over the six-year duration of the Program. The Program will start in the middle of the 2022 calendar and budget year and end in the 2028 calendar year. The terminology of 2022-2027 denoting six years is maintained here, with the understanding that the Program may include expenditures in 2028.

**31. The Program of US\$5,988 million is composed of a set of subprograms that have been organized in three results areas:**

- **Efficiency** for better value for money of human capital expenditures in education, health and social protection sectors: This result area consists of subprograms related to general education, hospital care, pharmaceuticals, and targeted social assistance. *Total projected expenditure is US\$4,865.67 million.*
- **Inclusion** for quality of human capital expenditures for all beneficiaries in education, health and social protection sectors: This result area covers education levels from kindergarten to secondary education-high school and transition to university, employment promotion programs, and vocational skills training and education. The result area includes provision of health care to the population with a focus on PHC and reforms related to access of vulnerable people to skills and the labor market. *Total projected expenditure is US\$699.67 million.*
- **Connectivity** of digital systems across all areas of human capital provision in education, health and social protection sectors: The focus is on upgrading digital services and increasing the post-pandemic resilience of the human capital delivery system to future disruptions. *Total projected expenditure is US\$423 million.*

**Table 1: The GoG Program and Program Boundary**

Item	GoG program for human capital 2022-2031	Program supported by PforR
<b>Title</b>	Ten-Year Plan (2022-2031) for the Development of Education and Science and Ten-Year Plan (2022-2031) of the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia	GoG Program for human capital (2022-2027)
<b>Objective</b>	Education, Health and Social Protection services that provide for the development of human capital and its effective engagement in the development of the country	Making the human capital delivery system more efficient and inclusive
<b>Duration</b>	2022-2031	2022 -2027
<b>Result Areas</b>	A. Efficiency for better value for money of human capital expenditures B. Inclusion for quality of human capital expenditures for all beneficiaries C. Connectivity of digital systems across all areas of human capital provision	Results areas are the same
<b>Geographical Scope</b>	All areas of the country	All areas of the country
<b>Financial Envelope</b>	US\$ 5,988 million in <i>period</i> 2022-2027; additional amount in 2028-2031	US\$ 5,988 million in 2022-2027

**32. Within the selected priorities, there are several subprograms of the human development sectors that are not**



**included within the Program boundary.** The biggest subprogram excluded from the Program boundary is public pension provision, with an annual outlay of approximately GEL 2.3 billion (nearly US\$800 million annually). Other major excluded programs are for Higher Education and Science and Technology (nearly US\$70 million annually) and Vocational Education (nearly US\$16 million annually). Annex 1 of the Technical Assessment provides a comprehensive list of included and excluded human capital subprograms (under MOES and MOILHSA). Annex 2 of the Technical Assessment provides historical spending data for included subprograms. The criteria for selection of subprograms are explained further in program scope.

## B. Theory of Change

33. **Transformative change in the provision of human capital requires a concerted effort on multiple fronts, centered on the provision of resources, and the institutional structures and set of incentives driven by the MOF.** The main problem holding Georgia back in improving the quality of human capital has been the lack of continuity of reforms. Examples of reform that require prolonged attention include policies helping the unemployed to get jobs or for medicines to be affordable. Big ticket items such as fixing the financing model for medical care or reforming the financing of general education are particularly demanding. The general education financing model introduced nearly 15 years ago still dictates the provision of public resources to schools even as demographic changes have fundamentally altered the location where education services are needed, and broader economic and social changes have resulted in a shift in the basic objective of education from mere knowledge provision at the beginning of life toward lifelong competency development. Moreover, when a policy is not working and needs to be changed, in the absence of influential interest-groups, things remain as they are, like preventive health care or improving social benefit targeting. These changes are some of the many fundamental or basic policy changes that comprise the activities of the PforR Program. Figure 1 provides an overview of the Theory of Change. Key assumptions include: (i) continued stable budget allocations for human capital subprograms included in PforR; and (ii) continuity in the policies and directions underpinned by the PforR in the respective sectors.
34. **Result Area 1: Efficiency for better value for money of human capital expenditures.** Efficiency as a result area in the GoG's human capital program cuts across the human development sectors because it concerns the economic or financial model in use in each sector. The PforR selects critical subprograms whose quality delivery is essential for Georgia's human capital. The distribution of resources to schools under the general education model accounted for nearly one-fourth of all human capital expenditures in Georgia, making this the single largest expenditure item in the Program. Similarly, the PforR focuses on improving public healthcare spending, close to one-tenth of the GoG budget, as well as improving the quality of care through better regulation, the introduction of clinical guidelines, and revision of the benefits package and performance-based payment system.
35. **Result Area 2: Inclusion for quality of human capital expenditures for all beneficiaries - Inclusion of all groups with a special focus on women to access good quality of public services is central to the "European State" vision driving Georgia's development strategy.** Georgia seeks to translate that vision of the European identity into policies, programs, and actions. The Program seeks to ensure equality of access for children and adults from rural or geographically remote areas to quality human capital services whether it is ALMP, preschool/kindergartens, benefits, quality high school education, or health services. Inclusion also relates to socially vulnerable groups of the population, people with disabilities, migrants, long-term unemployed, ethnic minorities, and social assistance beneficiaries who face difficulty "graduating" from the social safety net. Poor families who have lower educational attainment, nutrition, and health outcomes require special attention to build their human capital and lift them out of poverty.

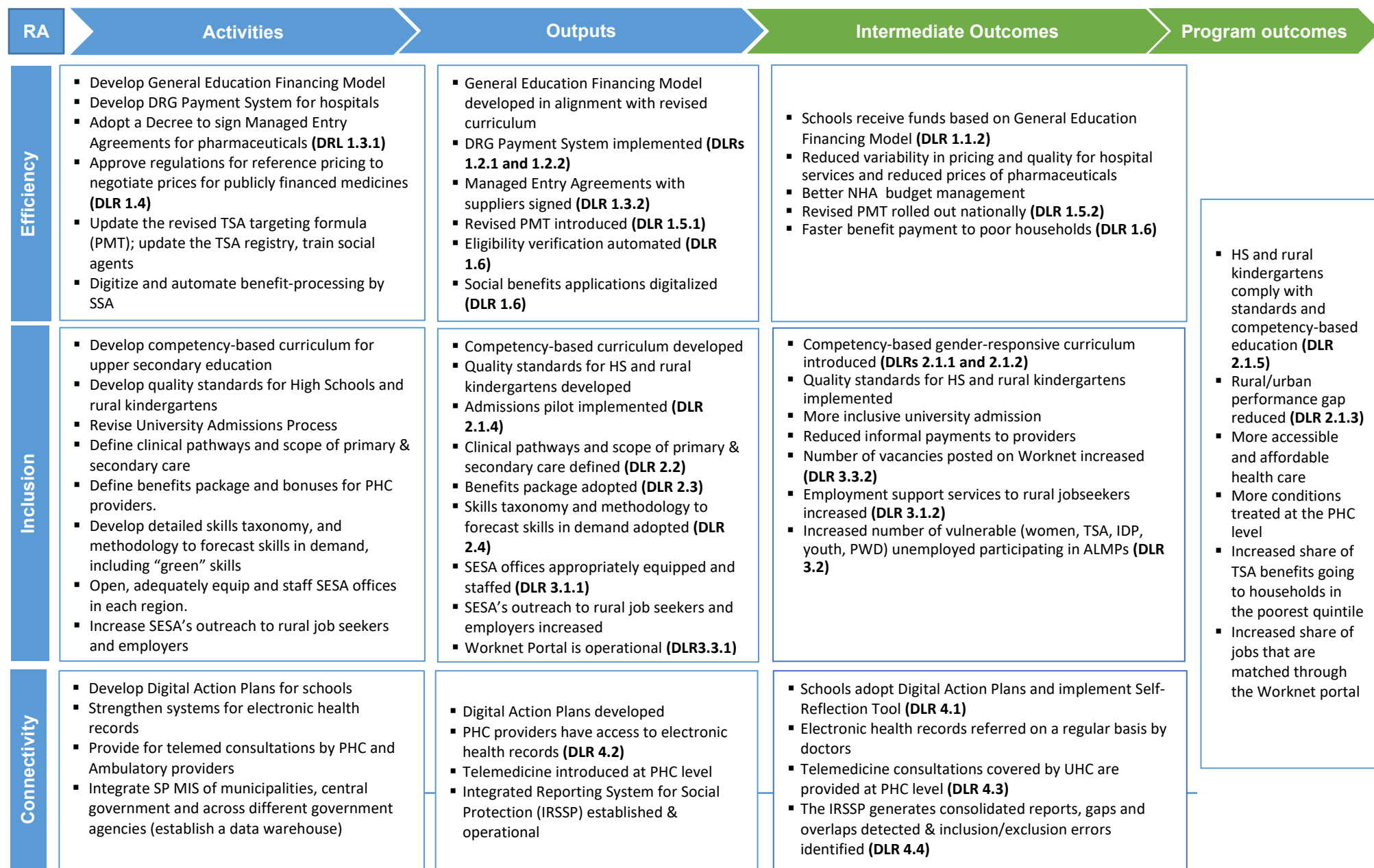


36. **Result Area 3: Connectivity of digital systems across all areas of human capital provision** aims to strengthen the digital capabilities of the population while making human capital service delivery more efficient and inclusive due to the deployment of digital technologies. The GoG has set up a commission to develop a Long-Term National Strategy for the Development of Digital Economy and Information Society. The goal of this strategy is “to promote the development of digital services in the public and private sectors, enhance digital literacy, ensure cyber-security and personal data protection, step up the process of establishment of an information society, growth of hi-tech export, better the development of research and innovation, and upgrade Georgia’s competitiveness in the global digital economy.” For the GoG’s human capital program, the connectivity results area seeks successful development, deployment, and maintenance of secure information systems and use of EdTech, Telehealth, and a Digital Social Registry, and supports the development of the Digital Economy Strategy. Specific digital strategies for each of the human development sectors will be formulated and synchronized to the national digital development strategy. The national digital strategy will inform investments and budget allocation decisions – for connectivity as well as the acquisition of software and personnel for developing and maintaining services.
37. **These three result areas will also generate significant fiscal savings.** The Program will generate significant positive benefits. Higher levels of productivity through quality improvement in education will lead to higher earnings. Further benefits will be generated through fiscal savings from reductions in out-of-pocket health care expenditures and through increases in household incomes from social benefits channeled through social protection policies. When fully implemented, the Program will generate benefits of at least US\$1.8 billion (see Economic Analysis in Annex 3 and Section IV “Assessment Summary”).





**Figure 1: Theory of Change**





## C. PforR Program Scope

38. The scope of the PforR Program has been informed by Georgia's experience with Program-Based Budgeting, which has been implemented with a high level of clarity and predictability in the country since 2012. Table 2 details the composition of the US\$5,988 million Program Expenditures (budgets) for the years 2022-2027. The Program is defined by the selection of specific human capital subprograms as defined by the budget codes in Column C. These subprograms provide fiscal resources for implementing agencies to implement the Program (see Annex 3 for details). Column E in Table 2 indicates the mean annual amount that has been spent (allocated in the case of 2021) in the three-year period of 2019-2021 for each subprogram code. With continued stable allocations being a GoG priority, Column F indicates the six-year total of the planned Program outlay in GEL million and US\$ million. IBRD financing of US\$400 million would support expenditures within the boundaries described by the budget codes in Column C. These are the expenditures that have been assessed in the Technical Assessment and the Fiduciary Assessment (in Annex 3 and Annex 4, respectively).

Table 2: Program Expenditures (Program Scope) and Program Expenditure Categories

Column A	Column B	Column C	Column D	Column E	Column F	
			Main Implementing Agency	Annual Expenditure (2019-2021)	Program Boundary Total Expenditures 2022-2027	
Theme	Expenditure Categories	Budget Code		(GEL m.)	(GEL m.)	(US\$ m.)
<b>Results Area 1: Efficiency for better value for money of human capital expenditures</b>						
General Education	Transfers to schools (vouchers)	32 02 01	MOES	799.79	4,799	1,600
Protection of the general health of the population	Labor expenses, medicine, medical supply, consumables.	27 03 01	MOILHSA/NH A	828.67	4,972	1,657
Targeted Social Assistance (TSA)	Cash transfers	27 02 02	MOILHSA/SSA	784	4,704	1,568
SSA current expenditures	Labor expenses, management of social programs.	27 01 04	MOILHSA/SSA	17.4	104	35
SSA digitization	Software upgrade, Piloting design, Training, increase of non-financial assets.	27 01 10*	MOILHSA/IT Agency	0	18	6
<b>Results Area 2: Inclusion for quality of human capital expenditures for all beneficiaries</b>						
Strengthening High Schools and reform of University Entrance	Rehabilitation of schools for extra students; Unified National Examinations Labor expenses for experts supporting curriculum reform.	32 01 02	MOES, NAEC, TPDC.	5.80	780 <sup>x</sup>	260
		32 02 13 01		10.90		
		32 02 01 <sup>†</sup>		15.00		
		32 02 02		16.72		
		32 04 01		13.15		
		32 07 01		55.64		
Provision of medical services to the population in priority areas	Labor expenses, medicine, medical supply, consumables.	27 03 03	MOILHSA/NH A	197.77	1,187	396





Column A	Column B	Column C	Column D	Column E	Column F	
			Main Implementing Agency	Annual Expenditure (2019-2021)	Program Boundary Total Expenditures 2022-2027	
Theme	Expenditure Categories	Budget Code		(GEL m.)	(GEL m.)	(US\$ m.)
Rehabilitation and equipping of medical institutions	Equipment and hardware	27 04	MOILHSA	6.25 <sup>†</sup>	38	13
SESA administrative expenditures	Labor expenses, cars and office equipment.	27 01 08	SESA	0.79	14	5
SESA ALMP delivery	Training, internships, job matching, placement.	27 05 01 <sup>†</sup> 27 05 03 <sup>†</sup>	SESA	13.28	80	27
<b>Results Area 3: Connectivity of digital system across all areas of human capital provision</b>						
Digital Education (funded)	Purchase of hardware including computers for teachers, students, internet.	32 01 04 32 02 11 32 13	MOES	12.74 35.49 14.98	750T	250
Digital Education (to be funded)	Labor expenses and training for school community; developers and hosting.	32 02 15 32 02 16	MOES		15*	5
Digital Medicine, Admin systems etc.	Labor expenses, hardware and software, developers and hosting.	27 03 02	MOILHSA	102.43	450J	150
SSA development of IRSSP	Software development, training, hardware and licenses.	27 01 10*	MOILHSA/IT Agency	0	18	6
SESA Worknet	Worknet	27 01 10*	MOILHSA/IT Agency	0	36	12
<b>Total</b>				<b>2930.8</b>	<b>17,965</b>	<b>5,988</b>
Notes: * No current allocation; <sup>†</sup> Part; <sup>‡</sup> Spending in 2019; <sup>x</sup> about 10% increase from 3 year mean.						
T Represents 100% increase from 3 year mean; J Represents about 1/3 <sup>rd</sup> decrease from 3 year mean.						

39. **Three flagship subprograms in education, health, and social protection account for 81 percent of the projected program outlay of US\$5,988 million in 2022-2027.** The program budget (anticipated program expenditures) for 2022-2027 summarized below includes allocation primarily for reforms of existing activities, which constitute the major outlays of the Program. The three main budget codes are related to the provision of general education (32 02 01), TSA (27 02 02), and protection of the general health of the population (27 03 01). These three programs in recent years have had annual budgets of a little over GEL 800 million (US\$267 million) for each of the three programs; or a total annual outlay of a little over GEL 2,400 million (US\$800 million). Substantive changes to these amounts under the Program are not expected. In fact, efficiency is a key result area of the reforms envisaged under the Program. The same magnitude of expenditures (with adjustments for future inflation) is projected in the future six years of the Program, for a total amount of US\$4,800 million (US\$800 million x 6 years). This figure of US\$4,800 million constitutes 81 percent of the projected Program expenditures. Reforms supported under the Program are expected to enhance the value-added or throughput of human capital benefits derived from the Program so that higher quality and equity will be made possible without increases in budget outlay in



the three subprograms.<sup>26</sup>

40. **The Program comprises key human capital subprograms (and excludes some subprograms), based on criteria regarding the underlying reforms.** The education, health, and social protection reforms that are part of the Program satisfy the following criteria: (i) transformative potential and strategic relevance to the GoG; (ii) readiness for implementation and ability to deliver impact within the lifetime of the Program; (iii) ability to convey human capital investment towards those with the highest returns (in particular children and youth in education and social protection subprograms); (iv) reliance of proposed reforms on a solid technical foundation; and (v) coordination and alignment of support with other development partners.
41. **The Program excludes social protection reforms such as disability assessment, pension indexation, and the potential introduction of an unemployment insurance scheme as part of the development of the Georgia Social Code.** The reform of social case management through a revision of the role of social agents in providing referrals carries high potential for development, but it would require extensive additional analysis and is not the most immediate bottleneck to human capital growth in the short- to medium-term. Reforms of social protection for IDPs and refugees, which is a high priority due to the large number of applicants and the political economy of the country, have been excluded due to the difficulty of ensuring the delivery of results during the Program's lifetime<sup>27</sup>.
42. **Besides general education, the Program has limited inclusion of other education sub-sectors, namely vocational education, higher education, and science and technology.** Vocational education reforms are currently supported by other development partners. The notable program in this subsector is the ADB-funded Modern Skills for Better Jobs Sector Development Program (US\$70 million, approved on December 8, 2020). The program aims to increase the quality of vocational education and training in Georgia. Education at the university level (except for the transition from upper secondary to university) is also excluded from the Program. The ongoing IBRD-funded Georgia I2Q Project (approved in 2018) supports the development of a new financial model for university education, a reform that is expected to be implemented in the future. This reasoning extends to the exclusion of medical education under the health sector.
43. **The GoG is seeking additional financial and technical support from development partners.** The Agence Française de Développement (AFD) may support the program objectives in the amount of Euro 100,000,000 (equivalent to US\$113 million). The details of this support will be determined in the coming months.
44. **The mountainous country of Georgia is highly vulnerable to the negative impacts of climate change, including from floods and landslides.**<sup>28</sup> The rugged landscape of Georgia is defined by the Greater Caucasus mountains on the northern border, the Lesser Caucasus mountain on the southern border, and the Likhi mountains in the center that link the eastern and western parts of the country. The mountains cradle a country with diverse climatic zones ranging from humid sub-tropical to glaciated regions that provide early evidence of rising temperatures. Annual

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<sup>26</sup> Human capital expenditures have been maintained and even increased due to pandemic-related assistance. However, a protracted continued pandemic with lockdowns and economic downturn could have an adverse impact on Government revenues and expenditures.

<sup>27</sup> IDPs will be covered under the general TSA and employment services reforms even as the reform of the IDP allowance is outside of the Program boundary

<sup>28</sup> Information in this paragraph is drawn from the Fourth National Communication of Georgia under the UN Framework Convention on Climate Change, 2021 and from Climate Risk Country Profile: Georgia, USAID 2017.



mean air temperature in 1986–2015, compared to 1956–1985, has increased by almost 1 degree Celsius, with an average of 0.5°C. The central manifestation of vulnerability in Georgia is the increased trend in the intensity and frequency of hydrometeorological events, with prolonged high temperatures and water evaporation leading to droughts. The former is evidenced by quantitative indicators of floods and flash floods and avalanches. There are 5,000 avalanche hotspots in the country. Droughts are less common, but a prolonged drought in 2000 led to a 56 percent drop in wheat yields and an economy-wide loss estimated at US\$460 million.

**45. The close relation between the human capital program and climate vulnerability context is seen in the tourism and agriculture sectors, and the delivery of education, health, and social protection services.** Among multiple aspects of vulnerability, the following are notable with relation to human capital: (i) tourism has been one of the fastest growing sectors prior to the COVID-19 pandemic, accounting for one-fifth of total employment, and disasters in skiing and hiking locations, eco-tourism, and wine regions generate heightened vulnerability, with resulting job losses putting pressure on social services and indicating the high importance of awareness as well as the need for adaptable skills to encourage job diversity; (ii) agriculture accounts for two-fifths of employment in Georgia, and though vulnerability is less immediate as compared to tourism, the sector faces challenges related to low productivity, further exacerbated by climate change; and (iii) delivery of services in all three human development sectors is increasingly vulnerable to disruption due to climate change – this is most evident in the education sector, where nearly 600 of the approximately 2,100 public schools are located in mountainous areas.<sup>29</sup>

**46. The Program includes a series of ongoing and planned activities that will support Georgia’s efforts for climate mitigation and adaptation.** The Program actions related to climate change are outlined here by sector (details in Annex 8):

Education Sector	<ul style="list-style-type: none"> <li>• Reform in the curriculum for competencies such as project-based learning and quality standards for built environment, including school safety and disaster preparedness (DLR 2.1.1; DLR 2.1.2).</li> <li>• Credit for local environmental projects in university admission, options to follow courses related to climate adaptation and green jobs (DLR 2.1.3).</li> <li>• Energy Efficiency in school buildings and related didactic transmissions and behavior change for students and families (DLR 1.1).</li> <li>• Digitization of education helps readiness to deal with climate disasters (DLR 4.1).</li> </ul>
Social Protection Sector	<ul style="list-style-type: none"> <li>• Integrated and interoperable systems will lead to quicker identification of people in need of social services when affected by climate change (DLR 1.6, DLR 4.4).</li> <li>• Skills identification, vocational training for skill acquisition, and improved skill matching will lead to faster and more inclusive adaptation to climate change (DLR 2.4, DLI 3).</li> </ul>
Health Sector	<ul style="list-style-type: none"> <li>• Better articulation of primary care with hospitals will reduce the burden on hospitals and help them to efficiently and effectively respond to climate change-induced health emergencies (DLR 2.2, DLR 2.3).</li> <li>• Digitization of health services leads to mitigation and adaptation by quicker response to climate-induced health emergencies and allow services to continue (DLR 4.2, DLR 4.3)</li> </ul>

**47. The Program supports climate change through curricular and extra-curricular activities, incentives in education**

<sup>29</sup> EMIS database, 2021.



**financing, and digitization of service provision.** The education activities are centered on curricular reform, which includes: (i) content knowledge about causes and consequence of climate change and related scientific literacy needed to understand the data, including related teacher professional development; (ii) development of critical thinking and problem solving skills using project-based learning – a global trend for education systems not merely for knowledge provision, but to develop competency-based learning to deal with increasingly complex problems including those brought on by climate change; (iii) safe and adaptive learning spaces as part of a set of quality standards that ensure that schools are safer in the face of increasing vulnerability and also for providing training and materials to school authorities and families, especially important for schools in remote areas, which constitute more than one out of four Georgian schools; (iv) university admissions that allow for credit to be given for high schools grades and extra-curricular activities such as local projects related to climate change and to reducing the rural-urban gap; and (v) a policy focus around digital education that includes school level plans to enable continued education services when climate events disrupt traditional in-person learning. These policy measures correspond well to the global lessons learned regarding climate change education.<sup>30</sup>

48. **The Program will support the adoption of climate adaptation and mitigation actions in the social protection and employment system.** The Program will support the development of an integrated or interoperable reporting system for social protection including a Data Warehouse that collects information from different social information systems. The systems to be connected include existing early warning systems for climate-related disasters and for reporting business intelligence. The utilization of interoperable mechanisms will help to better target and scale up social assistance support to climate-affected households. The Program will also support the expansion of ALMPs in rural and climate affected areas as well as SESA's capacity to facilitate the transition to environmentally or climate-friendly production/business processes through reorienting its ALMPs and Worknet job matching portal to promote access to “green” job opportunities.
49. **The Program will leverage the opportunity to invest in sustainable, climate-friendly, energy-efficient e-Health technologies including telemedicine and health management information system in primary care.** The health care sector is estimated to contribute 3-8 percent of the total emissions in developed countries and consumes countless liters of fossil fuel when patients and medical professionals travel to and from appointments, pick up prescriptions, and obtain tests and results. Telemedicine is considered one of the most potent technologies for greenhouse gas reductions and has the potential of reducing air pollution, known to be adversely associated with disease and deaths, by reducing travel and transportation. The benefits are obvious for home care programs and outpatient consultations. The telemedicine program at the University of California, Davis, with its 13,000 outpatient consultations over a period of 5 years, has resulted in savings of 4.7 million miles of travel and a reduction of 1,700 tons of CO<sub>2</sub> emissions.<sup>31</sup> In Canada, it has been estimated that more than 11 million home visits by nurses could be replaced by telemedicine, which would result in a reduction of about 120 million km of travel and 33.220 tons of associated greenhouse gas emissions annually.<sup>32</sup> In addition, implementation of an energy-efficient health management information system has climate benefits. It reduces paper use and travel, for example when patients' medical history and prescriptions are directly available to the patients' healthcare

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<sup>30</sup> Anderson, A. 2010. Combating climate change through quality education. Washington, DC: Brookings Global Economy and Development; Monroe, M.C., R.R. Plate, A. Oxarart, A. Bowers and W. A. Chaves. 2017. Identifying effective climate change education strategies: a systematic review of the research. *Environmental Education Research* 25(6): 791-812.

<sup>31</sup> Yellowlees, P.M. et al. 2010. Telemedicine can make healthcare greener. *Telemedicine and e-Health* 16(2): 229-232.

<sup>32</sup> Scott, R.E., T.R. Perverseff and N.T. Lefebvre. 2009. Reducing environmental impact: an example of how e-health can reduce environmental impact and concomitantly improve health Proceedings of the 1st Annual Conference on e-Health: The Virtual Dimensions of Health and Environment—Empower, Enhance, Enforce.



providers. This, in turn, lessens the negative impact of the paper industry and prevents unnecessary deforestation. Tropical deforestation is considered the single largest contribution of land-use change to global carbon emissions because it releases 1.5 billion tons of carbon each year into the atmosphere.<sup>33</sup> Increased use of electronic PHC records also prevents data loss in the event of climate-induced disasters. Hence, the true potential of e-Health as mitigation strategy is evident when looking at cumulative effects and the larger scale.

#### D. Program Development Objective (PDO) and PDO Level Results Indicators

50. **The proposed PDO is to make the human capital delivery system in Georgia more efficient and inclusive.** The human capital delivery system refers to the financial and administration system of selected education, health, TSA, and employment programs as defined in the Program scope.

51. **Progress toward achieving the PDO will be measured through six key results indicators:**

- A. Percentage of annual OOP spending on health care that is allocated to medicines
- B. Number of schools that meet minimum quality standards
- C. Percentage of TSA benefits going to households in the poorest quintile
- D. Reduction in the rural urban gap in UNE scores
- E. Share of vacancies filled through the Worknet job-matching portal
- F. Average number of outpatient consultations per person per annum at PHC providers

#### E. Disbursement Linked Indicators and Verification Protocols

52. **DLIs, DLRs and rationale for selection:** The PforR Program and Bank financing is composed of a set of four Disbursement-Linked Indicators (DLIs) relevant to human capital, and further comprises 27 DLRs arranged by each of the three sectors of education, health, and social protection. Table 3 details the DLIs and DLRs for the Program. The guiding principle for all the DLRs is the objective of bringing about transformational change. Verification protocols for each DLR are described in Annex 2. Climate change related aspects of the DLI/DLRs are detailed in Annex 8. Further explanation regarding the context and policy rationale for the selection of each DLR is presented in the stand-alone Technical Assessment.

**Table 3: Disbursement Linked Indicators and Disbursement Linked Results**

	Education		Health		Social Protection
Disbursement Linked Indicator	Disbursement Linked Result				Allocation to DLIs and DLRs (US\$ million)
DLI 1: Improvement of Government spending efficiency through	DLR 1.1.1: By June 30, 2024, or such later date as may be established by the Bank, MOES has: (i) carried out a study in at least three Mountainous Regions, three Rural Regions, and three Urban Regions, to calculate the per student operational costs and financing requirements for Selected Educational Networks to provide the Competency-based National Curriculum for Upper				10

<sup>33</sup> Gullison, R.E. et al. 2007. Environment. Tropical forests and climate policy. Science 316: 985-6.



Disbursement Linked Indicator	Disbursement Linked Result		Allocation to DLIs and DLRs (US\$ million)
adoption and implementation of appropriate administrative and financing mechanisms [US\$ 170m]	Secondary Levels; and (ii) prepared a report based on the findings of the study, detailing a General Education Financing Model, satisfactory to the Bank, including criteria for adequate quality of educational inputs and efficiency of government spending		
	DLR 1.1.2: By June 30, 2025, or such later date as may be established by the Bank, all General Education Schools in Georgia receive financial transfers based on the General Education Financing Model specified in DLR 1.1.1		30
	DLR 1.2.1: By December 31, 2024, the DRG Payment System has been functional for at least 12 consecutive months in a manner satisfactory to the Bank, for at least two Service Groups		10
	DLR 1.2.2: By December 31, 2026, the DRG Payment System has been functional for at least 12 consecutive months in a manner satisfactory to the Bank, for at least five Service Groups		30
	DLR 1.3: By December 31, 2026, or such later date as may be established by the Bank, Managed-entry Agreements, satisfactory to Bank, have been entered into between the Borrower, through a legally authorized body, and pharmaceutical providers or suppliers for at least 50 percent of all new single-source medicines introduced in Georgia during each year starting with calendar year 2023		US\$7.5 million equivalent for every year during which the DLR has been achieved [Total US\$30m]
	DLR 1.4: By December 31, 2023, or such later date as may be established by the Bank, the Borrower, through a legally authorized body, has adopted regulations or equivalent legal binding documents, satisfactory to the Bank, to introduce reference pricing for the purposes of setting or negotiating prices of publicly financed medicines covered under the UHC Program		20
	DLR 1.5.1: MOILHSA has adopted a decree, satisfactory to the Bank, requiring a pilot that revises the targeting formula used to identify poor families with children, determines their eligibility for poverty-targeted human capital benefits, and provides benefits under the revised formula		10
	DLR 1.5.2: MOILHSA has adopted a decree, satisfactory to the Bank, to implement nationally the revised targeting formula, after completion of the pilot referred to in DLR 1.5.1		10
	DLR 1.6: MOILHSA, through SSA, has completed the digitization of Select Social Benefit Processes resulting in a reduction of the benefit processing time from application to submission of payment orders from five to less than two months and increasing SSA's ability to calculate the Vulnerability Score on a quarterly basis		20





Disbursement Linked Indicator	Disbursement Linked Result	Allocation to DLIs and DLRs (US\$ million)
DLI 2: Adoption and implementation of appropriate quality standards for human capital services enabled across all service delivery institutions [US\$ 140m]	DLR 2.1.1: By December 31, 2023, or such later date as may be established by the Bank, the National Authorization Council for General Education has provided the authorization to operate High Schools based on the new Competency-based National Curriculum for Upper Secondary Levels	Subject to a minimum of 100 high schools and maximum of 300 High Schools authorized; US\$10,000 equivalent per school for the first 100 high schools; US\$45,000 equivalent for the next 200 High Schools [Total US\$ 10m]
	DLR 2.1.2 By December 31, 2026, or such later date as may be established by the Bank, the National Authorization Council for General Education has provided the authorization to operate to at least 600 High Schools based on the new Competency-based National Curriculum for Upper Secondary Levels	US\$100,000 equivalent per school for each additional High School authorized above the 300-High School result referred to in achievement of DLR 2.1.1, with a maximum of 300 additional High Schools authorized [Total US\$30m]
	DLR 2.1.3: By December 31, 2025, or such later date as may be established by the Bank, at least a 15 percent reduction has been achieved in the UNE Test Score rural-urban performance gap as compared to the 2021 baseline for the UNE Test Score rural-urban performance gap	20
	DLR 2.1.4: By June 30, 2024, or such later date as may be established by the Bank, MOES has adopted a new regulation for a new admissions system to transition from High School to university (which factors in school performance and university requirements).	10
	DLR 2.1.5: By October 31, 2025, or such later date as may be established by the Bank, MOES has implemented a new admission system adopted in accordance with DLR 2.1.4	20
	DLR 2.1.6: By June 30, 2026, or such later date as may be established by the Bank, the Borrower, through a legally authorized body, has provided the authorization to operate at least 200 kindergartens in rural or mountainous areas on the basis of having met the quality standards set out in the Law on Early and Preschool Education or other official document, including for nutrition, education, and physical environment; all in a manner satisfactory to the Bank	10
	DLR 2.2: MOILHSA has adopted an order or an equivalent legally binding document, satisfactory to the Bank, to define clinical	10



Disbursement Linked Indicator	Disbursement Linked Result		Allocation to DLIs and DLRs (US\$ million)
	pathways and clarify the scope of primary and hospital care for at least the following selected ambulatory-care sensitive conditions: heart disease, chronic obstructive pulmonary disease, Type 2 diabetes, and mental health conditions		
	DLR 2.3: Government of Georgia has adopted a decree, satisfactory to the Bank, to revise: (i) the type and number of services covered by the government for primary care as part of the benefits package and (ii) the performance-based payments received by primary care providers all for Selected Non-communicable Diseases in order to incentivize the appropriate level of care		20
	DLR 2.4: SESA has adopted a <i>methodology</i> , through SESA Director's order, satisfactory to the Bank and consistent with ESCO, to identify skills in shortage (including skills required for green jobs) and for skills forecasting as a basis used for referrals to vocational training and other SESA ALMPs		10
DLI 3: Inclusion of the poor and vulnerable people in social protection services [US\$ 30m]	DLR 3.1.1: Regional SESA Offices have been established with Appropriate Staff and Proper Equipment in a manner satisfactory to the Bank  [Baseline: 0 offices in calendar year 2021; Target: 11 offices at the end of calendar year 2026]		US\$454,545 for every regional SESA office subject to a maximum amount of US\$5 million [Total US\$5m]
	DLR 3.1.2: Increase in the number of Rural Jobseekers receiving Employment Support Services through Regional SESA Offices  [Baseline: 0 at the end of calendar year 2021]		US\$87,719 for every 1,000 Rural Jobseekers served by SESA starting with calendar year 2022 [Total US\$5m]
	DLR 3.2: Increase in the number of Vulnerable Unemployed Persons who participate in SESA ALMPs  [Baseline: 3,500 Vulnerable Unemployed Persons in calendar year 2021]		US\$476,190 for every 5,000 Vulnerable Unemployed Persons participating in SESA ALMPs [Total US\$10m]
	DLR 3.3.1: The revised Worknet Job-matching Portal is operational in a manner satisfactory to the Bank		5
	DLR 3.3.2: Increase in the number of vacancies posted on the revised Worknet Job-matching Portal  [Baseline: 0 vacancies as of end of calendar year 2021; Target: 50,000 in 2028]		US\$357,143 for every 10,000 vacancies posted on revised Worknet Job-matching Portal starting with calendar year 2025 [Total US\$5 m]
DLI 4: Improvements in adoption of	DLR 4.1: By December 31, 2024, or such later date as may be established by the Bank, at least 90 percent of Schools with more than 170 students across Georgia have adopted School Digital		15





Disbursement Linked Indicator	Disbursement Linked Result		Allocation to DLIs and DLRs (US\$ million)
new digital services and upgradation of existing administrative and management systems towards meeting appropriate [EU] standards for digital services [US\$ 60m]	Action Plans satisfactory to the Bank and crossed a threshold score of 75% under the infrastructure module of the Self-Reflection Tool		
	DLR 4.2: At least 80 percent of primary care providers have access to electronic health care records available with MOILHSA for at least 12 consecutive months		15
	DLR 4.3: At least 100 primary health care and ambulatory providers have provided telemedicine consultations that are covered by the UHC Program for at least 12 consecutive months		15
	DLR 4.4: An Integrated Reporting System for Social Protection, satisfactory to the Bank, is established by the IT Agency and is functioning, and can generate reports on the coverage of social and employment services administered by government agencies at the central and local levels in order to detect gaps and overlaps, reduce exclusion and inclusion errors, and improve the integration among social protection services/programs, including other governmental programs supporting households vulnerable to climate change.		15
<b>Total: Education</b>			<b>155</b>
<b>Total: Health</b>			<b>150</b>
<b>Total: Social Protection</b>			<b>95</b>
<b>TOTAL AMOUNT</b>			<b>400</b>
<b>Note:</b> Euro equivalent DLI/DLR amounts, adjusted for front-end fees are in the corresponding Loan Agreement			

### III. PROGRAM IMPLEMENTATION

#### A. Institutional and Implementation Arrangements

**53. Institutional Arrangements:** With the Program following the GoG's budget and implementation procedures, there is no need for a full-scale Program Management Unit (PMU). Rather, there would be a Program Coordination Unit (PCU) established under the Public Debt Management Department of the MOF. The PCU will monitor the implementation of the Program - including the functioning of institutional structures and processes for Financial Management and Procurement, Anti-Corruption Guidelines (ACGs), DLR verification, Grievance Redress Mechanisms (GRM), Environmental and Social Systems Assessment (ESSA) and reporting. The PCU will include focal points from the line ministries. The focal points may be key personnel from the existing I2Q and Emergency COVID-19 Response Project PMUs managing the World Bank-financed projects under MOES and MOILHSA (Emergency COVID-19 Response Project), respectively. For oversight of the functioning of the PCU, there would be a high-level "Human Capital Steering Committee," chaired by the MOF with representation by each relevant line ministry or entity responsible for delivering the results. The committee would meet quarterly (or as needed) to review progress. Key officials, including representatives from verification entities such as the SAOG would be invited to the meetings as part of reviewing progress and discussing plans for results verification. MOES and MOILHSA, in collaboration with MOF, will appoint or hire environmental and social specialists who will manage environmental and social risks by ensuring implementation of agreed actions set forth in the Program Action Plan included in the ESSA and report on the environmental and social performance under the Program.



These specialists will also monitor and evaluate delivery of the prospective climate co-benefits over the Program implementation period (see Annex 8 for details).

54. **Implementation processes:** Each sectoral ministry (MOES and MOILHSA) will have ultimate responsibility for the financial management and procurement of the activities they implement, in line with existing government arrangements. The main processes involved would be: (i) maintaining the existing financial management (FM) and Procurement procedures and regulations for the program agreed with the Bank as being suitable for PforR financing modality; (ii) facilitating the Program flow of funds from the budget through the existing channels to the ultimate beneficiaries; (iii) meeting the reporting requirements regarding the results on which the Program is based; (iv) arranging internal and external audits; and (v) acting as the contact representative with the World Bank on program implementation.
55. **Verification arrangements:** The institutions responsible for verification of DLIs and DLRs include the SAOG, MOES and MOILHSA, who will carry out verification according to verification protocols that are specified for each result. These entities are credible and have personnel with the necessary qualifications to implement the verification protocols. SAOG will perform verification where financial flows are required to be monitored as a result, whereas line ministries will carry out verification regarding DLRs for which they have established systems and procedures. The Bank will carry out due diligence on the verification of all deliverables according to the nature of DLIs/DLRs and verification arrangements.
56. **Budgeting and Planning:** The budget of the Program is included in the budgets of MOES and MOILHSA for their respective activities. The program budget and planning are prepared and approved on an annual basis following the budget procedures for ministries in the GoG. There are line items (six-digit or eight-digit codes from the Program Budget of the GoG) that would constitute the program expenditure framework (Table 4; for further details, see Technical Assessment). These would be used to define the boundaries of the required audit function.

## B. Results Monitoring and Evaluation

57. **Results monitoring for this PforR operation relies on three core elements: investments, interoperability, and continuity.** The GoG has recent and ongoing investments in digitization in relevant government functions that will support better results monitoring for the entire GoG program, much beyond the PforR Program. The recent advances and the plans to be implemented are outlined in the forthcoming, “Long-Term National Strategy for the Development of Digital Economy and Information Society and Its Implementation Plan.” This plan includes strengthening the capacity of the Information Technology Agency within MOILHSA and an Education Management Information System (EMIS) action plan. Program investments in connectivity (including schools, PHC centers, Educational Resource Centers (ERCs), learning management systems, and electronic medical records), are examples of interventions that will support the generation of data that goes into the monitoring and evaluation of results. Interoperability of systems, through the adhesion to open-source standards ensures “future-readiness” of the digitized systems and dashboards being created. The Program will enhance continuity in the monitoring of results, including continued participation of Georgia in International Large-scale Student Assessment studies and the availability of Household Survey data from GEOSTAT, the National Statistical Agency of Georgia.
58. **Monitoring and Evaluation (M&E) capacity at MOES and MOILHSA is well-developed, and the World Bank has previous experience relying on the M&E arrangements under the ongoing I2Q and Emergency COVID-19**



**Response projects.** Intermediate and final outcomes related to social assistance efficiency can be monitored relying on the TSA database and can be complemented by using the Household Income and Expenditure Survey (HIES) implemented by GEOSTAT, which captures receipt of social benefits including TSA in a nationally representative survey conducted every year. Strengthening the cooperation between SSA and GEOSTAT, to ensure that the HIES survey measures the variables entering the eligibility TSA score, would be a valuable improvement to the current monitoring arrangement, as pointed out by SSA. Intermediate and final outcomes related to the improved inclusion and labor force participation among vulnerable groups will be monitored through the SESA monitoring system and the development of an Integrated Reporting System for Social Protection (IRSSP), supported by the Program. Connectivity between central and local social registries is challenging (local registries being mainly paper based) and almost non-existent. Connecting the local and central information systems is a Program outcome that would improve the monitoring of social assistance delivery and enhance the analysis of its efficiency.

59. **The institutional arrangement of a light footprint PCU housed at the MOF with troubleshooting of problems will help to develop a permanent results culture in GoG.** There has been a previous intent for results-based budgeting in the MOF, since program-based budgeting was introduced in 2012. While program-based budgeting does have numerous advantages, for instance, supporting collaboration between hierarchically diverse government agencies working on a particular program, in the case of Georgia, it appears that the results part was not entirely consistent with supporting high performance. For example, the Program 32 02 11 (“My First Computer”), which had a budget of GEL 31.35 million (approximately US\$10 million) in the school year 2020-2021 (further increased to GEL 43 million the next year), simply states that all first graders will be provided with the computer equipment, but there is no attendant action to make sure that those computers are used adequately to enhance learning. In the case of the PforR, with a comprehensive view of Human Capital development, issues such as this come in sharp focus. With results tied together in a package of reforms for a long-term learning objective (in the case of Program 32 02 11), it is expected that there will be significant institutional learning for results-oriented functioning of government agencies.

## C. Disbursement Arrangements

60. **Disbursement projections are based on timely completion of the DLRs that have time requirements attached and estimated timing of DLRs without time requirements.** Advances are not planned to be disbursed, nor are there any defined prior actions.

**Table 4: Disbursement by calendar year and DLI (million US\$)<sup>34</sup>**

	2022	2023	2024	2025	2026	2027	Total
DLI 1	0	57.5	37.5	37.5	37.5	0	170
DLI 2	0	30	30	40	40	0	140
DLI 3	0.34	9.46	4.36	2.63	6.48	6.73	30
DLI 4	0	15	15	15	15	0	60
<b>Total</b>	0.34	111.96	86.86	95.13	98.98	6.73	<b>400</b>

<sup>34</sup> The PAD datasheet shows World Bank aggregate estimated disbursements by World Bank fiscal year (FY).



61. **Disbursement will be contingent upon the GoG furnishing evidence satisfactory to the World Bank that it has achieved the respective DLRs, and that these have been verified by the verification agency as specified in the verification protocol.** Application for withdrawal from the World Bank's financing account of amounts allocated to individual DLRs and calculated in accordance with the relevant formula will be sent to the World Bank any time after the World Bank has notified the GoG in writing that it has accepted evidence of achievement of the DLRs and the amount eligible for payment. The withdrawal amount against the DLRs achieved will not exceed the amount of the financing allocated by the World Bank for the specific DLRs.

#### D. Capacity Building

62. **Procurement capacity of MOILHSA, MOES, and their Legal Entities of Public Law (LEPLs), in terms of staffing and experience, is adequate.** The structural subordination of the units responsible for procurement under Ministries and their LEPLs are diverse. The divisions responsible for procurement are either under the administrative departments or financial-economic departments represented by four employees on average, including the head of the unit. To enhance the procurement process, monitoring, assessment and reporting, the implementation agencies will develop an in-house procurement manual for reference by the Ministry and its LEPLs, complemented by training of procurement staff at all levels. The manual should include planning, market research, monitoring the process as well as performance evaluation, post-contract review, reporting and addressing complaints. The manual will also outline improved contract management/administration coordination, strengthened analytical capacity of procurement specialists, and the development and use of procurement performance indicators.
63. **Environmental and social specialists will be appointed to ensure adequate monitoring and reporting on these aspects.** The PforR implementation arrangements require that the Borrower assigns environmental and social specialists responsible for monitoring and reporting on the ESSA Program Action Plan implementation. These specialists may receive specific or tailored training to ensure he/she can undertake the required tasks. The specialists will also monitor and evaluate delivery of the prospective climate co-benefits over the Program implementation period.

### IV. ASSESSMENT SUMMARY

#### A. Technical including program economic evaluation

64. **The Program is highly relevant to the country context.** Its strategic relevance is underpinned by three critical aspects: First, the proposed Program is at the core of the government's development strategy placing human capital at its center with a view to boosting innovations, skills, and entrepreneurship thereby helping to diversify and modernize the economy, while improving all citizens lives combined with a focus on improving productivity, human capital services and fiscal efficiencies. Second, with its cross-cutting nature, supported by the MOF, technically and politically difficult transformative reforms will be implemented, backed by government and the proposed IBRD financing. Third, the proposed Program is aligned with the World Bank's twin goals of shared prosperity and poverty reduction and further aligned with the CPF.
65. **The Program design and interventions are technically sound, adequately reflect lessons learned from relevant operations, and are aligned with the GoG programs and global good practices.** The technical design of the



Program was informed by extensive analytical sector work and a lengthy series of studies carried out by the Bank, GoG, development partners, and from academic literature as described in detail in the Technical Assessment. Besides these analytical underpinnings, approaches to each reform (and DLR result/outcome) are based on best practices from peer countries, reflecting the need to pilot or test interventions before going to scale. These best practices also reflect the sequencing of reforms, including critical aspects of the political economy and stakeholder consultations. The Program design also reflects lessons learned, including the need to use country systems and the need to implement cross-cutting human capital reforms backed by a central player like the MOF.

66. **The Program Expenditure Framework is deemed adequate and sustainable over the medium term and hence adequate for the Program.** The Program is expected to have positive impact on the country's spending efficiency. The planned expenditures are adequate to achieve the Program results and the Program's financial sustainability is ensured by the existing fiscal and budgetary arrangements, as well as Program interventions.
67. **The results of the benefit-cost analysis show that the program is economically feasible and Program investments are cost-effective.** Potential higher earnings due to gains in productivity associated with education have a net present value (NPV) of approximately US\$628 million under the Intermediate scenario as shown in Table 5 (see also Economic Analysis in Annex 3). Health savings associated with the Program – mostly captured by the lower 40 percent of the population – add an additional US\$276 million in benefits. Benefits from social protection add another US\$443 million in benefits. Restructuring of the school network, the introduction of DRG payment systems, better PHC utilization and pharmaceutical reforms are estimated to result in fiscal savings of US\$433 million. The NPV of all benefits in the intermediate scenario is estimated at US\$1,781 million.

**Table 5: Projected Gains from the Program (Economic Analysis)**

Gains due to increased productivity and savings attributed to the Program (in US\$)					
Scenario	Education	Health	Social Protection	Fiscal Savings	Total
Conservative	313,923,491	192,648,761	339,611,706	427,533,574	<b>1,273,717,533</b>
Intermediate	627,846,983	276,279,763	443,230,543	433,685,189	<b>1,781,042,478</b>
Optimistic	1,098,732,220	364,884,606	546,849,380	439,836,804	<b>2,450,303,009</b>

## B. Fiduciary

68. **Fiduciary System Assessment (FSA) of the World Bank-financed operation was conducted in accordance with the World Bank's policy on PforR financing.** The FSA considered whether the Program systems provide reasonable assurance that the financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The scope of the FSA covered the Program Institutional Framework and fiduciary management and procurement capacity as well as implementation performance, institutions, and systems responsible for anticorruption aspects within the Program. Findings from the assessment, as well as a review of existing analytical and diagnostic work, particularly the Georgia Public Expenditure and Financial Accountability (PEFA) review, conclude that the overall fiduciary and governance framework provides reasonable assurance that the financing processes will be used for the intended purposes to support the implementation of the proposed PforR. The FSA concludes that overall, the Program's fiduciary framework is adequate to provide reasonable assurance, and that the Program financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.



69. **The Program will follow the country's public financial management (PFM) systems.** The Program will use the funds flow arrangements used for the execution of the state budget. The funds will be transferred to the Treasury Single Account at the National Bank of Georgia. The disbursement will be contingent upon the Government furnishing evidence satisfactory to the Bank that it has achieved the respective DLRs. Application for withdrawal from the Bank's financing account of amounts allocated to individual DLRs and calculated in accordance with the relevant formula will be sent to the Bank any time after the Bank has notified the Government in writing that it has accepted evidence of achievement of the DLRs and the amount eligible for payment.
70. **Application of World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing.** The World Bank's Anticorruption Guidelines will be applicable to the Program as a whole. Specific requirements of the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing are the following: (i) sharing information regarding all allegations of fraud and corruption in connection with the Program, investigating all credible allegations received; reporting to the World Bank on actions taken, and cooperating in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program; (ii) the Bank's will retain a right to conduct an inquiry into allegations or other indications within the Program, independently of or in collaboration with the Borrower regarding activities and expenditures supported by the Program and the related access to require persons, information and documents will be observed in accordance with the standard arrangements for this purpose between the GoG and the Vice Presidency Integrity Department ("INT") of the Bank; and (iii) procurement entities monitoring and abiding by the World Bank's list of debarred/suspended firms. It will be the responsibility of the internal audit to monitor compliance of the different entities with this provision in terms of verifying contractors' name against the World Bank debarred/suspended list.
71. **Anticorruption Arrangements for the Program.** In terms of the institutional framework, the government has multiple institutions in place for combating fraud and corruption from preventing, reporting, detecting, investigating, prosecuting to sanction. First, within all public agencies including MOES and MOILHSA, there are special units/departments to receive and process complaints. Second, the public can report on fraud and corruption cases directly to the Office of Prosecutor General and/or to the Investigation Service of the MOF—the agency for investigating financial-economic crimes including bribery, corruption, and fraud cases. Third, there are internal audit units in each line ministry and external audit service in Georgia. Within their mandates they design audits to address fraud and corruption and, if during the audits, auditors suspect potential cases of fraud and corruption, these cases are escalated further to the attention of the Office of Prosecutor General and/or the Investigation Service of the MOF. Any bidder in the case of procurement or any person can report fraud and corruption issues to any of the government agencies mentioned above. Information can be communicated through hotlines, emails, sending messages through social networks, or by any other means. It is envisaged that during the implementation of the Program, the MOF will be consolidating reports generated by the MOILHSA and MOES units in charge of processing complaints and submit once a year the consolidated report to the Bank in form and content acceptable to the Bank.
72. **The overall fiduciary risk is rated Moderate.** The main risks and corresponding mitigation measures in financial management were considered through the review of PFM cycles. The PFM cycle has four key stages: (i) planning and budgeting, (ii) budget execution, (iii) internal controls, and (iv) auditing. The FSA focused on assessing critical elements of the PFM cycle that are relevant to the PforR Program and the implementing agencies. *Key risks identified* during the assessment were: (i) program exclusion from annual internal audit programs of





implementing entities; (ii) annual audit of PforR Program financial statements by the independent auditor under terms of reference acceptable to the Bank; (iii) risk of non-compliance with the World Bank Anticorruption Guidelines in Program-for-Results financing within the whole Program boundaries; and (iv) risk of delays and failure in procurement process.

73. **Mitigation measures.** Measures are to be implemented to mitigate the identified risks are: (i) MOES and MOILHSA Internal Audit Departments should include the Program audits into annual audit plans until the Program is fully implemented, and communicate the internal audit results including findings and recommendations to the Bank (see Annex 6); (ii) the Bank team, MOF and SAOG to agree on the audit terms of reference and including audit of the financial statements into the annual audit plan of the SAOG, audit will cover a fiscal year of the Borrower – and audited financial statements will be submitted to the Bank within 12 months of the end of each fiscal year (legal requirement); and (iii) the implementation agencies shall execute the activities in accordance with the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing. The implementation agencies will (i) share information with the World Bank regarding all allegations of fraud and corruption in connection with the Program, investigate all credible allegations received, report to the World Bank on actions taken, and cooperate in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program; (ii) monitor and abide by the World Bank's list of debarred/suspended firms (legal requirement); (iii) develop an inhouse procurement operating procedures and manual described in paragraph 62 above.
74. **Procurement exclusions.** There is no High Value Procurement to be done under the Program, and the estimated value of MOILHSA and MOES procurement of works, goods, and services under the Program does not exceed thresholds for action by the Operational Procurement and Review Committee (OPRC).
75. **Procurement Capacity.** The total annual procurement conducted by MOILHSA in 2020 was GEL 38 million covering 263 contracts, and MOES handled GEL 3.9 million in 179 contracts. Procurement capacity of the MOILHSA, MOES, and its LEPLs, in terms of staffing and experience, is adequate. The structural subordination of the procurement units under Ministries and their LEPLs are diverse. The procurement divisions are either under the administrative departments or financial-economic departments represented by four employees on average, including the head of the unit. In line with the size and procurement volume, a few LEPLs employ one procurement specialist—for example, LEPL State Agency for Employment Promotion, and LEPL IT Agency. In practice, the procurement specialists deal with every type of procurement method, have solid experience in public procurement, and can easily substitute for each other on demand. However, the market research capacity is still low. In MOES, a separate unit deals with market analysis, which creates an administrative burden during communication. All procurement specialists have been certified by the Procurement Training Centre under the State Procurement Agency (SPA) over the last two years. The monthly gross salaries of procurement specialists vary from GEL 1,000 to 2,000 depending on their grade.
76. **The Procurement Training Centre under the SPA conducts training annually for public procurement specialists, as well as potential bidders interested in public tenders.** The modules cover public procurement legislation, its practical implementation, application of the unified electronic system of public procurement, preparation of tender documentation, complaint handling mechanism, and dispute resolution mechanisms.
77. **The SPA is an independent LEPL that coordinates and monitors public procurement activities in Georgia.** It was created in 2001 and has the overall procurement oversight responsibility in the country. The Agency is headed



by a chairperson, who is appointed and dismissed by the Prime Minister of Georgia. The reorganization and liquidation of the Agency shall only be carried out by a resolution of the GoG. The GoG approves the structure and regulations of SPA and exercises state control over its activities.

78. **MOILHSA and its LEPLs act as the implementing agency of the programs related to Health and Social Affairs, and as such responsible for related procurement.** Given that the procurement function is decentralized to contracting authorities, with the SPA being an oversight body, each public institution is responsible for conducting its procurement, signing and managing the contracts. The Ministry's central apparatus has its own Division of Procurement under the Administrative Department, independent of the Economic and Financial Department. In turn, each LEPL has a procurement division or person responsible for procurement. The entire public procurement process is handled by the MOILHSA and its LEPLs, using the eProcurement system in Georgia, with SPA remaining the oversight body. MOILHSA reviews any forthcoming tenders by LEPLs with a value of more than GEL 10,000. The procurement for the programs related to Health and Social affairs are mostly conducted by the Procurement Division of MOILHSA, and through procurement units under each of its LEPLs.
79. **MOES is the implementing agency of education-related programs, and as such is responsible for the relevant procurement.** Similar to MOILHSA, the public procurement process is decentralized in MOES, meaning the central Procurement Division deals with program and administration-related procurement under the central apparatus of the MOES, and its subordinated entities handle the procurement within their designated ceilings. There are separate procurement units under each LEPL of MOES relevant to the Program.

## C. Environmental and Social

80. **Social risk is assessed as Moderate, and Environmental risk is assessed as Low.** The Program is expected to create a wide range of social benefits, such as improved coverage and access of vulnerable groups to education, healthcare, social protection, and employment services. It is anticipated that the Program will enhance social inclusion in Georgia and create equal opportunities for improved human development outcomes. The Program will not support any activities which will have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and affected people. The activities financed under the Program will not require land acquisition or the relocation of people, initiate a significant labor influx, cause adverse impacts on communities, nor create any risks of child and forced labor. The Program may support rehabilitation and retrofitting works in targeted existing school buildings and offices of social protection agencies to improve and modernize the environment for beneficiaries. Expected adverse environmental impacts of these works are minimal, temporary, confined to the work sites, well known upfront, and easy to mitigate by adhering to general good construction practice. The Program will not support any new building construction. The Program is not anticipated to cause adverse effects on gender, vulnerable groups, poverty, and equity. It intends to address some inequities.
81. **It is anticipated that the Program will strengthen the delivery system's reach to target beneficiaries, ensuring access to human capital services and benefits for vulnerable and disadvantaged persons and families.** Thus, the Program will contribute to bolstering Georgia's overall human capital capacity. While the Program intends to create overall positive social effects and improve the delivery of services to vulnerable groups, there may be residual social risks associated with adequacy of targeting eligible vulnerable groups, thus leading to potential exclusion of certain eligible beneficiaries from the Program benefits. In addition, this is the first PforR in Georgia, and there may be a risk associated with the capacity of the Borrower to effectively coordinate social inclusion efforts by various implementing entities. These residual risks of potential social exclusion from the Program





benefits can be associated with the Results Area 1: Efficiency for better value for money of human capital expenditures and Results Area 2: Inclusion for quality of human capital expenditures for all beneficiaries and have been considered in the ESSA. One additional risk that comes with planned digitalization of social service provision by the Human Capital Program is the growth of e-waste volumes in the medium- and long-term perspective. Introducing the principles of circular economy along with the ongoing development of solid waste management infrastructure will allow Georgia to better handle the rising volume of e-waste. Georgia's Waste Management Code (2014) puts minimization of waste volumes and recycling higher in the waste management pyramid than its disposal, and provides regulatory frames for enforcing producers' extended responsibility, all of which creates an enabling environment for sustainable management of e-waste. Gradual enhancement of circularity in Georgia's economy and the ongoing expansion of waste management infrastructure will be monitored throughout PforR implementation for the assurance of the GoG's lasting commitment and due action.

82. **Some positive long-term environmental outcomes may be achieved through broadening the range of digital technology applications and improving quality and accessibility of education.** Digital connectivity is expected to reduce travel and related carbon emissions, while improved quality of education would raise public awareness of global challenges, including climate, and would lead to behavioral change over time. Improved delivery of social services to disadvantaged groups implies provision of safe, healthy, and accessible premises for schools and primary health institutions in rural, mountainous, and remote areas.
83. **The implementing agencies of the Program – MOES and MOILHSA – have experience with implementation of World Bank IPF operations.** This includes two projects currently under implementation, one dealing with enhancing the quality of education in Georgia, and the Emergency COVID-19 Response Project providing support to health centers and social assistance to the vulnerable groups affected by the economic impacts of COVID-19. Both projects have satisfactory environmental and social performance and have dedicated environmental and social specialists in the respective project implementation units.
84. **The ESSA was carried out for the Program to assess the national, legal, and institutional systems and implementation practices associated with social inclusion in education, health, social protection, pollution prevention, and community health and safety with a focus on the identified social and environmental aspects of the Program.** There were consultations with MOF, MOES, MOILHSA, SESA, SSA, Ministry of Environmental Protection and Agriculture, and organizations in Georgia that directly work with Program beneficiaries. Overall, the ESSA found that Georgia has a relatively well-developed policy and legal framework on education, health, and social protection, and some of its elements specifically target vulnerable and disadvantaged groups identified under the Program. Laws and policies aimed at protecting and assisting vulnerable persons exist in the country's legal framework but monitoring of their implementation is insufficient due to the inadequate capacity of responsible agencies. Identified gaps are related to the implementation of TSA and, more specifically, its targeting formula and accessibility of TSA application procedures in the languages of ethnic and minorities; the capacity of SESA to implement ALMPs; and the budget allocations for employment programs. Hence the scale of ALMPs including professional skills training is small. In education, the main identified gaps are associated with the availability of instruction and teaching materials in the minority languages, and in the means accessible to children with disabilities. The "Self-reflection on Effective Learning by Fostering the use of Innovative Educational Technologies" (SELFIE) tool is currently only available in Georgian and Russian languages, and not in Azerbaijani and Armenian languages. While stakeholder engagement practices and grievance mechanisms exist at the national level and within Program implementing institutions, it appears that implementation practices lag and that vulnerable groups are often not adequately included in stakeholder engagement activities. While the



Environmental Assessment Code (2017) is mostly aligned with the EU standards, it does not provide for applying due diligence to small-scale civil works such as refurbishment of the existing buildings. While in most cases such works carry indeed negligible environmental risks, in rare situations rehabilitation of the existing buildings may have tangible negative environmental impacts that go below the radars of the Environmental Assessment Code.

85. **The ESSA identified a set of actions to be included in the Program Action Plan.** The PforR implementation arrangements will require that MOES and MOILHSA, in cooperation with MOF, assign or hire qualified environmental and social specialists responsible for monitoring and reporting on implementation of the ESSA Program Action Plan. Reporting will include provision of information about (i) availability of TSA, eligibility criteria, and application process in Azerbaijani and Armenian languages, and in means accessible to persons with disabilities; (ii) availability of Worknet Portal in Azerbaijani and Armenian languages, and in means accessible to persons with disabilities; (iii) availability of the school-level assessment tool (such as SELFIE tool) in Azerbaijani and Armenian languages; (iv) progress made by MOILHSA in strengthening the grievance mechanism for SSA, SESA, NHA, and the Regulation Agency for Medical and Pharmaceutical Activities (RAMPA); (v) progress made by MOES in strengthening its grievance mechanism in line with the Code on the Rights of a Child; (vi) outcomes of screening applied to the designs of building rehabilitation to ensure that only low risk physical works are supported by the Program; and (vii) outcomes of screening applied to the buildings selected for rehabilitation with the purpose of ensuring that either they are already universally accessible or will be retrofitted for universal access as part of the rehabilitation works. The draft ESSA was disclosed in the English and Georgian languages on December 1, 2021, and December 3, 2021, respectively on the external website of the Bank, and the website of the Bank's country office in Georgia, and public comments were solicited during a defined period. The Bank carried out consultations with stakeholders on the draft ESSA report in a series of targeted virtual events between December 6 through December 16, 2021. The final ESSA was disclosed on February 21, 2022.
86. **Citizen Engagement and Grievance Mechanism:** The key relevant legislation pieces on public participation, stakeholder engagement, information disclosure, and handling of grievances include the Constitution of Georgia, General Administrative Code, the Environmental Assessment Code, and the Rules of Procedure of the Parliament. The Administrative Code of Georgia provides for the detailed procedures to submit, register, respond to and address grievances. These procedures apply to institutional entities under the MOES and MOILHSA, including SSA and SESA. MOILHSA and MOES operate a hotline system where beneficiaries can report any complaints associated with social services and education provision. Regulations are not explicitly covering access of vulnerable groups to grievance redress mechanisms or public consultations. The Program will carry out extensive stakeholder engagement activities to enable beneficiaries to provide feedback on the social, health and education services. In addition, the actions under the Program will require the Borrower to specifically target vulnerable groups in the consultations and outreach activities under the Program. These will include targeted focus groups, beneficiary surveys, and citizen report cards to ensure priority needs are addressed and program activities are most relevant for vulnerable persons and households. In the area of education, the Program will carry out school meetings to collect feedback/suggestions from students and parents on their priorities and opinions to influence SELFIE outcomes. The design of the Worknet job portal will include a participatory survey to provide feedback and suggestions of job seekers and employers themselves. The collected data will be analyzed, and the PCU will annually publish the key results, including actions taken to address the feedback received from the beneficiaries, on a website of one of the implementing agencies.
87. **Gender analysis undertaken during the preparation has identified specific gender gaps that will be tackled by the Program to ensure that human capital potential is equally converted into economic opportunities.** As



highlighted in the analysis section, Georgia faces significant challenges in women's engagement in STEM disciplines at the higher education level as well as their participation in the labor force. Females also lag in terms of access to the internet and digital technologies. Negative gender stereotypes in educational materials, and traditional and social norms and behaviors frequently work against girls and women when it comes to education and career choices. While NCDs constitute the main burden of disease for both women and men and are estimated to account for 93 percent of all deaths in Georgia, there are important gender differences in health risk factors and accessing services between men and women. Furthermore, gender inequalities are more prevalent and common in rural areas and places settled by ethnic minorities.

**88. Given the foregoing, the Program has identified targeted actions to bridge the existing gender gaps in education, health, and social protection.** Specifically, DLR 2.1 focuses on developing a gender-responsive school curriculum across all grades to ensure that the gender perspective is properly integrated into the school program and that the new curriculum is discrimination-free and balanced. The Program envisions collaboration with local CSOs and UN Women to support the teachers by increasing their qualification for gender-responsive teaching. DLRs 3.1 and 3.3 focus on women's inclusion in economic activities to shrink the existing 19 percent labor force participation gap. Activities under these two DLRs will increase the share of women participating in the active labor market programs as well as strengthen the capacity and employment service delivery model of SESA to serve vulnerable job seekers. To improve girls' digital literacy and increase their opportunities in technologies, the Program will ensure that girls and boys are equally included in the proposed School Digital Action Plans (DLR 4.1). In addition, the Program envisages collaboration with the Bank-funded Georgia I2Q Project through the extra-curricular activities to promote STEM activities for girls at school level. To shrink the digital gender divide, the Program will engage with line ministries to improve beneficiaries' digital competencies by providing training opportunities and implementing various targeted awareness raising outreach campaigns on the benefits of the improved information systems (DLI 4). DLR 2.2 promotes equal access to PHC systems through the following actions: (i) reduction of the cost of medicines, including for NCDs; and (ii) benefits package and performance financing to increase PHC use (including preventive care). The Program will ensure continuity of the MOES's established good practices by implementing a gender-responsive school financial model (DLR 1.1); equal access to kindergartens and impartial and discrimination-free university admission system (DLR 2.1). Proposed activities will be monitored through the respective gender-disaggregated indicators.

**89. Communities and individuals who believe that they are adversely affected because of a Bank-supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the Program's grievance redress mechanism or the Bank's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Affected communities and individuals may submit their complaints to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, because of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit <http://www.inspectionpanel.org>.

## V. RISK

**90. The overall residual risk is rated Substantial,** primarily based on Substantial residual risks pertaining to political



and governance environment, sector strategies and policies, and technical design.

91. **Political and governance risks are rated Substantial.** Overall, Georgia is enjoying democratic and social stability, with occasional public demonstrations and volatility impacting stability. Additionally, the ongoing dispute regarding the occupied territories induces political and economic instability impacting political and government stability. Moreover, sometimes changes in government lead to a shift in policies. The mitigation measure is to select elements in the Program design that have broad political acceptance and to avoid elements that could be politically contentious.
92. **Sector strategies and policies are rated Substantial.** The human capital sectors remain vulnerable to the continued effect of the pandemic and changes in government and subsequent changes in policy priorities and policy directions. Such changes have continuously impacted the effectiveness of sectoral policies. Aspirations to apply for EU membership by 2024 provide a driving force towards the alignment of policies, norms and standards. However, short-lived policy changes and outside political interference would likely continue to impact the effectiveness of policy implementation and execution. Systems connectivity across the three different sectors and the levels of government also poses a substantial risk. As a mitigation measure, the Program seeks to enhance long term disease surveillance beyond the current pandemic and to develop stronger capabilities for teachers and other education actors to deal with distance learning. The upcoming adoption and implementation of a government-wide digital strategy will facilitate system connectivity across government agencies. However, other sector risks remain, such as inertia of established teaching practices in education or problems reaching deals with the private sector regarding pharmaceuticals.
93. **Technical design of program is rated Substantial.** The far-reaching transformation targeted by the Program is difficult from political and technical perspectives – it will require political commitment to adhere to the technical design. Faltering in commitment and ensuing design modifications would put the targeted transformative outcomes at risk. Mitigation measures include the following: (i) policies underlying the Program are informed substantively by a series of analytical and advisory services; (ii) the Program is designed to make maximum use of existing Bank-financed operations; and (iii) the Program itself has minimal inter-dependent moving parts. Additionally, the Program will strengthen the capacity of implementing agencies in the targeted results areas. The implementation risks regarding interoperable IT systems will be reduced by the ongoing migration to the cloud and associated common standards for data management under required privacy controls and cybersecurity.



## ANNEX 1. RESULTS FRAMEWORK MATRIX

### Results Framework

COUNTRY: Georgia  
Georgia Human Capital Program

#### Program Development Objective(s)

To make the human capital delivery system in Georgia more efficient and inclusive.

#### Program Development Objective Indicators by Objectives/Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Outcome 1: To make the HC delivery system more efficient								
Percentage of annual out-of-pocket spending on health care that is allocated to medicines (Percentage)		69.00		60.00		50.00		40.00
Number of schools that meet minimum quality standards (Number)	DLI 2	0.00	100.00	300.00	350.00	400.00	500.00	600.00
Percentage of TSA benefits going to households in the poorest quintile (Percentage)		70.00	70.00	75.00	80.00	83.00	85.00	85.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Outcome 2: To make the HC delivery system more inclusive								
Reduction in the rural urban gap in UNE scores (Percentage)		14.00						10.00
Share of vacancies filled through the Worknet job-matching portal (Percentage)		0.00	0.00	0.00	21.00	25.00	34.00	42.00
Average number of outpatient consultations per person per annum at PHC providers (Number)		3.60		3.70		3.80		4.00



### Intermediate Results Indicator by Results Areas

Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Efficiency for better value for money of human capital expenditures								
National average student-teacher ratio in public schools (Number)		9.85	10.25	11.00				12.00
Adoption of regulation specifying the institutional arrangements for DRG implementation (Text)		No						Yes
Percentage of municipalities/SSA offices that use the automated TSA registry to process TSA applicants registration, beneficiary selection, program enrollment, and payment orders (Percentage)		0.00	0.00	15.00	40.00	70.00	90.00	100.00
Share of TSA applications that are submitted electronically through an online intake system (Percentage)		0.00	0.00	5.00	10.00	15.00	20.00	30.00
Percentage of households in the TSA registry that have been screened for eligibility using the revised PMT formula agreed with the		0.00	0.00	20.00	40.00	60.00	80.00	100.00





Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
World Bank (Percentage)								
Share of households in the TSA registry whose PMT score is updated at least quarterly (Percentage)		0.00	0.00	20.00	40.00	60.00	80.00	80.00
Average number of days needed to determine the eligibility status of TSA applicants and submit benefit payment orders (Days)		150.00	150.00	90.00	65.00	55.00	55.00	55.00
<b>Inclusion for quality of human capital expenditures for all beneficiaries</b>								
Adoption of gender responsive curricula in the new secondary education curriculum (Text)		No	YES	YES	YES	YES	YES	Yes
Percentage of female enrollment in IT related courses under new Upper Secondary curriculum (Percentage)		0.00	0.00	10.00	20.00	20.00	30.00	30.00
Implementation of new competency based curriculum in phased implementation in authorized High Schools (Number)		0.00	0.00	300.00	350.00	400.00	500.00	600.00
National roll out of New admission system for universities (Text)		No	No	No	MOES has adopted a new regulation for a new admissions	National roll-out of admission system	National roll-out of admission system	National roll-out of admission system



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
					system to transition from high school to university (which factors in school performance and university requirements).			
Percentage of university admissions coming from regions with rural population greater than 50% (Percentage)		10.00						20.00
Kindergartens in rural or mountainous areas meeting quality standards (Number)		0.00	50.00					200.00
Percentage of primary care providers implementing the revised primary care benefits package and payment model (Percentage)		0.00		40.00		80.00		95.00
Percentage of newly listed on-patent medicines for which a managed entry agreement was signed in the past year (Percentage)		0.00		10.00		30.00		50.00
Number of administrative regions with at least one SESA service center adequately staffed and equipped (Number)	DLI 3.1	0.00	6.00	8.00	10.00	11.00	11.00	11.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Number of employers registered in Worknet (Number)		702.00	1,000.00	1,500.00	2,000.00	2,500.00	3,000.00	4,000.00
Number of rural jobseekers receiving consultations, profiling and registration through SESA mobile teams (Number)		0.00	0.00	2,000.00	6,000.00	9,000.00	16,000.00	20,000.00
Number of female rural jobseekers receiving consultations, profiling and registration through SESA mobile teams (Number)		0.00	0.00	1,000.00	3,000.00	5,000.00	8,000.00	10,000.00
Number of vacancies posted on worknet (Number)		8,321.00	10,000.00	15,000.00	20,000.00	30,000.00	40,000.00	50,000.00
Number of beneficiaries of SESA ALMPs (Number)	DLI 3.2	6,330.00	7,000.00	10,000.00	20,000.00	30,000.00	40,000.00	45,000.00
Female beneficiaries of SESA ALMPs (Number)		3,579.00	4,000.00	5,000.00	10,000.00	15,000.00	20,000.00	27,500.00
Number of beneficiaries of SESA ALMPs who are TSA recipients (Number)		2,322.00	3,000.00	4,000.00	9,000.00	16,500.00	24,000.00	30,000.00
Number of beneficiaries of ALMPs who are IDP (Number)		485.00	600.00	1,000.00	2,000.00	3,000.00	4,000.00	6,000.00
Number of ALMP beneficiaries who are with disabilities		380.00	600.00	1,000.00	2,000.00	3,000.00	4,000.00	5,000.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
(Number)								
Number of young beneficiaries of SESA ALMPs (Number)		2,205.00	3,000.00	4,000.00	9,000.00	15,000.00	22,000.00	27,000.00
A methodology to identify skills shortage, including in green jobs, and for skills forecasting is developed and adopted (Text)		No	No	Yes	Yes	Yes	Yes	Yes
Number of beneficiaries who receive individualized employment assistance/counseling from SESA through the new employment model, disaggregated by gender and vulnerability status (Number)		2,444.00	2,500.00	5,000.00	10,000.00	20,000.00	30,000.00	40,215.00
Number of female beneficiaries (Number)		1,200.00	1,500.00	2,500.00	5,000.00	7,500.00	10,000.00	20,000.00
Number of beneficiaries of short term vocational training through SESA, disaggregated by gender and vulnerability status (Number)		2,010.00	2,010.00	5,000.00	10,000.00	15,000.00	18,000.00	20,110.00
Number of female beneficiaries (Number)		1,140.00	1,200.00	2,500.00	5,000.00	7,500.00	9,000.00	10,055.00
Percentage of the population that reports at		21.00		25.00		35.00		40.00



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
least one visit to a primary health care facility in the past year (Percentage)								
Number of SESA beneficiaries who find a job through SESA services and programs (Number)	2,480.00	2,900.00	3,750.00	6,250.00	8,750.00	11,250.00	12,500.00	
Number of female beneficiaries who find a job (Number)	1,469.00	1,600.00	1,875.00	3,125.00	4,375.00	5,625.00	6,250.00	
Number of TSA beneficiaries who find a job thanks to SESA services (Number)	753.00	1,000.00	1,350.00	2,500.00	3,400.00	5,700.00	6,900.00	
Number of IDP beneficiaries who find a job (Number)	96.00	100.00	150.00	250.00	270.00	350.00	400.00	
Number of beneficiaries with disabilities who find a job (Number)	63.00	145.00	180.00	300.00	375.00	500.00	625.00	
<b>Connectivity of digital systems across all areas of human capital provision</b>								
Share of teachers using electronic system for recording formative assessment of students (Percentage)	0.00			10.00		30.00	50.00	
Percentage of schools with at least 170 students in satisfactory implementation of school digital education	0.00	20.00	70.00				90.00	



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
action plans (Percentage)								
Percentage of primary care providers that are linked to the digital network, including any use of electronic health records and any reported provision of telemedicine consultations, in the past year (Percentage)		0.00		30.00		60.00		95.00
The new Worknet is launched and operational (Yes/No)		No	No	Yes	Yes	Yes	Yes	Yes
Number of vacancies posted on the revised Worknet job matching portal (Number)	DLI 3.3	0.00	0.00	0.00	25,000.00	35,000.00	45,000.00	50,000.00
IRSSP generates reports on benefit coverage of local and central social benefits (Yes/No)		No	No	No	Yes	Yes	Yes	Yes
On a yearly basis SESA conducts workshops with relevant stakeholders to discuss and update the action plan developed by SESA to address feedback received from beneficiaries of SESA services and progr (Yes/No)		No	Yes	Yes	Yes	Yes	Yes	Yes



Indicator Name	DLI	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
SESA publishes annual reports summarizing the feedback received from Worknet registered users' and ALMP beneficiaries on services provided by SESA and on actions taken to address the feedback (Yes/No)		No	Yes	Yes	Yes	Yes	Yes	Yes





**Monitoring & Evaluation Plan: PDO Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of annual out-of-pocket spending on health care that is allocated to medicines	This indicator measures the share of medical expenditures in households' total out-of-pocket health expenditure.	Annual	Household Budget Survey	Data on household expenditures is collected using income surveys, household income, and expenditure surveys, or living standard measurement surveys.	GEOSTAT
Number of schools that meet minimum quality standards	This is a calculation of the number of schools that meets the minimum quality standards established by the MOES.	Annual	NCEQE	Authorization Council Decisions	MOES
Percentage of TSA benefits going to households in the poorest quintile	Share of targeted social assistance benefits (inclusive of child allowance) received by people in the bottom quintile of the population's consumption distribution over TSA total benefit expenditures.	Annual	HIES	The consumption aggregate used to rank households across quintiles is the one generated by ECAPOV team in partnership with GEOSTAT, net of all social assistance transfers. Estimates on the share of budget are obtained applying the ADePT methodology.	GEOSTAT
Reduction in the rural urban gap in UNE scores	UNE scores for foreign languages, science and mathematics - baseline (2019) absolute values	Annual	NAEC	Annual reports	MOES, MOILHSA



	were 44 and 30 for urban and rural areas (difference of 14), this difference would be reduced to 10.				
Share of vacancies filled through the Worknet job-matching portal	Percentage share of vacancies posted on Worknet in the reporting period that have been filled through recruitment of a Worknet-registered jobseeker (where the worknet-registered jobseeker was registered on Worknet before the date of posting of the vacancy), out of all vacancies posted in the same period. The denominator will include also vacancies that have subsequently been canceled, closed, removed.	Biannual	SESA	Reports generated by SESA	MOILHSA
Average number of outpatient consultations per person per annum at PHC providers	The indicator shows the average number of per capita outpatient visits to the primary health care facilities of MoILHSA and private providers.	Annual	MOILHSA administrative data	Data are collected from medical records on type of providers seen; reason for visit; diagnoses; and selected procedures and tests performed during the visit	National Center for Disease Control and Public Health



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

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
National average student-teacher ratio in public schools	This indicator will measure and monitor the national average student-teacher ratio in public schools as a proxy for greater efficiency with a target of 12 by 2021 from a baseline of 9.85 (June 2021) and monitored annually using EMIS	Annual	EMIS	EMIS with analysis of collected data.	MOES
Adoption of regulation specifying the institutional arrangements for DRG implementation	This indicator tracks that necessary regulation is adopted to be able to use the DRG system for paying selected services provided by the hospitals.	Once	MOILHSA	By sharing a copy of the regulation adopted.	MOILHSA
Percentage of municipalities/SSA offices that use the automated TSA registry to process TSA applicants registration, beneficiary selection, program enrollment, and payment orders	This indicator tracks the share of municipalities/SSA offices that use the automated social registry to process TSA applicants registration, beneficiary selection, program enrollment, and payment orders	Annual	SSA's administrative records	Annual reports generated by SSA	MOILHSA
Share of TSA applications that are submitted electronically through an online intake system	Number of applications for the social registry TSA and other social benefits (first stage declaration forms)	Annual	SSA	Reports by SSA	MOILHSA



	<p>that are submitted online through an online intake system, divided by the total number of applications submitted in the same time period.</p> <p>This indicator monitors the usage of the online intake system as a substitute for the baseline modality, occurring through in-person application with social agents in local SSA offices</p>				
<p>Percentage of households in the TSA registry that have been screened for eligibility using the revised PMT formula agreed with the World Bank</p>	<p>The indicator is measured as the number of total applications received nationwide that have been screened and assessed based on the revised PMT, divided by the total number of applications received nationwide (from both old and new system).</p> <p>The intermediate targets starting 2024 refers nationwide values; intermediate values in 2022 and 2023 refer to the pilot municipalities only.</p>	<p>Annual</p>	<p>SSA administrative data</p>	<p>Reports from SSA</p>	<p>MOILHSA</p>



Share of households in the TSA registry whose PMT score is updated at least quarterly	The indicator is calculated as the number of households present in the Database for Socially Vulnerable Households (TSA registry) whose PMT score has been recalculated on a quarterly basis based on up-to-date values of income, water, gas and electricity expenditures, real estate ownership, scholarships and other social assistance benefits, divided by the total number of households present in the DTSA registry.	Annual	SSA administrative data	Reports from SSA	MOILHSA
Average number of days needed to determine the eligibility status of TSA applicants and submit benefit payment orders	The indicator measures the average time between the submission of applications for certification/recertification of household's eligibility status for TSA and the day SSA submit the payment order to the Bank agency (now Liberty Bank) for the first TSA benefit payment for eligible households.	Biannual	SSA	SSA administrative records and reports.	MOILHSA
Adoption of gender responsive curricula in the new secondary education	This indicator monitors the progress of integration of	Annual	MOES	Project report and documents	MOES



curriculum	gender perspective in the new curriculum				
Percentage of female enrollment in IT related courses under new Upper Secondary curriculum	This indicator tracks the proportion of female students enrolled in IT related courses under new Upper Secondary curriculum	Annual	EMIS	EMIS with analysis of collected data.	MOES
Implementation of new competency based curriculum in phased implementation in authorized High Schools	Authorization will be registered by NCEQE. Implementation of the competency based curriculum will be carried out grade by grade, with two years per grade. The indicator will capture the status of implementation according to the phased plan.	Every two years	EMIS	EMIS	MOES
National roll out of New admission system for universities	This indicator will assess and monitor that a 15 percent reduction has been achieved in the UNE Test Score rural -urban performance gap by December 2025 as compared to the 2021 baseline and a new admission system for universities has been launched by June 2024.	Will be assessed twice once the pilot has been launched and once when the new system has been rolled out nationally.	NAEC	Annual Reports	MOES



Percentage of university admissions coming from regions with rural population greater than 50%	This indicator will monitor and measure the percentage of university admissions coming from regions with rural population greater than 50%	Annual	EMIS	EMIS and analysis.	MOES
Kindergartens in rural or mountainous areas meeting quality standards	This indicator will monitor and measure the number of kindergartens in rural or mountainous areas meeting quality standards	Annual	NCEQE	Council decisions	MOES
Percentage of primary care providers implementing the revised primary care benefits package and payment model	This indicator tracks the share of PHC facilities that provided the health care services specified under the benefit package and whether these facilities are paid based on a performance-based payment scheme by MOILHSA.	Annual	MOILHSA and National Health Agency	MOILHSA and National Health Agency administrative data	MOILHSA and National Health Agency
Percentage of newly listed on-patent medicines for which a managed entry agreement was signed in the past year	This indicator tracks the share of managed-entry agreements among the contractual agreements signed for the single-source medicines included in the benefits package every year.	Annual	MOILHSA	Copy of contracts from MOILHSA	MOILHSA
Number of administrative regions with at least one SESA service center adequately	Number of administrative regions of the country with	Annual	SESA	Reports from SESA	MOILHSA





staffed and equipped	<p>at least one active SESA service center. Criteria to consider a SESA service center active and adequately staffed are the following:</p> <ul style="list-style-type: none"> <li>• at least 12 full-time specialists for at least 12 months in small regions (population &lt; 200,000 people: Samtshkhe-Javakheti, Guria, Mtskheta-Mtianeti, , Racha-Lechkhumi and Kvemo Svaneti )</li> <li>• at least 16 specialists in medium size regions (Adjara, Kakheti, Kvemo Kartli, Shida Kartli)</li> <li>• at least 20 specialists in each service center in large regions (Tbilisi, Samegrelo-Zemo Svaneti, Imereti)</li> </ul>				
Number of employers registered in Worknet	Number of employers with a profile on worknet (stock variable: average during the reporting period)	Annual	Worknet	SESA reports	MOILHSA
Number of rural jobseekers receiving consultations, profiling and registration through SESA mobile teams	"Rural" jobseekers are those registered jobseekers who do not live in municipalities where SESA offices are located. The	Bi-annual.	SESA	Reports from SESA.	MOILHSA/SESA.



	indicator is calculated as the number of beneficiaries from remote areas or municipalities without SESA offices who receive in person counseling, profiling services, information on SESA services, registration in Worknet and referral to ALMPs delivered via SESA mobile teams in one year. The targets represent expected total number of beneficiaries reached per year.				
Number of female rural jobseekers receiving consultations, profiling and registration through SESA mobile teams	Same as parent indicator.				
Number of vacancies posted on worknet	Number of vacancies posted on Worknet during one calendar year, from January to end of December, including both open and closed postings during the reporting period.	Annual	Worknet	Reports from SESA	MOILHSA
Number of beneficiaries of SESA ALMPs	Total number of beneficiaries receiving SESA ALMPs defined as: internships, subsidized employment, referrals to	Annual	SESA	Reports from SESA	MOILHSA



	job vacancies, individualized counseling, intermediation services, short term vocational training, competency training (excluding participants in job fairs) over the reporting period (last twelve months). The baseline value may include double counting in case the same individual received more than one service.				
Female beneficiaries of SESA ALMPs	Same as parent indicator	Annual	SESA	Reports from SESA	MOILHSA
Number of beneficiaries of SESA ALMPs who are TSA recipients	Same as parent indicator	Annual	SESA	Reports from SESA	MOILHSA
Number of beneficiaries of ALMPs who are IDP	Same as parent indicator	Annual	SESA	Reports from SESA	MOILHSA
Number of ALMP beneficiaries who are with disabilities	Same as parent indicator	Annual	SESA	Reports from SESA	MOILHSA
Number of young beneficiaries of SESA ALMPs	Same as parent indicator	Annual	SESA	Reports from SESA	MOILHSA
A methodology to identify skills shortage, including in green jobs, and for skills forecasting is developed and adopted	SESA has developed and adopted a methodology satisfactory to the Bank to identify skills in shortage (including skills required in green jobs) and for skills forecasting as a basis used for referrals to vocational training.	Annual	SESA, Skills Agency	Reports	MOILHSA



	The DLR is met when the verification satisfies the criteria in the verification protocol				
Number of beneficiaries who receive individualized employment assistance/counseling from SESA through the new employment model, disaggregated by gender and vulnerability status	Total number of people receiving the service in the reporting period. Target is Values at baseline:1,585, of which 733 women, 527 TSA, 293 IDP, 288 PWD	Annual	SESA	Reports from SESA	MOILHSA
Number of female beneficiaries	Same as parent indicator				
Number of beneficiaries of short term vocational training through SESA, disaggregated by gender and vulnerability status	Total number of people receiving the service in the reporting period. Values at baseline: Number of jobseekers in vocational training 757 of which female: 550, TSA: 197, IDP: 58, PWD: 21, youth: 321	Annual	SESA	Reports from SESA	MOILHSA
Number of female beneficiaries	Same as parent indicator				
Percentage of the population that reports at least one visit to a primary health care facility in the past year	This indicator tracks the share of the population that reports at least one visit to a primary health care facility in the past year	Triannual	Healthcare Utilization and Expenditure Survey	Household surveys	GEOSTAT
Number of SESA beneficiaries who find a job through SESA services and programs	The indicator is defined as the number of beneficiaries of intermediation services, referral to employers ,	Annual	SESA and Revenue Service data on earnings	SESA reports , tracer studies	SESA



	individualized counseling, internships, subsidized employment and short term vocational training subsidized by SESA who find a job within 6 month from completing the program/receiving the employment service.				
Number of female beneficiaries who find a job	Same as parent indicator				
Number of TSA beneficiaries who find a job thanks to SESA services	Same as parent indicator				
Number of IDP beneficiaries who find a job	Same as parent indicator				
Number of beneficiaries with disabilities who find a job	Same as parent indicator				
Share of teachers using electronic system for recording formative assessment of students	This indicator will monitor and measure the share of teachers using electronic system for recording formative assessment of students	Annual	MOES	Project report	MOES
Percentage of schools with at least 170 students in satisfactory implementation of school digital education action plans	This indicator will be monitored using the SELFIE or equivalent tool sub-indicator for infrastructure. To be classified as satisfactory, the school needs to cross threshold of at least 75% on the infrastructure measure.	Annual	MOES	Project report	MOES



Percentage of primary care providers that are linked to the digital network, including any use of electronic health records and any reported provision of telemedicine consultations, in the past year	This indicator aims to track the share of primary care providers that are linked to the digital network and whether they use electronic health records and provide telemedicine consultations.	Annual	Administrative data	Reports from MOILHSA	MOILHSA
The new Worknet is launched and operational	By December 2023 the new Worknet Job-matching Portal is launched and operational in a manner satisfactory to the Bank	Annual	SESA	Reports from SESA	MOILHSA
Number of vacancies posted on the revised Worknet job matching portal	Number of vacancies opened and posted on the revised Worknet job matching portal.	Annual	Administrative data - Worknet	Reports	SESA
IRSSP generates reports on benefit coverage of local and central social benefits	By December 31, 2025 an Integrated Reporting System for Social Protection established by the IT Agency is operational and generates reports on coverage of social and employment services administered at both central and local levels in order to detect program gaps and overlaps, reduce exclusion and inclusion errors and improve the integration of	Annual	SSA	Reports	MOILHSA



	services/programs				
On a yearly basis SESA conducts workshops with relevant stakeholders to discuss and update the action plan developed by SESA to address feedback received from beneficiaries of SESA services and progr	The indicator tracks SESA progress on developing, consulting and updating annual action plans proposing measures/changes to address feedback received from beneficiaries wither electronically, on paper, through hotlines/phone.	annual	SESA	Arranging consultative workshops.	SESA
SESA publishes annual reports summarizing the feedback received from Worknet registered users' and ALMP beneficiaries on services provided by SESA and on actions taken to address the feedback	The indicator measures the citizen engagement in SESA services. The annual reports will be published in SESA website to summarize the satisfaction surveys conducted to collect feedback on services and ALMPs implemented by SESA and on how users' feedback is addressed in the delivery and quality of services. The indicator is "yes" when SESA documents how the feedback received is addressed through the implementation of activities part of an action plan that needs to be	Annual.	SESA	Feedback and satisfaction surveys administered both online and on paper by SESA to Worknet registered users and ALMP beneficiaries.	SESA





	developed in consultation with key stakeholders specifically to take into account feedback received				
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## ANNEX 2. DISBURSEMENT LINKED INDICATORS, DISBURSEMENT ARRANGEMENTS AND VERIFICATION PROTOCOLS

### Disbursement Linked Indicators Matrix

<b>DLI 1</b>	Improvement of Government spending efficiency through adoption and implementation of appropriate administrative and financing mechanisms			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Output	Yes	Text	170.00	42.50
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
by year 1 (2023)	DLR 1.5.1: MOILHSA has adopted a decree, satisfactory to the Bank, requiring a pilot that revises the targeting formula used to identify poor families with children, determines their eligibility for poverty-targeted human capital benefits, and provides benefits under the revised formula. DLR 1.6: MOILHSA, through SSA, has completed the digitization of Select Social Benefit Processes resulting in a reduction of the benefit processing time from application to submission of payment orders from five to less than two months and increasing SSA's ability to calculate the Vulnerability Score on a quarterly basis.		30.00	US\$10 million for DLR 1.5.1; US\$20 million for DLR 1.6
by year 2 (2024)	DLR 1.4: By December 31, 2023, or such later		20.00	US\$20 million DLR 1.4



	date as may be established by the Bank, the Borrower, through a legally authorized body, has adopted regulations or equivalent legally binding documents, satisfactory to the Bank, to introduce reference pricing for the purposes of setting or negotiating prices of publicly financed medicines covered under the UHC Program		
by year 3 (2025)	DLR 1.1.1: By June 30, 2024, or such later date as may be established by the Bank, MOES has: (i) carried out a study in at least three Mountainous Regions, three Rural Regions, and three Urban Regions, to calculate the per student operational costs and financing requirements for Selected Educational Networks to provide the Competency-based National Curriculum for Upper Secondary Levels; and (ii) prepared a report based on the findings of the study, detailing a General Education Financing Model, satisfactory to the Bank, including criteria for adequate quality of educational inputs and efficiency of government spending. DLR 1.1.2: By June 30, 2025 or such later date as may be established by the Bank, all General Education Schools in Georgia receive financial transfers based on the General Education Financing Model specified in DLR 1.1.1. DLR 1.2.1: By December 31, 2024, the DRG Payment System has been functional for at least 12 consecutive months in a manner satisfactory to the Bank, for at least two Service Groups. DLR 1.5.2: MOILHSA has adopted a decree, satisfactory to the Bank, to implement	60.00	US\$10 million for DLR 1.1.1; US\$30 million for DLR 1.1.2; US\$10 million for DLR 1.2.1; and US\$10 million for DLR 1.5.2.



	nationally the revised targeting formula, after completion of the pilot referred to in DLR 1.5.1			
by year 4 (2026)	n.a.	0.00	n.a	
by year 5 (2027)	DLR 1.2.2: By December 31, 2026, the DRG Payment System has been functional for at least 12 consecutive months in a manner satisfactory to the Bank, for at least five Service Groups. DLR 1.3: By December 31, 2026, or such later date as may be established by the Bank, Managed-entry Agreements have been entered into between the Borrower, through a legally authorized body, and pharmaceutical providers or suppliers for at least 50 percent of all new single-source medicines introduced in Georgia during each year, starting with calendar year 2023.	60.00	US\$30 million for DLR 1.2.2; US\$30 million for DLR 1.3	
by year 6 (2028)	n.a.	0.00	n.a.	
DLI 2	Adoption and implementation of appropriate quality standards for human capital services enabled across all service delivery institutions			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Text	140.00	35.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
by year 1 (2023)	DLR 2.4: SESA has adopted a methodology, through SESA Director’s order, satisfactory to the Bank and consistent with ESCO, to identify skills	10.00	US\$10 million for DLR 2.4	



	in shortage (including skills required for green jobs) and for skills forecasting as a basis used for referrals to vocational training and other SESA ALMPs.		
by year 2 (2024)	DLR 2.1.1: By December 31, 2023, or such later date as may be established by the Bank, the National Authorization Council for General Education has provided the authorization to operate to High Schools based on the new competency-based National Curriculum for Upper Secondary Levels. DLR 2.1.4: By June 30, 2024, or such later date as may be established by the Bank, MOES has adopted a new regulation for a new admissions system to transition from High School to university (which factors in school performance and university requirements). DLR 2.2: MOILHSA has adopted an order or an equivalent legally binding document, satisfactory to the Bank, to define clinical pathways and clarify the scope of primary and hospital care for at least the following selected ambulatory-care sensitive conditions: heart disease, chronic obstructive pulmonary disease, type 2 diabetes, and mental health conditions.	30.00	US\$10 million for DLR 2.1.1; US\$ 10million for DLR 2.1.4; US\$ 10million for DLR 2.2
by year 3 (2025)	DLR 2.3: Government of Georgia has adopted a decree, satisfactory to the Bank, to revise: (i) the type and number of services covered by the government for primary care as part of the benefits package and (ii) the performance-based payments received by primary care providers all	20.00	US\$20 million for DLR 2.3



	for Selected Non-communicable Diseases in order to incentivize the appropriate level of care.		
by year 4 (2026)	DLR 2.1.3: By December 31, 2025, or such later date as may be established by the Bank, at least a 15 percent reduction has been achieved in the UNE Test Score rural-urban performance gap as compared to the 2021 baseline for the UNE Test Score rural-urban performance gap. DLR 2.1.5 By October 31, 2025, or such later date as may be established by the Bank, MOES has implemented a new admission system adopted in accordance with DLR 2.1.4. DLR 2.1.6: By June 30, 2026, or such later date as may be established by the Bank, the Borrower, through a legally authorized body, has provided the authorization to operate at least 200 kindergartens in rural or mountainous areas on the basis of having met the quality standards set out in the Law on Early and Preschool Education or other official document, including for nutrition, education, and physical environment; all in a manner satisfactory to the Bank	50.00	US\$20 million for DLR 2.1.3; US\$20 million for DLR 2.1.5; US\$10 million for DLR 2.1.6
by year 5 (2027)	DLR 2.1.2: By December 31, 2026, or such later date as may be established by the Bank, the National Authorization Council for General Education has provided the authorization to operate to at least 600 High Schools based on the new Competency-based National Curriculum for Upper Secondary Educational Levels	30.00	US\$30 million for DLR 2.1.2



by year 6 (2028)	n.a.		0.00	n.a.
<b>DLI 3</b>	Inclusion of the poor and vulnerable people in social protection services			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Output	Yes	Text	30.00	7.50
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
by year 1 (2023)	n.a.		0.00	n.a.
by year 2 (2024)	DLR 3.3.1: The revised Worknet Job-matching Portal is operational in a manner satisfactory to the Bank		5.00	US\$5 million for DLR 3.3.1
by year 3 (2025)	n.a.		0.00	n.a.
by year 4 (2026)	DLR 3.1.1: Regional SESA Offices have been established with Appropriate Staff and Proper Equipment in a manner satisfactory to the Bank.		5.00	US\$454,545 for every regional SESA office subject to a maximum amount of US\$5 million
by year 5 (2027)	DLR 3.2: Increase in the number of Vulnerable Unemployed Persons who participate in SESA ALMPs		10.00	US\$476,190 for every 5000 Vulnerable Unemployed Persons participating in ALMPs
by year 6 (2028)	DLR 3.1.2: Increase in the number of Rural Jobseekers receiving Employment Support Services through Regional SESA Offices. DLR 3.3.2: Increase in the number of vacancies posted on the revised Worknet Job-matching Portal		10.00	US\$87,719 for every 1000 rural jobseekers served by SESA for DLR 3.1.2; US\$357,143/10,000 vacancies posted for DLR 3.3.2



<b>DLI 3.1</b>	DLR 3.1: Each Region of Georgia has a regional SESA office properly staffed and equipped to provide employment support services to an increased number of rural jobseekers per year			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Output	Yes	Number	10.00	2.50
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
by year 1 (2023)	6.00		2.73	US\$454,545 for every regional SESA office properly staffed and equipped subject to a maximum amount of US\$5 million
by year 2 (2024)	2.00		0.91	US\$454,545 for every regional SESA office properly staffed and equipped subject to a maximum amount of US\$5 million
by year 3 (2025)	2.00		0.91	US\$454,545 for every regional SESA office properly staffed and equipped subject to a maximum amount of US\$5 million
by year 4 (2026)	1.00		0.45	US\$454,545 for every regional SESA office properly staffed and equipped subject to a maximum amount of US\$5 million
by year 5 (2027)	10.00		5.00	US\$87,719 for every 1,000 rural jobseekers served by SESA under





			DLR 3.1.2 to a maximum amount of US\$5 million.	
by year 6 (2028)	0.00	0.00	n.a.	
DLI 3.2	DLR 3.2: Increase in the number of Vulnerable Unemployed Persons who participate in SESA ALMPs			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Number	10.00	2.50
Period	Value		Allocated Amount (USD)	Formula
Baseline	3,500.00			
by year 1 (2023)	5,000.00		0.50	US\$476,190 for every 5,000 Vulnerable Unemployed Persons participating in ALMPs up to US\$10 million
by year 2 (2024)	12,000.00		1.00	US\$476,190 for every 5,000 Vulnerable Unemployed Persons participating in ALMPs up to US\$10 million
by year 3 (2025)	18,000.00		1.50	US\$476,190 for every 5,000 Vulnerable Unemployed Persons participating in ALMPs up to US\$10 million
by year 4 (2026)	24,000.00		2.00	US\$476,190 for every 5,000 Vulnerable Unemployed Persons participating in ALMPs up to US\$10 million



			million	
by year 5 (2027)	27,000.00	2.50	US\$476,190 for every 5,000 Vulnerable Unemployed Persons participating in ALMPs up to US\$10 million	
by year 6 (2028)	30,000.00	2.50	US\$476,190 for every 5,000 Vulnerable Unemployed Persons participating in ALMPs up to US\$10 million	
<b>DLI 3.3</b>	DLR 3.3:The revised Worknet Job Portal is operational to increase the number of vacancies posted per year			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	Yes	Text	10.00	2.50
<b>Period</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	0.00			
by year 1 (2023)	0.00		0.00	n.a.
by year 2 (2024)	DLR 3.3.1: The Worknet Job-matching Portal is operational in a manner satisfactory to the Bank.		5.00	US\$5 million for DLR 3.3.1
by year 3 (2025)	n.a		0.00	n.a.
by year 4 (2026)	n.a.		0.00	n.a.
by year 5 (2027)	DLR 3.3.2: Increase in the number of vacancies posted on the revised Worknet Job-matching Portal		5.00	US\$ 357,143 for every 10,000 vacancies posted on the revised Worknet per year to a maximum



			amount of US\$5 million	
by year 6 (2028)	n.a.	0.00	n.a.	
DLI 4	Improvements in adoption of new digital services and upgradation of existing administrative and management systems towards meeting appropriate [EU] standards for digital services			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	60.00	15.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
by year 1 (2023)	n.a.	0.00	n.a.	
by year 2 (2024)	DLR 4.3: At least 100 primary health care and ambulatory providers have provided telemedicine consultations that are covered by the UHC Program for at least 12 consecutive months		15.00	US\$15 million for DLR 4.3
by year 3 (2025)	DLR 4.1: By December 31, 2024, or such later date as may be established by the Bank, at least 90 percent of Schools with more than 170 students across Georgia have adopted School Digital Action Plans satisfactory to the Bank and crossed a threshold score of 75% under the infrastructure module of the Self-Reflection Tool		15.00	US\$15 million for DLR 4.1
by year 4 (2026)	DLR 4.4: An Integrated Reporting System for Social Protection, satisfactory to the Bank, is established by the IT Agency and is functioning,		15.00	US\$15 million for DLR 4.4



	and can generate reports on the coverage of social and employment services administered by government agencies at the central and local levels in order to detect gaps and overlaps, reduce exclusion and inclusion errors, and improve the integration among social protection services/programs, including other governmental programs supporting households vulnerable to climate change		
by year 5 (2027)	DLR 4.2: At least 80 percent of primary care providers have access to electronic health care records available with MOILHSA for at least 12 consecutive months	15.00	US\$15 million for DLR 4.2
by year 6 (2028)	n.a.	0.00	n.a.



**Verification Protocol Table: Disbursement Linked Indicators**

<b>DLI 1</b>	Improvement of Government spending efficiency through adoption and implementation of appropriate administrative and financing mechanisms
<b>Description</b>	<p>DLRs 1.1.1 and 1.1.2 will ensure that the new competency-based curriculum reform to revamp the formation of Georgia's human capital will benefit from an efficient and equitable financial system that would replace the current financial model in place for the past fifteen years. Analysis of the implementation of the financing model from 2006-2021 shows problems regarding efficiency, transparency, and equity that lead to poor quality of learning that is fundamental to Georgia's Human Capital. The revised curriculum is expected to lead to greater needs for financial resources at schools, while increasing the need for scale economies. As the curriculum is implemented, starting from 2022, learning will be derived about the financing gaps and the financing model would be revised in a phased manner. The revised financing model would include the following considerations: (i) adhere to criteria of transparency and equity, including higher investment for disadvantaged groups (special needs students, ethnic minorities, students in rural and mountain areas); (ii) adequate financing for the successful delivery of the new competency-based curriculum, including staffing of teachers, technical and administrative and support staff; (iv) continued teacher professional development to support teacher individual development plan and blended pedagogy, formative assessment of students, professional development of school principals for instructional leadership, and modern and digital teaching and learning resources; (school level funds for these purposes will supplement centrally provided teacher related expenditures through TPDC); (iv) the financing of maintenance and of energy expenditures that mandate or incentivize emission reducing and energy efficient modalities (like wall and piping insulation, double paned windows); and (v) enhanced role for regional Educational Resource Centers (ERCs). The school financing model will support climate resilience by incentivizing energy efficiency as outlined in the Program Scope section in the PAD – this has mitigation and adaptation ramifications. Mitigation from the reduction in energy consumption and associated benefits, and adaptation from the didactic value of practical action in schools. The latter has added value as students will transmit the values to their homes and communities. DLRs 1.2.1 and DLR 1.2.2 support the development and implementation of the DRG payment system nation wide for selected hospital services. The development will require the design or adoption of a grouping algorithm that converts diagnosis and services into code. Implementation will require adjustment to the financial management system and procedures at the health care provider level, including information collection and claims management. MOILHSA is responsible for designing and developing technical specifications and the NHA is responsible for implementing the DRG payment nationwide for at least (i) two service groups as the first target (1.2.1) and at least (ii) three additional service groups as the final target (1.2.2). DLR 1.3. This DLR will support changes in</p>



pharmaceutical policy to ensure the implementation of managed entry agreements (MEAs) facilitating access to new single-source medicines while ensuring efficiency gains. MOILHSA will increase the number of MEAs signed for new single-source medicines with conditioned entry into the positive list of medicines reimbursed under the UHC Program. Between Year 1 and Year 5, \$ 7.5 million for every year that the Government of Georgia enters into MEAs for at least 50 percent of all new single-source medicines introduced in Georgia during that year subject to a maximum amount of US\$30 million. DLR 1.4: This DLR will support changes in pharmaceutical policy to ensure regular implementation of price referencing for medicines within the Outpatient Medicines Programme to ensure efficiency gains. MOILHSA will confirm that the regulation is adopted to introduce reference pricing for medicines in the Outpatient Medicines Programme in a manner satisfactory to the Bank. To improve transparency and accountability, the pricing process for medicines will be completed annually and published on the MOILHSA official website. In addition, the list of reference prices calculated based on the prices set by the MOILHSA will be published on the National Health Agency's official website. DLR 1.5.1 and DLR 1.5.2 are meant to improve the equity and efficiency of the TSA budget, by improving the targeting formula used by the central government and municipalities to determine eligibility to poverty targeted benefits will be finalized, finetuned, piloted and nationally rolled out. The new PMT should take into account specific vulnerabilities regarding women, people with disabilities, families in rural areas. The updated PMT formula used by the central government and municipalities to determine eligibility to poverty targeted benefits will be finalized, finetuned, piloted in at least four selected municipalities and nationally rolled out. DLR 1.5.1 is considered achieved (that is, maximum disbursement is obtained) when a ministerial decree has been adopted establishing the modality and timeline of the revised targeting formula pilot; the decree will include the revised PMT formula, eligibility thresholds and the selection of pilot municipalities/SSA centers. In order to prepare the decree, new eligibility thresholds for TSA and other social benefits need to be set, the pilot municipalities selected and the minimum pilot scale in terms of new applications and existing beneficiaries to be reassessed to be scored defined. Pilot municipalities will be selected to represent the four settlement areas used to estimate the targeting formula, notably: one in Tbilisi, one in large cities - Kutaisi, Rustavi, Batumi, Poti, Gori, Zugdidi, Sukhumi, one in other cities (as per Res N.758, 2014, Table 1), one covering rural areas). In order to launch the pilot, operational guidelines prepared for pilot are adopted, the TSA registry software is adapted and SSA social agents are trained in the use of the new formula. The TSA registry is adapted to allow SSA to generate monthly reports specifying at the minimum the following information at the municipality and region levels: (i) number of new program applicants who are assessed using the revised PMT formula and (ii) the number of existing TSA beneficiaries who eligibility is reassessed using the new PM formula, both broken down by eligibility status (eligible, rejected, reasons for rejections). DLR 1.5.2 is considered achieved when (i) a ministerial decree has been adopted establishing the modality and timeline for the national roll out of the new eligibility criteria/PMT formula revised to reflect



	<p>pilot 's results. In order to launch the national roll out, the targeting formula is finetuned/revised to reflect the results of the pilot assessment report, the legislation and operational guidelines are prepared for national roll out and adopted based on the pilot assessment, SSA social agents trained in the use of the final formula, and the TSA registry software is further adapted. The pilot is considered completed after at least six months of piloting the revised PMT formula if the number of households that have been screened using the revised PMT formula is at least 50 percent of the total number of beneficiary households in the same pilot municipalities. A pilot evaluation report is available including the number of new applications and existing beneficiaries re-assessed, their eligibility status according to the new formula, reasons for rejections, number of complaints received and addressed, qualitative assessment of procedures and lessons learned from the pilot. (ii) The updated formula is reflected in the relevant legislation of social assistance (especially, but not limited to, Res. No. 758, 2014). DLR 1.6: This DLR is meant to improve the administrative efficiency by reducing the administrative costs on both administrators/social agents and beneficiaries and the resilience of the SP delivery system to best respond to changes in income, assets and other vulnerabilities including vulnerabilities linked to climate change drawing on lessons from the COVID-19 pandemic response. The DLR is considered achieved when (i) variables such as changes in the household's composition or relocation, expenditures on water, gas and electricity, real estate ownership, labor income, scholarships and receipt of social assistance benefits are re-evaluated automatically with existing government databases to verify eligibility regularly on a quarterly or more frequent basis; (ii) the PMT score (for scored families) is automatically updated on a quarterly or more frequent basis to best capture sudden changes in assets and vulnerabilities; (iii) the average number of days between the first submission of the declaration form and the day the payment order is submitted from SSA to the servicing Bank delivering TSA payments is reduced to less than 60 days; (iv) the registration and application processes are simplified and made possible digitally through an online intake system ; (v) the information (for example static text pages with details about benefits) on the TSA application process and eligibility available online on MOILHSA website is presented also in other languages and the capabilities for on-line applications should be available in other languages (Azeri, Armenian) to be more inclusive of ethnic minorities.</p>
<b>Data source/ Agency</b>	<p>DLR 1.1.1 (Agency: MOES, Data source: MOES Report); DLR 1.1.2 (Agency: MoF, Data source: Financial transfers made to schools); DLR 1.2.1 &amp; DLR 1.2.2 (Agency: National Health Agency, Data source: Financial transfers made to schools); DLR 1.3 (Agency: MOILHSA and National Health Agency, Data Source: Contracts signed with suppliers of medicines); DLR 1.4 (Agency: MOILHSA, Data Source: The official legislation document ); DLR 1.5.1 (Agency: MOILHSA's SSA , Data Source: Administrative data from the MOILHSA ,Database of Socially Vulnerable Households (Social Registry) managed by SSA, Regular SSA reports, and Payment orders submitted to the Bank delivering TSA payments); DLR 1.5.2 (Agency: MOILHSA's SSA, Data Source: Administrative data from the MOILHSA Database of Socially Vulnerable Households (TSA Registry)</p>



	managed by SSA, and Regular SSA reports); DLR 1.6 (Agency: MOILHSA's SSA agency, Data Source: Administrative data from the MOILHSA Database of Socially Vulnerable Households (Social Registry) managed by SSA, Regular SSA reports, and Payment orders submitted to the Bank delivering TSA payments)
<b>Verification Entity</b>	MOES for DLR 1.1.1, SAOG for DLR 1.1.2, 1.2.1, 1.2.2, and 1.3. MOILHSA for DLR 1.4. SAOG and MOILHSA's IT Agency for DLR 1.5.1, 1.5.2 and 1.6
<b>Procedure</b>	<p>DLR 1.1.1: The Strategy and Action Plan for updating the General Education financing model will be approved by the Government of Georgia and published on the website of the Ministry of Education and Science.</p> <p>DLR 1.1.2 The Pilot of the updated financial principles and variables to be included in the General Education financing model will begin to be implemented with financial resources from the Ministry of Finance provided to pilot educational institutions including schools and Educational Resource Centers (ERCs). The SAOG will certify that the financial transfers to the schools under the pilot have indeed taken place.</p> <p>DLR 1.1.3: The General Education financing model will be issued by Government of Georgia decree and published on the website of the Ministry of Education and Science. The SAOG will certify that the financial transfers to the schools are taking place under the new financial model.</p> <p>DLR 1.2.1 and 1.2.2: For achievement of the DLRs 1.2.1 and 1.2.2, a DRG payment report using country data satisfactory to the World Bank is required. The SAOG will review annual hospital payment data and confirm that the DRG payment system is used by the NHA for paying the selected services provided by both public and private hospitals.</p> <p>DLR 1.3: MOILHSA and the National Health Agency will complete the pricing process for the selected medicines and published them on the MOILHSA website annually. The National Health Agency will confirm the list of registration numbers of contracts for newly-listed patented drugs subject to MEA, the list of newly assessed patented drugs with the conditional entry, and the share as defined above. For verification of achievement of the DLR 1.3, the SAOG will review the contracts signed with suppliers of new single-source medicines introduced in Georgia each year. For achievement, at least 50% of newly-listed patented drugs with conditional entry decision will be introduced in the positive list and reimbursed by NHA subject to concluded MEAs. The <b>numerator</b> is newly-listed single-source patented medicines, introduced in the positive list and reimbursed under the UHCP, for which MEAs have been signed between the NHA and market authorization holders; The <b>denominator</b> is all newly-listed single-source patented drugs introduced in the positive list and reimbursed under the UHCP by the NHA.</p> <p>DLR 1.4: By sharing the official legislation document, MOILHSA will confirm that the regulation is adopted to introduce reference pricing.</p> <p>DLR 1.5: Year 1: Official legislation document, MOILHSA; Year 5: Contracts, NHA .</p>





DLR 1.5.1: Verification against MOILHSA ministerial decrees establishing the PMT for pilot. The decree includes the variables and coefficients of the PMT formula, roles, responsibilities, functions, resources. The SAOG carries out the verification on annual basis through review of SSA regular reports, data from the social registry on, interview of the responsible government officials of SSA in charge of implementing the revised targeting formula, interview with social agents. Specifically, the IVA report includes:

- The technical review of the ministerial decree
- The operational guidelines for the pilot comprising technical manual on methodologies, updated declaration form and procedures; training material for social agents
- Revised technical templates of the social registry for new variables in the declaration form;
- SSA generates monthly reports through the social registry on the TSA specifying at the minimum the following information at the municipality and region levels: (i) number of new program applicants who are assessed using the revised PMT formula and (ii) the number of existing TSA beneficiaries who eligibility is reassessed using the new PM formula, both broken down by eligibility status (eligible, rejected, reasons for rejections)

DLR 1.5.2: For the national roll out the SAOG verification report would include:

- Pilot assessment report summarizing SSA monthly reports, the number of complaints received and addressed and qualitative assessment of procedures and lessons learned from the pilot
- Technical review of the ministerial decree establishing the terms of the national roll out, including the revised targeting formula based on pilot results
- Revised technical templates of social registry
- The operational guidelines are updated for the national roll out comprising technical manual on methodologies, updated declaration form and procedures
- MOILHSA approves SSA training and implementation plan to nationally roll out the targeting formula.

The SAOG will prepare a verification report to record the ministerial decrees, results and confirm the full or partial achievement for scalable part of the DLR 1.5.2 (related to the national roll out).

DLR 1.6 is verified against a technical document outlining the design of the upgraded social registry for automated cross checks of the abovementioned variables and the functionalities, the ministry website and through social registry reports, and its is reflected of the TSA program document approved by the government on annual basis. The technical document outlining the upgraded social registry should contain at least: (i) the structure of the social registry (e.g. modules) including the new online application and registration intake modules; and (ii) requirements for interoperability and automated cross checks with the other government databases including at the minimum the electricity, gas and water consumption



	<p>database, cadaster, revenue service, EMIS, pension, IDPs and disability allowance registries. The ministry website will be verified to confirm that information on how to apply and eligibility criteria for TSA are available in other languages (Azeri, Armenian) as well as the declaration form. The social registry reports on vulnerability assessment, eligibility determination, enrolment and payment orders need to include the date of the declaration form and subsequent processes to verify the number of days is reduced to less than 60 days between the day the declaration form is signed and payment order is issues in case of eligible applications.</p>
<b>DLI 2</b>	<p>Adoption and implementation of appropriate quality standards for human capital services enabled across all service delivery institutions</p>
<b>Description</b>	<p>DLR 2.1.1 is meant to provide inputs for addressing the existing quality and equity shortfalls in target high schools. This DLR will be evaluated as achieved once the defined support package to these cluster schools has been delivered to include the following components: (i) school-led professional development support to teachers in key subject domains; (ii) increased time-on-task for special needs and disadvantaged students through additional instruction time and tailored teaching; (iii) modern teaching and learning resources for blended education, laboratories and physical education facilities required to deliver competency-based curriculum; (iv) capacity building of respective ERCs; (v) improved educational infrastructure to support learning. DLR 2.1.2: This DLR is meant to measure the outcomes and progress achieved as a result of implementation of DLR 2.1.1 above. DLR 2.1.3: The targeted inputs for quality and infrastructure improvements envisaged under DLR 2.1.3 are expected to result in improved learning outcomes for students in target high schools as measured by performance in UNE. This DLR will be deemed achieved upon 15% reduction in the UNE test score gap from the baseline score (set in 2019) in Science, Mathematics, and Foreign languages (or successor subjects per the new examination model) between the examination centers predominantly serving rural schools and the examination centers predominantly serving urban schools. DLR 2.1.4 and DLR 2.1.5: This DLR is meant to develop a new admission system that would encourage students to develop deeper knowledge and skills upon which national curriculum is based, provide a role to high schools and universities in the admission process beyond scores in centralized examinations. The new examination system will complement and go hand in hand with the reform of higher education financing system. This DLR will be evaluated as achieved upon nation-wide implementation of the new examination system for transition from high school to university. DLR 2.1.6: This DLR is meant to support selected kindergartens in remote and mountain areas to improve quality of delivery of preschool education through targeted support for teacher training, child-oriented development resources, and support for setting up an internal self – evaluation system. This DLR will be evaluated as achieved upon authorizing 200 target kindergartens by the appropriate body defined by the regulation. DLR 2.2: This DLR aims to increase the scope and quality of services provided at the primary care setting by defining clinical pathways and the scope of primary and hospital care.</p>



The DLR will contribute to cost containment measures by shifting care for ambulatory-care-sensitive conditions from hospitals to primary care providers. MOILHSA will use methodological guidelines and toolkits recommended by WHO to define the clinical pathways and specify the scope of primary care, and will confirm that the regulation is adopted to define clinical pathways for selected ambulatory-care sensitive conditions including heart disease, chronic obstructive pulmonary disease, Type 2 diabetes, and mental health conditions clarifying the scope of primary and hospital care. DLR 2.3: This DLR aims to support efforts to reorient the health system towards primary health care, by adjusting the incentives for service provision through revision of benefit package and provider payment mechanisms for primary health care. The Primary Care Road Map, 2022-2025, will guide the PHC reform. Under this Road Map, revision of the benefits package to prioritize preventive care and revision of the payment system to incentivize primary care management of complex, chronic conditions, will be implemented. The revised payment model is intended for use by all providers offering the basic benefits package in rural and urban settings. The model is based on defining all necessary basic costs to provide essential services in the PHC benefits package and calculating possible capitation rates for different providers. The model also accounts for the cost of laboratory tests that should minimally be available at the PHC level. The payment system provides for delivery of the PHC benefits package without co-payments to cover basic costs. As an incentive to provide services at the PHC level for specific priority diseases and populations, performance-based payments will be added for selected ambulatory-care sensitive conditions, which may include hypertension, cardiovascular disease (CVD), and diabetes. In Year 2, the benefits package will be revised and provider payment mechanisms for PHC providers will be modified to incentivize an increase in the scope and supply of primary health care services. Specifically, capitation methods will also be adjusted for gender, the threshold on the volume of services reimbursed through fee-for-services will be increased, performance-based payment mechanisms for attaining service coverage targets and quality will be introduced. DLR 2.4 DLR 2.4 is intended to support the development of a methodology to identify skills in shortage and to forecast skills demand and supply patterns in the longer run. The DLR is achieved when (1) SESA with support from the Vocational Skills Agency has developed and adopted a methodology to identify skills and occupations in shortage. The newly established Skills Agency will contribute to the development of the methodology. Skills will have to be disaggregated using internationally recognized standards (O\*NET or equivalent) and the methodology will define the mapping of occupations into skills consistent with ESCO and the instruments used to update this mapping over time. A skills taxonomy will be developed combining different data sources, including the annual vacancy monitoring survey conducted by SESA with a sample of employers, available online real-time job portal vacancy data and based on the Ministry of Economy Business Demand surveys. On the supply side, the methodology will utilize available or ad hoc survey tools to quantify the supply of skills and map it to basic demographics of the population and educational curricula. Particular attention will be paid to differential needs in skills development



	<p>between women and men, so that the share of women in the active labor market programs is increased. The methodology will include a definition of “green jobs” aligned with internationally recognized definitions (ILO) of “jobs that reduce the environmental impact of enterprises and economic sectors, ultimately to levels that are sustainable” which covers work in agriculture, industry, services and administration that contributes to preserving or restoring the quality of the environment while also meeting the criteria for decent work – adequate wages, safe conditions, workers’ rights, social dialogue and social protection. It also covers activities related both to mitigation of and adaptation to climate change” (UNEP, ILO, IOE, ITUC. 2008. Green jobs: Towards decent work in a sustainable, low-carbon world). The methodology for skills forecasting will be modelled on a set of alternative macroeconomic and geopolitical scenarios that will take into account potential factors affecting migration choices, trade, patterns in the demand for goods and services, changes in production functions and in the localization of firms in alignment with the national skills anticipation with a 5-year outlook developed with EU support. (2) The methodology should provide the guidelines to orient SESA’s menu of ALMPs and other interventions towards the provision of skills that are identified as currently in high demand or in high demand in the following 5 to 10 years. SESA’s interventions to be adapted to occupations and skills in demand include SESA’s wage subsidies, internships, and job referrals; core competences trainings provided by SESA, vocational training for the unemployed (with a particular focus on women) in Vocational Training Centers supported by SESA; beneficiaries of SESA’s counseling are administered a profiling tool to assess their skills based on the same taxonomy. (3) Institutional and implementation arrangements to apply the methodology have been made in a way satisfactory to the Bank.</p>
<b>Data source/ Agency</b>	<p>DLR 2.1.1 and DLR 2.1.2 (Agency: NCEQE, Data Source: NCEQE Report); DLR 2.1.3 (Agency: NAEC, Data Source: UNE Examination scores); DLR 2.1.4 (Agency: MOES, Data Source: Decree specifying pilot); DLR 2.1.5 (Agency: MOES, Data Source: Decree specifying national roll-out ); DLR 2.1.6 (Agency: NCEQE Data Source: List of authorized kindergartens including identification of rural location); DLR 2.2 (Agency: MOILHSA, Data Source: The official legislation document); DLR 2.3 (Agency: MOILHSA, Data Source: The official legislation document); DLR 2.4 (Agency: SESA, Data Source: SESA reports and methodology)</p>
<b>Verification Entity</b>	<p>NCEQE for DLR 2.1.1, DLR 2.1.2, DLR 2.1.3, and DLR 2.1.6. MOES for DLR 2.1.4 and DLR 2.1.5. MOILHSA for DLR 2.2 and DLR 2.3. Skills Agency's Board for DLR 2.4.</p>
<b>Procedure</b>	<p>DLR 2.1.1 and DLR 2.1.2:</p> <ol style="list-style-type: none"> <li>1. The National Center for Educational Quality Enhancement (NCEQE) will provide the data</li> <li>2. NCEQE will publish on its website the identities of each of the authorized schools</li> </ol> <p>DLR 2.1.3:</p> <p>(1) NAEC conducts the UNE as authorized by law, and (2) NAEC prepares a report regarding the rural urban test score</p>



	<p>difference</p> <p>DLR 2.1.4: verification against issued decree according to the verification protocol</p> <p>DLR 2.1.5: verification against issued decree according to the verification protocol</p> <p>DLR 2.1.6:</p> <p>(1) The National Center for Educational Quality Enhancement (NCEQE) will provide the data</p> <p>(2) NCEQE will publish on its website the identities of each of the authorized kindergarten.</p> <p>DLR 2.2: The SAOG will confirm that the regulation is adopted to define clinical pathways for selected ambulatory-care sensitive conditions.</p> <p>DLR 2.3: For the implementation of the revised primary care benefits package and payment model, the SAOG will review annual PHC data and confirm the implementation of the revised benefits package and the performance-based payment system.</p> <p>DLR 2.4: Legislation; Verification against SESA Director's order and government Employment Program. The methodology to identify and forecast critical occupation and skills will be adopted through the SESA director order and by including it in the government's Employment Program.</p>
<b>DLI 3</b>	Inclusion of the poor and vulnerable people in social protection services
<b>Description</b>	See below description for each specific DLR 3.1.1, 3.1.2, 3.2, 3.3.1, and 3.3.2.
<b>Data source/ Agency</b>	DLR 3.1.1 (Agency: SESA, Data Source: Annual and quarterly reports produced by SESA); DLR 3.1.2 (Agency: SESA, Data Source: Annual and quarterly reports produced by SESA); DLR 3.2 (Agency: SESA, Data Source: Annual report produced by SESA); DLR 3.3.1 (Agency: SESA, Data Source: Acceptance documents for roll out of updated Worknet and hand over to IT Agency IT Agency MoHILSA web and Worknet portal Open data); DLR 3.3.2 ( Agency: SESA, Data Source: Worknet portal Open data)
<b>Verification Entity</b>	SAOG for DLR 3.1.1, 3.1.2, 3.2, 3.3.2. SAOG and MOILHSA's IT Agency for DLR 3.3.1
<b>Procedure</b>	<p>DLR 3.1.1 verified against physical inspection and SESA annual and quarterly reports including (i) number of registered jobseekers by municipality and program; (ii) number of vehicles per regional office; and (iii) number of full time and part time staff per regional office.</p> <p>DLR 3.1.2. verified against Worknet records and SESA annual and quarterly reports including number of people in rural areas who have been registered in Worknet, informed and enrolled in SESA services.</p> <p>DLR 3.2: Verified against annual reports from SESA on the number of beneficiaries of each ALMP by vulnerability status,</p>



	<p>gender, IDP, PWD. Spot checks of 1% sample conducted by the SAOG</p> <p>DLR 3.3.1: SAOG and MOILHSA's IT Agency for aspects requiring IT skills - will verify against:</p> <ol style="list-style-type: none"> <li>1. the regulations for new taxonomy for of occupations and skills is adopted and implemented in Worknet;</li> <li>2. the acceptance documents, open data; the Worknet and web pages of MoHILSA with information (static text) about Worknet;</li> <li>3. reports from SESA on number of jobseekers/employers registration, use and job matches through Worknet.</li> </ol> <p>DLR 3.3.2: SAOG will verify against: reports from SESA on the total number of vacancies (both closed and open) that have bene posted during each calendar year starting 2025, the first year of the new Worknet being operational.</p>
<b>DLI 3.1</b>	<p>DLR 3.1: Each Region of Georgia has a regional SESA office properly staffed and equipped to provide employment support services to an increased number of rural jobseekers per year</p>
<b>Description</b>	<p>DLR 3.1.1 is intended to expand SESA employment services and programs to all regions in the country, including climate change affected areas. The expected result will improve the inclusion of underserved population in employment services and the more equitable provision of services across regions. The DLR 3.1.1 is achieved when new SESA regional offices are opened in the regions of (A) Racha-Lechkhumi and Kvemo Svaneti, (B) Samtskhe-Javakheti, and (C) Mtskheta-Mtianeti; and each one of the 11 administrative regions where SESA regional offices are operating at a capacity level acceptable to the Bank. The administrative regions are (1) Kakheti, (2) Tbilisi, (3) Shida Kartli, (4) Kvemo Kartli, (5) Samtskhe-Javakheti, (6) Adjara (AR), (7) Guria, (8) Samegrelo – Zemo Svaneti, (9) Imereti, (10) Racha-Lechkhumi and Kvemo Svaneti, (11) Mtskheta-Mtianeti. Tbilisi's service centers are the following (1) Gldani – Nadzaladevi, (2) Didube-Chugureti, (3) Isani – Samgori, (4) Vake – Saburtalo, (5) Old Tbilisi. A SESA regional office is considered "open" if at least five full-time specialists and is accessible to citizens from the relevant administrative unit for at least three months uninterrupted. Specialists are defined as people working full-time on ALMPs and performing the following activities: case management, profiling, counseling, training. The specialists are considered employed full time if they have a full-time contract of the duration of at least one year (or undetermined) with SESA. A SESA regional office is considered "properly staffed" if • at least 12 full-time specialists for at least 12 months are employed in regional SESA offices in small regions (Samtkhe-Javaxeti, Racha-Lechkhumi and Mtskheta-Mtianeti, Guria) • at least 16 specialists in are employed in regional SESA offices in medium size regions (Adjara (AR), Kakheti, Kvemo Kartli, Shida Kartli) • at least 20 specialists are employed in SESA offices in large regions (Tbilisi, Samegrelo-Zemo Svaneti, Imereti). Back office workers are not counted, only front office workers. A SESA regional office is considered “sufficiently equipped” if based on an assessment conducted by MOILHSA of required equipment, including vehicles for SESA mobile teams to travel and increase the provision of information and employment services (individual counseling, profiling and referrals) to rural jobseekers to 20,000 per year. US\$454,545 for every regional SESA office</p>



	properly staffed and equipped in a manner satisfactory to the Bank in line with DLR 3.1.1 subject to a maximum amount of US\$5 million DLR 3.1.2 is achieved when regional SESA offices have provided employment support services through SESA mobile teams to an increasing number of rural jobseekers per year (with specific targets on women and men). "Rural" jobseekers are those registered jobseekers who do not reside in municipalities where SESA regional offices are located. "Employment support services" include an in-person interview with SESA job counselors, profiling, registration in Worknet and referrals to ALMPs. The disbursement formula is the following: \$87,719 for every 1,000 rural jobseekers served by SESA through mobile teams subject to a maximum amount of \$5 million. The number of rural jobseekers served is projected to grow over time as SESA regional offices improve their capacity to 1,000 beneficiaries in 2023 , 2,000 in 2024, 6,000 in 2025, 12,000 in 2026, 16,000 in 2027 and 20,000 in 2028
<b>Data source/ Agency</b>	DLR 3.1.1 and DLR 3.1.2 (Agency: SESA, Data Source: Annual and quarterly reports produced by SESA)
<b>Verification Entity</b>	SAOG for DLR 3.1.1 and 3.1.2
<b>Procedure</b>	DLR 3.1.1 verified against physical inspection and SESA annual and quarterly reports including (i) number of beneficiaries by municipality and program; (ii) number of full time and part time staff per regional office; DLR 3.1.2. verified against Worknet records and SESA annual and quarterly reports including (iii) number of people in rural areas who have been registered in Worknet, informed and enrolled in SESA services.
<b>DLI 3.2</b>	DLR 3.2: Increase in the number of Vulnerable Unemployed Persons who participate in SESA ALMPs
<b>Description</b>	Vulnerable beneficiaries of ALMPs are defined as (youth, IDP, TSA beneficiaries, PWD, women). The number of vulnerable beneficiaries of ALMPs is projected to grow over time to 5,000 beneficiaries in 2023 , 12,000 in 2024, 18,000 in 2025, 24,000 in 2026, 27,000 in 2027 and 30,000 in 2028. The overall year-6 target is set based on MOILHSA's target of 50,000 expected ALMP beneficiaries in 2028. Approximately 60 percent of the 50,000 (30,000) total ALMP beneficiaries should be from vulnerable groups as defined above. The disbursement formula is the following: US\$500,000 for every 5,000 Vulnerable unemployed participating in ALMPs, in line with DLR 3.2 subject to a maximum amount of US\$10 million.
<b>Data source/ Agency</b>	SESA
<b>Verification Entity</b>	SAOG
<b>Procedure</b>	Verified against annual reports from SESA on the number of beneficiaries of each ALMP by vulnerability status, gender, IDP, PWD. Spot checks of 1% sample conducted by the SAOG





<b>DLI 3.3</b>	DLR 3.3: The revised Worknet Job Portal is operational to increase the number of vacancies posted per year
<b>Description</b>	<p>DLR 3.3.1 is meant to update SESA's Worknet software (including portal and back office modules) for improving its ability to collect detailed data on the skills, profile and needs of jobseekers and employers and to elaborate information for job-matching. For successful update of Worknet and job-matching capabilities, a taxonomy of occupations and skills to be used in Worknet is developed, as the existing one is currently not disaggregated enough to aid job matching. DLR 3.3.1 is considered achieved when: (i) a taxonomy of occupations and skills to be used in Worknet is developed; (ii). Updated Worknet software (including portal and back-office modules) is accepted and operational for at least one full month (employers and jobseekers can successfully register through the new online Worknet portal). The acceptance document(s) will confirm the implementation of main capabilities (see note) and also that the training for end-users and administrator was provided, technical documentations and source code was hand over to IT Agency. (iii). The online portal is available in other languages (Azeri, Armenian). (iv). The hand over from software developer to IT Agency is finalized (v). The information (static text) regarding Worknet and its functions (like enrolment of employer, data entry of vacancies-job offers, enrolment of job seeker, data entry for CV, etc) are available online on MOILHSA web in Georgian and other languages (Azeri, Armenian, English). (vi). The first set of open data is extracted from Updated Worknet software and published on MOILHSA website. Note: Main capabilities include: (1) user- friendly interfaces for employers and jobseeker with adaptation to use of PWDs; (2) highly performant matching algorithms based on a more disaggregated skills taxonomy and IT modern technologies like artificial intelligence – machine learning; (3) improve infrastructure (server, storage, etc.) capacity; (4) interoperability with other government IT systems including Social Registry, PWD Registry, IDP Registry, EMIS in Ministry of Education and the Statistic LMIS in the Ministry of Economy. The disbursement formula for DLR 3.3.1 is of US\$5,000,000 upon achievement. DLR 3.3.2 is considered achieved when the number of vacancies posted on the revised Worknet Portal after achievement of DLR 3.3.1 has increased to 50,000 annually. The disbursement formula for DLR 3.3.2 is the following: US\$357,143 for every 10,000 vacancies posted on the revised Worknet Job-matching Portal per year in line with DLR 3.3.2 subject to a maximum amount of \$5 million. The number of vacancies posted in Worknet is projected to grow over time once the revised portal is launched (by the end of 2024) to 25,000 in 2025, 35,000 in 2026, 45,000 in 2027 and to 50,000 in 2028.</p>
<b>Data source/ Agency</b>	DLR 3.3.1 (Agency: SESA, Data Source: Acceptance documents for roll out of updated Worknet and hand over to IT Agency IT Agency MOILHSA web and Worknet portal Open data); DLR 3.3.2 (Agency: SESA, Data Source: Worknet portal Open data)
<b>Verification Entity</b>	SAOG and MOILHSA's IT Agency for DLR 3.3.1 and SAOG for DLR 3.3.2





<b>Procedure</b>	<p>DLR 3.3.1: The SAOG and MOILHSA's IT Agency for aspects requiring IT skills - will verify against:</p> <ol style="list-style-type: none"> <li>1. the regulations for new taxonomy for of occupations and skills is adopted and implemented in Worknet;</li> <li>2. the acceptance documents, open data; the Worknet and web pages of MOILHSA with information (static text) about Worknet;</li> <li>3. reports from SESA on number of jobseekers/employers registration, use and job matches through Worknet.</li> </ol> <p>DLR 3.3.2: The SAOG will verify against: Worknet open data and reports from SESA on the total number of vacancies (both closed and open) that have been posted during each calendar year once the new Worknet being operational. The list of vacancies posted over the course of each calendar year will be verified to minimize the risk of "fake" vacancies through random checks of suspicious vacancies.</p>
<b>DLI 4</b>	<p>Improvements in adoption of new digital services and upgradation of existing administrative and management systems towards meeting appropriate [EU] standards for digital services</p>
<b>Description</b>	<p>DLR 4.1: The EU developed SELFIE (Self-reflection on Effective Learning by Fostering the use of Innovative Educational Technologies) or equivalent online tool, in local language, will be used to monitor the implementation of the School Digital Action Plan, which measures infrastructure, leadership, collaboration &amp; networking, continuing professional development, pedagogy and assessment. Satisfactory performance means that at least 90% of schools with at least 170 students will have crossed a threshold score of 75% for the infrastructure module of SELFIE or equivalent tool. DLR 4.2: This DLI will support digitalization efforts that will enable improved legal, financial, organizational, and data analytics capabilities to improve policy decisions for identifying and reducing inefficient health expenditure and promoting performance management in primary care service provision. MOILHSA will define a single vision of the digital domain in health, including consolidation and coordination of current systems and overall future architecture of health data management and eHealth systems and their interaction. An interoperable system connects data between PHC providers, hospitals, and NHA, and primary care providers' improved access to patients data, including hospital-level data, will improve clinical decision making. Achievement of this DLI will entail 80% of primary care providers with the ability to share patient records with hospital providers using systems that are interoperable with the NHA eHealth system. IT Agency will confirm the share of primary care providers that have access to electronic health care records, that is they are able to share patient records with hospital providers using systems that are interoperable with the NHA eHealth system. DLR 4.3: This DLR will support digitalization efforts including expanding the telemedicine services covered under the UHC program. Increasing the number of providers</p>



	<p>offering telemedicine consultations will improve access to safer and cost-effective health care services. The SAOG will confirm that the number of primary care and ambulatory care providers is increased to at least 100, and the telemedicine consultations are covered under the UHC Program. DLR 4.4: This DLR is meant to develop and gradually implement the Integrated Reporting System for Social Protection (IRSSP) for improving the human capital delivery system's ability to coordinate, integrate information, identify unserved households in need, and reduce errors. The systems to be connected include existing early warning systems for climate-related disasters and for reporting business intelligence. The utilization of interoperable mechanisms will help to better target and scale up social assistance support to climate affected households. In year 2022 the roadmap for the development of IRSSP should be developed and adopted through a ministerial decree. The roadmap will provide (i) details on data sources, technical architectures and specifications, which data and how often data is collected by IRSSP (for example monthly after payments of benefits), the main reports to be produced; (ii) the lists of indicators to be generated as well; (iii) cost estimations related to software development services, hardware, licenses and others; and (iv) the institutional arrangements on responsibilities within IT Agency for managing IRSSP and within MOILHSA. Memorandums of understanding with other governmental organizations and municipalities for data exchange and other governance details will need to be designed and signed. In 2023 it is expected that a first pilot gathering data from the TSA Registry and at least 2 municipalities is implemented. The IRRSP will incrementally expand to gather more data from all municipalities and other government databases (the Revenue Service, Civil registry, Disability and IDP registries, the new Worknet, the Employer-Employees database being developed by MOF, the Electricity company database and GEOSTAT poverty maps) to generate more sophisticated indicators to improve the programming and budget allocations. The reports generated through the operational IRRSP will include (i) the number, type and amount of local and national benefits received for each person or family, by family composition, municipality; (ii) profiling of the specific needs and conditions of various groups of the population as per indicators specified in the strategy document ; (iii) coordination of programs, including detecting of intended or unintended overlaps and exclusion errors; and (iv) analysis of potential "gaps" in coverage of key bundles of benefits and services that could be tailored to the typical needs of these profiled groups combining statistics above.</p>
<b>Data source/ Agency</b>	DLR 4.1 (Agency: MOES, Data Source: MOES); DLR 4.2 (Agency: IT Agency, Data Source: MOILHSA health care records and facility data); DLR 4.3 (Agency: MOILHSA, Data Source: Annual health care payment data); DLR 4.4( Agency: MoIHLSA's IT Agency, Data Source: Progress reports for the implementation of the IRSSP)
<b>Verification Entity</b>	MOES for DLR 4.1, IT Agency for DLR 4.2, SAOG for DLR 4.3, SAOG and MOILHSA's IT agency for aspects requiring IT skills for DLR 4.4.



**Procedure**

DLR 4.1:

- 1) School Digital Action Plan will be populated by the school authority.
- 2) MOES will generate a national report every year based on this data, including the number of schools meeting the defined performance threshold of 75% on the infrastructure module of SELFIE or equivalent tool.

DLR 4.2: IT Agency will confirm the share of primary care providers that have access to electronic health care records, that is they are able to share patient records with hospital providers using systems that are interoperable with the NHA eHealth system.

DLR 4.3: SAOG will review the health care payment data to confirm the number of primary care and ambulatory care providers offering telemedicine consultations are covered under the UHC Program for at least preceding 12 months.

DLR 4.4:

Verification is against:

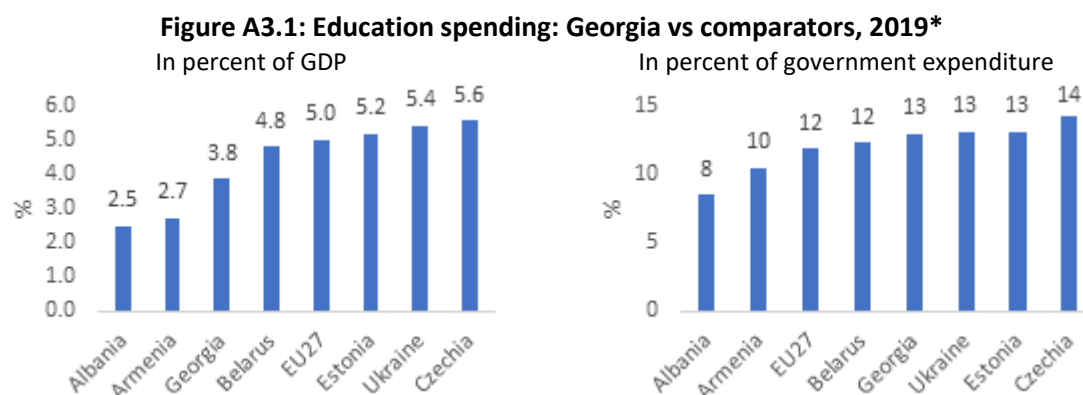
1. government decree establishing IRSSP and attributing business ownership, technical ownership, and responsibilities;
2. annual progress reports prepared by the IT Agency for each annual milestones/objective as described in the roadmap (technical assessment). The annual progress report should be accompanied with evidence (reports, references to open data, etc.).
3. Reports generated through the operational IRRSP containing information consistent with the DLR description.



### ANNEX 3. TECHNICAL ASSESSMENT SUMMARY

#### Program Strategic Relevance and Technical Soundness

1. **Georgia's education spending, as a share of GDP, has grown but remains below regional and EU averages.** Georgia spent 3.9 percent of its GDP on education in 2019, compared with 5 percent in the EU27 (Figure A3.1). In addition, Georgia's relatively low allocation needs to reach a larger percentage of the population compared to aspirational peers. The school-age population in Georgia represents about 26 percent of the total population, compared with 21 percent in the EU27, on average, suggesting that Georgia has more pressure to invest in services such as education. Education spending has been growing (from 3 percent of GDP at the start of the previous decade) and compared to the overall resources available to the public sector, Georgia is not underspending. In fact, Georgia allocates 13 percent of the total government expenditure to education, like that of EU27 (12 percent), and aspirational countries such as Estonia (13 percent).



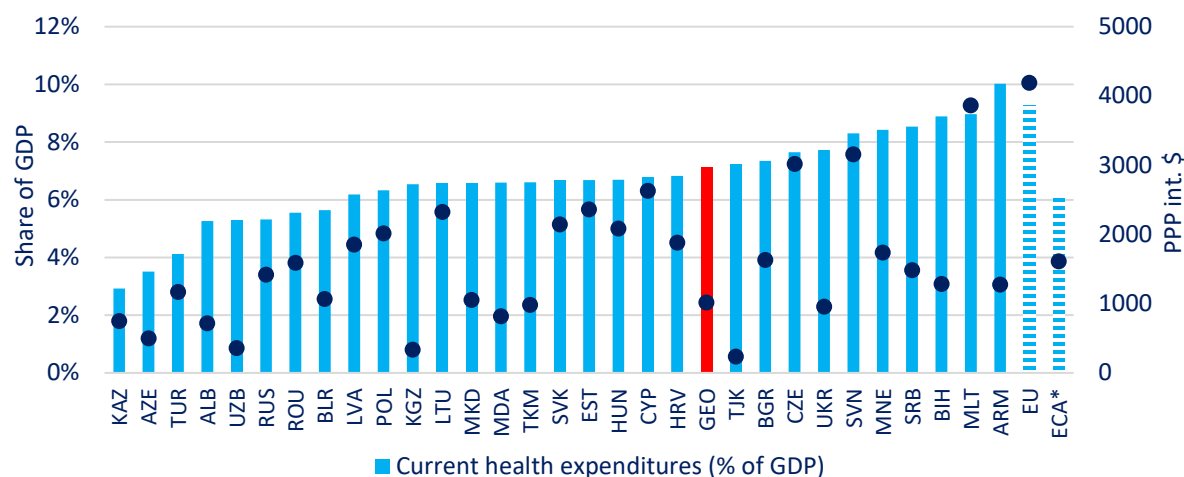
Source: World Bank based on UNESCO Institute of Statistics, 2021.

\* The comparator country data reflects 2019 or latest year available.

2. **Georgia's overall spending on health is larger than in many countries, although it remains below the European average.** In 2018, Georgia spent 7 percent of GDP on health (Figure A3.2). This places Georgia among the non-EU countries that spend most on health, although spending remains below the EU average (9 percent). When measured in absolute terms (in US\$ PPP), however, spending remains relatively low compared to many countries in the region, which may affect the ability to purchase pharmaceuticals or equipment are priced in the international market.



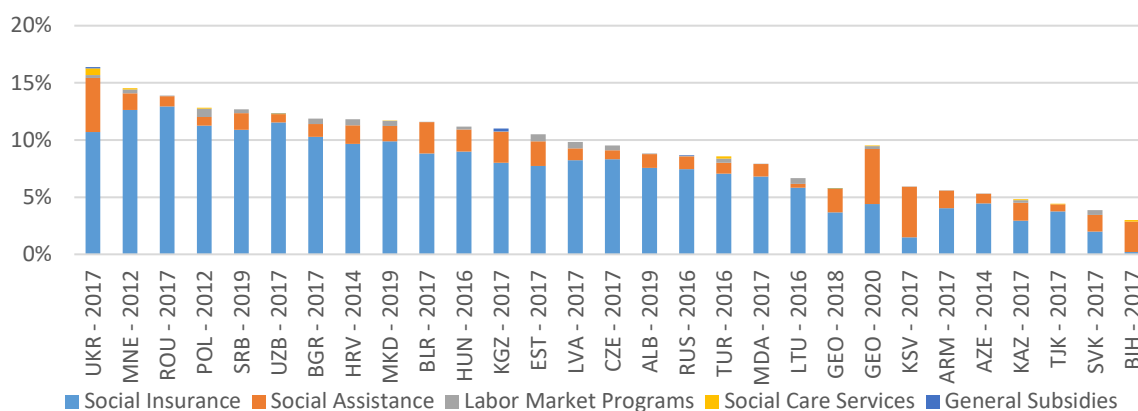
**Figure A3.2. Georgia's health spending is larger than in many countries in the region**



Source: WHO (Global Health Observatory and Global Health Expenditure Database). Data for 2018. Averages are population-weighted Low Income and Middle Income ECA (excluding Russia).

3. **In 2018, Georgia spent 6 percent of GDP on social protection, below the ECA average (9 percent).** Georgia spent 2.1 percent of GDP in 2018 on social assistance (including targeted social assistance and categorical non-contributory benefits), above the average for Eastern Europe and Central Asia, and 3.6 percent of GDP percent on the non-contributory universal social pension. Spending on labor market programs was negligible and very limited compared to other countries. Spending on the contributory pension pillar was not included as it was introduced in 2019. It should be noted that social protection spending jumped to almost 10 percent of GDP in 2020 because of the pandemic (Figure A3.3). Social assistance programs were expanded, and some new benefits were introduced, but it is yet unclear how much of the higher spending will remain.

**Figure A3.3: Social protection spending remains below the ECA average**



Source: World Bank SPEED database.

4. **The technical soundness of the Program can be judged from an examination of the reforms supported under each sector.** In education, the reforms relate to the purpose, content, and mode



of delivery. The purpose needs to be aligned towards the provision of lifelong learning skills, also termed as 21<sup>st</sup> Century competencies; the content needs to be re-aligned to be more relevant to future as well as current jobs and to develop self-reliance and entrepreneurship skills. In the modern age, the risk is that individuals who do not learn these competencies will be rendered irrelevant; nations that are unable to retool their education systems for the modern age will simply be bypassed by history.<sup>35</sup>

5. **The curriculum is the driver of all education; it sets the destination of the learning journey and provides milestone markers and landmarks.**<sup>36</sup> Georgia's ambitious reform for primary education launched in 2020 tasked teachers and school communities to develop school curriculums that are centered on a very challenging construct of complex assignments. From 2021, this approach is being extended to secondary education schools in Georgia, closely engaging with experts from Estonia. Furthermore, the GoG has set forth an even more ambitious plan for secondary education to address the main weaknesses.
6. **Classroom and online implementation of the new curriculum is a complex endeavor that includes many elements – standards for schools and a mechanism to enforce those standards with the provision of resources and support.** Tied to the enforcement of standards is the school re-certification process mandated by the Law on Education for the year 2026-2027. Along with the standards comes a process of support to schools through specialist teams that will work with schools. A feature of the implementation is the development of a school curriculum and a teacher's individual development plan. The school curriculum enables a school community to adapt the national curriculum to the needs of students. A teacher's individual development plan utilizes a live online system for support of teachers who undertakes a self-assessment, identifies training needs and the means to meet the needs, and provides mentors.
7. **The progressive fragmentation of the financing model of general education, under which more than US\$250 million each year is spent, has generated serious efficiency, equity, and transparency problems.** With a view to eradicate corruption in the school management system, since 2006, Georgian reformers removed local governments from the budget process, which allowed the central government to fund schools directly. The Ministry chose vouchers as the simple financing model with just three values that include urban, rural, and mountain schools. Over time, this model evolved into a complex system, quite different from standard school voucher initiatives, with 60 percent of schools essentially receiving discrete payments. The complex and opaque financing system is not able to adequately support the needs of different schools across the country. The theoretical benefits of a standard voucher system, namely transparency and equity, are missing and the system needs reform.<sup>37</sup>
8. **The EMIS system reveals a stark picture regarding the extant fiscal inefficiencies, and the**

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<sup>35</sup> Choo S. et al (eds.). 2017. Educating for the 21<sup>st</sup> Century: Perspectives, Policies and Practices from Around the World. Springer.

<sup>36</sup> Reimers, F. (ed.). 2021. Audacious Education Purposes: How Governments Transform the Goals of Education Systems. Springer Open; Reimers, F. (ed.). 2020. Improving a Country's Education: PISA 2018 Results in 10 Countries. Springer Open.

<sup>37</sup> Review of Education Financing Model I – Evolution of the Voucher Formula 2006-2021; and Review of Education Financing Model II – Policy Options for Reform.



**problem of poor quality of learning in small schools exacerbates the negative shock to the system.** In 2020, the system registered 2,308 schools in Georgia, mostly public. Of these, there are 1,296 schools (60 percent) that are small schools with an average enrollment of 71 students, for whom the voucher formula does not apply. These schools enrolled 92,012 students, which is less than 20 percent of the total student enrollment. In 2020, the small schools received transfers amounting to more than GEL 300 million or 40 percent of the overall transfers. While it is expected that smaller schools would be more expensive, it is surprising that the skew would be so extreme.

9. **A very important manifestation of the education financing problem and the inertia of maintaining schools of all grades together is the issue of low quality of secondary schooling.** For a school to be able to offer a good quality learning experience, there needs to be a critical mass of students. Scale is also needed to have adequate inputs such as laboratory and IT equipment. Most importantly, scale is needed because teaching and learning is a community endeavor.<sup>38</sup> The required scale is not achieved by a staggering proportion of schools. Schools are not differentiated into Elementary/Middle and Secondary. There are about 400 schools that do not have any children in Grades 10 to 12. There are another 400 schools with less than 20 children in Grades 10 to 12. The GoG plans to invest in providing the adequate scale for schools with sufficient quantity and quality of inputs, including teachers with necessary qualifications, training, and motivation.
10. **Previous neglect in formulating clear objectives for secondary education, combined with a high stakes university entrance examination, led to serious quality and equity problems.** There is an “absence of a targeted and functional purpose of the upper secondary level.”<sup>39</sup> Though students prepare for the UNE, there is a lack of engagement of students. A clear manifestation of this is the neglect of school classes by students and the high outlays on private tuition classes to prepare for those examinations.<sup>40</sup> Even as early as 10<sup>th</sup> grade, many students do not find it worthwhile to attend classes at school. High school reform will go hand in hand with reform in university entrance, so that the UNE score is not the singular metric used. Georgia placed 2<sup>nd</sup> among 80 countries that took part in PISA 2018 in terms of days of instruction lost due to students not attending school.
11. **With adequate secondary school quality as a key result, the Program includes a commitment to reform the financial model to enable school communities to access the resources they need.** The model would adhere to criteria of transparency and equity and include adequate financing for payment of teacher salaries (as well as utilities and other needs). The financing of energy expenditures would incentivize emission reduction and energy efficiency. Furthermore, the financing would: (i) provide for adequate staffing; (ii) incentivize the formation of school clusters at the upper secondary level; and (iii) allow for the provision of vocational education services in selected upper secondary schools. The reforms are expected to lower the performance gap between urban and rural students in science, mathematics, and foreign languages.

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<sup>38</sup> Giambona, F. and M. Porcu. 2018. School Size and Student’s Achievement. *Socio-Economic Planning Sciences* 64: 66-77.

<sup>39</sup> Promoting quality education for all children through improving the National Curriculum for grades 11-12, Estonian Education and Youth Board and UNICEF, 2021, MOES.

<sup>40</sup> Gorgodze, S. and L. Chakhaia. 2021. The uses and misuses of centralized high stakes examinations. In *Assessment in Education: Principles, Policy & Practice*.



12. **Ensuring quality of preschool services is also an important policy consideration.** Georgia's decentralized preschool system currently faces challenges, including lack of data on children enrolled in or left out of the system, absence of a quality assessment, and lack of feedback mechanisms from service users on the effectiveness and efficiency of services. The Law on Early and Preschool Education (effective September 2016) requires municipalities to provide oversight and monitoring of preschools in the implementation of national standards including education, nutrition and food safety, sanitation and hygiene, and physical environment.
13. **Transformational change in education needs to have a strong digital component.** The instrument proposed to implement this policy is the School Digital Education Action Plan, to be implemented using the EU Joint Research Center's SELFIE (Self-reflection on Effective Learning by Fostering the use of Innovative Educational Technologies) tool, which has been initiated in Georgia with support from the Estonian Government.<sup>41</sup>
14. **In health, the policy solutions call for efficient functioning of all levels of care.** It is critical that efforts are made to increase efficiency and obtain better value for money from current spending. To achieve this, the reforms need to include a revitalized PHC system that is regionally balanced, well-articulated with affordable, secondary and tertiary care; efficiently managed hospital and pharmaceutical contracts that incentivize quality while reducing cost and patients' OOP health spending; and the use of digital technologies to help provide quality attention and wellness care.
15. **Universal health coverage means that all have access to the services they need, when and where they need them, without financial hardship.** It includes the full range of essential services, from health promotion to prevention, treatment, rehabilitation, and palliative care. Georgia introduced its universal program (UHCP) in 2013 and has made significant progress in improving access. Georgians, particularly the relatively less well-off, benefit from the UHCP through increased access and reduced the likelihood of impoverishment or catastrophic OOP spending. The UHCP extended publicly-financed entitlement to health care coverage to the entire population. The benefits package covers a range of primary and secondary care services and limited essential drugs.
16. **The health financing reforms have been backed up by significant increases in spending.** Since the implementation of the UHCP, public health spending has risen from 5.5 percent to 10.3 percent of total government spending between 2012 and 2018. While public spending in Georgia comprised just 19.4 percent of total health spending in 2012, one of the lowest in Europe, it was 39.4 percent in 2018. But despite the increase in spending, the share of OOP health spending remains high.
17. **Although public resources allocated to health are average for Georgia's income level, the share of OOP health spending remains higher than in many comparable countries.** For Georgia, which allocates 10.3 percent of its government budget for health, 47.7 percent of OOP health spending is too high. Despite rising allocation of government's budget to health, more public health spending is not translated into lower OOP. Therefore, OOP spending is likely to distort people's incentive towards overuse of costly services that are free under UHCP, such as inpatient emergency services.

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<sup>41</sup> Jeladze, E. and K. Pata. 2018. Smart, Digitally Enhanced Learning Ecosystems. Sustainability 10(8): 2672.





18. **UHCP has consistently overspent its budget in recent years, which raises sustainability concerns.** To maintain the progress made under the UHCP, and further deepen coverage and financial protection, the GoG needs to ensure the financial sustainability of the UHCP. This requires efforts to increase efficiency and obtain better value-for-money from health spending.
19. **Purchasing mechanisms that are good at managing costs effectively and incentivizing patients and providers should be adopted.** The purchasing mechanism is the way in which public funds are used to deliver health services. It includes: (i) managing revenues and expenditures; (ii) contracting; (iii) paying providers and setting the right incentives; and (iv) monitoring provider performance, service, and quality. As the public purchaser of health services under UHCP, the NHA potentially has the power to purchase services strategically and manage costs effectively. In practice, however, the NHA is more of a passive purchaser. The detailed and complex payment system for hospitals, with different tariff setting and copayment rules for different types of hospital care, enables providers to game the system, which leads to increased administrative costs and constrains NHA's ability to control costs. The NHA's main instruments for ensuring services are delivered appropriately are prior authorization and claims management. Both processes are a drain on the UHCP's administrative capacity because of the extensive paperwork involved. In practice, all claims from hospitals are reimbursed. In recent years, the NHA has also taken steps to standardize tariff-setting rules which have already led to cost savings.
20. **Ensuring value-for-money of pharmaceutical spending is another key reform area.** Current reimbursement and purchasing systems contribute to inefficient spending. While medicines provided under MOILHSA's vertical programs are centrally procured, medicines for inpatient care are purchased directly by hospitals, likely with large variations in prices. In the absence of price controls and uniform reimbursement rates, the UHCP's outpatient benefit also pays for medicines at variable prices. Adopting a reference pricing system can improve the efficiency of spending on pharmaceuticals in the public sector. Reference pricing uses either: price information from other countries to derive a benchmark for the purposes of setting or negotiating prices at home (external); or prices of pharmaceutical products that are therapeutically similar including generics, biosimilar products, and closely substitutable products which contain different active ingredients that produce similar health effects (internal).<sup>42,43</sup> While 23 out of 31 countries use external reference pricing as the main systematic criterion when setting the price of a medicine, others including Belgium, Finland and Germany use it as supportive information.<sup>44</sup> Similarly, 17 out of 27 EU countries and Canada, Japan and Switzerland use internal reference pricing to set the price of medicines.
21. **Many OECD and EU countries use managed entry agreements (MEAs) when adding new**

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<sup>42</sup> External reference price methodologies differ widely across countries—for example, variations in product and country reference baskets, and different algorithms used to determine the reference price for a given product. External reference price information is also usually combined with other policy considerations before prices are set (Ruggeri and Nolte 2013).

<sup>43</sup> WHO Guideline on Country Pharmaceutical Pricing Policies

<sup>44</sup> Rémuzat, C., D. Urbinati, O. Mzoughi, E. El Hammi, W. Belgaied and M. Toumi. 2015. Overview of external reference pricing systems in Europe. *Journal of Market Access and Health Policy*.



**medicines to the health benefit packages.** MEAs have been widely implemented in the last decade as an alternative to tendering due to patent protection preventing competitive bidding between producers. MEAs, if implemented in a smart way, have potential advantages as a longer-term, more sustainable framework that distributes risk between the payer and the producer to further their mutual goal of facilitating patient access to new medicines. MEAs can be designed to distribute financial risks, risks related to the outcome or performance of the treatment not being as expected in real life, or a combination of both financial and performance uncertainty. Financial schemes aim to minimize the financial risks to the payer in making a positive reimbursement decision and publicly financing the new medicine, and in reducing its cost. Of all agreement types, these are internationally by far the most widely used because of technical simplicity in contract preparation and the low administrative burden of monitoring agreement performance. Performance-based agreements require substantial administrative capacity and/or advanced clinical systems to monitor implementation.

22. **Over the medium term, the GoG needs to consider expanding outpatient drug coverage in the UHCP.** Expanding the UHCP drug benefit would help defray OOP costs of medicines and improve financial protection. In practice, a gradual expansion of the drug benefit needs to be considered, starting with a limited subset of patients and products, for example, high burden diseases, vulnerable groups, or high-cost medicines. Given that cardiovascular disease (CVD) ranks at the top for both burden of diseases and mortality, and the relatively low cost of treating hypertension, one option would be to start by expanding the benefit for first line antihypertensive drugs. Depending on the fiscal space available, the drugs could be provided at a higher reimbursement rate, or free of charge, to a broad majority or all patients with CVD. To ensure that there is minimal leakage or gaming of the benefit, a track-and-trace system that enables electronic prescriptions needs to be in place to monitor prescribing, dispensing, and adherence.
23. **Georgia's health service delivery system needs to reduce reliance on acute hospital and emergency care by reorienting towards greater emphasis on primary care and improving coordination between primary and hospital care.** Such a reorientation would ensure that, for most chronic diseases, the onset of the disease is prevented, or secondary prevention is provided early on; and treatment, where needed, is provided early, thus avoiding the more acute and catastrophically expensive hospital treatments. Coordination reduces duplication of tests and a strong primary care function ensures continuity of care and better patient case management. Experience from countries such as Denmark, Germany, Turkey, and the United States shows that a strong primary healthcare system is critical in achieving good health outcomes.
24. **One of the key elements of this reorientation of service delivery is enhancing the quality and efficiency of primary care.** The rural doctor program needs to be integrated into the UHCP to reduce fragmentation of primary care. The incentives facing primary care providers need to be strengthened so that primary care providers take more responsibility for patient care, particularly for patients with multiple chronic conditions. This includes adjusting the capitation rate for risk or patient needs and introducing a performance-based component to reimbursement for primary care. Reorienting service delivery away from hospital services and strengthening primary health care will certainly improve outcomes and efficiency in the long term, but this reorientation of service delivery would require additional investments in the health sector that cannot be achieved



through efficiency savings alone. Primary care utilization rates are increasing but remain low, exacerbated by a shallow outpatient drug benefit under the UHCP. If access to outpatient drugs remains limited, patients will face strong incentives to go directly to hospitals and/or emergency services. Therefore, another key element of the reorientation towards primary care is expanding access to essential drugs in primary care. This involves expanding the outpatient drug benefit in the UHCP and increasing the availability, affordability, and prescription of generic medicines.

25. **For social protection, the requirement is to upgrade the delivery system and to support those able work to acquire skills and access jobs.** The goal is to have a social protection system that can better identify poor families with children and is responsive to negative shocks and sudden changes in vulnerability and new forms of poverty; and a more inclusive and resilient system that helps the needy and helps to connect people to job opportunities through effective employment services and skill training, since institutional arrangements for providing skills and connecting jobseekers with jobs are nascent.
26. **Targeted social assistance and employment promotion programs play a key role in helping households build and protect human capital.** The TSA cash transfer program provides poor and vulnerable households with children with the financial stability to invest in human capital services such as health clinics, schools, and nutrient food. The TSA serves as a platform to identify other vulnerabilities – for example, child malnutrition, school dropouts, and cases of domestic violence – to be addressed through other services and benefits beyond the TSA cash transfer. TSA’s central targeting scoring system is used by municipalities to assign health fee exemptions, scholarship and education fee waivers, free meals, child protection services, energy discounts, and other poverty targeted social benefits. The newly established SESA<sup>45</sup> reporting to MOILHSA is tasked to carry out labor intermediation, implement employment promotion programs, and organize the implementation of job seekers’ vocational training and retraining courses to enhance their employability and/or prospects for self-employment. By facilitating employment for vulnerable people and youth transition into the labor market, SESA’s services ensure that investments in human capital are fully utilized in working age.
27. **Georgia has undertaken many innovations in its social protection delivery system, including in the development of its Social Registry and Single Window front office model for citizen interface.** The processes for determining potential eligibility are supported by the Unified Database of Socially Vulnerable Households (the social registry) and a Single Window approach by which households can apply for TSA and other benefits and services at local Social Window offices operated by the SSA. The social registry includes information for about a third of the population, precisely 334,823 households (equivalent to 31 percent of households) in 2021. Two key features make the social registry a particularly useful tool for social policy. First, it operates as an Integrated Social Registry for benefits paid from the national budget, serving not just the TSA but many other poverty-targeted benefits and services at central and local government levels, including subsidies under the UHCP, free meals, social energy tariffs, scholarships, special benefits for the poor disabled, foster care, transport subsidies, for example. Second, the social registry operates on an

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<sup>45</sup> The State Employment Support Agency (SESA) under the MOILHSA; Ministry of IDPLHSA became operational on 1 January 2020.



“on-demand basis,” and continuous access is facilitated by the extensive network of local and regional SSA Offices; it provides dynamic inclusion, such that anyone can apply at any time at the SSA offices. These are important strengths for Georgia’s registry, and not all countries have achieved both social policy roles with their national social registries.<sup>46</sup>

28. **The targeting model of the TSA needs to be updated to improve the human capital program’s ability to target the poor, hence more equitable outcomes.** The Proxy Means Testing (PMT) scoring formula that is used to determine eligibility to the GoG’s flagship targeted social assistance program (TSA) as well as a myriad of social care benefits provided by municipalities over the country, eligibility to the Universal Health Care benefits, some scholarships, and other poverty targeted benefits. The PMT score has also played a huge role in the resilience of the social protection system.<sup>47</sup> Nonetheless, the accuracy in identifying the poor has worsened over time and is bound to further deteriorate due to structural issues with the underlying PMT formula and the Needs Index computation. The Bank has assisted MOILHSA to revise the PMT scoring formula based on more recent household survey data, a sounder treatment of nominal variables, and more accurate incorporation of observable components of welfare for the estimate of the same. The updated PMT scoring formula based on the new approach is expected to increase the number of beneficiaries from the poorest quintile by nearly 12 percent. The Bank<sup>48</sup> proposes a simplification of the equivalence scales and a revision of the cohabitation coefficient. It also challenges the accuracy of the current subsistence minimum consumption basket and calls for its update based on more reliable assumptions on consumption patterns.
29. **The registration, eligibility verification, and enrolment processes of poverty-targeted benefits could be better streamlined.** Major bottlenecks to timely delivery lie in the application, registration, eligibility verification, and enrolment procedures. The application process, for instance, must be initiated only by an in-person visit of the household to the nearest SSA office, of which there are 69 in the country. Declaration forms are paper-based. Data operators enter the information into the social registry using software applications for the front office. For only half of the variables needed to generate the PMT score, the social registry pulls information from other government administrative systems using the unique national identification (ID) and interoperability capabilities for data exchange. The local Social Agent then pulls up that information, manually collects other information on remaining variables and conducts a home visit to the applicants’ home to gather further information for the complete Family Declaration.<sup>49</sup> The social registry applies business rules programmed into the back-office software to calculate the PMT scores, combining information from the Family Declaration and information curated from other government administrative systems. The registration process determines if the household is eligible for the TSA program, the child allowances, and other local benefits which all apply different eligibility thresholds. Households whose score qualifies for TSA are enrolled; when a household is

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<sup>46</sup> Lindert, K. et al. 2020. Sourcebook on the Foundations of Social Protection Delivery Systems. Washington, DC: World Bank.

<sup>47</sup> In 2020, as much as US\$27 million in emergency transfers were delivered through PMT-based poverty targeting, including nearly US\$5 million spent on coverage of tuition fees.

<sup>48</sup> Honorati, M. et al. 2021. Needs Index in Georgia: Assessment and Proposed Revisions. Washington, DC: The World Bank.

<sup>49</sup> World Bank assessment found out through interviews with SSA agents that three visits by social agents and beneficiaries to submit and verify a large amount of information, even when this could be retrieved directly by the SSA through the Civil Registry, as is the case for example with birth certificates.



deemed eligible, the SSA formalizes the enrollment decision and calculates the benefits to be paid to that household depending on their PMT score and household composition (with additional benefits for children). The enrollment decision is then transmitted through the territorial SSA office to the Social Agent in the local SSA office, who then notifies the household of the decision.

30. **The Georgian regulation on registration to the social registry<sup>50</sup> mandates a maximum of 90 days between application and enrollment into the social registry, which is done contextually with the attribution of the PMT score once all verification crosschecks have been completed.** The enrollment shall be completed within 2 months after the PMT score is assigned. The list of enrolled beneficiaries is shared with Liberty Bank monthly, on the 10<sup>th</sup> day of each month; Liberty Bank proceeds to pay the transfers by the 15<sup>th</sup> day of the month. For instance, a household that applies in January, is registered, and assigned the PMT score in April and will receive the first payment between the 15<sup>th</sup> of May and by the 15<sup>th</sup> of June. Interviews conducted by the Bank team with local experts and consultants suggest that effective times are aligned with the regulation. Overall, then, from the moment a household applies to enrolment, it takes about five months. Once the score is generated, it is not updated for four years before the recertification process will be conducted. This implies that changes in income, assets, and other household vulnerabilities captured in the scoring formula are not reflected in an updated score despite the social registry having the potential to automatically update certain household characteristics on a regular basis. In this sense the social registry is currently inadequate for an adaptive social protection system; it does not automatically and regularly update important information from other government databases for faster eligibility and recertification checks.
31. **The COVID-19 pandemic has revealed the urgency of transitioning to an adaptive model of social assistance, where households and children in need are rapidly identified in the face of constantly evolving circumstances.** By improving the high-frequency updates in the targeting of essential benefits, the PforR will contribute to resilience in human capital investments. The pandemic has highlighted the relevance of the TSA delivery system in supporting resilience to systemic shocks.
32. **The geographical coverage of ALMPs and SESA is unequally distributed.** SESA, the agency in charge of implementing employment and labor programs, was established in 2019 with the mandate of developing employment services, taking over responsibilities from SSA's Labor Department. However, it is severely underfunded, understaffed (51 employees for the full country in 2021), and does not fully cover poorer and remote regions. Three regions (Racha-Lechkhumi and Kvemo Svaneti, Samtskhe-Javakheti, and Mtskheta-Mtianeti) lack a SESA regional office and, even where present, the scale of SESA's activities is very limited, and the provision is not equally distributed across regions. Short-term vocational training, for instance, was only provided in the four regions of Tbilisi, Kutaisi, Zugdidi, and Sachkhere in 2020.
33. **The geographical coverage of providers of training is also very narrow, adding a further access constraint to rural beneficiaries.** Until 2019, the training and retraining supported by SESA was separated from formal TVET provided by MOES: an adult who wanted to undertake formal TVET training would join the same classes with young students, leading to high dropout rates among

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<sup>50</sup> Government Decree No. N 126 of 2010 and its amendments.



adults. In 2019, a new system of short-term training and retraining was introduced by MOES along with competence standards, quality assurance mechanisms, and an accreditation system for training providers. The capacity of the short-term vocational training includes about 212 vocational training or retraining courses for about 3,000 trainees per year delivered by about 100 legal entities, half of which are private companies and NGOs; TVET colleges form the other half. However, the geographical coverage is very narrow; in 2020, it was limited to four regions (Tbilisi, Kutaisi, Zugdidi and Sachkhere). Before the pandemic, those who undertook short-term training courses had a 70 percent employment rate, while for TVET diploma courses students the employment rate was 62 percent. The quality (earnings) and job tenure are not tracked.

34. **The employment service model is not sufficiently tailored to the needs of vulnerable job seekers—TSA beneficiaries, IDPs, women, youth, and persons with disabilities (PWD).** The new employment model piloted with support of EU introduced a profiling tool to categorize the hard-to-serve, though existing job search assistance, intermediations services, and counseling are not implemented to adapt to the higher needs of hard-to-serve job seekers. Low-skilled and long-term unemployed are identified through a profiling tool that classifies registrants in the employment service centers into four groups, of which Group 3 comprises the low-skilled and long-term unemployed and Group 4 is people living with disabilities.
35. **The scope and scale of ALMPs is very small to help promote human capital utilization among vulnerable job seekers—TSA, IDPs, youth, women, PWD, and other vulnerable persons.** ALMPs managed by SESA include programs for employment promotion: subsidized employment for the vulnerable, job matching through Worknet, counseling, job search assistance, job fairs. Additionally, SESA manages programs for job seekers' vocational skills development: provision of vocational guidance and career planning; development of job seekers' core competencies, internships; and vouchers for short-term professional training/retraining/upskilling with providers accredited with MOES. Evidence on the effectiveness of existing ALMPs is limited. The total number of beneficiaries receiving ALMPs was 4,300 in 2021 (as of end of October 2021). In terms of job placement, of the 1,806 beneficiaries of job intermediation services in 2020, only 343 eventually found a placement, and among them only 69 were placed with the employer they were referred to.
36. **The Worknet jobs portal is assessed as a basic platform, offering only basic information and involving few employers and vacancies compared to the number of job seekers.** Georgia has made significant progress over the past couple of years in developing concrete tools and approaches for promoting activation of social assistance beneficiaries. One key tool is the development of a management information system, "Worknet.gov.ge," used by job counselors in SESA local offices. This portal allows employers to advertise vacancies, and job seekers to register their skills and experience to support job search. The system is free of charge and can be accessed online or via kiosks in the SESA regional offices. However, Worknet is assessed to be not user-friendly due to complex registration procedures for both job seekers and employers. The taxonomy of occupations and skills used in Worknet is not disaggregated enough to aid job matching, which is performed manually by SESA staff. Finally, a limited number of vacancies is collected due to limited outreach efforts to employers. About 300,000 job seekers have registered in Worknet since its launch, although not all of them are active with regularly updated profiles. In 2020, only 3,000





vacancies were posted, mostly due to the pandemic crisis, and 908 job seekers were successfully matched to jobs. In 2019, 10,000 vacancies were posted and more than 1,000 were successfully matched. Over 600 employers are cooperating with Worknet, with 235 registered with webpages. Attracting a larger number of job seekers beyond the lower-skilled and TSA work-able beneficiaries who are mandated by law to register in Worknet, and integration with other job portals, will make the portal more attractive to the employers who might use it to post new vacancies and ultimately lead to better job matching.

37. **SESA lacks a methodology to identify skills in shortage and for medium term forecasting.** The labor market management information system (LMIS) in the Ministry of Economy provides only aggregate statistics on labor market trends, including wages and employment by regions, economic sectors. The information is not disaggregated enough to aid SESA to perform its job matching services. To identify the skills in demand, SESA relies on information from *jobs.ge*, *ss.ge*, and information provided by employers through the newly introduced vacancy monitoring survey, in addition to Worknet. Currently, neither the Ministry of Economy nor SESA perform analysis for skills forecasting to identify skills in shortage. Moreover, limited coordination mechanisms exist between employers and the TVET system to adapt vocational training courses to the skills needed by employers, leading to poor job relevance of the vocational training system.
38. **Monitoring and evaluation of the human capital sector are limited by the lack of consolidated results indicators on coverage and cost effectiveness of both central and local education, health, and social protection benefit/services, and on potential cases of exclusion and inclusion errors.** Currently, many operational IT systems (Social Registry, Worknet, local IT systems of municipalities) housed in different departments, Ministries, and municipalities are not fully interoperable and do not automatically update each other. These datasets are usually limited to the self-selected list of beneficiaries or, in the best case, applicants to different human capital services. They do not include information from local government. Except for the largest municipalities, there is no uniformly agreed data sharing agreement between local and central government on the provision of social care and other educational or healthcare services and bonuses. This creates the risk of overlaps of benefits and inclusion errors, while it limits the different agencies' ability to identify and reach out to unserved potential beneficiaries. It also limits the government's ability to draw upon general statistics and maximize the impact of the data.
39. **The decentralization of many social protection benefits and programs, coupled with the lack of an integrated reporting system for social protection and human capital services more broadly, makes it difficult to form a comprehensive picture of overall coverage, identify possible exclusion gaps and overlaps.** For instance, the social registry provides a list of households who receive TSA and child allowances, but not a composite picture of whether these same households also receive what types of local benefits, IDP and disability allowances, etc.
40. **The IRSSP will include a Data Warehouse that collects information from different social programs and their benefits administration systems.** These would include the number and characteristics of beneficiaries, value of expenditure on social programs, and performance of programs—for example, the frequency of payments/transfers, speed or cycle-time of key processes, and number of complaints received and resolved. The IRRSP will include also reporting business intelligence,



statistics, and other tools to assist in forecasting. The IRSSP will allow cross-checks using interoperability mechanisms between stand-alone benefits administration systems and other administrative information systems such as those managed by municipalities and early warning information systems to enable the emergency programs to respond to climate-related shocks and deforestation in the mountain regions, the social registry, Revenue Service, civil registry, disability and IDP registries, the new Worknet, the new Employer-Employees database developed by MOF, the electricity company database, and GEOSTAT poverty maps. The IRSSP will facilitate monitoring and reporting on that information as well as disaggregation by geographic location, vulnerable groups, etc., and the identification of households in need of support that are excluded from the current SP system. The analytics produced by the IRSSPP will be used for administration, programming, and policy decisions. For instance, the availability of statistics on overlaps and unintended benefits would inform programming decisions; and the pattern of total (central and local) budget by municipality against poverty, economic activities would inform budget policy decisions at both central and local level.

### Program Expenditure Framework

41. **The fiscal outlook that provides the setting for the Program Expenditure Framework has been impacted by the COVID-19 crisis, but recovery appears to be active as of October 2021, with GDP growth rate for 2021 projected at 8 percent.** The fiscal deficit widened by 27 percent year-on-year in the first seven months of 2021, as rising public expenditures – including additional COVID-19 response measures – offset a 15 percent year-on-year increase in revenues. By end-July, the fiscal deficit had reached about 4 percent of annual GDP out of the planned 7.6 percent, while public debt fell to 53 percent of GDP from 62 percent as of end-2020. The fiscal deficit is expected to remain elevated at around 7.6 percent of GDP in 2021 before gradually declining as revenues recover and emergency spending subsides. The deficit is projected to narrow to about 3 percent of GDP by 2023 in line with the fiscal rule.<sup>51</sup> Public debt fell to 53 percent of GDP in August, as compared to 62 percent as of end-2020. The first draft of the 2022 Budget law envisages a deficit of 4.8 percent of GDP as continued robust revenues (mostly VAT and profit tax) and cuts in COVID-19 related spending are expected to offset spending increases from pensions, in line with the new pension indexation rule, and higher teacher salaries.<sup>52</sup>
42. **Program-based budgeting, implemented in Georgia since 2012, provides a high level of budget clarity and predictability, with a clearly defined Human Capital Program Boundary.** The budget defines a program of activities together with assigned expenditures and related results. Georgia meets the five requirements of an adequate expenditure framework that would allow the smooth functioning of a PforR Program: (i) the fiscal context of the Program in terms of the fiscal outlook and Program impact on the outlook; (ii) financial sustainability and predictability of resource availability; (iii) allows the alignment of policy objectives, priorities and results with the budget allocation and execution; (iv) creates mechanisms and incentives supporting an efficient service delivery and value for money; and (v) provides an affordance to vary assessment according to the size and complexity—the Program does this through a standard chart of accounts with 2-, 4-, and

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<sup>51</sup> Europe and Central Asia Economic Update. 2021. Competition and Firm Recovery Post-COVID-19.”

<sup>52</sup> World Bank. Georgia Monthly Economic Report for October 2021.





6-digit classification of subprograms and activities within each subprogram.

43. **Three flagship subprograms in education, health, and social protection account for 81 percent of the projected Program outlay of US\$5,988 million in the period 2022-2027.** The Program budget for 2022-2027 summarized in Table 2 in the main text includes allocation primarily for reforms of existing activities, which constitute the major outlays of the Program. The three main budget codes are related to Provision of general education (32 02 01), Targeted Social Assistance (27 02 02) and Protection of the general health of the population (27 03 01). In recent years, these three programs have each had annual budgets of a little over GEL 800 million (US\$267 million), a total annual outlay of a little over GEL 2400 million (US\$800 million). It is very important to understand that the Program does not envisage substantive changes to these amounts. Indeed, efficiency is a key result area of the reforms envisaged under the Program. The same magnitude of expenditures, with adjustments for future inflation, is projected in the future six years of the Program, for a total amount of US\$4,800 million. This figure constitutes 81 percent of the projected Program expenditures (Table A3.1). Reforms supported under the Program are expected to enhance the value-added or throughput of human capital benefits derived from the Program, so that higher quality and equity will be made possible without increases in budget outlay in the three programs.

**Table A3.1: Subprograms ranked by Relative Size**

Subprogram	Projected Expenditure 2022-2027 in US\$ million	Cumulative Spending Percentage	Projected additionality beyond 2019-2021 trend
Protection of General Health of the Population	1,657	28%	0
Transfers to General Education Schools	1,600	54%	0
Targeted Social Assistance	1,568	81%	0
Primary Health Care (Health Care in Priority Areas)	396	87%	0
Strengthening High schools and University Transition	260	92%	26
Digital Infrastructure in Schools (Digital Action Plan for schools)	250	96%	129
Digital Infrastructure for Health including Telemedicine	150	98%	-55
Digital Infrastructure for Social Protection and other items	108	100%	~55
<b>Total</b>	<b>5,988</b>	<b>100%</b>	<b>~155</b>

44. **The GoG is committed to funding all the activities that are required for the success of the Program, with subprograms and activities that require increasing expenditures mostly related to deepening of IT investments needed to modernize human capital delivery and monitoring systems.** In addition to the 81 percent of expenses captured by the three flagship subprograms, the next biggest subprogram is the one for Primary Health Care (27 03 03). This subprogram is projected with the same zero additional fiscal outlays (Table A3.1). The fifth ranked subprogram (in terms of size of 2022-2027 outlay) is the program to strengthen high schools for implementing the new curriculum. The High School strengthening subprogram envisages an increase in outlay of from the three-year historical outlay by about US\$26 million over the linear projection from the previous three years. The Program is completed by a set of digital investments in human capital service delivery and administrative setup costs of some relatively new Social Protection subprograms. Table A3.1 indicates a possible additional fiscal impact of the Program to the tune of



US\$155 million, without accounting for future inflation. Given the GoG yearly budget in the three most recent years of approximately US\$6 billion, the additional outlay would account for a fiscal footprint of approximately 0.43 percent annually.

45. **Budget execution, as compared to the budget allocation, indicates a mature budgeting process in Georgia, supported by the Program Budget in place since 2013.** Georgia has made a substantial effort over more than the past decade to strengthen and make transparent the budget processes. This effort has been supported by a series of Development Policy Loans (DPLs) as well as through Public Sector Financial Management Reform support. The Public Expenditure and Financial Accountability (PEFA) Assessment report published in 2018 stated, “Overall, the results of the PEFA assessment show that public financial management systems in Georgia are strong and improved as the PFM reform action plan has been implemented. The aggregate expenditure side of the budget performs according to plan. There is an impressive array of information regarding the finances of the budgetary central government. Information is included in the budget on a timely basis. As a result, the budget documents include most of the basic, and much of the supplementary information, required to support a transparent budget process.” The budget has a high degree of predictability and there is a close match between the budget and actual spending, as shown with data for the Human Capital subprograms in Table A3.2. In fact, as discussed before, for the health sector, there is a problem of overspending on the budget that the reforms supported by the Program aim to tackle.

**Table A3.2: Budget absorption for Human Capital (Historical record of past 5 years)**

	Education		Health		Social Protection	
	Budgeted (current thousand GEL)	Executed (percent)	Budgeted (current thousand GEL)	Executed (percent)	Budgeted (current thousand GEL)	Executed (percent)
<b>2016</b>	661,853	99.8%	964,722	102.5%	688,081	100.0%
<b>2017</b>	750,397	99.6%	996,257	102.9%	718,051	99.9%
<b>2018</b>	770,046	100.0%	1,073,929	102.2%	719,990	99.9%
<b>2019</b>	941,194	100.0%	1,157,506	103.2%	828,999	100.0%
<b>2020</b>	973,900	99.9%	1,683,445	99.2%	889,567	99.9%

46. **Incentive for successful implementation of the Program expenditure framework comes from a government-wide conviction about the reform, which will be further supported by the institutional arrangements.** Georgia has put a priority on the development of human capital. The expenditures allocated for education, health, and social protection are the biggest items of government expenditure. However, there has also been a realization that systemic or structural inefficiencies are holding back the productivity of these expenditures. The program-based budgeting system does include sets of targets and indicators, but these indicators for the most part only record that expenditures were made for the intended purposes. For instance, the monitoring and evaluation system records that transfers were made as intended to schools for provision of general education. However, the treasury system of incentives does not extend to long-term policy goals of outcomes such as better student learning. The reforms that will be supported by the Program are expected to overcome these problems to bring about a more advanced level of results



orientation. The MOF and the line Ministries are interested in this government-wide goal of better value for money from public expenditures and to meet the long-term strategic goal of policies and outcomes, in line with Georgia's aspirations to be a modern European state. The institutional arrangements, with an operational level PCU and a ministerial-level steering committee, are expected to support the provision of the required financing.

47. **Georgia's renewed focus on human capital needs to adjust to limited fiscal resources, implying that policies related to human capital need to be operationally efficient, of better quality, and more inclusive.** As part of this strategy for improving human capital, a loan package of US\$400 million is expected to support the implementation of policies in education, health, and social protection, tied to results in these three sectors.
48. **The ex-ante economic analysis of the prospective loan implies two important assumptions.** First, the GoG would enact and implement a package of policies aimed at improving school and student performance in education, improving the equity and quality of health services, and improving the targeting and efficiency of social protection programs. Second, the net effect of the policies associated with the loan would result in net gains in human capital, with corresponding positive impacts on employment, wages and lifetime income of the target student population; reduction in health expenditures among users of health services resulting from net reductions in morbidity and mortality; and increase in health and nutritional outcomes of the population in the lowest 40 percent of income distribution.
49. **The overall approach of the ex-ante analysis is to compare the potential impact of an overall investment in the social sectors through broadly-defined policies and programs, against a counterfactual scenario where these investments are not made at all.** Experience with the application of Cost-Benefit analysis shows that there is a positive and significant association of good cost-benefit analysis with good project performance.<sup>53</sup>
50. **The principal reason for investing in the program is to accelerate the accumulation of human capital through improved education and health, with a special focus on the poor and vulnerable, through social protection.** If left to private market forces, investment in human capital would be lower and unbalanced, leading to two undesirable outcomes: a lower level of productivity and growth, and an increase in inequality. Basic education, health and social protection have a relatively high content of public good. Although individuals benefit from increased education and health, society also benefits from having more educated and healthy individuals. If left to market forces, investment in health and education would be lower because many people would be left out because of their poverty, their social disadvantages, their location, or their inability to access education and health services.<sup>54</sup> Inversely, public investment in human capital is likely to be higher and better distributed, as the role of government is to provide and manage public goods. Increasing public investments in human capital would foster higher living standards, higher social stability,

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<sup>53</sup> Squire, L. and H. van der Tak. 1995. *Economic Analysis of Projects*. Washington, DC: World Bank; Belli, P. et al. 2001. *Economic analysis of investment operations*. Washington DC: World Bank; Vawda, A.Y. et al. 2003. *Economic Analysis of World Bank Education Projects and Project Outcomes*. *International Journal of Educational Development* 23: 645-660.

<sup>54</sup> Kalhoff, A. 2014. *Why Societies Need Public Goods*. *Critical Review of International Social and Political Philosophy* 17: 635-51.



and higher growth. Moreover, by investing in educational and health equity, the distribution of living standards, income, and growth, would be broader based than if left to market forces, yielding a more sustainable and inclusive path to growth. Social protection, in the form of targeted social assistance and employment programs, plays a key role in helping households build and protect human capital. Social assistance provides poor and vulnerable households with the financial stability to invest in human capital services such as health clinics, schools, and nutrient food for their children. Public employment services and promotion programs ensure that investments in human capital are fully utilized in working age, especially for vulnerable categories of the population – those who are socially vulnerable, with lower education, less labor market information and networks, higher mobility constraints, less time due to family care responsibilities, people with disabilities, and first labor market entrants – who have more difficulties to access jobs compared with the rest of the population, if left to the market.

### Model Estimation of Economic Benefits and Costs

51. The results of the model show that the NPV of project benefits would be US\$1,274 million under the conservative scenario, US\$1,781 million under the intermediate scenario; and US\$2,450 million in the case of the optimistic scenario (Table A3.3).

Table A3.3: Cash flow (US\$)	
<b>Conservative scenario</b>	
Type of Benefit	NPV
Higher earnings due to education quality improvement	313,923,491
Household income increase due to savings in health expenditure	192,648,761
Benefits of SP/TSA improvements	339,611,706
Government savings	427,533,574
<b>Total benefits</b>	<b>1,273,717,533</b>
<b>Intermediate scenario</b>	
Higher earnings due to education quality improvement	627,846,983
Household income increase due to savings in health expenditure	276,279,763
Benefits of SP/TSA improvements	443,230,543
Government savings	433,685,189
<b>Total benefits</b>	<b>1,781,042,478</b>
<b>Optimistic scenario</b>	
Higher earnings due to education quality improvement	1,098,732,220
Household income increase due to savings in health expenditure	364,884,606
Benefits of SP/TSA improvements	546,849,380
Government savings	439,836,804
<b>Total benefits</b>	<b>2,450,303,009</b>



52. **The main cost of project implementation in the World Bank loan, which amounts to US\$400 million, will be disbursed over six years.** Additionally, the economic costs include (i) the financial cost of the grant, and (ii) the estimated recurrent costs of implementing the policy changes promoted by the Program. The recurrent costs comprise the costs of launching, maintaining, and operating the policy changes to promote improvements in education, health, and social protection. These costs would not happen in the absence of the Program and are assumed to be funded with domestic funds. Since this program entails a broad-based policy and implementation program, the model assumes that the GoG will need to invest US\$400,000 per year in recurrent cost for project implementation for a period of ten years. The model assumes that the economic cost for all three scenarios will be the same. This is because there is no way to estimate different recurrent cost (i.e., the main source of economic cost variation) for each scenario due to the broad base of the Program, with no specific components defined within the program framework that will be useful to differentiate the recurrent cost for each scenario. Table A3.4 shows the NPV of project costs for all scenarios. When discounting to the present the five disbursements of the loan, the NPV of the Bank's investment amounts to US\$162 million covering all three scenarios, while the financial cost directly associated with the project investment adds up to US\$2.1 million and the estimated recurrent costs are US\$210 million.

Table A3.4: NPV of project costs (US\$)	
Cost	NPV (US\$)
Recurrent costs	209,923,056
Financial cost	2,069,835
Principal payment	161,735,789
<b>Total</b>	<b>373,728,680</b>

#### Benefit-Cost ratio and sensitivity analysis

53. **The model yields positive NPV for all three scenarios at a discount rate of 5 percent, and benefit-cost (B/C) ratios ranging from 1.8 to 3.4, depending on the scenario.** When comparing the estimated benefits in the form of higher wages due to education quality improvement, household disposable income increases because of health savings for the poorest 40 percent of the households; income increases from social benefits channeled through social protection policies; and net government savings arising from gains in operational efficiency. Without taking account of possible fiscal savings, under the conservative scenario, which assumes the lowest possible benefits using a 5 percent discount rate, the estimated NPV of net benefits is US\$553 million, with an Internal Rate of Return (IRR) of 20.8 (Table A3.5).

**Table A3.5: Economic indicators for the conservative scenario**

Indicator	Value
Net present value of benefits (US\$)	1,273,717,533
Net present value of costs (US\$)	373,728,680
Net present value of investment (US\$)	346,358,134
Net present value of net benefits (US\$)	553,630,720
Internal rate of return (percent)	20.8
Benefit/cost ratio	1.8
Payback period (years)	7

54. **The results of the B/C analysis show that under the most likely intermediate scenario, the program is economically feasible, leading to positive gains in human capital, increasing incomes, and fostering growth.** The economic analysis concludes that public financing is appropriate for the program. Without public financing, investment in human capital would be lower for two reasons: (i) underinvestment by private providers of education and health services due to low or negative returns that would result from serving extremely poor, disadvantaged, and less accessible populations; and (ii) underinvestment in the design and implementation of policy reforms and programs aimed at improving human capital, due to the GoG's tight fiscal envelope for the next several years. Without the program, benefits accrued to education, health, and social protection would be lower than with the program. For example, using the education component alone, lifetime income without the program would have been US\$15,625 million. With the program, total lifetime income under the intermediate scenario would be US\$16,250 million, yielding an additional net benefit of US\$625 million attributable to the program. Such an amount can be accrued to the value added of the Bank, as it would not have been possible without the program.



#### ANNEX 4. FIDUCIARY ASSESSMENT SUMMARY

1. **The fiduciary systems assessment has been carried out in accordance with the World Bank Policy and Directives on Program-for-Results financing** to determine whether the institutional capacities and fiduciary systems of the MOES and MOILHSA for the proposed new Georgia Human Capital program provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. During the assessment, no issues or constraints that can negatively affect Program implementation came to our attention. Therefore, the findings of the fiduciary assessment conclude that the overall fiduciary and governance framework is adequate to support the implementation of the proposed Georgia Human Capital Program-for-Results.
2. **The Program will follow the country's PFM systems.** The Program will use the funds flow arrangements used for the execution of the state budget. The funds will be transferred to the Treasury Single Account at the National Bank of Georgia. The disbursement will be contingent upon the Government furnishing evidence satisfactory to the World Bank that it has achieved the respective DLRs. Application for withdrawal from the World Bank's financing account of amounts allocated to individual DLRs and calculated in accordance with the relevant formula will be sent to the World Bank any time after the World Bank has notified the Government in writing that it has accepted evidence of achievement of the DLRs and the amount eligible for payment.
3. **Application of World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing.** The World Bank's Anticorruption Guidelines will be applicable to the Program as a whole. Specific requirements of the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing are the following: (a) sharing information regarding all allegations of fraud and corruption in connection with the Program, investigating all credible allegations received; reporting to the World Bank on actions taken, and cooperating in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program; (b) the Bank will retain a right to conduct an inquiry into allegations or other indications within the Program, independently of or in collaboration with the Borrower regarding activities and expenditures supported by the Program, and the related access to require persons, information, and documents will be observed in accordance with the standard arrangements for this purpose between the GoG and the Vice Presidency, Integrity Department ("INT") of the Bank; and (c) procurement entities monitoring and abiding by the World Bank's list of debarred/suspended firms. It will be the responsibility of the internal audit to monitor compliance of the different entities with this provision in terms of verifying any contractor's name against the World Bank debarred/suspended list.
4. **Anticorruption Arrangements for the Program.** In terms of institutional framework, the government has multiple institutions in place for combating fraud and corruption from preventing, reporting, detecting, investing, and prosecuting to sanction. First, within all public agencies including MOES and MOILHSA, there are special units/departments to receive and process complaints. Second, the public can report fraud and corruption cases directly to the Office of Prosecutor General and/or to the Investigation Service of the MOF—the agency for investigating financial-economic crimes including bribery, corruption, and fraud cases. Third, there are internal audit units in each line ministry and external audit service in Georgia, and within their mandates they do design audits to address fraud and corruption and, if during the audits,





auditors suspect potential cases of fraud and corruption these cases are escalated further to the attention of the Office of Prosecutor General and/or the Investigation Service of the MOF. Any bidder in the case of procurement or any person can report fraud and corruption issues to any of these government agencies mentioned above and information can be communicated through hotlines, emails, sending messages through social networks or by any other means. It is envisaged that during the implementation of the Program, the MOF will be consolidating reports generated by MOILHSA and MOES units in charge of processing complaints and submit once a year consolidated report to the Bank in form and content acceptable to the Bank.

5. **Procurement Legislation.** The Procurement Law of Georgia is called Public Procurement Law (PPL) No. 1,388 of April 20, 2005, that came into force on January 1, 2006, and has 31 secondary legislations, e.g., documents issued by the order of the Chairman of the State Procurement Agency (SPA). The SPA, as part of its responsibility, provides additional methodological documents, guidebooks, and recommendations. The PPL being the governing law in public procurement, regulates the process from planning of procurement till the conclusion of the contract and covers the purchases of goods, supply of services and construction of works (PPL, Article 3, 1.c). Since 2010, significant changes have been made in the modernization of public procurement, including replacing paper-based procurement with the eProcurement system – Unified Electronic System of Public Procurement.
6. The public procurement process is based on clear rules and methodological documents developed and guided by the SPA. The establishment of electronic procurement ensured efficiency in achieving results, increased competition and transparency, reduced use of paper, made it possible for remote participation by bidders, reduced risk of collusion, and includes effective and independent complaints handling system. All relevant documents, primary and secondary legislation, and guiding methodologies, instructions, and procedures are available online on the SPA website. The information on public procurement is available on the “[etenders.gov.ge](https://tenders.gov.ge)” webpage, which bidders and interested parties can use.
7. **Procurement Complaints.** The mechanism for this is regulated by the PPL and by the resolution №826 of the GoG on the “Public Procurement Dispute Resolution Board” regulation, approved on December 31, 2020. It regulates the procedure for bidders to appeal the decision or action of the procuring entity before the contract is awarded. Resolution №826 regulates the procedure for reviewing the dispute, the complaint form and the procedure for submitting it to the Board, and the procedure for payment and refund of the complaint fee. A special module is built into the eProcurement system: <https://tenders.procurement.gov.ge/dispute>, and all complaints are sent via the online system.
8. The Procurement Training Centre under the SPA conducts trainings annually for public procurement specialists and potential bidders interested in public tenders. The modules cover public procurement legislation, its practical implementation, application of the unified electronic system of public procurement, preparation of tender documentation, the complaint handling mechanism, and dispute resolution mechanisms.
9. **Procurement Capacity of the implementing agencies.** The structural subordination of the procurement units under Ministries and their LEPLs are diverse, the procurement divisions are either under the Administrative Department or Financial–Economic Department represented by four employees on





average, including the head of the unit. In line with the size and procurement volume, a few LEPLs employ one procurement specialist. The procurement specialists are mostly specialized in every type of procurement method and can easily replace each other on demand. However, the market research capacity is still low. In MOES, a separate unit deals with market analysis, which creates an administrative burden during communication. All procurement specialists have been certified by the Procurement Training Centre under the SPA over the last two years. The monthly gross salaries of procurement specialists vary from 1,000 to 2,000 GEL, depending on their grade.

10. Procurement planning process and market analysis, which are being conducted by the concerned departments of each implementing agency, have been identified as potential root cause of the delays or failure in the procurement process. These have room for improvement and may benefit from assessments and records of previously conducted procurement.
11. Contract Management is another field that can be improved to have a systematic and uniform approach to contract management. Currently, the procurement unit and inspection teams are involved in the contract management process, where each party is left to its general understanding of how to manage a contract. Primary responsibility relies on the designated inspector (Supervisor) or the inspection (Supervision) team established for each contract. The Inspection team is responsible for contract management of goods delivery, provided services, or carried out works, managing fulfillment of the deadlines of the contract by the contractor within the set budget and required standard, and communicating any changes or challenges with the procurement division of respective units. The procurement division usually prepares excel files to keep general records of all contracts and oversight as part of the record keeping process in the eProcurement system and informs accounting division on updates of the contract in case of changes to the payment, or deadline of the delivery. The accounting division controls payments and, if requested, prepares reports of overall transactions and expenses.

#### **Risk assessment**

12. *Fiduciary risk.* The overall fiduciary assessment concludes that the Program Fiduciary risk is Moderate.
13. *Key risks identified.* During the assessment, team identified the following key risks that may hinder the Program's implementation: (i) Program exclusion from annual internal audit programs of implementing entities; (ii) annual audit PforR Program financial statements by the independent auditor under terms of reference acceptable to the Bank; and (iii) risk of non-compliance with the World Bank Anticorruption Guidelines in Program-for-Results financing within the whole Program boundaries; d) risk of delays and failure in procurement process.
14. **Mitigation measures.** Measures are to be implemented to mitigate the identified risks are: (i) MOES and MOILHSA Internal Audit Departments should include the Program audits into annual audit plans until the Program is fully implemented, and communicate the internal audit results including findings and recommendations to the Bank (see Annex 6); (ii) the Bank team, MOF and SAOG to agree on the audit terms of reference and including audit of the financial statements into the annual audit plan of the SAOG, audit will cover a fiscal year of the Borrower – and audited financial statements will be submitted to the Bank within 12 months of the end of each fiscal year (legal requirement); and (iii) the implementation agencies shall execute the activities in accordance with the World Bank's Guidelines on Preventing and



Combating Fraud and Corruption in Program-for-Results Financing. The implementation agencies will (i) share information with the World Bank regarding all allegations of fraud and corruption in connection with the Program, investigate all credible allegations received, report to the World Bank on actions taken, and cooperate in any inquiry that may be conducted by the World Bank into allegations or other indications of fraud and corruption in connection with the Program; (ii) monitor and abide by the World Bank's list of debarred/suspended firms (legal requirement); (iii) Develop an in-house and user friendly procurement Manual for operations procedures as a reference for the Ministries and their LEPLs.

**Table A4.1: Mitigation measures**

<b>Risk</b>	<b>Mitigation action</b>	<b>Timing</b>
Delays and failure in procurement processes	Develop an in-house and user friendly procurement Manual for operations procedures as a reference for the Ministries and their LEPLs. Document should include but not limited to planning, market research, reporting and monitoring the process, as well as performance evaluation and define clear roles and responsibilities among participated units in procurement process, such as units responsible for budgeting, accounting, programing, inspection, warehousing, etc. The procurement procedures to be followed by all concerned individuals including directorates when participating in procurement activities under the Program	180 days after Program Effectiveness
Risk of non-compliance with the World Bank Anticorruption Guidelines	The implementing agencies will inform the Bank of all cases of allegations of fraud and corruption, and procurement complaints, under the Program as well as steps taken to address them.	As soon as known

**Procurement exclusions**

15. There is no High Value Procurement to be done under the Program, and the estimated value of MOILHSA and MOES procurement of works, goods, and services under the Program do not exceed OPRC thresholds.



## ANNEX 5. ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT SUMMARY

1. The preparation of the Environmental and Social Systems Assessment (ESSA) and the development of measures to strengthen the ESMS have benefited from various desk-based reviews and consultative processes, including the following:
  - **Review.** The review focused on national legislation and other relevant regulations and policies in the areas of equal opportunity and non-discrimination, education, health, social protection, and environment, with a special focus on identified environmental and social aspects relevant to the Program. These included social inclusion, coverage of identified vulnerable and disadvantaged<sup>55</sup> groups by relevant national laws and challenges in the implementation of these laws, access for vulnerable and disadvantaged groups to services supported by the Program, stakeholder engagement practices and existing grievance redress mechanisms in implementing agencies, accessible and safe environments in educational and healthcare institutions, and the management of e-waste. It also included a review of publicly available reports of various international organizations and relevant Bank studies.
  - **Initial stakeholder consultation meetings.** To develop a better understanding of implementation practices, procedures, standards, and the approach for this Program, in the period from June to September 2021, the Bank team carried out meetings with various stakeholders, including technical staff in the Ministry of Education and Science (MOES) and the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health, and Social Affairs (MOILHSA) as well as representatives of other government agencies, including the Social Services Agency (SSA), the State Employment Support Agency (SESA), the Social Protection Policy Division in MOILHSA, the Labor and Employment Policy and Collective Labor Disputes Division in MOILHSA, the National Health Agency (NHA), and the Policy Division in the Agency for IDPs and Eco-Migrants at MOILHSA. Technical staff from other relevant organizations in Georgia were also consulted, including the United Nations Children's Fund (UNICEF) and Save the Children. The Bank team also consulted organizations including GeoWel and the MacLain Foundation in Georgia, which directly work with potential program beneficiaries. These initial stakeholder consultation meetings informed key ESSA findings, contributed to formulating the ESSA Program Action Plan, and impacted the design of the Program. Further elaboration on these details can be found in the main ESSA report.
  - **Formal consultations.** The draft ESSA was disclosed in the English and Georgian languages on December 1, 2021, and December 3, 2022, respectively, through the external website of the Bank,

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<sup>55</sup> The terms "vulnerable and disadvantaged" are used throughout this ESSA to describe persons or groups in Georgia who both live in or are on the edge of the poverty line and may be particularly vulnerable to small changes or systemic shocks as well as those who are disadvantaged in the system. These are: persons from rural or high mountainous regions, internally displaced persons (IDPs), persons with disabilities (PWDs), children with disabilities (CWDs) and/or with other special education needs, ethnic and linguistic minorities, women and girls, unemployed/hard-to-employ persons, youth who are not in education, employment or training (NEET), those without internet/device connections, and the poor, especially those persons or families who have lower education levels, nutrition and health outcomes. While this list is not exhaustive, it describes persons and groups which are addressed throughout the ESSA.



and on the website of the Bank's country office in Georgia. Public comments were solicited during an established timeframe until December 16, 2021.

- The Bank carried out consultations with stakeholders on the draft ESSA report in a series of targeted virtual meetings between December 6 and December 16, 2021. The draft ESSA report, including Executive Summary, in both Georgian and English languages, was circulated prior to the meetings. Observations from the stakeholder meetings were incorporated into the final ESSA report along with a complete list of participants and a summary of their comments. The meetings were structured as discussions on key issues identified through the ESSA. The conversation mainly focused on the proposed ESSA Action Plan and suggestions by stakeholders to improve operationalization of the proposed actions.

2. **Anticipated Environmental and Social Impacts of the Program.** Program activities are designed to strengthen the overall delivery of human capital services – education, health, and social protection – with a special focus on expanding service access to vulnerable and disadvantaged persons and families. Therefore, the overall impact of Program-supported activities is expected to be beneficial. The Program will not fund any activities involving high or substantial environmental or social risks, such as extensive land expropriation, relocation of large numbers of people, heavy pollution, significant transformation of the natural environment, or activities that pose a significant threat to the health and safety of workers and communities. The Program may support rehabilitation and retrofitting works to improve and modernize the environment in a few selected school buildings and offices of social service providing agencies but will not finance any new construction. The Program's Social risk is assessed as Moderate, and Environmental risk as Low.

#### *Main Social Effects of the Program*

3. **The overall objective of Program-financed activities is to make the human capital delivery system in Georgia more efficient and inclusive.** The activities financed under the Program may include minor rehabilitation works which will not require land acquisition or the relocation of people, will not initiate a significant labor influx, and will not cause adverse impacts on communities or risks of child and forced labor. The Program is expected to create a wide range of social benefits and improved coverage for vulnerable and disadvantaged groups within education, healthcare, and employment services as well as leverage digital technology for better connectivity and integration. The Program is not anticipated to cause adverse effects on gender, vulnerable and disadvantaged groups, poverty, and equity. Instead, the Program intends to address some of these inequities. It is anticipated that the Program will strengthen the delivery system's reach to end beneficiaries, ensuring access to human capital services and benefits for vulnerable and disadvantaged persons and families. Thus, the Program will contribute to bolstering Georgia's overall human capital capacity.
4. **But there may be residual social risks associated with the adequacy of targeting all eligible vulnerable and disadvantaged groups, thus leading to the potential exclusion of certain eligible beneficiaries from the Program benefits.** These residual risks of potential social exclusion from the Program benefits can be associated with Result Area 1: Efficiency for Quality Improvement, and Result Area 2: Inclusion. Risks associated with ensuring inclusion in the Program's benefits are likely to be associated with the implementing agencies' current practices and their capacity to target and provide services to vulnerable and disadvantaged groups. In addition, experience with projects in Georgia has indicated that engagement



of vulnerable and disadvantaged groups was often inadequate. These performance gaps will be addressed through the systems strengthening measures proposed in the ESSA Program Action Plan and Program design. Therefore, the overall social risk of the Program is assessed to be Moderate.

5. **The main social risks associated with the Program are related to ESSA Core Principle #5 with special regard to vulnerable and disadvantaged groups' access to and inclusion in Program activities.** The vulnerable and disadvantaged groups may include: persons from rural or high mountainous regions, internally displaced persons (IDPs), persons with disabilities (PWDs), children with disabilities (CWDs) and/or with other special education needs, ethnic and linguistic minorities, women and girls, unemployed/hard-to-employ persons, youth who are not in education, employment or training (NEET), persons without internet/device connections, and the poor, especially those persons or families who have lower education levels, nutrition, and health outcomes.

*Main Environmental Effects of the Program*

6. **The Program will not have tangible environmental footprint as it supports neither the construction of infrastructure nor the extraction of natural resources.** It does not include any activities that may lead to heavy emissions or the generation and discharge of large volumes of waste.
7. **Environmental risks of the Program are assessed to be low. They are related to Result Area 1: Efficiency for Quality Improvement, and Result Area 3: Results Orientation through Connectivity.** The Program aims to narrow the gap in the quality of teaching and in learning outcomes between urban and rural schools, with particular emphasis on secondary education. The creation of an accessible and safe schooling environment will be an integral part of this effort. National regulations include building safety guidelines and standards of universal access. However, much investment is required for retrofitting existing sub-standard school buildings nationwide, especially in rural areas. The Program may finance small-scale physical works for the rehabilitation and retrofitting of existing school buildings and offices of social service providing agencies. Environmental risks of such interventions are expected to be minimal, temporary, confined to worksites, and easy to mitigate by adhering to the general good construction practice.
8. **The Program promotes the use of new technologies and digitalization in public service delivery that is likely to cause an increase in the stream of e-waste in the medium- to long-term.** Ongoing enhancement of Georgia's waste management system through the enforcement of extended producer responsibility and the provision of incentives for the separation, reuse, and recycling of waste will mitigate this risk.

*Assessment of the Adequacy of Social Management Systems and Capacity*

9. **Georgia has a relatively well-developed policy and legal framework on education, social, and health protection, and some of its elements specifically target vulnerable and disadvantaged groups identified under the Program.** Laws and policies aimed at protecting and assisting vulnerable and disadvantaged persons exist in the country's legal framework, but there is insufficient monitoring of the implementation of commitments prescribed under the laws.



10. **In the area of social protection, identified gaps are related to the implementation of TSA, more specifically its targeting formula.** The reform of the TSA targeting model is a subject of this PforR and is included under DLI 1. But there is still room to improve information dissemination about the TSA and to make the application process more accessible to ethnic and linguistic minorities as well as PWDs. At present, the application process for TSA is available only in Georgian language and not in Armenian, Azerbaijani, and Russian. While office buildings administering TSA applications have accessibility for persons with physical disabilities, it is unclear how persons with visual, hearing, or speech impairments can access the TSA application process.
11. **In the area of education, the main identified gaps are associated with the availability of instruction and teaching materials in the minority languages, and in the means accessible to children with disabilities.** The full assessment of children with special education needs is often not possible in minority languages, jeopardizing their full inclusion in the inclusive education system. The SELFIE tool is currently only available in Georgian and Russian languages, and not in Azerbaijani and Armenian languages.

*Assessment of the Adequacy of Environmental Management System and Capacity*

12. **Following the roadmap of harmonization with the European regulatory standards received by Georgia upon signing of the Association Agreement with the EU, the country has made significant progress in upgrading its environmental policies and legislation.** The Environmental Assessment Code, adopted in 2017, establishes due procedures for screening, scoping, environmental assessment, and permitting for investment operation and strategic development plans. One shortfall of the Code is that it does not apply any due diligence to small-scale works. Such activities are not subject even to environmental screening, which means that small works that may carry environmental risks under certain circumstances would not be identified, and no mitigation measures would be applied to them. Furthermore, the Code requires full-scale environmental impact assessment for all activities which are subject to environmental permitting, and no simpler environmental management instruments – for example, self-standing environmental management plans – are required for lower risk operations.
13. **The Code of Spatial Planning, Architecture and Construction Activities provides the principle of universal access to public buildings.** The National Standards of Accessibility, adopted in 2021, establish technical parameters of interior and open public spaces required for their safety and accessibility to people with disabilities. Adherence of building designs to these standards is mandatory for permitting any new construction. A National Plan of Accessibility is to be approved by the GoG for gradual retrofitting of the existing public buildings. Development of the plan is underway but behind schedule.
14. **Georgia's Waste Management Code was passed in 2014.** It introduces hierarchy of handling waste that prioritizes minimization of waste streams; requires waste separation, reuse, and recycling; promotes 'polluter pays' principle, and extended producer responsibility; and creates an enabling environment for the circular economy. Implementation of the Code is facing challenges due to acute lack of waste handling and disposal infrastructure. Institutional framework and economic incentives for waste separation and recycling are also weak. A May 2020 resolution of the GoG approved Technical Regulations on the Management of Waste from Electric and Electronic Equipment, providing for separation, collection and organized storage of e-waste with the purpose of turning it to producers for recovery and recycling.



## ANNEX 6. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Appoint qualified environmental and social specialists	Environmental and Social Systems		MOILHSA & MOES in coordination with MOF	Other	No later than 120 days after the Effective Date	Appointment letters issued or employment contracts with environmental and social specialists signed
Make information about TSA availability, eligibility criteria and application process available in Azerbaijani, Armenian, and in languages of other minorities, as needed; and in means accessible to persons with disabilities	Environmental and Social Systems		MOILHSA and SSA	Other	No later than 180 days after the Effectivene Date, unless agreed otherwise between the Bank and the Borrower	Report on community outreach to potential TSA beneficiaries in regions with linguistic minorities and for persons with disabilities, and TSA application procedures in Azerbaijani, Armenian, and minority languages submitted by MOILHSA to the Bank
Make WorkNet Portal available in Armenian and Azerbaijani languages, and accessible to persons with disabilities (those having long term physical, mental, intellectual or sensory impairments, combined with attitudinal and environmental barriers)	Environmental and Social Systems		MOILHSA and SESA	Other	No later than one calendar year after the Effective Date included in the ToR.	MOILHSA includes in the Terms of Reference for WorkNet Portal development and the Worknet Portal itself a requirement for the website in Azerbaijani, and Armenian languages and in means accessible to persons with disabilities.
Make school level self-assessment tool (SELFIE or equivalent) available in Azerbaijani and Armenian	Environmental and Social Systems		MOES	Other	No later than one calendar year after the Effective Date	MOES includes in the Terms of Reference for the development and deployment of the Digital Self-assessment tool (SELFIE or equivalent) a requirement for material to be available in Azerbaijani and Armenian





languages						languages
Strengthen Grievance Mechanism (GM) in line with the Code on the Rights of a Child	Environmental and Social Systems		MOES	Other	Annually	MOES publishes on its website (i) detailed procedures in Georgian and minority languages, on the GM in line with the Code on the Rights of a Child (ii) annual reports on the implementation of the GM; and submits annual reports to World Bank.
MOILHSA strengthen its grievance mechanism for health sector and social protection sectors, including the grievance mechanism for NHA, RAMPA, SSA and SESA.	Environmental and Social Systems		MOILHSA, NHA, RAMPA, SSA and SESA	Other	Annually	MOILHSA, NHA, RAMPA, SSA and SESA publicize (i) detailed GM procedures on their websites in Georgian, Armenian, and Azerbaijani languages; (ii) the availability of the grievance mechanism to beneficiaries and (iii) annual reports on GM implementation
Undertake environmental screening of designs for the rehabilitation of school buildings and premises of social protection agencies to filter out moderate, significant, or high-risk civil works	Environmental and Social Systems		MOES and MOILHSA	Other	Prior to commencement of rehabilitation works in public buildings after the Effective Date	Environmental screening checklist, satisfactory to the Bank, developed and applied to rehabilitation works.
Ensure universal access to all school buildings and offices of social service delivery agencies to be rehabilitated under the PforR	Environmental and Social Systems		MOES and MOILHSA	Other	Prior to commencement of rehabilitation works in the public buildings after the Effective Date	Each public building selected for rehabilitation is checked for the presence and adequacy of universal access facilities and, in case of their absence, provision of such facilities included into the scope of rehabilitation works
Internal Audit Departments include the Program audits into annual audit plans until the Program is implemented and communicate the internal audit	Fiduciary Systems		MOES and MOILHSA	Other	No later than 6 months after the end of each fiscal year	The internal audit results with findings and recommendations communicated to the Bank





results with findings and recommendations to the Bank						
Develop an in-house user friendly manual of procurement and operations procedures for reference by the Ministry and its LEPLs	Fiduciary Systems		MOES and MOILHSA	Other	No later than 180 days after the Effective Date	Procurement manual submitted to the Bank
Implement EMIS Strategic Plan based on the EMIS Diagnostic Assessment	Technical		MOES	Other	Begin implementation within 90 days after the Effective Date	The EMIS Strategy and Action Plan published, and semi-annual targets and achievements of the EMIS Strategy regularly published
SESA and IT Agency prepare TOR for the implementation of the new Worknet which will include improved Job-matching Portal	Technical	DLI 3.3	MOILHSA	Other	Within 90 days after the Effective Date	Report from MOILHSA submitted to the Bank
MOILHSA and IT Agency prepare and approve roadmap (including costing) for the development of Integrated Reporting System for Social Protection (IRSSP) and Institutional arrangements for IRSSP, through a ministerial decree	Technical	DLI 4	MOILHSA	Other	By December 2022	Roadmap prepared



## ANNEX 7. IMPLEMENTATION SUPPORT PLAN

1. The Implementation Support Strategy is based on several mechanisms that will enable enhanced implementation support to the Government, on-time and effective monitoring of the Program, and guidance to implementing agencies on technical, fiduciary, environmental, and social aspects, as necessary. The implementation support thus comprises (a) joint review meetings and missions; (b) regular technical meetings and field visits; (c) progress reporting on DLI achievement; and (d) M&E. The World Bank will provide implementation support and technical advice (see Tables A7.1 and A7.2).

**Table A7.1: Main focus of Implementation Support**

Time	Focus	Skills Needed	Resources Estimate	Partner Role
First twelve months	<ul style="list-style-type: none"> <li>• Technical support and advice for the introduction of the new financing model for general education.</li> <li>• Technical support and capacity building for the new curriculum implementation.</li> <li>• Technical support for the design of the new examination system.</li> <li>• Technical support for the design of school digital action plans.</li> <li>• Support for implementation and monitoring capacity for the pilot and national roll out of the PMT formula.</li> <li>• Developing TORs for IRSSP.</li> <li>• Capacity building for Worknet and IRSSP.</li> <li>• Capacity enhancement for SP and Health data collection.</li> <li>• Technical support for the development of the skills methodology.</li> </ul>	<p>Technical (Education financing, curriculum and teacher development, gender mainstreaming, inclusive education, ICT in education, EMIS, ECD, learning assessment).</p> <p>Technical (data systems, software development; mechanisms, delivery processes, regulatory practices, set up of coordination mechanisms), Technical (national and international standard skills classification).</p> <p>Fiduciary, procurement, M&amp;E, environmental</p>	<p>4 implementation support visits by technical specialists focused on design and implementation of system-level reforms to create an enabling environment for skills development.</p> <p>3 implementation support visits by fiduciary, environmental and M&amp;E specialists focused on capacity building for program implementation and monitoring.</p>	
12-48 months	<ul style="list-style-type: none"> <li>• Technical Support for review and monitoring of the new financing model for general education.</li> <li>• Capacity enhancement of EMIS for education data utilization; capacity enhancement of NAEC for roll-out of new examination system.</li> <li>• Capacity building of MOES for rollout out of authorization</li> </ul>	<p>Technical, fiduciary, procurement, M&amp;E, Environmental &amp; Social.</p>	<p>4 implementation support visits by technical specialists on the Worknet platform (focused on data collection, analysis of data (including big data) satisfaction surveys) IRSSP reports; development of training toolbox.</p>	



	<p>process in kindergartens.</p> <ul style="list-style-type: none"> <li>• Technical support for review of financing options and design</li> <li>• Technical support for the development of Worknet and IRSSP.</li> <li>• Capacity building for the LMO.</li> <li>• Capacity enhancement for data collection and analysis at national and institutional level.</li> <li>• Support for implementation monitoring, including midterm review.</li> <li>• Technical and legal support for harmonization of laws and development of national strategy.</li> </ul>		<p>3 implementation support visits by fiduciary, environmental and M&amp;E specialists focused on capacity building for program implementation a monitoring and midline review.</p>	
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**Table A7.2: Task Team Skills Mix Requirements for Implementation Support**

<b>Skills Needed</b>	<b>Number of Staff Weeks</b>	<b>Number of Trips</b>	<b>Comments (annual calculation)</b>
Program Management (TTL and Co-TTLs), Operation Officer, Education Specialist, Health Specialist, Social Protection Specialist, FM Specialist, Procurement Specialist, Environmental Specialist and Social Safeguard Specialist, Governance Expert	85	12	Two supervision missions per year for six years
Administrative Support	12	-	



## ANNEX 8. CLIMATE CO-BENEFITS ACTIVITY LINKAGES

Table A8.1: DLIs/DLRs and Climate Action Matrix

DLI/DLR [Summarized Reform]	Amount	Climate Actions
<b>DLR 1.1.1</b> <b>DLR 1.1.2</b> <b>[Education Financing]</b>	US\$ 40m	<p><b>Mitigation:</b> Revision of the school financing model will introduce measures to promote energy efficiency in all schools in Georgia through energy-efficient materials, appliances and solar panels, heating systems and adequate insulation at schools. This approach will ultimately contribute to mitigation over the long term, in terms of supporting energy savings, greenhouse gas (GHG) emissions reductions, and climate resilience.</p> <p><b>Adaptation:</b> High visibility of climate change mitigation and adaptation measures in schools (climate resilient school design – installation of energy efficient equipment, weather resistance, water proofing of roof and windows) will function as powerful real-life climate action reminders to students for their learning as well as cultural transmission to homes.</p>
<b>DLR 2.1.1</b> <b>DLR 2.1.2</b> <b>DLR 2.1.3</b> <b>[Quality standards for built environment, Curriculum Reform and inclusive University Admission]</b>	US\$ 90m	<p><b>Mitigation:</b> Focused attention to climate issues in the curriculum is expected to lead to behavioral change regarding consumption patterns by students and in their families; Survey indicated that 87 percent of Georgians are aware that energy efficiency measures can reduce their monthly expenses, even as 36 percent believe they cannot do anything about climate change – in schools, especially upper secondary, student will learn specific practical ideas to implement at home and the larger community.</p> <p><b>Adaptation:</b> Quality standards regarding built environment include criteria for school safety and disaster response preparation and readiness; and revision of curriculum includes content on climate change taught through cross-disciplinary projects that students are expected to work on to develop problem-solving and creative thinking skills. Related secondary teacher training will focus on the delivery of introduced climate content; Student admission to universities will include credit for projects such as local ones related to climate change.</p>
<b>DLR 2.2</b> <b>DLR 2.3</b> <b>[Strengthening Primary Health Care System]</b>	US\$ 30m	<p><b>Mitigation:</b> Improvements in Primary Health Care system will lead to a decrease in hospital admissions, especially for individuals with chronic diseases. It will significantly reduce the travel to hospitals that are mostly in city centers.</p> <p><b>Adaptation:</b> Improvements in Primary Health Care system will lead to improved surveillance of infectious diseases and appropriate level of care in PHC centers will reduce burden on hospitals to deal with climate disaster related outbreaks and other emergencies.</p>
<b>DLR 2.4</b> <b>[Promotion of skills to facilitate green jobs]</b>	US\$ 10m	<p><b>Adaptation:</b> SESA will develop a methodology to identify and forecast skill needs in sectors creating “green” jobs such as in renewable energy, building, transportation, recycling, food and agriculture, forestry and tourism; based on the methodology a set of operational tools will be created to orient ALMPs and employment services to promote employment in “green” jobs.</p>
<b>DLI 3</b>	US\$ 30m	<p><b>Adaptation:</b> ALMPs will promote access to green jobs among vulnerable job seekers. The program will identify and expand ALMPs, such as short-term skill training,</p>



DLI/DLR [Summarized Reform]	Amount	Climate Actions
[Inclusion of the poor and vulnerable people in social protection services]		subsidized employment and internships, to facilitate access to employment opportunities in green sectors; SESA will expand the participation of climate vulnerable unemployed in ALMPs, based on the targeting criteria developed through the IRSSP; Inform end user/labor market participants of green skills in high-demand and the low-carbon jobs vacancies; Increase the match of jobseekers with green skills to green industry through Worknet.
<b>DLR 4.1</b> [Digitization of Education Services]	US\$ 15m	<b>Mitigation:</b> Digitization leads to lower pollution and GHG emission on account of reduced travel. <b>Adaptation:</b> Investment in School Digital Education Action Plans will be supported by training. The training will include learning continuity through remote learning in the event of disruptions to in-person learning in the event of climate disaster. Disaster and emergency risk management and preventions training will also be provided to school management and principals. These actions would ensure education service delivery to vulnerable students in the event of climate disaster.
<b>DLR 4.2</b> <b>DLR 4.3</b> [Digitization of Health Services]	US\$ 30m	<b>Mitigation:</b> Digitization leads to lower pollution and GHG emission on account of reduced travel. In addition, as a result of remote support of self-management in chronic diseases, hospital admissions for individuals with chronic diseases will decrease. Digitization also reduces paper use and travel, this in turn lessens the negative impact of the paper industry and prevents unnecessary deforestation. <b>Adaptation:</b> The health management information system and data connectivity will be strengthened to ensure the continuity of service delivery in the event of climate disaster. The system will strengthen the data recovery and backup system of the health management information system to prevent data loss in the event of climate-induced disasters; The telemedicine service and electronic health care records in primary care will be expanded at the national level to ensure quality service delivery to vulnerable populations in the event of climate disaster.
<b>DLR 4.4</b> [Digitization of Social Protection Services]	US\$ 15m	<b>Mitigation:</b> Digitization leads to lower pollution and GHG emission on account of reduced travel <b>Adaptation:</b> Development of tools to (i) improve the identification of households who are vulnerable to climate change risks to better target social assistance cash transfers; (ii) inform the scale up of social assistance benefits in response to climate change-induced disasters; (iii) improve institutional coordination to respond to climate change-induced crisis.