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Is child poverty untargeted by the targeted social assistance? Introduction of child benefit as part of social protection reform in Georgia

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Abstract

Recent expansion of major social protection policies in Georgia has lifted households from poverty. Particularly, the universal old-age pension has significantly reduced the risk of poverty among pensioners. In contrast, a large proportion of children remain in poverty. Unlike the rest of population, the relative child poverty rate increased from 2011 to 2013. This paper was initially developed as working paper to guide how the Targeted Social Assistance programme could be redesigned in order reduce child poverty. Using the data from the biennial Welfare Monitoring Survey conducted in 2009, 2011 and 2013, the paper describes the poverty trends and presents policy options for the improved social protection system addressing the policy gap. It demonstrates that children will remain at a high risk of poverty unless a child-sensitive measure is introduced. In order to reduce child poverty to the level seen among the rest of the population, the state must direct additional cash assistance to children.

Keywords

Child Poverty, Targeted Social Assistance, Georgia, Cash Transfer

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Introduction

In the last decades, an increasing emphasis has been placed on the asset-building programs encompassing multidimensional approaches to addressing child poverty (Camfield et al. 2009; Ismayilova et al. 2014; Sanfilippo et al. 2012). Such programs include the provision of child development accounts, which resulted in improvements in children's overall wellbeing and higher educational attainment through the reallocation of savings-based assets accumulated by their caregivers. Moreover, a degree of positive spill-over effects on caregivers themselves has been reported in terms of their own wellbeing as a result of reduced psychological stress. As Ismayilova et al. (2014) point out, however, the presence of such programs is rather limited amongst transitional countries in the Central and Eastern European and Commonwealth of independent states (CEECIS).

There is a rich body of cross-regional evidence supporting the potential of cash transfers to improve welfare of the poor children (Barrientos et al. 2013; Barrientos & DeJong 2006; Gabel 2012; Sanfilippo et al. 2012; UNICEF 2006, 2012). The main forms of child-sensitive cash transfers include child allowances, birth grants, maternal/parental benefits and housing allowances (Barrientos & DeJong 2006; UNICEF 2012). In general, it is recognized that these forms of cash transfers can address issues around child poverty and vulnerabilities by increasing household income, smoothing food consumption, improving access to basic services and enhancing human capital accumulation (ibid.). Although variations in countries and regions exist, the cash transfer paradigm has been inclined towards a "residual approach"¹, which primarily involves "targeting efforts to those classified as 'deserving' or 'needy'" in order to redistribute social benefits and maximize the scale of redistribution by reducing the costs of transfers (Kabeer 2014). A related view is that child-specific cash transfers need to be developed, given the particular natures of child poverty that are distinct from adult poverty (Munjin et al. 2006). Particularly in the context of CEECIS, an emphasis on targeting has been fostered by the governments and international organizations since the early 1990s (Barrientos & DeJong 2006; Bradshaw 2011; Edmonds 2005; UNICEF 2009). This was in response to the economic insecurity and the large-scale budgetary cuts in social spending, which deteriorated the region's predominantly universal welfare systems that had existed in the past (ibid.). The shift towards targeted cash transfers in this context has thus been a result of compromising these pressures.

Georgia is no exception in respect to the state social protection system, especially in regard to children. While the elderly are supported with universal old-age pensions, there is no social assistance programme that universally promotes child development in Georgia. The supports to children and

¹ Drawing on Farrington et al (2007)'s comparative study on cash transfer in Cambodia, India and Ethiopia.

their families are rather limited.² This paper intends to address this policy gap. In June 2013, the Government of Georgia committed to halve extreme child poverty by end of 2015 through a social protection policy reform. Accordingly, UNICEF Georgia, the Ministry of Labour, Health and Social Affairs and the Social Service Agency signed a memorandum of understanding for the revision of Targeted Social Assistance (TSA), one of the major state-run social assistance programme. This study was initially developed as working paper to guide how the TSA could be redesigned in order reduce child poverty. The structure of the paper is as follows. First, we analyse the poverty trend in Georgia, particularly in relation to TSA. Second, we present policy options in line with the recent political development around TSA. Finally, it presents the conclusion.

Methodology

The analyses in this paper reference 2013 data from the Welfare Monitoring Survey (WMS)³. Per adult equivalent (PAE)⁴ consumption is used as an indicator to assess poverty. In a country like Georgia where a significant proportion of economic activities is informal, consumption is often easier to estimate and thus a more reliable indicator of household economic status than income (e.g. Hentschel and Lanjouw 1996; Blundell and Preston 1998; Donaldson 1992). It is also a better estimate of a household's long-term or 'permanent' income, since it usually fluctuates less than income. A crisis such as the loss of a job, or an illness that reduces work intensity, could result in a temporary decrease in income. During such periods, households may liquidate savings or take out a loan in order to smooth consumption (Friedman 1957).

Consumption poverty is usually analysed against a poverty line. 'Absolute' poverty lines measure consumption relative to an international standard pegged in US Dollars: in Georgia, the poverty lines are US\$2.50 a day for 'general poverty' and US\$1.25 a day for 'extreme poverty.' The analysis adopts the conversion from USD into GEL in the year 2005 and adjusts it using Purchasing Power Parity (PPP) exchange rates. The 'relative poverty' line is set at 60 per cent of national median consumption as calculated by the National Statistics Office of Georgia (Geostat). Table 1 indicates values for each poverty line for years when WMS surveys were carried out.

² For example, there are cash assistance programs to children with disability, in adoption, and in foster care, and young children in the third and subsequent birth order in some regions.

³ The WMS is a biennial and nationally-representative longitudinal survey that has been tracking households since 2009. It asks households a wide range of questions which highlight many different dimensions of poverty, including household income, consumption, access to services and goods, health, education and subjective well-being.

⁴ Per adult equivalent scale assigns lower weights to the young, elderly, and female, who are presumed to require fewer goods in order to achieve the same quality of life. Separate weights are given for children under 8 years (0.64), children between 8 and 15 years (1.0), males between 16 and 64 years (1.0), females between 16 and 59 years (0.84), males aged 65 years and over (0.88), and females aged 60 years and over (0.76). These figures are used by the National Statistics Office of Georgia.

Table 1: Threshold values in GEL for poverty measures (UNICEF 2013)

Thresholds	2009	2011	2013
Extreme poverty	61.1	71.7	71.2
Relative poverty	89.7	109.2	137.2
General poverty	122.2	143.4	142.4

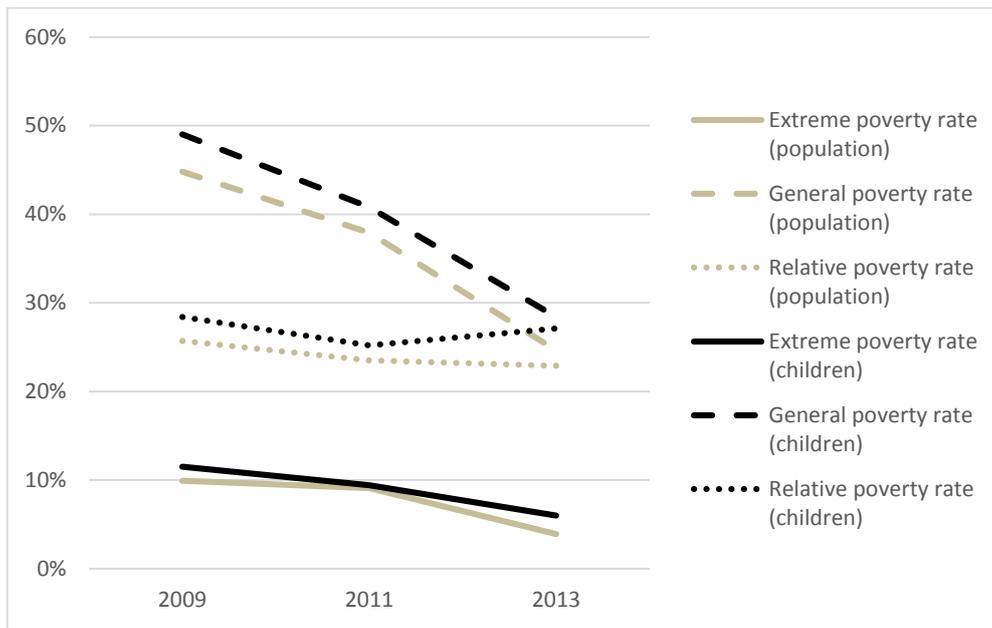
The impacts of social protection policy options on poverty rates are modelled using STATA. The models use Geostat’s Integrated Household Survey Database 2013 Year as well as information collected as part of the social protection revision process that has been ongoing since 2013.⁵ The data collected were used to develop a new methodology to identify poor families. The potential impacts of various alternative benefit packages and targeting mechanisms are simulated. The simulated models are used to assess the impact of current cash benefit programmes and other policy alternatives. Rather than making precise predictions, the analysis aims to provide a reasonable foundation for policy decisions. As such, the impact of the existing TSA scheme is estimated by comparing the reported consumption for households receiving TSA benefit and the hypothetical consumption by subtracting TSA benefit from their reported consumption. Estimates of the impact of expanded cash benefit schemes can be calculated by adding the value of the benefit to current household consumption and comparing it with the existing figure. One limitation of this approach lays in its assumption that households do not change consumption or livelihood patterns in response to increases or decreases in government assistance. The increased amount will be treated as disposable income rather than as savings. Another limitation is that it does not consider future projections of confounding factors, such as economic growth and inflation.

Poverty Trends in Georgia

Between 2011 and 2013, Georgia has continued to see strong GDP growth and low inflation. The annual real GDP growth rate was on average 5.53 per cent during this period (Geostat 2015). The unemployment rate fell slightly from 15.1 per cent in 2011 to 14.6 per cent in 2013 (ibid.). Poverty rates for the population have also continued to improve. The number of people living in extreme poverty dropped from 9 per cent in 2011 to 4 per cent in 2013 (UNICEF 2013). Monthly total household income increased by 52 per cent on average, coupled with an improvement in PAE consumption (ibid.). These figures indicate a positive outlook for the country as a whole. However, a detail examination of the data shows that progress has been uneven. As Figure 1 demonstrates, children experienced consistently higher poverty rates than the general population, despite the overall declining trend. This finding holds true no matter which of the three pre-defined thresholds are used.

⁵ In line with a memorandum of understanding, UNICEF, the Ministry of Labour Health and Social Affairs and the Social Service Agency have been carrying out social protection reform since September 2013.

Figure 1: Poverty rates for population and children (UNICEF 2013)



The extreme poverty rates for the general population and children are 4 per cent and 6 per cent, respectively (UNICEF 2013). Relative poverty is also higher among children. Furthermore, relative child poverty increased from 25 per cent in 2011 to 27 per cent in 2013. While the relative poverty rate for population fell, children were one group whose consumption did not increase proportionally. It is therefore evident that children became worse off relative to other age groups and, potentially, did not benefit equally from the expanded social protection system and/or economic growth.

Interactions with TSA

Unlike all other countries in Europe, the social protection systems are entirely financed from general tax revenues in Georgia. The total cost of TSA was 0.9 per cent of GDP in 2013 (Social Service Agency 2013). The TSA scheme is based on monthly cash transfers, currently targeting the poorest households and covering approximately 15 per cent of all households. The eligibility is determined based on the score of a proxy means test (PMT), a method used to estimate a household's income – or means – using observable characteristics, such as geographical location and assets. For a household to qualify for TSA benefit, its PMT score must be equal to or below 57,000 before June 2015.⁶ In July 2013, the value of the TSA benefits for qualifying households was doubled to GEL 60 per month for the first member of household and GEL 48 for each additional member. Since the TSA scheme narrowly targets poor households, more than half of the beneficiaries belong to the poorest decile (UNICEF 2013).

⁶ 57000 signifies 57 per cent of the subsistence minimum living standard defined by Social Service Agency.

Table 2: Impact of TSA in 2009, 2011 and 2013 (UNICEF 2013)

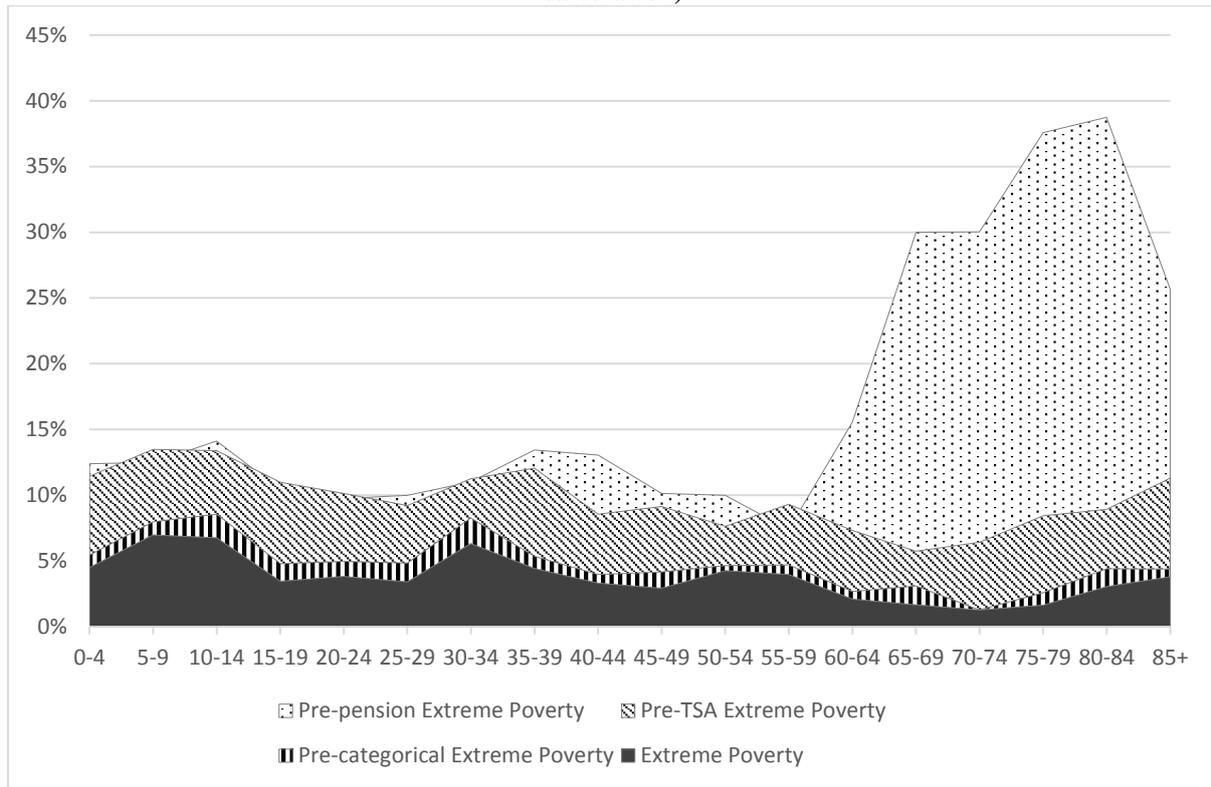
	2009	2011	2013
Level mean amount of TSA PAE (GEL)	35	35	68
Targeting Portion of recipients in bottom quintile	62%	50%	70%
Leakage Portion of recipients in top half of consumption	16%	21%	12%
Percentage point reduction in headcount poverty as a result of receiving TSA:			
Extreme	3	3.6	5.8
Relative	1.8	2	3.3
General	0.8	1.4	3
Percentage point reduction in child poverty as a result of receiving TSA:			
Extreme	3.7	5.1	6.8
Relative	2	2.2	2.7
General	0.8	1.5	2.5

TSA targeting has improved in recent years likely due to improvements in administrative practices, such as linking the revenue sources data to the civil registry data when following up on household applications. Since 2011, TSA has managed to increase the proportion of its recipients in the bottom quintile among all recipients to 70 per cent (UNICEF 2013). In addition, it has increased coverage in both the lowest decile to 72 per cent and the second lowest decile to 24 per cent, whereas it has reduced the proportion of households in the upper half of consumption to 12 per cent (see Table 2).

Combined with the increase in the benefit amount, TSA has become approximately 60 per cent more effective in lifting the population out of extreme poverty, when figures are compared to 2011 data. With regard to child poverty, the TSA-related reduction in extreme child poverty (6.8 percentage points) was roughly equal to the effect of the old age pension (6.9 percentage points) in 2013. However, the effect of the TSA scheme on general poverty (2.5 percentage points) was dramatically less than that for the old age pension (8.5 percentage points) (UNICEF 2013). This is arguably due to the fact that the TSA scheme is targeted only at the poorest households, whereas the pension is provided to all households with the elder.

Due to the scale of the pension system and its high rate of coverage of households living in poverty, it has a massive impact on the rate of extreme poverty rate among the elderly (See Figure 2). The pension alone has reduced the extreme poverty rate for those aged 65 years or over

Figure 2: Impacts of cash transfers on extreme poverty rates, by age groups (author's own calculation)



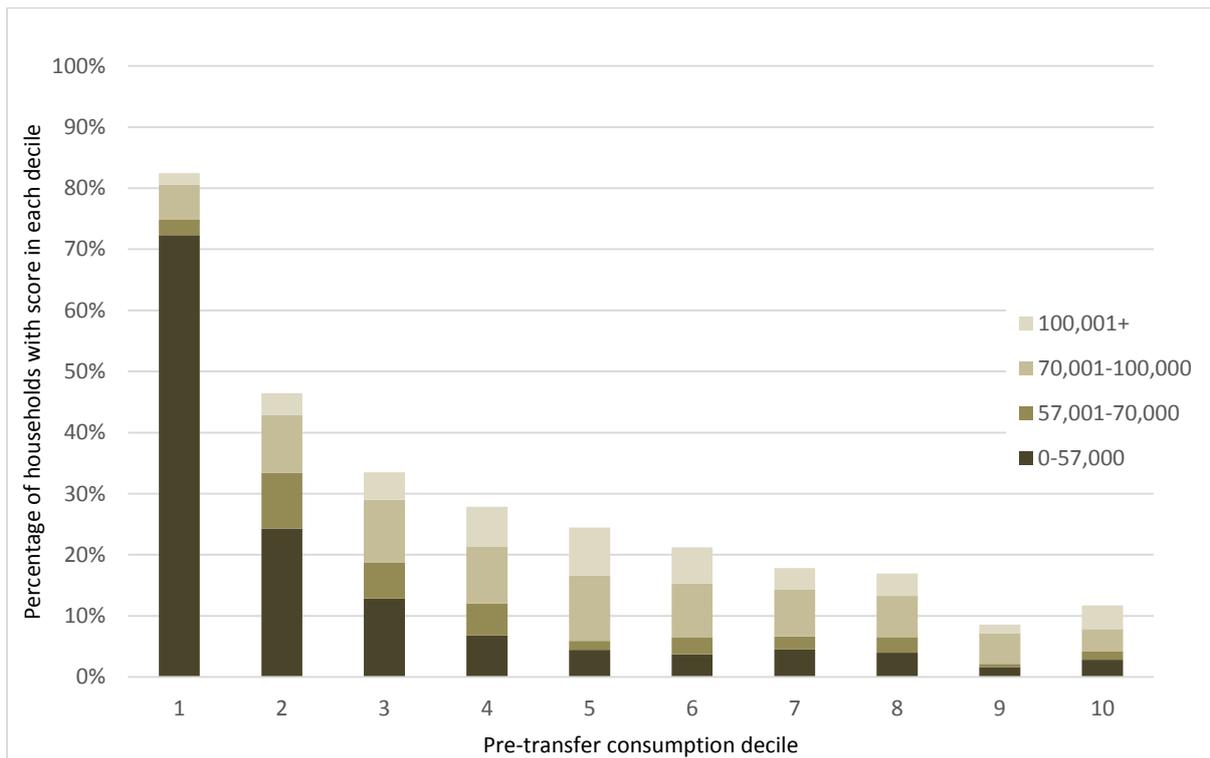
dramatically. It has also halved the general poverty rate for the same age group. As the pension reaches many multi-generational households, it also has a considerable impact on general poverty rates among the non-elderly. Since the age is not the only criteria for TSA, the impact of the TSA scheme on extreme poverty is more evenly distributed across age groups than the pension.

Households who do not qualify for TSA are not necessarily well off in terms of consumption. Figure 3 shows household TSA scores and PAE consumption deciles, excluding any consumption resulting from receipt of TSA benefit. Households with scores above 57,000 indicate people who have applied for TSA benefit but have received a higher score than that required in order to qualify for the benefit. The area above the bars represents households who did not apply for TSA benefit⁷ or whose scores are missing from the dataset. Almost 10 per cent of households in the first decile of PAE consumption have received PMT scores that are too high to qualify for TSA; for households in the second and third deciles, the figure is 20 per cent.

Among the lowest quintile, a significant proportion of households (17 per cent) are automatically

⁷ According to the Survey of Barriers to Access to Social Services (UNICEF, 2010), among the reasons for not applying for TSA benefit, the major disincentives are suspicion about the accuracy of the evaluation (33 per cent) and lack of awareness about where to submit the application (24 per cent).

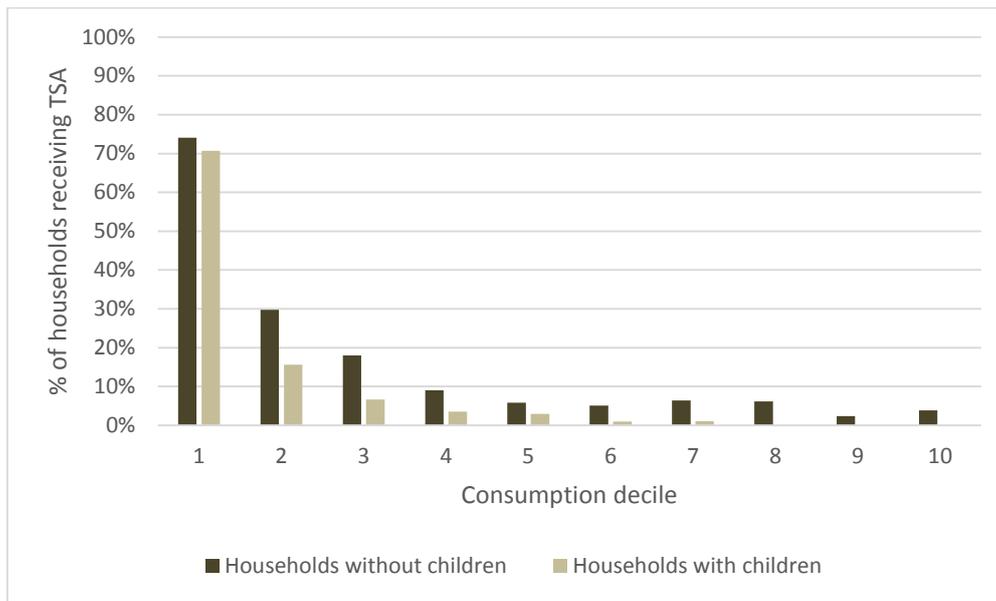
Figure 3: PMT scores by pre-transfer consumption decile (author's own calculation)



excluded from qualifying for TSA benefit due to the unavailability of their scores. Many of these households live in general poverty and/or extreme poverty, while the average household in the third decile hovers around the general poverty line. The key issue is that much of the exclusion of the poor is not down to inaccurate targeting; rather, it is the result of low coverage of the TSA scheme, since, as noted earlier, it reaches only about 15 per cent of households. In all poverty-targeted schemes, there are always some eligible households who are excluded from access. Such issues could be overcome by increasing the coverage of families in the TSA scheme. In the past, the government has prioritized increasing the value of the TSA benefit rather than extending coverage of the scheme.

Some households in the top decile still manage to qualify for TSA benefit, even though the PMT is intended to estimate a household's income based on predefined proxies. Due to the nature of the targeting methodology and the low coverage, it inevitably results in inclusion and exclusion errors. The households with TSA scores in this range encompass all levels of consumption. There are three possible explanations for this. First, the PMT score is 'noisy', and therefore includes or excludes some households due to statistical errors. Second, the PMT observes important differences in well-being that are not represented by consumption. Third, the dynamic nature of consumption over time is not well captured by the PMT, as the survey was conducted during a different period than the PMT

Figure 4. Coverage of TSA recipient households in pre-TSA deciles (author's own calculation)



assessment period. Households might be temporarily lifted into a higher consumption group due to an isolated event that results in a spike in spending; such an event might include a severe illness, a wedding or a funeral.

In recent years, continuing economic development, coupled with the expansion of cash transfer programmes, has helped Georgia to reduce poverty. Despite such developments, a large number of people continue to live in extreme poverty (4 per cent). Moreover, children have a greater than 50 per cent risk of living below the extreme poverty line. UNICEF (2013) indicates that children now represent over a quarter of people living in extreme poverty (28 per cent): the highest rate recorded by the WMS since 2009. Moreover, members of households with children represent the vast majority (78 per cent) of households living in extreme poverty. Nevertheless, poor households with children are actually *less* likely to qualify for TSA benefits than equivalent households without children (see Figure 4). Among those in deciles 2 through 4, coverage for households with children is half that of coverage for households without children.

As observed with the old age pension in Georgia, universal benefits can have a significant impact on reducing poverty among recipients nationally (UNICEF 2013). Although such benefits provide all recipients with an equal amount – regardless of the recipient's economic situation or the economic situation of the household where the recipient is living – they make a disproportionately important contribution to the expenditure of relatively poor recipients and their households. By contrast, such benefits have little impact on households with high income. The aim of the TSA scheme is to support the most economically deprived households by providing them with a minimum level of subsistence.

Yet, despite having low incomes or being unemployed, many working-age families with children are excluded from the TSA scheme. While the old age pension is effective in tackling poverty among the elderly, there is no programme in place to support the majority of struggling, working-age families with children. Given that the elderly in Georgia have a universal pension system, and also given that benefits are provided to those living with disabilities, the state's next priority should be to provide for one of the other key vulnerable groups in the population – children. The following section of the paper describes alternative social assistance schemes that would address this issue.

Policy scenarios

Cash transfer is a powerful way to reduce material poverty and have already been used extensively by the Government of Georgia. The following simulations use the new formula developed for TSA targeting to model different policy options by employing the various values of potential benefits and TSA cut-off scores. The simulations aim to provide a reasonable foundation for policy decisions and discussions on Georgia's social protection system.

The Geostat survey carried out in the third quarter of 2013⁸ show that 26.5 per cent of Georgian population are still living below the general poverty line and 5 per cent are living in extreme poverty. However, because the data collected referred to previous months, these rates do not reflect the effect of the September 2013 pension increases. In order to calculate the best estimates, the estimated impact of the pension increase on poverty rates have been incorporated. It is estimated that the general poverty rate would fall to 24.9 per cent and that the extreme poverty rate would fall to 4.1 per cent as a result of changes to pension payments. In analysing new poverty rates, which take account of the pension increases, we considered the difference in the pension income of the household. This difference is calculated by subtracting the reported pension income during the survey period from the planned pension amount to be received in September 2013. This difference is then added to household consumption and adjusted for PAE scale. At some point, there will be diminishing returns to further investments in cash transfer programmes. However, investments in cash transfer programmes can still have significant effects on poverty levels. This is particularly true if benefits are designed to target poorer households and those in danger of falling into poverty – especially poorer households with children, who currently are less likely to qualify for TSA benefits.

Set out below are alternative policies which would better address the issue of the disproportionate number of children living in poverty. Reaching every child is the most effective way to deal with child poverty. However, it would require a significant increase in the social protection budget. If financially unfeasible, the alternative options need to be explored. One approach is to expand TSA

⁸ Integrated Household Survey Database 2013 Year, Geostat

coverage by introducing several cut-off scores for the PMT. Another is to complement the TSA scheme with a child benefit payment. From these standard approaches, we have modelled three different policy options that vary with regard to the details of benefit size and coverage. We have computed their effects in addition to the ‘status quo’ scenario, which adjusts survey results for the expected effect of the pension increase.

The proposed policy options involve organizing households into tiers based on the TSA score. The TSA scoring system endeavours to evaluate households according to their economic well-being. One cut-off approach assumes that all households below the threshold are similarly poor. In reality, these households are quite different not only in terms of economic well-being but also with regard to their demographic characteristics.⁹ With this in mind, we estimate the effect of introducing the tiered model. Different benefit amounts are paid depending on the ‘tier’ that applies to a particular household, based on its new TSA score. The threshold scores are determined in consultation with Ministry of Health, Labour and Social Affairs and the Social Service Agency. Three models are discussed in this paper, in addition to the ‘status quo’ scenario:

1. **Status quo:** The first member in a household with a TSA score below 57,000 receives GEL 60 per month, while all additional members receives GEL 48 per month. The monthly cost of the programme is GEL 23.7 million.
2. **TSA only, with tiered cut-offs:** The TSA cut-off scores would be set at 30,000, 57,000, 60,000 and 65,000, with monthly benefit amounts of GEL 60, 50, 40, and 30, respectively, for each member of the household. The monthly cost of the programme would be between GEL 21.2 million and GEL 22.5 million, depending on how many households are registered in addition to those already registered.
3. **TSA + Child Benefit I (TSA + CB I):** The TSA cut-off scores would be set at 35,000, 57,000, 60,000 and 65,000, with the monthly benefit amounts of GEL 60, 50, 40 and 30, respectively, for the first member in each household and GEL 46, 38, 28, and 18, respectively, for each member of the household. Additionally, GEL 20 Child Benefit would be paid monthly for children aged 0-16 in households whose score is below 115,000. The monthly cost of the programme would be between GEL 22.3 million and GEL 24.9 million, depending on how many households are registered in addition to those already registered. Child Benefit would be paid on a quarterly basis, in order to reduce administration costs.

⁹ Authors compare household size, number of children, average income and consumption PAE for households in different ranges of PMT scores below 100,000.

4. **TSA + Child Benefit II (TSA + CB II):** The TSA cut-off scores would be set at 30,000, 57,000, 60,000 and 65,000, with monthly benefit amounts of GEL 60, 50, 40 and 30, respectively, for each member of the household. Additionally, GEL 10 Child Benefit would be paid monthly for each child aged 0-16 in households whose score is below 100,000. The monthly cost of the programme would be between GEL 23.3 million and GEL 25.1 million, depending on how many households are registered in addition to those already registered. Child Benefit would be delivered on a quarterly basis, in order to reduce administration costs.

These models incorporate a number of simplified assumptions, in order to estimate the effects of different social transfers on households. For example, it is assumed that the transferred amount would be entirely spent on consumption (this assumption is particularly valid for poor households). We have made this assumption because there are no research data readily available currently that examine the savings behaviour of households in Georgia. The data used for the analysis exercise are 2013 data, and additional transfers are projected future transfers. The models do not take into account future economic indicators, such as inflation. Despite these assumptions, strong inferences for policymakers can still be drawn.

Results

One way to measure policy effectiveness is by the reduction in poverty rates. Table 4 shows the extreme poverty rates and general poverty rates of the general population, and of children, in different scenarios. The first column depicts the status quo scenario, which results in extreme poverty rates of 4.5 per cent for the general population and 7.1 per cent for children. The new TSA system with four tier thresholds ('TSA only') would reduce rates of poverty in the general population and among children to 3.8 per cent and 4.5 per cent, respectively. Even though the new system would be better

Table 4: Extreme and general poverty rates simulated with different policy options (author's own calculation)

	Status-quo	TSA only	TSA + CB I	TSA + CB II
Population	4.5%	3.8%	3.7%	3.4%
Children	7.1%	4.5%	3.8%	3.3%

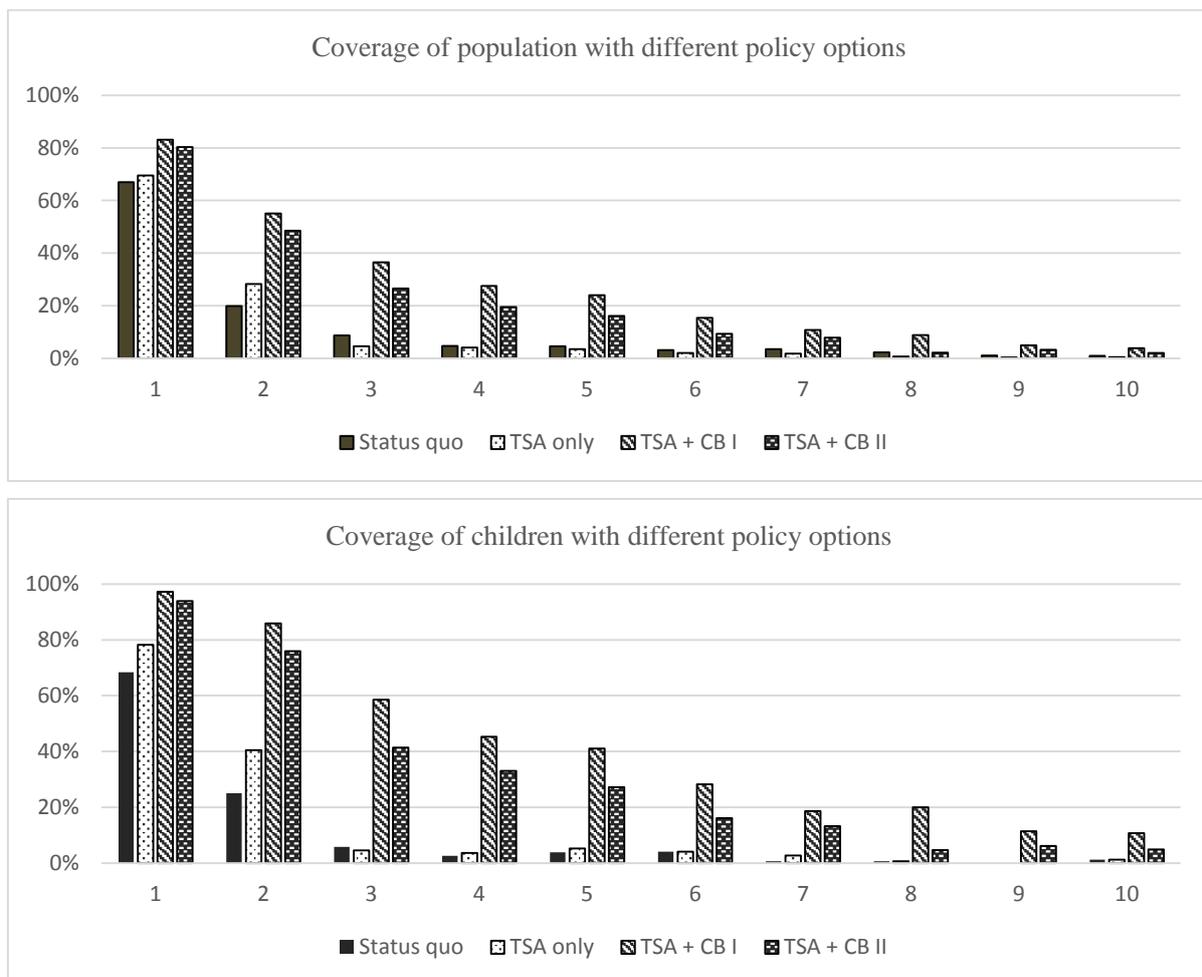
	Status-quo	TSA only	TSA + CB I	TSA + CB II
General	24.9%	24.0%	23.0%	23.4%
Children	30.4%	28.0%	25.5%	26.9%

than the current system at identifying poor households, it would still leave a larger proportion of children living in extreme poverty compared to the proportion of the general population living in extreme poverty.

One way to lessen the disproportional impact of poverty on children would be to introduce a child benefit payment. The total costs of the two proposed policy options that include a child benefit payment are projected to be similar to the status quo option. Both ‘TSA + CB I’ and ‘TSA + CB II’ are estimated to reduce extreme child poverty by more than 45 per cent when compared with the effects of the status quo option (See Table 4); they would also reduce the extreme poverty rate for the population as a whole.

The coverage of the schemes would also increase, particularly among those in the lower wealth deciles (see Figure 5). This is because 78% and 65% of people living in extreme poverty and general poverty respectively are either children or adults living with children. The coverage of children in the

Figure 5: Coverage of population and children with different TSA models (author’s own calculation)



poorest decile would be more than 90 per cent for both policy options that incorporate a child benefit payment. The 'TSA only' option fails to capture more than 20 per cent of children in the poorest decile, despite the fact that the aim of the TSA scheme is to cover the poorest decile of the population entirely. The difference in coverage between 'TSA only', 'TSA+CB I' and 'TSA+CB II' is the additional child benefit payment, which is either GEL 20 or GEL 10 per child, and has a higher threshold at 115,000 or 100,000.

In the policy options described above, it is easy to observe that unless special emphasis is placed on children, they always end up poorer than the rest of the population. Therefore, in order to equalize poverty rates among children and the rest of the population, it is necessary to have additional cash payments specifically for children given to each household. For that purpose, we recommend 'TSA + CB I' and 'TSA + CB II' as potentially the best options, given their greater coverage in the lower deciles and also given their greater impact on general poverty. It is important to note that the budgets for these programmes would be almost the same as the budgets for the 'status quo' option.

Conclusion

We have argued in this paper that the TSA should incorporate child-specific cash transfers in order to combat disproportional child poverty. While Georgia saw impressive reductions in poverty rates from 2009 to 2013, children and their households have benefited less from reductions in poverty rates than the rest of population. In fact, relative poverty among children increased from 2011 to 2013. Children and their households account for almost four-fifths of people living in extreme poverty and two-thirds of those living in general poverty. On average, households with children report lower income and consumption PAE.

In line with current political interests, this paper has explored policy options for the incremental revision of the current social protection system – especially of the TSA scheme – within an unchanged budgetary framework. We acknowledge that there are limitations to this approach in addition to the focus on monetary aspect of poverty. First, the TSA scheme, which narrowly targets the poorest with the PMT methodology, has a significant risk of not identifying some households in need. The PMT captures a household's economic situation at a particular point of time. In reality, however, incomes and consumption are dynamic. This volatility cannot be captured using the PMT methodology. Second, while the Government of Georgia is committed to reducing extreme poverty, it is questionable that the international standard of poverty – living on less than US\$1.25/PPP a day – is the appropriate threshold for lower-middle income countries such as Georgia. Furthermore, the social protection systems need to be refined in order to ensure that they provide not only protective but also proactive and preventive measures for citizens to cope with various vulnerabilities.

We introduced the tiered models rather than the existing single threshold value for TSA scheme eligibility as it is suspected that the latter is creating a disincentive to work. Study by Kits et al (2013) show that households who are close to the threshold values – and especially women with children – have been disincentivized to work. As the aim of the TSA scheme is to provide a minimum level of subsistence, it is important that it should not have an adverse effect on a beneficiary’s motivation to work. However, if a poor household expects its earnings to be lower than or similar to the TSA cash benefit amount if it were moved off the TSA scheme, then it might be logical for that household to reduce their work, so as not to be disqualified from receiving TSA benefit. In order to minimize this side effect, the TSA could introduce a series of tiered thresholds which would gradually decrease the amount of cash paid as the thresholds increased. Therefore, as households improved their PMT scores, they would lose their cash benefits more gradually than would be the case if they were to achieve a single cut-off score. In order to minimize the disincentive to work – as well as reduce exclusion errors and better capture poverty dynamics – a tiered model could be combined with a child benefit payment that has an even higher threshold score, so that households with children moving off the TSA scheme would still receive child benefit payments.

The Georgian social protection system cannot be considered comprehensive in the absence of a benefit payment for children. In the past decade, Georgia has introduced an old age pension benefit that has successfully addressed vulnerabilities faced by the elderly. Like the elderly, children do not have the means to lift themselves out of poverty. In fact, a growing number of middle-income countries are providing some direct income support for children in line with common practice in developed countries. Because the early years of life are a critical yet fragile period for long-term skills development, ensuring that parents can afford to raise their children in a healthy and safe environment is one of the most efficient ways to invest in Georgia’s future. A progressive social protection system needs to provide comprehensive support for vulnerable members of society, such as children.

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