

Evaluation Summary

Joint ex-post evaluation of AFD policy-based loans in the pensions, health and social welfare sectors in Georgia

Country: **Georgia**

Sector: **Pensions, health and social welfare**

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Date of the evaluation: January 2024

Key data on AFD's support

Project numbers: For subsequent tranches, CGE1008, CGE1013, CGE1016, CGE1017, CGE1022, CGE1023

Amount: €201,5 million (over two PBLs and associated TA grants)

Disbursement rate: 100%

Signature of financing agreement: 02/11/2017 (CGE 1008), 04/06/2018 (CGE1013), 09/11/2018 (CGE1016), 26/09/2018 (CGE1017), 29/11/2019 (CGE1022), 22/05/2020 (CGE1023)

Completion date: March 2021 (CGE1008), June 2021 (CGE1023)

Total duration: January 2018 – June 2021

Context

AFD has been providing support to Georgia since 2012 and to Georgia's social welfare policies since 2016. During the period 2017 to 2021, **AFD** provided support in the form of **Policy-based loans** (PBLs). This support consisted in two main phases (and PBLs):

- a non-targeted multisectoral budget support programme, co-financed with the World Bank and providing technical assistance to **support the pension reform and the creation of a dedicated agency**;
- a three-year Health and Social Welfare PBL, structured around three pillars related to **social welfare reform**, later extended to include a dedicated COVID-19 component.

Technical Assistance (TA) for both PBLs was provided through Expertise France.

More recently, and outside the scope of this evaluation, AFD has continued its support in the form of a program for results in co-financing with World Bank.

Actors and operating method

The MoF was the contracting authority and the two main technical ministries involved were the Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Protection (**MoILHSA**) and the Ministry of Economy and Sustainable Development; responsible for pension (**MoESD**). Several state agencies were supported through technical cooperation and involved in policy dialogue, notably the Pension Agency and the Livelihood, IDPs and Eco-migrants agency.

PBLs are budget funding interventions aimed at supporting sector-specific or multi-sector public policy. They feature three components: (i) the budget loan itself; (ii) public policy dialogue; (iii) technical cooperation supporting policy formulation and implementation. In addition to the loan, Expertise France provided TA financed by grants from the FEXTE fund: EUR 500k for the PBL on pension, and EUR 1M for the second PBL.

Objectives

The first operation covered by the evaluation is a co-financing with the World Bank of a three-year EUR 60 million multisectoral public policy loan to the Ministry of Finance of Georgia in 2017 aimed at **establishing an effective legislative and regulatory framework for a 'second pillar'** (i.e. fully funded, contributory) pension reform, and including more specifically the establishment of a pension management agency.

The second public policy loan program, financed by AFD alone (EUR 140M in three tranches), aimed at supporting the **reform of the health and social welfare systems** beyond pensions. More specifically, the objectives were: i) strengthening the social protection system, e.g. designing and piloting improved assessment of disabilities, ii) improving and rationalising the current health coverage system (reducing Out of Pocket Payments and improving the treatment of mental health in the health system), and iii) moving from a status-based assistance system to targeted needs-based assistance for IDPs.

Expected outputs

- Creation of a Pension Management Agency
- Dialogue, coordination and capacity building
- Public policies, institutions & spending process improvement (e.g. National framework on disability)
- Public service management /delivery strengthening (modernization of services of mental health, reduced out-of-pocket expenditures, etc.)
- Strengthened French and EU policy reform leverage

Performance assessment

Relevance and coherence

Both PBLs were well-aligned to AFD and GoG strategies and policies, and above all the Georgia-EU Association Agreement. The emphasis on the social sector, inclusivity, and vulnerable populations was appropriate for an Upper Middle-Income Country, and French support was consistent with the strategic and economic interest in promoting stability and prosperity in a friendly neighbour. The PBLs have been relevant to national needs, coherent with AFD objectives and the objectives of the broad donor and international agency community, and coherent with French and EU strategic priorities and interests.

Efficiency

No issues with PBL efficiency have been identified. Policy matrix targets were generally met, and disbursements were timely. Beneficiary agencies all expressed satisfaction with TA provided by Expertise France.

Effectiveness & Impact

In terms of effectiveness, the evaluation draws a mixed picture. The two PBLs intervened at different stages of the policy reform process. One intervened at a mature stage (pensions) and the other at a relatively early stage (e.g., disability and mental health) and in an area lacking policy consensus (IDPs). While the pension reform is producing outcome-level results and clearly contributes to improve the situation, the social welfare reform has not yet evolved beyond policy stage. Under the pensions PBL, AFD support under the PBL, and especially operational TA provided by national and international (including but not limited to French) experts made an important contribution to getting the Agency up and running in a short time. On the social welfare PBL, high-level strategic dialogue on what direction to take was not needed (policy course was largely set); hence, most policy dialogue was of a practical or operational, not strategic, nature. Technical policy dialogue made concrete contributions to, e.g., elaborating the mental health strategy, promoting the bio-psycho-social approach to disability classification, and advocating for the needs-based approach to support for IDPs, piloting disability, performing mental health surveys for IDPs.

There is political will to approximate social welfare policies and practices with the EU standards, though this will requires additional budgetary resources to back up the policies. It is particularly clear on the topic of the devolution of responsibility to local administrations. Though this policy is in line with international good practices, it was not yet accompanied with sufficient financial capacity and expertise strengthening, to help the authorities to deliver on their new responsibilities. Meaningful engagement of stakeholders in implementation could have improved and accelerated outcomes for both pension and social welfare reforms.

Sustainability

In the areas of disability and mental health reforms, the implementation process has already been designed (Disability Action Plan 2023-2025 and national Mental Health Strategy) and new technical assistance is in place covering the period 2023-2027 (AFD and EU support). What still needs to be observed is the determination of GoG to leverage sufficient national funds and human resources to go beyond what is planned to be done by the Technical Assistance. Further actions, both from the GoG and international partners, should therefore be examined with a particular attention to roll-out and sustainability.

Added value of AFD's contribution

AFD's added value was largely due to the timeliness and quality of the TA to implement the actions provided by Expertise France, which was universally praised. The TA was characterised as informative but not prescriptive and, in the politically sensitive case of IDPs, neutral and unbiased. Through TA, Expertise France served as a conveyor belt for international approaches to policy issues. The fact that AFD remained engaged in the IDP area when there was a gap in donor involvement added value in itself.

Conclusions and lessons learnt

PBL as a valuable instrument

PBLs have proven in Georgia to be a valuable tool to create opportunities for dialogue on specific policy issues, mostly at tactical rather than strategic level, identify needs for TA and support the implementation of reforms in the areas of pensions and social welfare. The first PBL (pension) represented an entry point for AFD to develop visibility and trust with GoG, which provided the foundation for the subsequent PBLs, independent of the World Bank. This evaluation has identified PBL contribution to concrete operational results in pensions, i.e., policy implementation, and to the development and piloting of approaches in disability and to improved policy in mental health and IDPs. In social welfare, the voice of ultimate beneficiaries such as persons with disabilities and mental health issues have not been fully heard.

Policy maturity matters for results

One PBL intervened at a mature stage of policy reform (pensions) and the other at a relatively early stage (e.g., disability and mental health) and in an area lacking policy consensus (IDPs). Whereas the contribution in pensions has been implementation and was outcome-oriented, that in social welfare has remained at the policy design stage.

AFD support on IDPs in a context of absence of consensus

AFD, including through the PBLs, has contributed significantly to keeping IDP issues, particularly the status- vs. needs-based support debate, under active consideration and discussion. It contributed through issues papers, actuarial and budget analysis and, to some extent, coordination. However, no solution to the IDP support issue appears to be within reach. AFD/EF's neutrality, in laying policy alternatives on the table for analysis and consideration by the stakeholders, added significant value in a sensitive area.