

FOLLOW-UP OF THE IMPLEMENTATION OF THE WORLD FOOD SUMMIT PLAN OF ACTION

NATIONAL REPORT

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SECTION I:

Priority Food Security Issues and Progress towards the World Food Summit Goal – Brief Overview

Following its independence in 1991, Georgia suffered a dramatic socio-economic downturn. Macroeconomic stabilisation and systemic transformation commenced in 1994, with the government's adoption of the anti-crisis programme supported by International Financial Institutions. The main thrust of the reform was seen in the transformation of monetary policy and drastic fiscal adjustment, accelerated privatisation, reforms of health care, education and social protection, liberalisation of economic activity and trade, as well as price liberalisation.

Implementation of these measures brought about a degree of macroeconomic stabilisation that entailed the growth of economic activity. Compared to earlier periods, in 1995 the budget deficit/GDP ratio decreased almost threefold. Average annual GDP growth in 1996-1997 was 10%.

The 1998 financial crisis in Russia, the largest trade partner of Georgia, sent shock waves over the Georgian economy causing a marked impairment in the country's macro-economic situation. The rate of GDP growth in 1999 fell to 2.9% from 10.5% in 1997, with a subsequent decrease to 1.8% in 2000. Inflation in 1999 surged to 19.2%, but decreased to 4% in 2000. GDP growth resumed in 2001 and amounted to 11.1% in 2003. However, this rise was due to significant Foreign Direct Investment (FDI), mainly in pipeline construction, that had little effect on wealth distribution and the investment climate of the country.

Leadership changes brought about by the 2003 Rose Revolution enabled the establishment of a new framework for the consolidation of national identity. The government committed itself to restore territorial integrity and develop the country as a modern European state.

The government's Reform and Development Programme for 2004-2009 declares the priority sectors of the economy as energy, transportation and communications, tourism, agriculture, banking and light industry.

Despite certain positive developments, Georgia's overall socio-economic situation remains difficult. Rapid and sustainable economic growth and a significant improvement in the population's social situation are still to be achieved. The priority focus should be on extremely impoverished people, as well as other marginalised groups.

The existing situation and the relevance of issues facing Georgia guided the development of a long-term comprehensive strategy document, the Economic Development and Poverty Reduction Programme (EDPRP). This envisions phased, targeted and coordinated policies by the state.

In Georgia poverty is estimated based on household consumption expenditure. This document makes use of two poverty lines adopted under the EDPRP elaborated by the government in 2003 with the support of the international community and in close co-operation with the non-governmental sector:

- Poverty line at official subsistence level - monthly GEL124-128 per adult, equivalent to a working-age male;
- Extreme poverty line - monthly GEL58-63 per adult, equivalent to a working-age male.

According to the State Department of Statistics in 2002 the poverty rate estimated at the official subsistence level amounted to 52%. The poverty rate at the extreme poverty line was 15%. In 2003 the proportion of the population below the poverty line increased to 54.5% and the proportion of the population in extreme poverty to 16.6%.

As illustrated by the 2003 study “Improving targeting of poor families in Georgia: the construction of poverty maps at the district level” conducted by United Nations Development Programme (UNDP) (Figure 1) poverty rate tendencies differ across regions. Additionally, poverty indicators differ significantly between urban and rural areas. The poorest regions are Adjara, Samtskhe-Javakheti and Shida Kartli. Urban poverty focuses upon Kutaisi, Batumi, Rustavi, Gori, Zugdidi and several districts in Tbilisi. Higher poverty levels in most cases correlate with geographical isolation and the low intensity of arable land use. Seasonal factors have a significant impact on overall poverty indicators.

Populations living below or above the poverty line rely on very different diets. The population below the poverty line relies mostly on nutritionally cheap calories in their diets. There seems to be no distinctively strong correlation between poverty and hunger in Georgia due to reliance on homegrown food to complement diet and informal social protection mechanisms. The first factor is highly effective in addressing extreme poverty or lack of income to satisfy basic food needs. However, in the longer term, this resource cannot generate cash income necessary to satisfy non-food needs such as education, health care, heating, electricity, etc. According to FAO standards, average dietary energy consumption below the poverty line appears to place people in the risk zone.

Dietary energy consumption differs across regions. The lowest level of dietary energy consumption is traditionally found in Tbilisi. The level of dietary energy consumption is relatively high in Western Georgia, particularly in Samegrelo. However, it would be misleading to conclude that the situation in Samegrelo is better than elsewhere in Georgia. Surveys do not adequately depict the situation of IDPs, and the proportion of IDPs is particularly high in this region.

In the Household Food Economy Assessment conducted in January-February 2004 by the World Food Programme (WFP), it was found that food security problems are more likely manifested by qualitative imbalances in diet and inadequate economic

access to food by vulnerable groups at the household level rather than real food unavailability at the national level.

According to the WFP the average calorie intake of rural population is still maintained at 2,694 Kcal/person/day which is much higher than FAO recommended energy requirement for an adult of light physical activity of 2,100 Kcal. It is also higher than the Government's proposed requirement of 2,300 Kcal with climate adjustment. Only the destitute households (approximately 5% of total population) consumed far shorter than this level (1,736 Kcal). This means that, in overall, diets are quantitatively adequate in caloric terms. However, they are qualitatively unbalanced. All groups (destitute, poor, middle) consume a low content of proteins (8% of total calories versus recommended 10-15%). The destitute and poor households, that account for two thirds of total population, eat a higher content of carbohydrates (72% versus recommended 55-60%). These two groups are increasing their intake of less nutritious and cheap foods as they can not afford to produce or purchase the more nutritious food such as meat, fish and dairy products. It may indicate a deficit of essential micronutrients (vitamin A, iron and iodine) in the diet which are crucially important for young children, pregnant/nursing women and other vulnerable groups.

In contrast, the diet of the middle group is characterised by a typical dietary pattern of industrialised countries, e.g very high calories (3,355 Kcal), of which 34% are from fat and 57% from carbohydrates. It may warn us about risks of some diseases usually seen in the developed world such as diabetes and cardio-vascular disorders.

Inadequate economic access to food is reflected in a large share of income that households spend on food. In surveyed rural families food accounts for 74% of total annual expenditure. This figure reaches 86% amongst the destitute and 63% in the poor households. The very high food share of income diminishes the household's ability to address other urgent needs such as medical care, heating, transportation, schooling and housing (currently at 7-15% of total expenditure). Additionally, food expenditures compete with farm input requirements (currently at 7-11% of total expenditure), preventing households from investing in their land, maintaining low productivity, and contributing to a vicious cycle of poverty. Many farmers can only afford to cultivate part of their land. Elderly people and the handicapped with no support from relatives are particularly food insecure. A significant number of food insecure people have to borrow food and take loans to cope with the food gap.

While energy consumption is the most widely recognised global indicator of hunger, it fails to capture the critical aspect of food insecurity in Georgia. There are three more sensitive indicators, more reflective of poverty and hunger, that need to be developed for use in Georgia: energy consumption specifically of the destitute, the proportion of macronutrients consumed against Recommended Daily Allowances (RDA), and household income allocated to food. Progress against any one of these three indicators will reflect critical achievement in the fight against poverty in Georgia.

Unfortunately, administrative data on nutritional status of children has not been gathered regularly in Georgia so far. The only available source is the Multiple Indicator Cluster Survey (MICS) jointly conducted by the State Department of Statistics, the National Centre for Disease Control and UNICEF in 1999. The survey suggests that the proportion of underweight children under five years of age in Georgia is 3.1%, which per se is not a bad indicator. The 1999 MICS Survey found acute and chronic malnutrition rates to be 2.3% and 11.7%, respectively. The nutritional status among children shows no gender disparity. In 2002 the National Centre for Disease Control and Save the Children's office in Georgia jointly implemented "Survey on Nutritional Status of Children under Five Years of Age in Six Drought Affected Regions". As per the survey children with moderate and severe signs of acute malnutrition accounted for 0.4% and 1% in 2000 and 2001, respectively. The chronic malnutrition rates were found to be 8.1% to 10.2% for 2000 and 2001, respectively. The results of the survey clearly indicate that even in the drought period, the level of child malnutrition was significantly lower than the levels accepted as the standard threshold by WHO criteria for acute (5%) and chronic (20%) malnutrition. This can be explained to a major degree by the food distribution pattern among household members traditionally giving priority to care and nutrition of children and elderly.

Available data on children's nutrition status is generally encouraging, although one should not overlook the problem of micro-nutrients (iodine, iron) deficiency. Iodine deficiency has historically been a serious problem for Georgia, especially for the population of high-mountainous areas. The study conducted in 1996 with UNICEF support revealed varying degrees of iodine deficiency in 64% of children surveyed. Goitre prevalence among the regions varied from 54% to 78% - the trend being alarming compared to the international standard of low Iodine Deficiency Disorders (IDD) level of 5% (Ref.: WHO/ UNICEF/ICCIDD3).

However, positive shifts are expected in the medium term. This is suggested by a number of remarkable achievements made in 1998-2003 through Government of Georgia/UNICEF partnership efforts. This included: drop in goitre prevalence among adults and children from 55-58% in 1998 to 38-39% in 2002; 16-fold increase in import of adequately iodised salt in 1999-2003; increase in household consumption from 8.1% in 1999 to 67.45% in 2003; and public awareness raised to 76% of the population.

However, despite the achievements, IDD in Georgia still remains as a major public health concern. About 40% of the child and adult population have shown to be iodine deficient. IDD is the most widespread and easily preventable cause of physical and mental retardation making children and women under special vulnerability. Children brought up under chronic scarcity of iodine will have on average a reduction of about 13.5 points in their intelligence quotients (IQs)⁴, while in pregnant women IDD causes miscarriages, stillbirths, and other complications. Accordingly, further advocacy, capacity building and information, education and communication efforts are essential for achieving the global and national targets for universal salt iodination as the most cost-effective strategy for sustained elimination of IDD in Georgia.

Georgia's favourable climate and geographic location will facilitate the attainment of the target for improved nutrition. However, specific interventions are required to regain lost markets, improve farming knowledge and skills, and increase access to financial resources, as well as to revise land and agriculture policies. Studies indicate that with dietary energy consumption approaching optimum levels, it will be necessary to address the problem of securing better diets.

Internally displaced: Georgia's internal conflicts in Samachablo (South Ossetia) and Abkhazia led to the emergence of especially vulnerable groups. According to government data, IDPs currently number approximately 260 000 persons. In addition, there are approximately 170 000 so-called ecological migrants, casualties of natural calamities, displaced into 11 regions through state and other programmes. However, these figures have never been adequately verified. Currently the government is undertaking a comprehensive recount of IDPs (except ecological migrants) with the support of the United Nations High Commissioner for Refugees (UNHCR).

In 1999 UNDP, UNHCR, United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA) and the World Bank (WB) forged an innovative partnership to substantially improve the lives of IDPs in Georgia and their host communities by reforming government policy and supporting the transition from humanitarian assistance to development centred activities. The objective of the programme is to substantially improve the lives of IDPs in a manner that reduces tension between IDPs and host communities through eliminating discrimination and violations of human rights currently suffered by IDPs, primarily through activities that increase opportunities to access their full range of rights as citizens, including equality before the law and access to quality shelter, social services, and most importantly, employment opportunities.

Major challenges:

An important contributing factor for the successful attainment of poverty reduction and food security is a well-targeted and well-sequenced implementation of reforms. Hence, improving governance is viewed as a major priority of the EDPRP. It is essential to continue with assistance from Georgia's partners and mobilise support to translate the objectives into reality.

Improved diet composition can be achieved by improving the general socio-economic situation, leading to growth in household income and a more diversified pattern of food consumption. One of the most serious interventions is in protecting the consumer market from counterfeit products. This can only be done through the improvement of the relevant legal framework. Great importance is attached to the protection of the local market from smuggling and dumping.

It is essential to create a reliable database, which will include children under five years of age and would enable effective and consistent monitoring. Technical and financial assistance is required to provide effective mechanisms for monitoring, development and implementation of targeted programmes and interventions.

It is imperative to adopt a law on the import of iodised salt, as a measure to prevent and eliminate iodine deficiency. This is expected to improve population access.

Another important factor is the political and peaceful settlement of conflicts. This will serve to reinvigorate the economy, restore international communications, mobilise further investments and re-establish economic links between regions.

In addressing the difficult task of IDP integration, Georgia will need to rely on the technical and financial assistance of the international community. The active involvement of international organisations and donor states in efforts to develop rehabilitation programmes for post-conflict zones will give an additional impetus to the political settlement of the conflicts.

It is necessary to ensure effective use of existing mechanisms to manage social risks, implying an improvement of the pension and social security systems, and better targeting of social assistance and benefits. The EDPRP recognises the same targets among its priority interventions. Improvement of IDP registration, even within current financing, can become a facilitating factor in attaining targets. It can also enable the increase of monthly allowances and pensions.

In parallel with steps taken towards the political settlement of internal conflicts, urgent interventions should be made to:

- Implement programmes to provide social support to IDPs through job placement and increase of self-reliance and integration into host communities. This will ensure social and economic stability and in turn, is expected to create prerequisites necessary to stimulate peaceful settlement of the conflicts.
- Work out special programmes for the rehabilitation of post-conflict areas and develop concrete mechanisms for their implementation, which will secure co-ordinated action by the central and local governments, international organisations and donor states.

Fully-fledged rehabilitation programmes will become possible after the resolution of the conflicts. However, at this stage it is necessary to activate mechanisms that create preconditions and facilitate their effective implementation through conveying a new, socio-economic dimension into dialogues between the sides. In this context, it is important to prepare both IDPs and communities in the conflict zones to enable their participation in the formulation and implementation of rehabilitation and reconciliation programmes. It is impossible to reflect on any guarantees of social security without rebuilding confidence between the IDPs and Abkhaz and Ossetian communities and engaging them in co-operative efforts.

Section II:

Follow-up of the WFS Plan of Action

Government undertook several actions under the Commitments adopted at the World Food Summit. The overall approach of the government towards economic and social reforms was to alleviate current poverty by a surged and sustainable economic growth. This growth is to be stimulated by the improvement of governmental mechanisms, thereby enhancing transparency and efficiency. The government has, furthermore, focused on improving the business climate and on attracting private capital through the implementation of a series of liberal economic reforms.

Serious steps have been undertaken to reduce corruption and enhance the efficiency of law enforcing structures. Anti-corruption measures have led to the improvement of the fiscal administration. As a result, in 2004, the State Budget revenues increased by a staggering 75%, compared to that of the previous year. The generated revenues were used to reduce the budget arrears on salaries and pensions as well as downsizing the internal debt by GEL 250 million. Furthermore, since January 1, 2005, the size of minimal pensions has doubled to GEL 28.

One of the government's major achievements during the reporting period is the adoption of a new Tax Code, which has been developed based on close consultations with NGOs, business circles and independent experts. The tax reform aims to improve the business climate, establish favourable conditions for both local and foreign investors, simplify tax procedures and legalize the shadow economy. On the whole, the reform serves to promote economic growth based on liberal principles. The new Tax Code lowers tax rates and simplifies the tax system across the board. It brings down the number of taxes levied from 21 to 7.

The ongoing privatisation of state-owned property further contributes to the development of an attractive business and investment climate. The country is successfully implementing a comprehensive privatisation process that, apart from improving the efficiency of the enterprises, strengthens the real-estate sector, thus contributing to sustainable economic development and to the creation of new employment opportunities.

The Government understands that economic reforms alone are not sufficient to overcome poverty—the reforms should be accompanied by measures aimed at the improvement of social conditions of the population. Hence the Government has embarked on reforming the social assistance system. The centrepiece of the reform is to improve the social and economic status of the population through extreme poverty alleviation.

Food security conditions and tendencies: According to the Statistics Department of the Ministry of Economic Development, per capita daily dietary energy consumption in 2004 constituted 2,460 Kcal, exceeding the Food and Agricultural Organization's (FAO) standard of risk threshold at 2,100 Kcal. According to the Department's estimates, the population's diet composition remains qualitatively unbalanced. About half of the intake

consists of bread products. The share of meat and fish is very low, while the share of dairy products remains rather high. The population's (especially urban) diet composition is closely linked to the overall socio-economic situation; the poor socio-economic situation is reflected in the high share of bread products in the overall consumption.

Consolidated data was gathered in two Household Food Economy Assessments (HFEAs), conducted by the World Food Program in the rural areas of nine regions (excluding Adjara, South Ossetia and Abkhazia due to security and political reasons) during the preharvest period (January – June 2004) and the post-harvest period (July – December 2004). This data indicates that the overall food security situation remains unimproved compared with that of 2003 in two important respects. The average daily energy supply (DES) of the destitute has not increased. Moreover, all wealth groups are still not consuming a sufficient proportion of micronutrients as compared to Recommended Daily Allowances (RDA).

The average DES decreased from 2,384 Kcal in 2003 to 2,250 Kcal in 2004. Particularly, the DES of the destitute was reduced from 1,893 Kcal (which was already below the RDA in 2003) to 1,750 Kcal in 2004. The diet remains qualitatively unbalanced with high carbohydrate consumption in the total DES (72% vis-à-vis 55-60% recommended) and a low protein content (10% vis-à-vis 12-15% recommended) reported in all groups, particularly among the extremely poor and poor households. Consumption of meat accounted for only 2% of total calorie intake. This is a definitive indicator of a deficit of essential micronutrients (vitamin A, iron and iodine) in the diet of young children, pregnant/nursing women and other vulnerable groups.

There was a decrease in the proportion of household expenditures devoted to food from 75% in 2003 to 62% in 2004. However, this decrease was most likely attributed to increased prices of other non-food expenses (mainly energy products).

Diagram 1: Official Poverty Level 1997 – 2005, Urban-rural

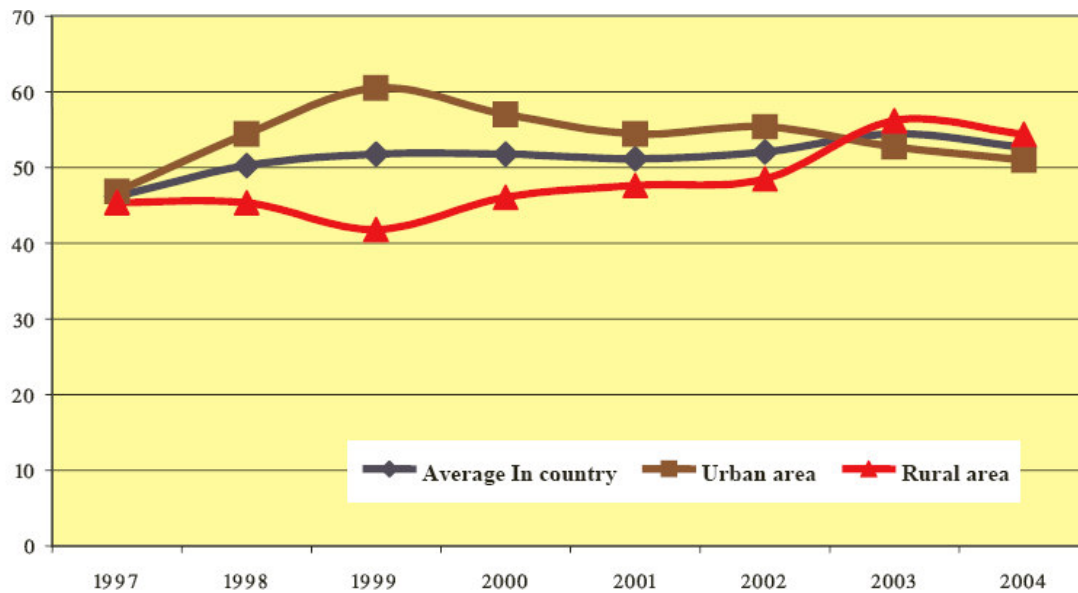


Diagram 2: Share of agriculture employment in total employment, %

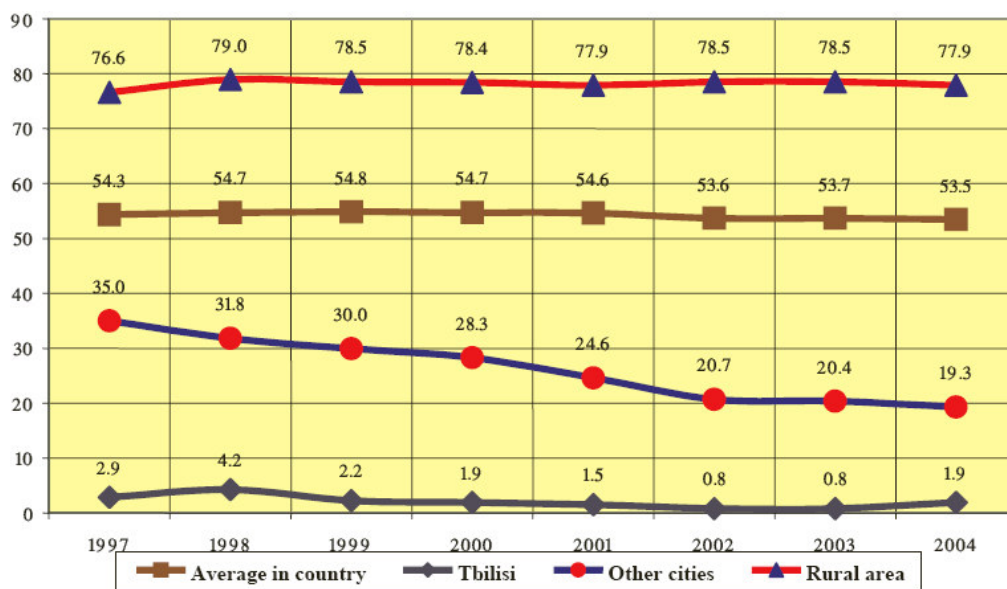


Diagram 3: Share of trade in total employment, %

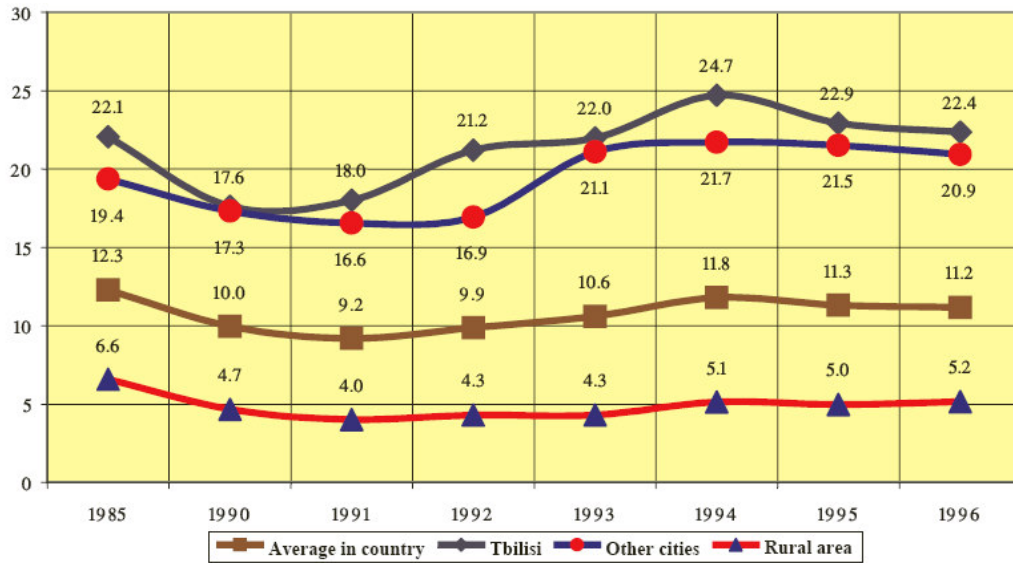


Diagram 4: Estimation of total consumption per adult equivalent with scale effect by branch of employment of household member, 1997 - 2004

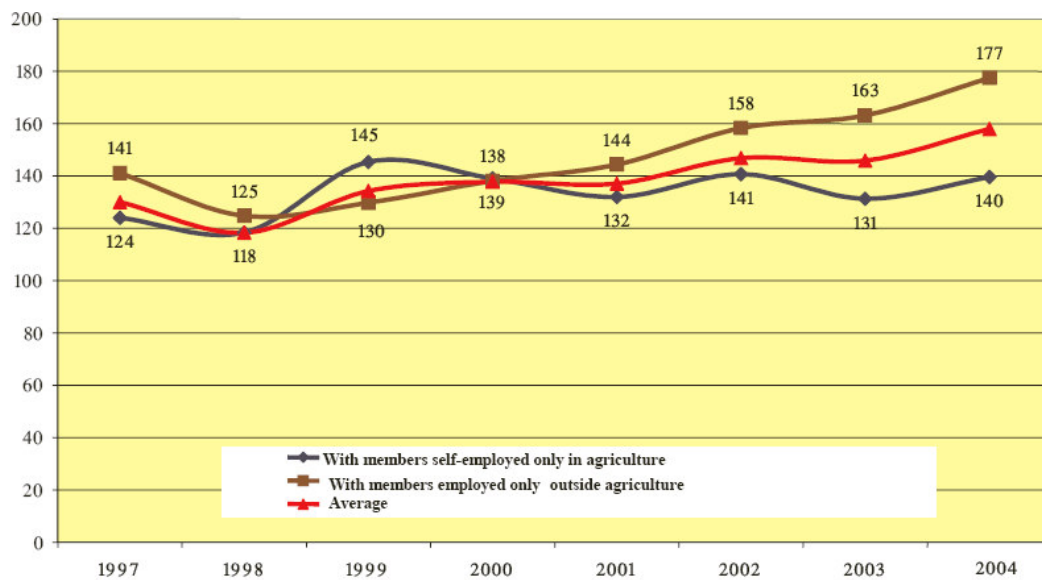


Diagram 5: Diet Composition, %

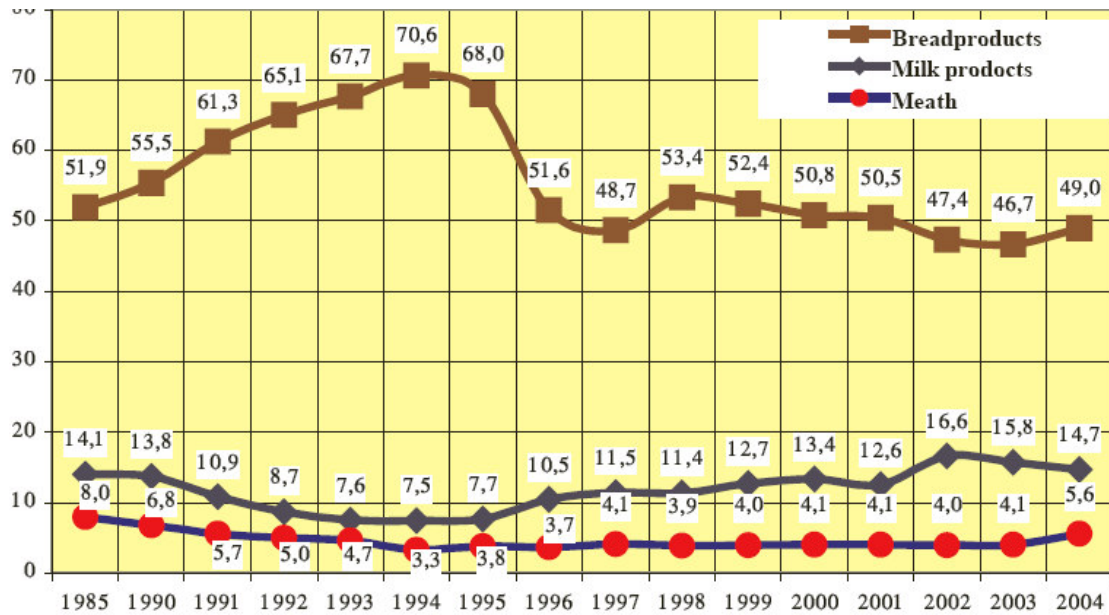


Diagram 6: Gender distribution in employment (including agricultural self-employment)

