

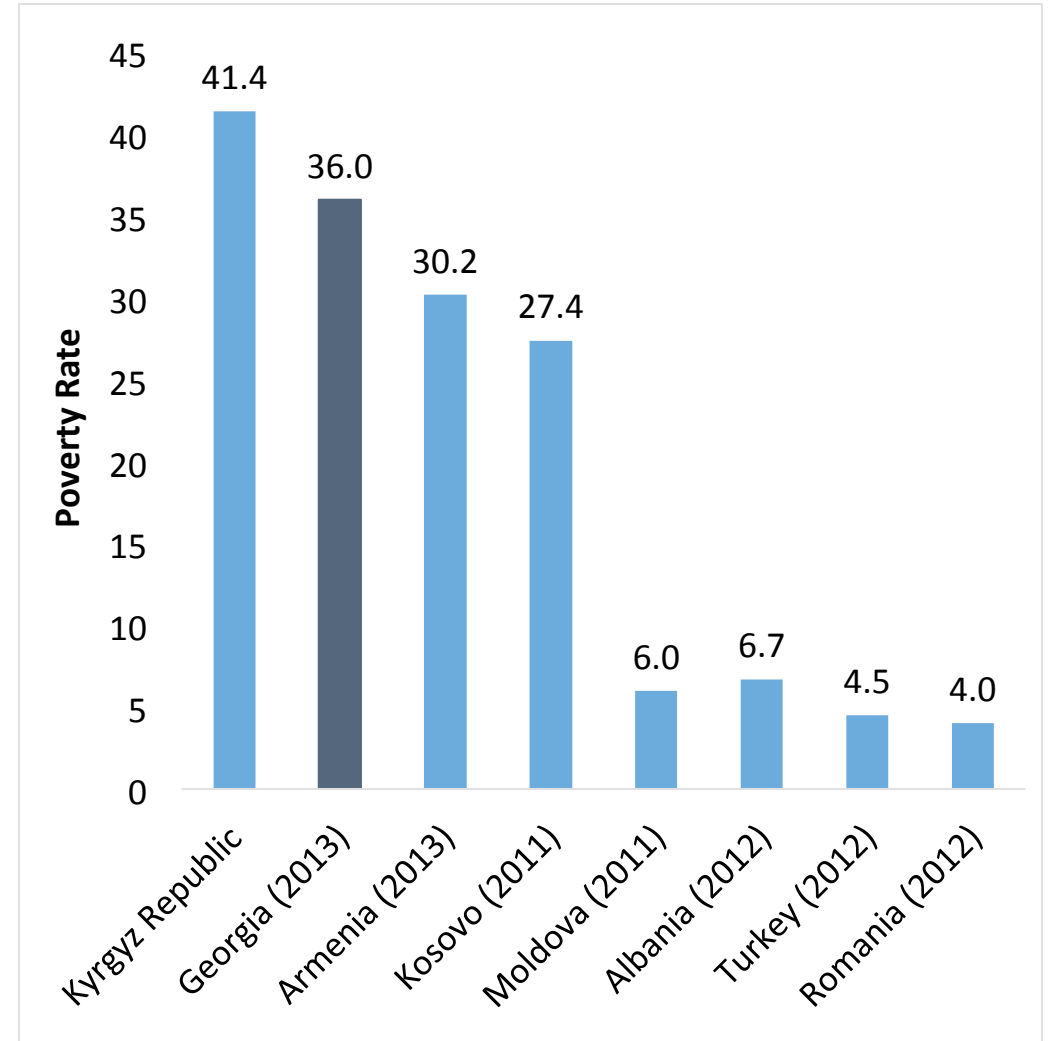
# Fiscal Incidence Analysis in Georgia

Cesar Cancho and Elena Bondarenko

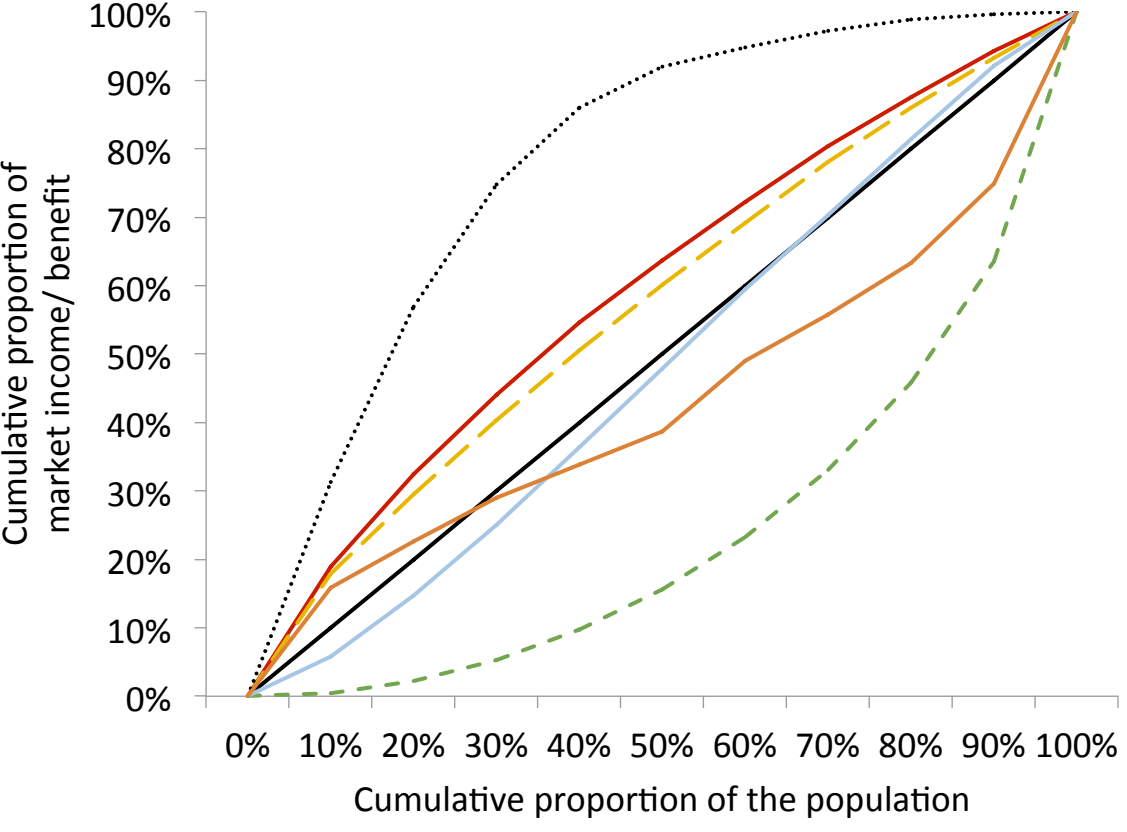
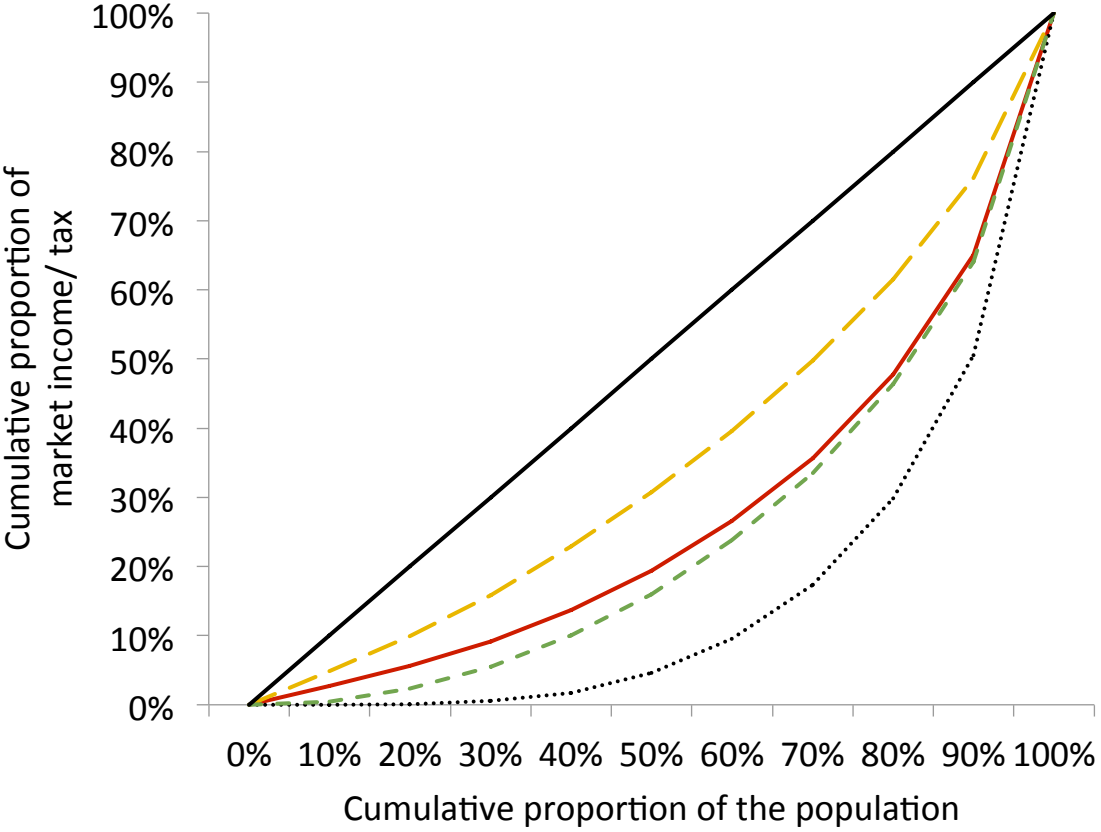
February 1<sup>st</sup>, 2016

# Georgia

- Small lower middle income country
  - Among the poorest and most unequal ECA region
- Rapid deterioration of public services after independence in 1991
- Deep pro-market reforms since 2004
  - Tax simplification (flat income and VAT tax rate)
  - 2011 Economic Liberty Act
  - Targeted social assistance (TSA), non-contributory pensions
- Recent years, increase of social spending
  - Old age pensions were increased
  - Universal Health Care (UHC)
  - TSA allowance doubled
- Personal income tax (PIT) refunds for low-wage earners



# Main results: Taxes and direct transfers



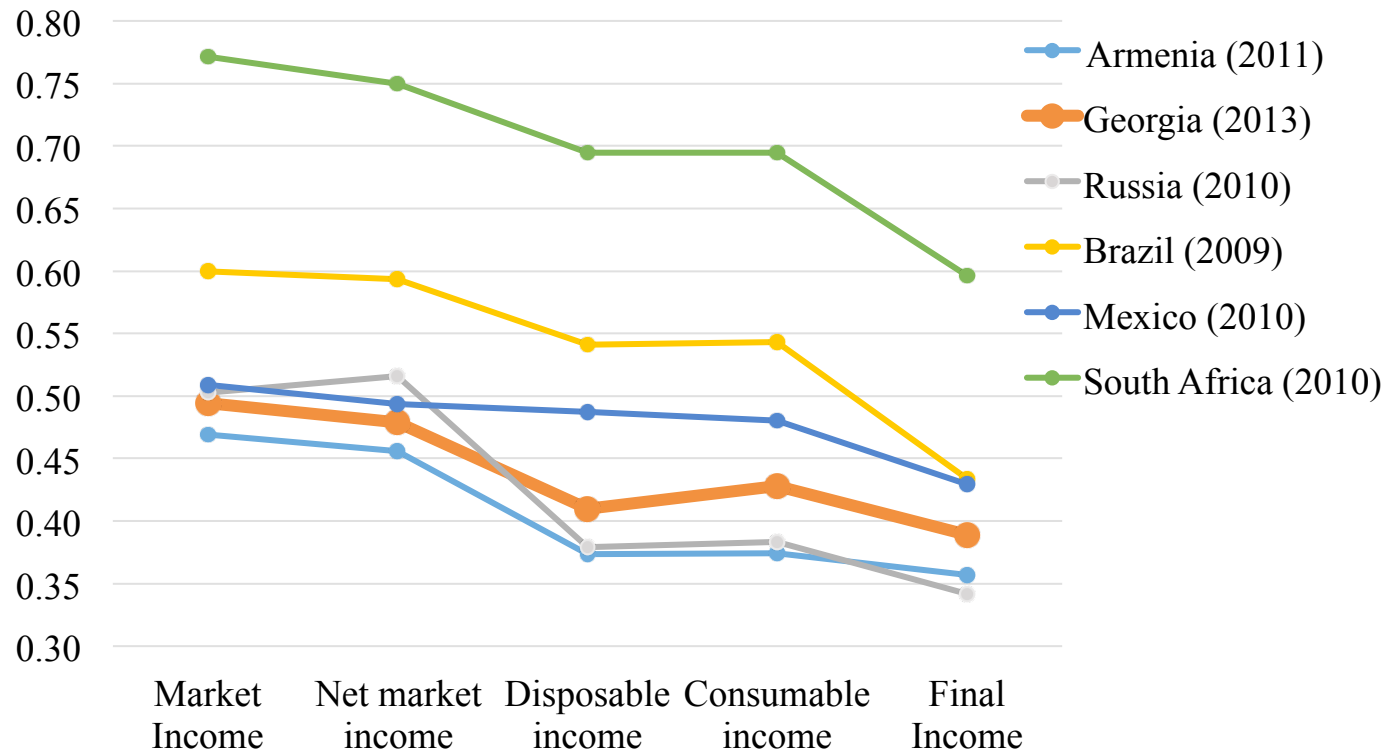
— All Taxes      - - - Indirect Taxes      ⋯ Direct Taxes  
- - - Market Income      — 45 Degree Line

— All Direct Transfers      - - - Old-age pensions  
⋯ TSA      - - - Market Income  
— 45 Degree Line      — Agricultural cards

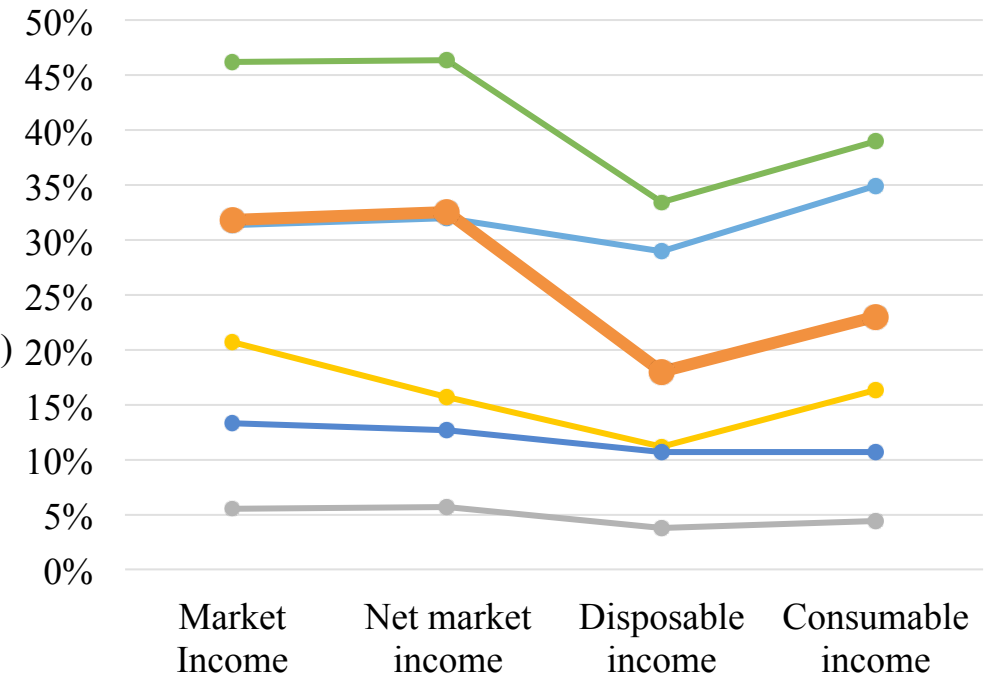


# Main results: Effect on poverty and inequality

## Gini Coefficient - Contributory pensions as "transfers"



## Poverty Headcount Rate, contributory pensions as "transfers" (US\$2.5PPP)



# Engagement strategy

- Client request (Ministry of Economy)
  - Increase on fiscal spending
  - Analysis never previously done in the country
  - Initial analysis:
    - Labor income tax exemptions
    - Agricultural transfers
- Collaboration Macro-Poverty
  - Public Expenditure Review
  - Poverty Assessment

# Dissemination and follow-up

- Continuous consultations during preparation`
- Presentation to Government officials
  - Ministry of Economy
  - Tax collection agency
  - Central Bank
  - Ministry of Labor, Health and Social Affairs
- Documents shared
  - PER and Poverty Assessment
- Interest from the client on decreasing VAT regressivity

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