

CASE STUDY

Protecting citizens despite conflict. How Georgia provides pensions to people remaining in non-government controlled territories



Background

In 2014, armed conflict broke out in eastern Ukraine. By early 2015, the contact line stabilized as a result of which part of the population of Ukraine (around 2.3 million people¹) remained in non-government controlled areas (NGCA). In November 2014, the Government of Ukraine took a decision to stop payment of pensions and social payments to those citizens who remained in NGCA. As of the end of 2017, many policy makers now recognize that the Government of Ukraine should provide all of its citizens, irrespective of their location in the country, with access to their earned entitlements and to ensure social protection for them.

In the search of potential mechanisms to provide pensions for citizens living in NGCA, the experience of other countries of the region may prove useful. In this regard, one of the most relevant examples may be Georgia. Both countries suffered from armed conflicts as the result of which significant portions of their population ended up living in territories not under the control of the central government. Like Ukraine, Georgia uses a solidarity-based pension system. However, the Georgian pension system is less complex than the Ukrainian system – e.g. it does not provide diversification of payments based on years of service or on the salary level. Nevertheless some of the approaches used by the Government of Georgia could be applied in Ukraine.

Forced displacement began in Georgia in the early 1990s, shortly after the dissolution of the Soviet Union and the outbreak of hostilities; this affected the regions of Abkhazia and South Ossetia. Currently, the total number of internally displaced persons (IDPs) is more than 260,000, or 8% of the country's population. The Georgian government did not attempt to restrict

the rights of IDPs or persons who reside on the non-government controlled territories to receive pensions. Indeed, special procedures were developed to simplify access to pensions. For instance, given that the bank system does not function on the non-government controlled territories, the government ensures that mobile banking centres are available at the crossing points along the administrative boundary lines² with Abkhazia and South Ossetia.

IDPs and people who reside on the non-controlled territories, just like all other citizens of Georgia, apply to any pension fund office to receive their pension payments upon reaching retirement age. Georgian legislation also makes it possible to partially resolve the problem of the receipt of pensions by citizens with disabilities or limited mobility residing in the non-government controlled territories. Georgia's Notary Law provides for the issuance of powers of attorney online. Under such power of attorney, a trustee can receive the pension on behalf of the pensioner for a year. After 12 months, the pensioner must renew the power of attorney, thus undergoing a new process of physical identification.

The existing model of pension payments in Georgia does not provide complete answers for Ukraine, since the Ukrainian pension system is much more complex. For example, it will remain an open question how to calculate years of service and coefficients related to the salary levels for people who live in NGCA and have/will reach pension age after 2014. However, the example of Georgia does demonstrate that if there is political will, it is possible to eliminate many barriers and improve the access of citizens living in non-government controlled areas to their entitlements.

¹ 2017 Humanitarian Response Plan (HRP) Mid-Year Review (MYR) report

² The "administrative boundary lines" are similar to the "contact line" in Ukraine; they separate territories not under the control of the Georgian authorities with government-controlled areas.



Photo credit: NRC

Social welfare system in Georgia

Social services, in broad terms, include social and medical care provision, which combines a number of programs aimed at providing citizens with social security guarantees. Georgia has a transitional economy and is currently undergoing transformation and social policy reform.

In Georgia pensions payments are administered by the Social Service Agency, which is a subdivision of Georgia's Ministry of Labour, Health and Social Affairs. It is mandated to manage and administer state social programs along with healthcare programs. State social programs include state benefits: state pensions, state compensation and social packages.

The current pension system in Georgia consists of two parts, which are very different in volume and substance – state pension insurance and private pension insurance. The state pension system still remains the dominant part. The pension system is based on the solidarity (or redistribution) principle. It means that retirement benefits for pensioners are covered by taxes paid by the working population. The gradual

introduction of non-state pensions is a process that takes place in parallel to the state pension insurance, but such mechanisms currently constitute a minor share of overall pension payments. The retirement age is set at 60 years for women and at 65 years for men.

The volume of pension payments received by pensioners is rather low and is significantly below the subsistence level. In terms of payment amounts, currently pensions in Georgia resemble social assistance. Moreover, it does not reflect in any way the amount of pension contributions made by pensioners during the years of employment or the duration of these contributions (length of service). Neither does it take into account a person's professional activity type (e.g. whether a person worked in the hazardous production sphere or in difficult working conditions).

Approximately 19% of the entire population is eligible for old-age, disability, or survivor pensions. Since 2004, all social programs – including pensions – are financed from the state budget.

The number and status of IDPs in Georgia

Armed conflicts that took place in Georgia in the early 1990s resulted in more than 260,000 persons being displaced. Negotiation efforts have not yet resulted in either conflict resolution or in the voluntary return of most IDPs to their former places of residence. In spite of the formal agreement on supporting the return of IDPs and the ceasefire agreement signed by Georgian and Abkhaz sides in 1994, the majority of IDPs have not yet returned to their place of origin (according to IDMC, only 45,000 reportedly spontaneously returned to Abkhazia³).

The IDP issue was further aggravated due to hostilities in 2008, which led to another displacement wave from South Ossetia. Conflict resolution negotiations are currently held in the Geneva discussions format and involve Georgia, Russia, representatives of Abkhazia and South Ossetia, the United Nations (UN), the European Union (EU), and the Organization for Security and Co-operation in Europe (OSCE).

Immediately after state registration, an IDP becomes entitled to financial assistance, benefits and social protection. According to the data of the Georgian Ministry of Refugees and Accommodation (as of 2016), approximately 237,765 persons were registered as IDPs as a result of conflict in 1992-1993 and displacement from Abkhazia; 35,547 IDPs were registered in 1989-1991 as a result of displacement from South Ossetia and another 26,733 IDPs were displaced from South Ossetia due to the hostilities in August 2008⁴.

IDPs make up 8% of the entire population and the process of their socio-economic integration is slow. Following the hostilities in 2008, IDPs had limited social packages; they were offered preference in employment, had possibilities to access accommodation and professional development opportunities. However, IDPs – just like all citizens of Georgia – receive pensions, regardless of any other social packages or assistance they may receive as IDPs.

³ IDMC, Georgia: Figures Analyses <http://www.internal-displacement.org/assets/country-profiles/GEO-Georgia-Figures-Analysis.pdf>

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Pension procedures for IDPs and for the population residing on the territories not controlled by the Georgian government

Georgian legislation does not distinguish between IDPs and people residing in non-government controlled territories. There is no special procedure for receiving pensions by people residing in these territories, however there are several procedures created by government to simplify access to pensions for such citizens.

From 1993-2005, in Georgia structural pension units functioned within the Ministry of Social Protection of the Autonomous Republic of Abkhazia (government-

in-exile): these were divided in municipal/district structures for Sukhumi city, Sukhumi district, Ochamchire city, Tkvarcheli town, Gagra town, Gudauti district and Gali district. These structures were physically located in government controlled territories.

These units were in charge of granting disability and old-age pensions for IDPs from Abkhazia which were delivered to the temporary places of residence of IDPs by post offices in Tbilisi. Post offices in Zugdidi did the same for the population of the Gali district.

Old-age pensions were paid in equal amounts to all pensioners regardless of the length of their service, allowances and various supplements. These pensions were financed by the pension fund of Abkhazia (government-in-exile).

In 2005, the independent pension units of Abkhazia (government-in-exile) were dissolved; thereafter, the responsibility to grant and finance pensions was delegated to Georgia's federal structures and subsequently, in 2007, to the Social Service Agency of Georgia's Ministry of Healthcare.

The Decree of the Government of Georgia No 181 of 29 August 2007, determined the amount of pension supplements amounts based on the length of service for persons of retirement age. For those IDPs who could not provide documentation to prove their length of service, a special pension award rule was established. Supplements to the old-age pension were allocated based on a recipient's age, in the following way:

- For men: aged 65 to 67 – 2 Georgian Lari (GEL), aged 67 to 69 – GEL 4, 69 to 71 – GEL 7, 71 and older – GEL 10.
- For women: aged 60 to 62 – GEL 2, aged 62 to 64 – GEL 4, 64 to 66 – GEL 7, 66 and older – GEL 10⁵.

The Georgian government ensures the indexation of pension payments. Nevertheless, it does not compensate for state currency depreciation rates. In 2012, the pension amount was GEL 122 which is equivalent to approximately USD 76, or 1262 UAH. Today, elderly people receive around GEL 180 in pensions which is now equivalent to only USD 72,8, or 1861 UAH⁶. The factual increase of the pension level often does not reflect a real growth in the population's purchasing power. As of 2017, state expenditure on pension provision amounts to more than GEL 1,5 billion per year.

The old-age pensions are assigned to the following population categories:

- Georgian citizens;
- Stateless persons in Georgia;
- Foreign citizens who have resided on the territory of Georgia for the last 10 years;
- Persons with dual citizenship (in this case, pensions are paid only when not received in

⁵ As of November 2017, 1 GEL equals 10 UAH

⁶ According to the exchange rate as of November 2017

the other country and this must be formally documented).

When the hostilities ceased, I returned to my home village. My husband and son had to remain in Kutaisi for security reasons, but I – with the help of the OSCE – managed to get a permit from the de facto Abkhaz authorities to live in Gali district. I travelled to see my family regularly, crossing the administrative boundary line on the Inguri River. I managed to find a job in a small sewing factory in Gali. Little by little I rebuilt my household – bought a cow and several chickens, started growing nuts and taking them to Zugdidi town (across the Inguri River, on territory controlled by the Government of Georgia) to sell. Eventually, I received a passport and residence permit issued by the de facto Abkhaz authorities.

A Pensioner's Story

Asmat, 64, recalls how naive she and others were in 1993 when they thought that Gali town and the surrounding district would not be touched by conflict. Unfortunately, it was just the opposite – I had to flee from my village of Bargebi in Gali district, while my home burned down. My family and I were forced to change places frequently; we lived practically in all regions of Georgia, staying with our relatives in Kutaisi, Zugdidi and, later, in Tbilisi.

When the hostilities ceased, I returned to my home village. My husband and son had to remain in Kutaisi for security reasons, but I – with the help of the OSCE – managed to get a permit from the de facto Abkhaz authorities to live in Gali district. I travelled to see my family regularly, crossing the administrative boundary line on the Inguri River. I managed to find a job in a small sewing factory in Gali. Little by little I rebuilt my household – bought a cow and several chickens, started growing nuts and taking them to Zugdidi town (across the Inguri River, on territory controlled by the Government of Georgia) to sell. Eventually, I received a passport and residence permit issued by the de facto Abkhaz authorities.

Until recently it was easy to remain connected with Georgia by crossing the administrative boundary line on the Inguri River, but now it is more difficult – only one crossing point remains open.

Four years ago, I turned 60 and became eligible for a pension from the Government of Georgia. This pension is not large, but receiving it means a lot for me. It helps me and gives me strength. I feel that my country hasn't forgotten me and tries to help as much as possible, despite the difficult situation that our nation faces.



Photo credit: NRC

The institution of residential registration (or “propiska”) does not exist in Georgia, so according to the Law of Georgia on State Pensions, any person who reaches retirement age is entitled to a pension. The applicant does not have to be registered in a certain place. A person can register in any pension office of the country, provided that he/she presents all documentation required by the law. Georgian citizenship is a key condition for receiving a pension.

A person can receive his/her pension by presenting an identification document certifying Georgian citizenship, regardless of his/her place of residence. The only limitations include the following:

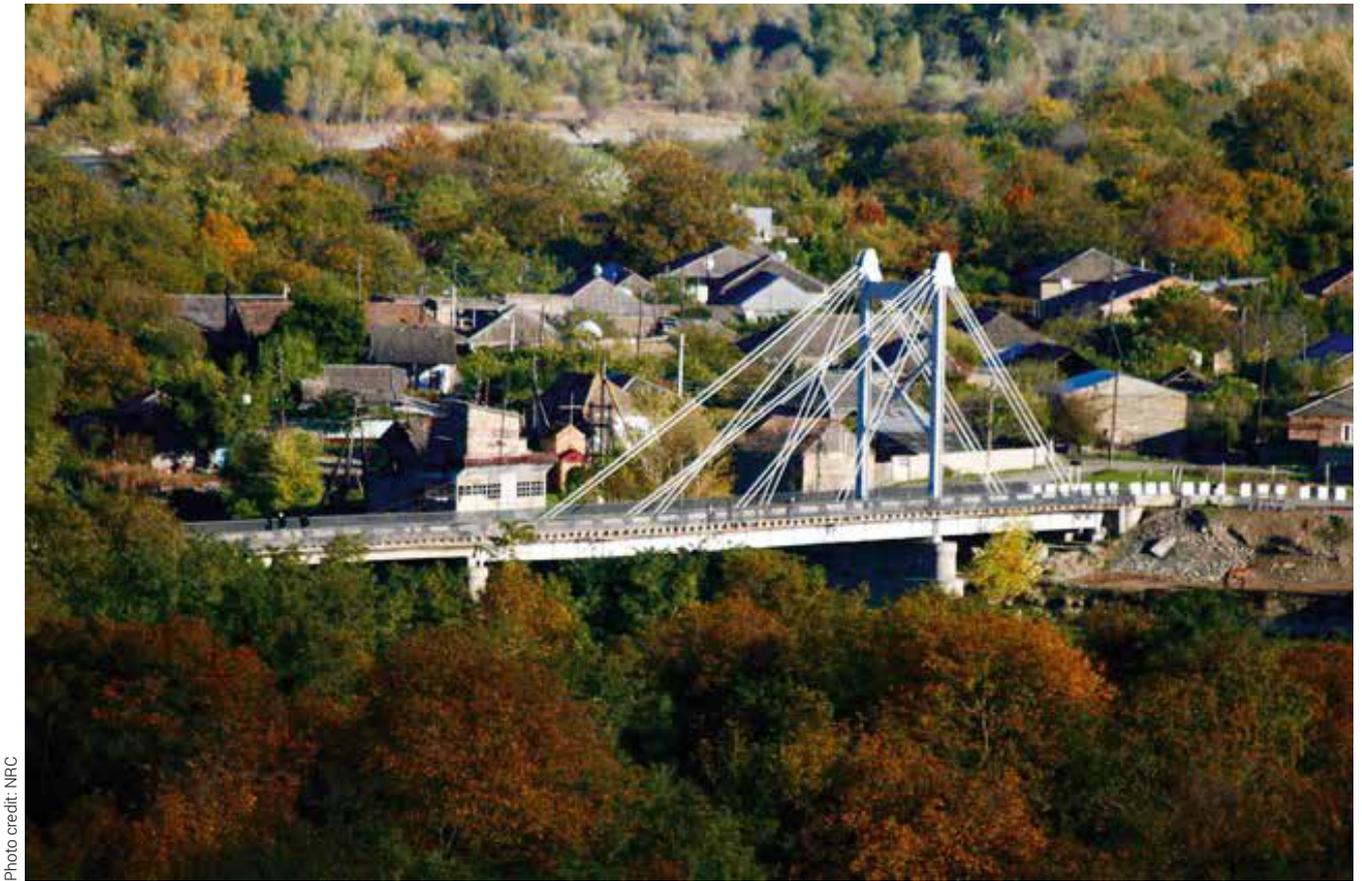
- If a person has reached the retirement age and becomes eligible for receiving benefits in accordance with the Law “On State Pensions of Georgia”, “On State Compensations and State Academic Stipends” and “On Definition of the Social Package,” a person must choose which kind of benefits he/she wishes to receive. A person can only receive benefits envisaged by one of these laws.
- A person loses the right for a pension for the duration of his/her public activities (public service).

In order to be awarded a pension, IDPs need the following documents:

1. Personal application;
2. Identification card/certificate;
3. For persons with dual citizenship – a certificate which documents that a person does not receive a pension from the other country of citizenship;
4. IDP certificate (if a person has it).

Particular measures are introduced to enable people residing on the non-government controlled territories of Georgia to receive pensions. First of all, this relates to Gali and Akhalkgori districts – i.e. those districts under the control of de-facto authority that border government controlled territories. In order to apply for pension entitlement, people have to cross the administrative boundary line and submit their documents to the Pension Fund. After that they will be able to receive their monthly pensions in Liberti bank – the bank in charge of pension payments and all components of social assistance paid by the Georgian government.

The system works in a way that brings the places, where pensions can be received, maximally close to people residing on the non-government controlled territories. The bank system does not function on



the non-government controlled territories, which is why Georgia cannot provide people with the possibility to receive pensions there. A solution has been put in place through which mobile mini-bank stations are delivered to the crossing points along the administrative boundary lines. Pensioners who reside

on the non-government controlled territories can use them to withdraw money. Bank commission/interest are not applied to ATM cash withdrawals in this case.

This system allows the payment of pensions to those citizens who are actually residing in the non-government controlled territories of Georgia. However, people with limited mobility (due to disability or chronic disease) who reside on the non-government controlled territories, do not have the possibility of physically reaching via crossing points with government-controlled territories to receive their pensions.

The only way for them to receive a pension is to issue a power of attorney (appoint a trustee). The Law of Georgia “On the Notary” (2009) provides for online notary services. This means that any citizen of Georgia or a person who has a residence permit in Georgia has the right to use online notary services. Any notary working on the territory of Georgia via Skype can perform notary actions on the Internet. Notaries who provide such services can be found on the Notary Chamber web-page.

The process of issuing a power of attorney (appointing a trustee) begins with notifying a notary of one’s intention and scheduling the exact time of the Skype appointment. The entire procedure of issuing

State policy approach

The Government of Georgia views support to those citizens living in the non-government controlled territories as an important part of its reconciliation policy. Currently the Government is working to extend more social programs to this category of citizens in order to ensure that the connection between the state and these people on the other side of the administrative boundary line remains strong.

The Deputy State Minister for Reconciliation and Civic Equality, P. Kankava, reflects: “If 10-12 years ago we had financial problems and we could not take care of the people living in occupied territories, now we are ready to take care of them and provide them with all the necessary means to cover their needs, to provide them with pensions and other support. I would just like to give you the following advice – take care of your people for as long as you have the opportunity”.

the power of attorney should be video recorded. In addition to the person who wishes to issue a power of attorney to perform certain actions in his/her interest (and is present only online) and a the concerned notary, two other persons must be physically present in notary's office and participate in the process:

1. The person who physically signs the notarial deed in place of the person who grants the power of attorney (this person may be a relative of the notary, but cannot be a participant in the notarial document); and,
2. The person who confirms the notary's actions, acts as a witness and signs the notarized document. This person (the "witness") cannot be a relative of any of the sides and/or of the notary, nor an employee of the legal entity that participates in the drafting of the notarial document. The presence of a trustee is not obligatory in this process.

The Notary Law does not contain any provisions that forbid issuing the power of attorney online (via Skype) by a person who resides in the non-controlled territory. This power of attorney can be granted for any term. However, after a year, the possibility to collect pensions by power of attorney is terminated until the next verification.

Pension payments may be terminated under the following conditions:

- In the event that pension payment has not been received (i.e. withdrawn from the card) during a 6 month period, the following month (i.e. the 7th month) the pension payment may be halted;
- When a person authorizes a trustee to receive his/her pension, the power of attorney expires after a year. If after this time, the person does not issue new power of attorney or does not

appear at the Pension Fund in person, the pension will be automatically suspended;

- If a person is in detention;
- If there is a reason for the halting/termination of a pension payment according to the Law on Pensions (personal statement, beginning of public service, court decision's entry into force, if a person lost his/her citizenship or was expelled from the country, or the death of the pensioner).

Recommendations

Several aspects of the Georgian model of paying pensions to citizens residing in non-government controlled areas could be relevant for the challenges Ukraine faces in non-government controlled areas (NGCA):

- People residing in NGCA should be entitled to free access to their pensions through the banking system of Ukraine on government-controlled territory.
- Citizens residing in NGCA and IDPs should regain the right to power of attorney (ability to appoint a trustee). In this regard, the government could consider introducing changes to the existing Law on Notary enabling services online.
- Special procedure for the calculation of pension levels for those civilians residing in NGCA who reached pension age after the beginning of the conflict should be developed



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