

MEMORANDUM OF UNDERSTANDING

Joint Project on Enhancing Poverty Measurement, Monitoring and Analysis in Russia

The Ministry of Labor and Social Development (MLSD) and the State Committee for Statistics (Goskomstat) of the Russian Federation, the World Bank (the Bank), and the UK Department for International Development (DFID), hereinafter referred to as the Participants,

Based on (a) the Bank's proposal submitted to the Government of the Russian Federation in early 2001 with the view to organizing a joint development of a reliable poverty reduction strategy for Russia, which called for a closer cooperation, including a joint poverty study in Russia and technical assistance in poverty analysis; (b) preliminary findings of the Bank's mission, which studied the capacity for improving poverty measurement, monitoring and analysis in Russia; (c) a letter by Mr. A.P. Pochinok (Russian Minister of Labor and Social Development) and Mr. V.L. Sokolin (Chairman of the Russian State Committee for Statistics) to Mr. J. Schweitzer (the Bank's Country Director for Russia), dated December 11, 2001, which outlined the basic principles of a potential joint activity in the area under consideration; and (d) a letter by J. Schweitzer, dated January 15, 2002, which supported such principles, on the whole;

Taking into account that improved targeting of social assistance and better social protection of vulnerable households is one of the Government's priorities under the Mid-term Socioeconomic Development Program of the RF (till 2004);

Noting that the current and proposed socioeconomic reforms affect the economic growth rates, employment and, therefore, poverty level;

Convinced that monitoring the reform impact on the well-being of the population and particularly on the poverty level, as well as an adequate consideration of the regional poverty dimension is an essential component of the Government's economic strategy;

Assuming that the joint project will include the improvement of methods of measurement, monitoring and analysis of the households' living standard and poverty scale and profile, as well as the development of recommendations on how to reduce poverty and improve social protection of vulnerable households;

Have decided on the following:

Paragraph 1

To implement a joint project '*Enhancing Poverty Measurement, Monitoring and Analysis in Russia*'.

The principal goal of the Project is to enhance the intellectual capacity of data users and producers with the view to implementing poverty reduction actions envisaged by the Mid-term Socioeconomic Development Program of the Russian Federation (till 2004) through quality improvement of the database and introduction of new poverty monitoring, analysis and forecast techniques.

An integrated assessment of poverty (including its regional aspects) and actual social assistance (including benefits) to be implemented within the framework of the Project assumes the use and analysis of data from all available sources, including administrative data.

The Project involves training of government staff, researchers and experts in the operation and further development of microdatabases and their use for poverty analysis and forecast, as well as for the assessment of the requisite scope and contents of social protection activities.

Paragraph 2

The Project will be implemented in compliance with the Matrix approved by the Participants; the Matrix will include the list and implementation schedule of specific activities.

Paragraph 3

Major expected outcomes of the Project:

To develop the improved poverty measurement methodology for Russian Federation, based on international experience; analyze the available Household Budget Survey (HBS) databases as from 1997; and prepare reports containing recommendations on how to improve the administrative statistics (January 2003) and the HBS information resources (September 2003);

To identify a system of indicators for on-line poverty monitoring and poverty level forecast; establish a poverty monitoring system based on the HBS and currently existing administrative statistics data; and ensure data comparability with the view to constructing time series as from 1997;

To provide the external users with the HBS unit-record data after the terms and conditions of an open access to it are defined in accordance with effective Russian laws and international recommendations while ensuring full confidentiality of individual respondents;

To prepare a set of analytical notes covering the selected issues of poverty to the extent that can be supported by the improved HBS 1997-2000 microdatabase and other information available;

To prepare a final report containing a detailed analysis of poverty level, profile and sources; evaluation of the effectiveness of socioeconomic policy, as well as poverty reduction recommendations, using the 2003-2004 HBS databases and other data arrays (December 2005).

Paragraph 4

To establish a Coordinating Council under the MLSD auspices by a joint order of the Minister of Labor and Social Development and the Chairman of State Committee on Statistics; the order will specify the composition, functions and tasks of the Council. To form working groups under the Coordinating Council to conduct methodological and analytical work on Project topics. The composition, functions and tasks of the working groups will be defined by the Coordinating Council. The consultants will be hired to coordinate the project implementation to assist the Participants in solving the organizational and technical issues.

The MLSD will be the lead coordinator of the Project on the Russian side. The Goskomstat will be the subcoordinator for statistical issues. The Bank, DFID, MLSD and Goskomstat will be the co-executors of the Project. Staff from other government institutions – first of all, the Russian Ministry of Economic Development and Trade, the Russian Ministry of Finance, and Russian research institutes – will be also involved in the implementation process.

Paragraph 5

The Project will be implemented through technical assistance by the Bank's experts and a DFID grant to be executed by the Bank to finance consultants' services provided by the individuals and firms, pilots, study tours, workshops, publications and other relevant expenditures, including some small equipment procurement contracts. The free contribution of the Russian side will include the time of Russian public officials and other relevant expenditures. The donor's contribution will be specified with participation of the Russian side in a separate agreement between the DFID and the Bank, based on this Memorandum of Understanding.

Paragraph 6

The Project will be completed within forty five months (from April 2002 through December 2005). Preliminary implementation work – preparations for the establishment of the Coordinating Council, development of the Matrix and preparation of the application for funding to be submitted to the DFID – will start as of the signature of this Memorandum of Understanding. A full-scale implementation process will start when the Government approves the proposed participation by Russian agencies.

Paragraph 7

This Memorandum may be amended and supplemented by mutual agreement of the Participants; such amendments and supplements will be reflected in protocols which form an integral part hereof.

Any dispute or disagreement concerning the use and/or construction of this Memorandum will be resolved through negotiations.

This Memorandum will come into operation on signature and will continue in operation until terminated by any participant giving six months' written notice to the others.

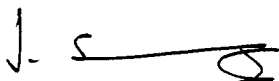
This Memorandum is signed on April 16, 2002 in Moscow in four original copies in Russian and English, both texts being equally valid.



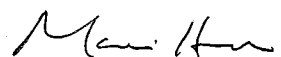
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