

## 3 Developing Targeted Social Assistance In Russia

*While much social assistance in the country is still not targeted specifically at the poor, Russia has been developing targeted social assistance in three areas: child allowances, housing and utility allowances, and regional programs for the poor. However, success in targeting has been limited in comparison to programs in a number of other countries. A forthcoming study investigates the reasons for this, and concludes that a joint effort at the federal, regional, and local levels Russia could significantly improve the effectiveness of targeted social assistance in Russia.*

Broad-based economic growth in Russia since 1999 can be associated with major success in poverty reduction. The estimated number of families living below the poverty line declined from almost 30 percent in 1999 to less than 14 percent by 2006. Nevertheless, poverty remains an important problem in Russia, and is particularly concentrated at the regional level. There are still Russian regions where the majority of the population lives below the poverty line. As suggested in Part 2 of this Report, the contrast between rapidly developing and backward regions in Russia may very well increase over the medium and longer term. Particularly given the current emphasis in economic policy on supporting growth points, the question of effective social assistance in Russia should increase in importance over the medium term for the social welfare of much of the population.

The World Bank has been focusing its most recent poverty work in Russia on social assistance, particularly at the regional level, and on the question of how the Russian system of social assistance can be made more effective. Within the World Bank Programmatic Poverty Assessment Program, The Institute for Urban Economics (Moscow), The Independent Institute for Social Policy (Moscow), and The Urban Institute (Washington DC) conducted a recent comprehensive study: "Improving Social Assistance Programs to Combat Poverty (Forthcoming, fall 2007)." This note

summarizes a few results of this work. In addition to making use of household survey and regional survey data, this study gathered in-depth qualitative information from five regions: Tver, Tatarstan, Tomsk, Kalmykia, and Karachaevo-Cherkessia. This included extensive interviews with administrations, heads of raion offices, case-workers, and other officials involved in implementing social assistance programs.

As highlighted in the World Bank Poverty Assessment of 2005 and part 3 of Russian Economic Report 9, the current social assistance system in Russia is highly regressive compared to most other middle income countries in that the actual poor receive a small share of social benefits by international standards. A primary reason for this is the fact that 90% of social assistance spending in Russia is not targeted directly at the poor, but at various groups of the population regardless of income level (pensioners, war veterans, invalids, etc.). Only 8% of this spending reaches the poorest 20% of the population. At the same time, Russia has been developing targeted (income-tested) social assistance in three areas: child allowances, housing and utility allowances, and regional programs for the poor. Aggregate spending on these targeted programs amounts to roughly 0.3% of GDP (80 bn rubles). This note limits attention to these targeted programs.

How do Russia's targeted social programs compare with other countries in the world? Using household budget survey data from different countries, it is possible to estimate and compare the share of targeted social assistance that is actually received by the poorest quintile of the population. These estimates are presented in Figure 3.1

**Figure 3.1**

Share of Targeted Social Assistance Received by the True Poor in Selected Countries.

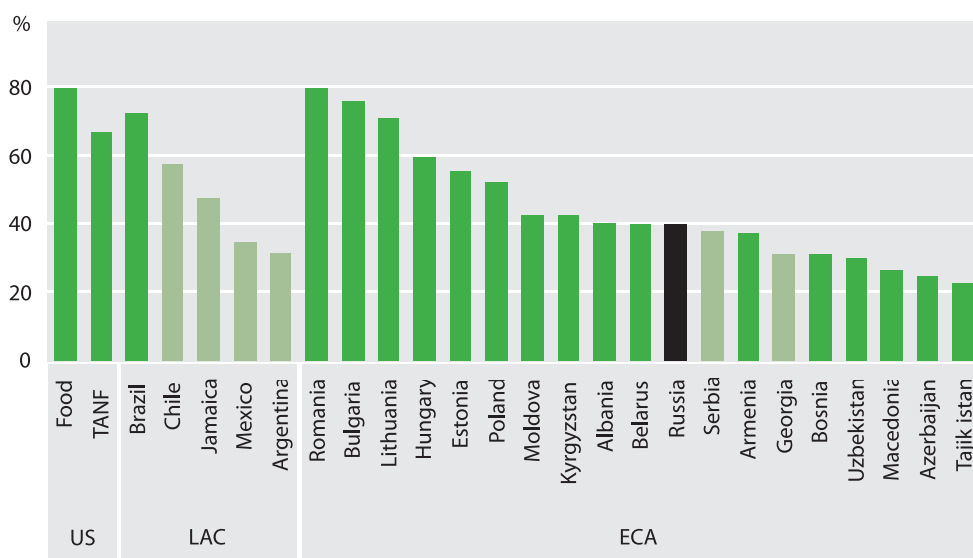


Figure 3.1 indicates that Russia's performance in targeting the poor is comparable to that in some other CIS and Latin American countries, but lags far behind Eastern Europe, Brazil, or the United States. According to the latest available information (2005), only 40 percent of the beneficiaries of child and household allowances were indeed poor, which can be compared with 80 percent in the best cases, some of which include transition economies. One consequence of relatively poor targeting in Russia is that average benefits often become very small due to the fact that they are spread over a large number of people, many of them not poor. For example, basic child allowances range from only 70 to 105 rubles a month, which is not high enough to have a strong impact on poverty. Russia may have major room for improving social assistance through increasing the effectiveness of its programs.

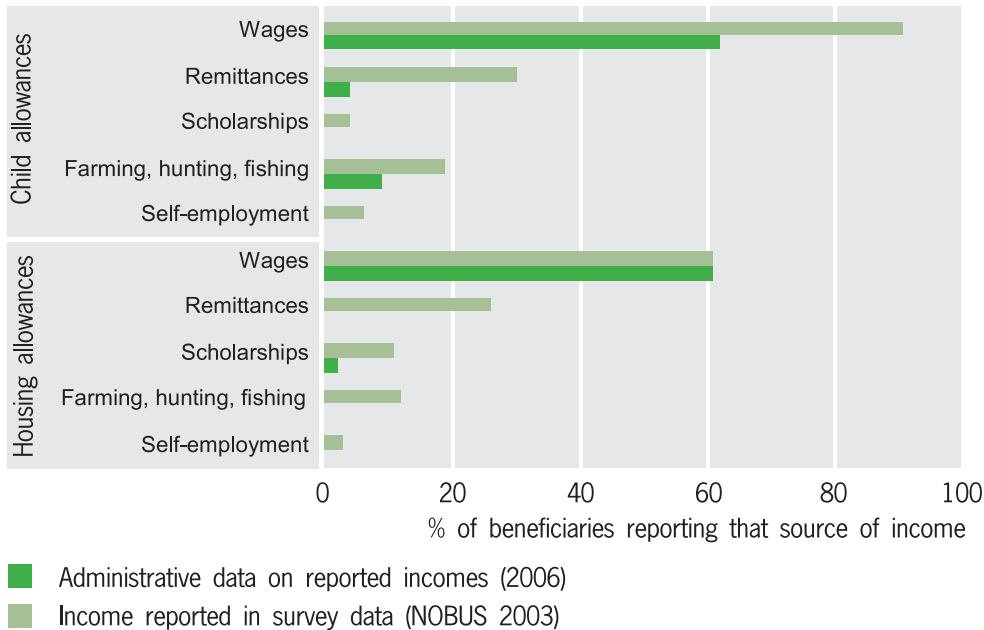
Why is targeting accuracy so low in Russia? "Improving Social Assistance Programs to Combat Poverty." identifies a number of problems related to the design of assistance programs, the measurement and verification of income, and insufficient cooperation among government bodies in sharing information.

In general, income-tested social assistance is difficult in countries with large shadow economies, and where income is hard to measure accurately. This is a primary reason why less developed countries typically have more trouble implementing means testing and targeted social assistance. Figure 2 makes use of information on the structure of household incomes from a 2003 household survey that included comprehensive sources of income (Nobus) to estimate discrepancies in recent administrative data (reported income for benefits in 2006) for a random sample of beneficiaries. Figure 2.3 suggests that income is systematically underreported, and that non-wage income, in particular, goes largely unreported.

Procedures to verify income reported by applicants through documents, cross-checks, or spot checks are infrequent or absent. Key problems in this regard include staff shortages, ambiguities in the rules, and poor information sharing among government bodies. Audits generally focus on verifying the presence of required documentation, as opposed to checking the accuracy of information reported. The Tax Service, Pension Fund, and Employment Service have valuable

**Figure 3.2**

Data on incomes: declared and implied by household budget survey



information that could be used for cross checks and verification, but typically do not share this information with officials in charge of social assistance.

The overall monitoring of social assistance, including evaluations of targeting accuracy, are minimal and infrequent in Russia. “Improving Social Assistance Programs to Combat Poverty.” represents the first attempt to do a comprehensive exercise of this type. Thus, policy makers and program managers currently possess little information for evaluating and improving targeted social assistance.

Although the current institutional conditions of Russia create some challenges for the development of more effective and better targeted social assistance, world experience suggests that Russia already has the capacity to make significant progress in this direction. Countries like Poland, Bulgaria, Romania, and Brazil suffer from some of the same institutional problems as Russia, but have nevertheless managed to improve significantly their systems of social protection through better targeting. All of these countries have de-

signed social assistance programs under a single and consistent objective to reach poor beneficiaries, and perform regular monitoring of how well they are achieving this objective. All of these countries use means testing that go beyond an examination of income to look at assets (wealth) as well, together with cross checks for the verification of information. Other methods are commonly used to increase incentives for reporting truthful information. For example, able-bodied individuals in Albania and Romania are required to perform social work in the community as a condition for receiving benefits. This reduces the incentive for wealthier individuals to attempt fraud.

Russian regions (Subjects of the Federation) have recently received greater autonomy for managing their social assistance programs, and can potentially tap into a wealth of world experience for strengthening targeting and efficiency. Multiple regional pilots would also allow the natural emergence of best practices for the Russian case, which could be spread to other regions. Increasing the efficiency of social assistance at the regional level can free up resources for

other budgetary priorities.

The role of the federal government would also be critical for encouraging the adoption of such programs at the regional level, and providing an overall framework for sufficient monitoring, cooperation between government bodies (including information sharing), and

verification. Such an initiative for improving social assistance is very much in line with the general goal of developing performance-based budgeting in the Russian Federation. Social assistance is an area of performance-based budgeting that can have a direct impact on poverty.

## Main Macroeconomic Indicators

Показатели произвольства	2001					2002					2003					2004					2005					2006									
	Янв	Фев	Март	Апр	Май	Янв	Фев	Март	Апр	Май	Янв	Фев	Март	Апр	Май	Янв	Фев	Март	Апр	Май	Янв	Фев	Март	Апр	Май	Янв	Фев	Март	Апр	Май					
ВВП, % в годовом выражении <sup>1/</sup>	5.1	4.7	7.3	7.2	6.4	-	-	-	-	-	6.5	-	5.4	3.0	1.9	3.9	8.4	8.7	10.4	4.6	4.9	3.7	7.0	8.3	4.0	2.9	5.6	4.1	5.4	3.0	1.9	3.9	8.4	8.7	10.4
Промышленное производство, % к пред. пер.	4.9	3.7	7.0	8.3	4.0	2.9	5.6	4.1	5.4	3.0	1.9	3.9	8.4	8.7	10.4	4.6	4.9	3.7	7.0	8.3	4.0	2.9	5.6	4.1	5.4	3.0	1.9	3.9	8.4	8.7	10.4				
Обработанный пр-ва, % к соотв. пер. пред. года	-	1.1	10.3	10.5	5.7	2.5	6.2	5.1	7.5	2.9	2.7	4.4	17.3	14.0	12.5	7.0	Добыча полезных ископаемых, % к соотв. пер. пред. года	-	6.8	8.7	6.8	1.3	3.1	3.8	1.7	0.6	2.5	2.6	2.3	4.2	4.3	3.8	2.0		
Инвестиции в основной капитал, % к предыдущ. пер	8.7	2.6	12.5	10.9	10.5	10.7	12.6	15.0	19.1	15.2	16.5	13.5	23.2	19.6	20.9	19.4	Инвестиции в основной капитал, % к предыдущ. пер	8.7	2.6	12.5	10.9	10.5	10.7	12.6	15.0	19.1	15.2	16.5	13.5	23.2	19.6	20.9	19.4		
<b>Бюджетно-финансовые показатели</b>																																			
Сальдо федерального бюджета, % ВВП <sup>1/</sup>	3.0	1.4	1.7	4.3	7.5	8.7	8.8	8.7	9.2	8.7	7.4	7.4	10.9	8.1	7.0	5.9	Сальдо консолидированного бюджета, % ВВП <sup>1/</sup>	-	-	1.3	4.5	7.7	7.7	-	10.3	-	-	8.5	8.5	-	-	11.4	-		
М2, % по сравнению с предыдущим пер	44.6	34.1	44.8	42.5	35.6	2.0	3.0	4.1	0.2	3.1	12.2	43.6	-3.3	2.3	6.3	Инфляция (ИПЦ), % по сравнению с предыдущим пер	18.6	15.1	12.0	11.7	10.9	0.7	0.2	0.1	0.3	0.6	0.8	9.0	1.7	1.1	0.6	0.6			
Дефицит ВВП, %	16.5	15.7	14.0	20.1	19.2	-	-	18.7	-	-	16.1	16.1	-	-	-	Низкие цен производителей промышленных товаров, % к предыд. пер.	8.3	17.7	12.5	28.8	13.4	1.7	2.2	1.4	-2.8	-2.5	1.0	10.4	1.7	0.1	0.0	4.3			
Средний номинальный валютный курс, руб за доллар США	29.2	31.4	30.7	28.8	28.3	26.9	26.8	26.7	26.9	26.6	26.3	27.1	26.5	26.3	25.8	Средний номинальный валютный курс, руб за доллар США	29.2	31.4	30.7	28.8	28.3	26.9	26.8	26.7	26.9	26.6	26.3	27.1	26.5	26.3	25.8				
Реальный эффективный валютный курс, июль 1998 = 100 (МВФ)	120.3	123.6	127.3	137.3	149.3	165.1	165.2	166.0	166.2	165.8	166.2	163.5	168.7	169.3	Реальный эффективный валютный курс, июль 1998 = 100 (МВФ)	120.3	123.6	127.3	137.3	149.3	165.1	165.2	166.0	166.2	165.8	166.2	163.5	168.7	169.3						
Реальный эффективный валютный курс, % к пред. пер	20.3	2.8	3.0	7.8	8.7	0.5	0.0	0.5	0.1	-0.2	0.2	9.5	1.5	0.3	Стабильный фонд, млрд. долл. США, конец периода	-	-	-	-	18.7	42.9	82.1	64.7	70.7	76.6	83.2	89.1	99.8	103.6	108.1					
Золотовалютные резервы, млрд. долл. США, конец периода	36.6	47.8	76.9	124.5	182.2	265.7	259.9	266.2	272.5	289.0	303.7	303.7	303.9	314.5	338.8	369.1	Золотовалютные резервы, млрд. долл. США, конец периода	36.6	47.8	76.9	124.5	182.2	265.7	259.9	266.2	272.5	289.0	303.7	303.7	303.9	314.5	338.8	369.1		
<b>Показатели платежного баланса</b>																																			
Торговый баланс, млрд. долл. США	48.1	46.3	59.9	86.9	118.3	122	13.7	11.2	9.0	9.2	9.9	139.2	9.8	9.4	9.2	Торговый баланс, млрд. долл. США	48.1	46.3	59.9	86.9	118.3	122	13.7	11.2	9.0	9.2	9.9	139.2	9.8	9.4	9.2				
Доля энергоресурсов в экспорте, %	51.2	52.4	54.2	54.7	61.1	-	-	65.2	-	-	59.0	63.3	-	62.1	Доля энергоресурсов в экспорте, %	51.2	52.4	54.2	54.7	61.1	-	-	65.2	-	-	59.0	63.3	-	62.1						
Сальдо счета текущих операций, млрд. долл. США	33.9	29.1	35.4	58.6	84.2	-	-	23.1	-	-	15.7	96.6	-	21.8	Сальдо счета текущих операций, млрд. долл. США	33.9	29.1	35.4	58.6	84.2	-	-	23.1	-	-	15.7	96.6	-	21.8						
Объем экспорта, млрд. долл. США	101.9	107.3	135.9	183.2	243.6	25.9	28.2	25.8	24.9	25.5	29.7	303.9	21.4	23.6	26.4	Объем экспорта, млрд. долл. США	101.9	107.3	135.9	183.2	243.6	25.9	28.2	25.8	24.9	25.5	29.7	303.9	21.4	23.6	26.4				
Объем импорта, млрд. долл. США	53.8	61.0	76.1	96.3	125.3	13.7	14.5	14.6	16.0	16.3	19.8	164.7	11.6	14.2	17.2	Объем импорта, млрд. долл. США	53.8	61.0	76.1	96.3	125.3	13.7	14.5	14.6	16.0	16.3	19.8	164.7	11.6	14.2	17.2				
Объем прямых иностранных инвестиций, млн долл. США <sup>1/</sup>	3980	4002	6781	9420	13072	-	-	10268	-	-	13678	13678	-	9756	Объем прямых иностранных инвестиций, млн долл. США <sup>1/</sup>	3980	4002	6781	9420	13072	-	-	10268	-	-	13678	13678	-	9756						
Средняя экспортная цена российской нефти, долл. США / баррель	20.9	21.0	23.9	34.1	45.2	59.6	63.7	58.9	53.9	52.0	52.4	56.2	50.9	49.0	52.5	Средняя экспортная цена российской нефти, долл. США / баррель	20.9	21.0	23.9	34.1	45.2	59.6	63.7	58.9	53.9	52.0	52.4	56.2	50.9	49.0	52.5				
<b>Показатели финансового рынка</b>																																			
Средневзвешенная ставка по кредитам для предприятий, % <sup>4/</sup>	17.9	15.8	13.1	11.5	10.7	10.1	10.3	10.5	10.1	10.6	10.5	10.5	9.9	10.5	Средневзвешенная ставка по кредитам для предприятий, % <sup>4/</sup>	17.9	15.8	13.1	11.5	10.7	10.1	10.3	10.5	10.1	10.6	10.5	10.5	9.9	10.5						
Ставка рефинансирования ЦБ РФ, конец периода	25.0	21.0	16.0	13.0	12.0	11.5	11.5	11.0	11.0	11.0	11.0	11.0	10.5	10.5	Ставка рефинансирования ЦБ РФ, конец периода	25.0	21.0	16.0	13.0	12.0	11.5	11.5	11.0	11.0	11.0	11.0	11.0	10.5	10.5						
Реальная средняя ставка по рублевым кредитам, (дефлировано по ИПЦ)	-1.1	3.9	-2.2	-10.1	-8.4	-3.4	-3.4	-1.9	1.4	3.6	0.3	-1.6	-1.5	1.5	Реальная средняя ставка по рублевым кредитам, (дефлировано по ИПЦ)	-1.1	3.9	-2.2	-10.1	-8.4	-3.4	-3.4	-1.9	1.4	3.6	0.3	-1.6	-1.5	1.5						
Чистые кредиты реальному сектору, млрд. руб.	486.0	479.0	897.8	1210.2	1603.6	273.4	233.8	265.1	196.7	274.0	362.1	2636.8	155.4	229.9	Чистые кредиты реальному сектору, млрд. руб.	486.0	479.0	897.8	1210.2	1603.6	273.4	233.8	265.1	196.7	274.0	362.1	2636.8	155.4	229.9						
Чистые кредиты реальному сектору, % ВВП	5.4	4.4	6.8	7.1	7.4	-	-	10.7	-	-	11.4	9.8	-	-	Чистые кредиты реальному сектору, % ВВП	5.4	4.4	6.8	7.1	7.4	-	-	10.7	-	-	11.4	9.8	-	-						
Индекс фондового рынка (РТС)	260.1	359.1	567.3	614.1	1125.6	1511.1	1626.7	1550.0	1613.6	1766.7	1921.9	1922	1842.9	1858.1	1935.7	1935.5	Индекс фондового рынка (РТС)	260.1	359.1	567.3	614.1	1125.6	1511.1	1626.7	1550.0	1613.6	1766.7	1921.9	1922	1842.9	1858.1	1935.7	1935.5		
<b>Финансы предприятий</b>																																			
Доля убыточных компаний <sup>1/</sup>	38.4	43.4	41.3	35.8	33.5	35.7	34.3	32.6	33.1	32.0	29.7	29.7	34.7	34.7	Доля убыточных компаний <sup>1/</sup>	38.4	43.4	41.3	35.8	33.5	35.7	34.3	32.6	33.1	32.0	29.7	29.7	34.7	34.7						
Доля кредитов в инвестициях в основной капитал <sup>1/</sup>	-	10.8	14.5	15.2	13.8	-	-	14.9	-	-	14.3	14.3	-	-	Доля кредитов в инвестициях в основной капитал <sup>1/</sup>	-	10.8	14.5	15.2	13.8	-	-	14.9	-	-	14.3	14.3	-	-						
Прибыльность (чистая прибыль / объем продаж), % <sup>1/</sup>	25.6	17.4	20.7	25.5	25.3	26.4	26.2	26.7	25.0	25.8	25.6	25.6	44.6	37.4	Прибыльность (чистая прибыль / объем продаж), % <sup>1/</sup>	25.6	17.4	20.7	25.5	25.3	26.4	26.2	26.7	25.0	25.8	25.6	25.6	44.6	37.4						
<b>Доходы, безвозмездные трансферты</b>																																			
Реальное располагаемое доход, 1999 = 100	121.7	135.3	155.5	171.7	187.7	206.5	211.7	211.3	210.0	211.7	309.1	206.5	165.1	201.2	214.1	222.8	Реальное располагаемое доход, 1999 = 100	121.7	135.3	155.5	171.7	187.7	206.5	211.7	211.3	210.0	211.7	309.1	206.5	165.1	201.2	214.1	222.8		
Средняя заработная плата в долл. США	112.4	138.6	179.4	237.2	301.6	442.2	405.9	415.5	413.0	429.6	541.7	395.3	430.8	449.4	478.6	487.1	Средняя заработная плата в долл. США	112.4	138.6	179.4	237.2	301.6	442.2	405.9	415.5	413.0	429.6	541.7	395.3	430.8	449.4	478.6	487.1		
Уровень безработицы (% по определению МОТ)	9.0	8.1	8.6	8.2	7.6	6.8	6.5	6.4	6.7	6.7	6.9	7.1	7.1	7.3	7.2	7.0	Уровень безработицы (% по определению МОТ)	9.0	8.1	8.6	8.2	7.6	6.8	6.5	6.4	6.7	6.7	6.9	7.1	7.1	7.3	7.2	7.0		
<sup>1/</sup> Начиная с 2006 года, с учетом внебюджетных фондов																																			
<sup>2/</sup> Начиная с 2006 года, с учетом внебюджетных фондов																																			
<sup>3/</sup> Годовое изменение рассчитывается по изменению среднегодового показателя М2																																			
<sup>4/</sup> По всем странам до 1 года																																			
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