

# **When Support for the Poor is Poor Support: Income-tested social assistance programs in Russia**

**Anastassia Alexandrova, Institute for Urban Economics, Moscow  
Sergey Surkov, Independent Institute for Social Policy, Moscow  
Emil Tesliuc, HNDSP, World Bank**

# BBL's Objective

- Using the example of an evaluation of 3 income-tested social assistance programs from Russia
  - (whose aim was to assess whether mediocre targeting accuracy is due to program design or implementation)
- Introduce two types of evaluation:
  - Process evaluation
  - Assessment of targeting accuracy
- Highlight some innovative instruments used in the evaluation

# The Issue Addressed by The Study: Russian means tested programs have low targeting accuracy Why?

Programs  
using:

Income  
testing

Proxy-means  
testing



## The Issue Addressed by The Study

- Money for the poor end up in the pockets of the rich.
- Деньги для бедных достаются богатым
- Why? Examine the role of program design versus implementation.



Source: Komsomolskaya Pravda, May 25, 2007

# Outline

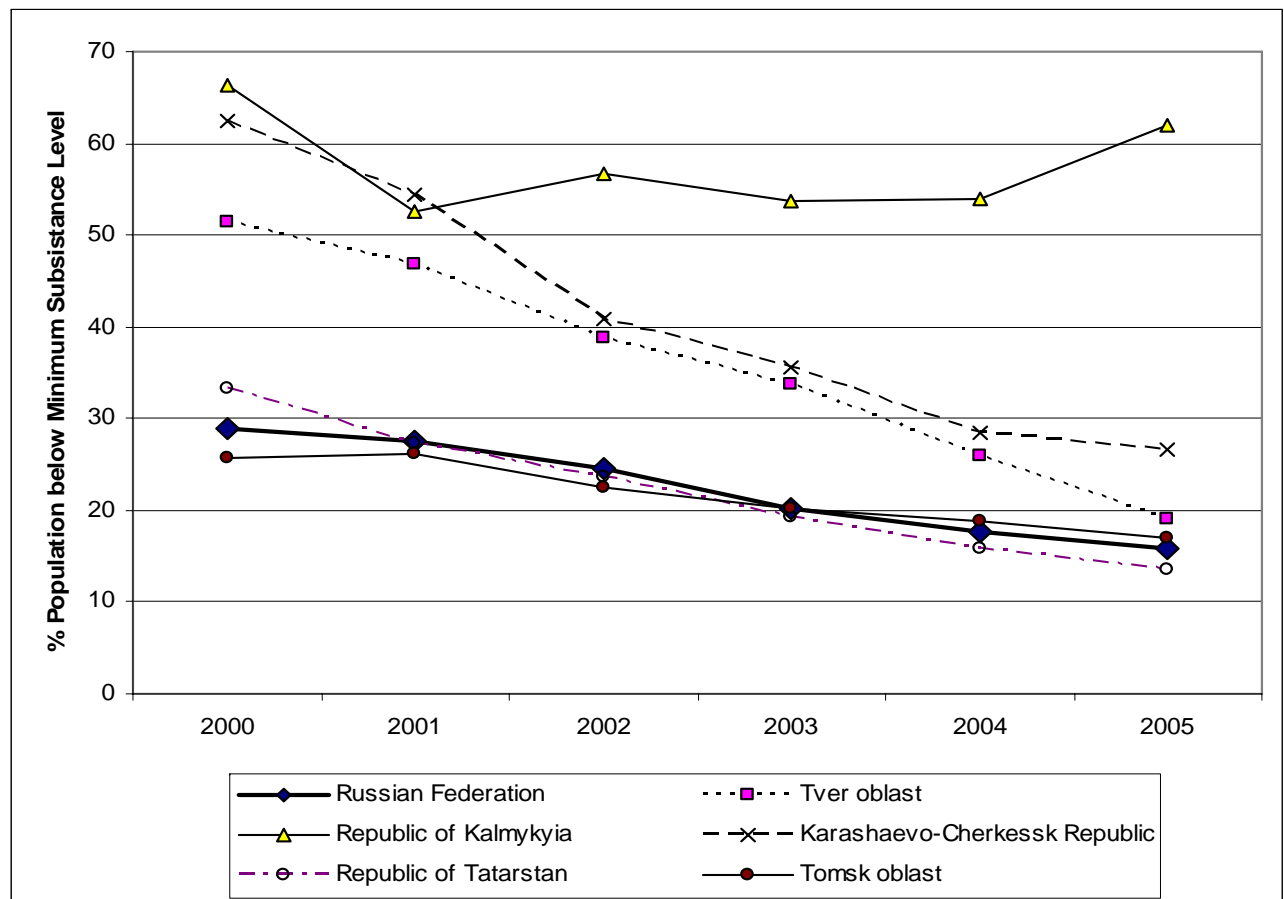
1. **Country and Program Context**
2. **The Russian Social Assistance Study**
  - 2.1. Review the design of programs (incl. targeting assessment)
  - 2.2. Review the implementation of the programs (process evaluation)
3. **Value of Process Evaluation**

# Country Context

- Size: XXL
  - Territory: 17 million sq km, representing 1/6<sup>th</sup> of land area, spanning 11 times zones
  - Population: 142 million in 2006
  - GDP: 763.7 Bln USD in 2005
- Economic level:
  - Middle income country: GDP per capita 4460 USD in 2006
  - Growing fast: 5-7% per annum since 1999
  - Compared to 1999, by 2006:
    - GDP increased by 50%
    - Real disposable incomes doubled (to 206%)
    - Wages went up 4 times in \$ terms (to 395%), pensions 3 times
    - Poverty fell from 29% to about 14%
- Federal country:
  - 88 subjects of a federation (regions), subdivided into
  - 1866 rayons (districts), with
  - 11.5 thousands municipalities

# Further Progress in Reducing Poverty Requires Effective Social Safety Nets

- Since 2000, poverty became increasingly rural, concentrated among the low educated, families with children; those with low-wage jobs.
- About half of the poor are chronic poor, suffering from multiple disadvantages
- Poverty fell ... but it has not disappeared
- Economic growth cannot reduce poverty alone.
  - Targeted and efficient safety nets are needed for today's poor,
  - Targeted and efficient safety nets are needed to prevent poverty from coming back,
  - They are needed to protect the middle class.



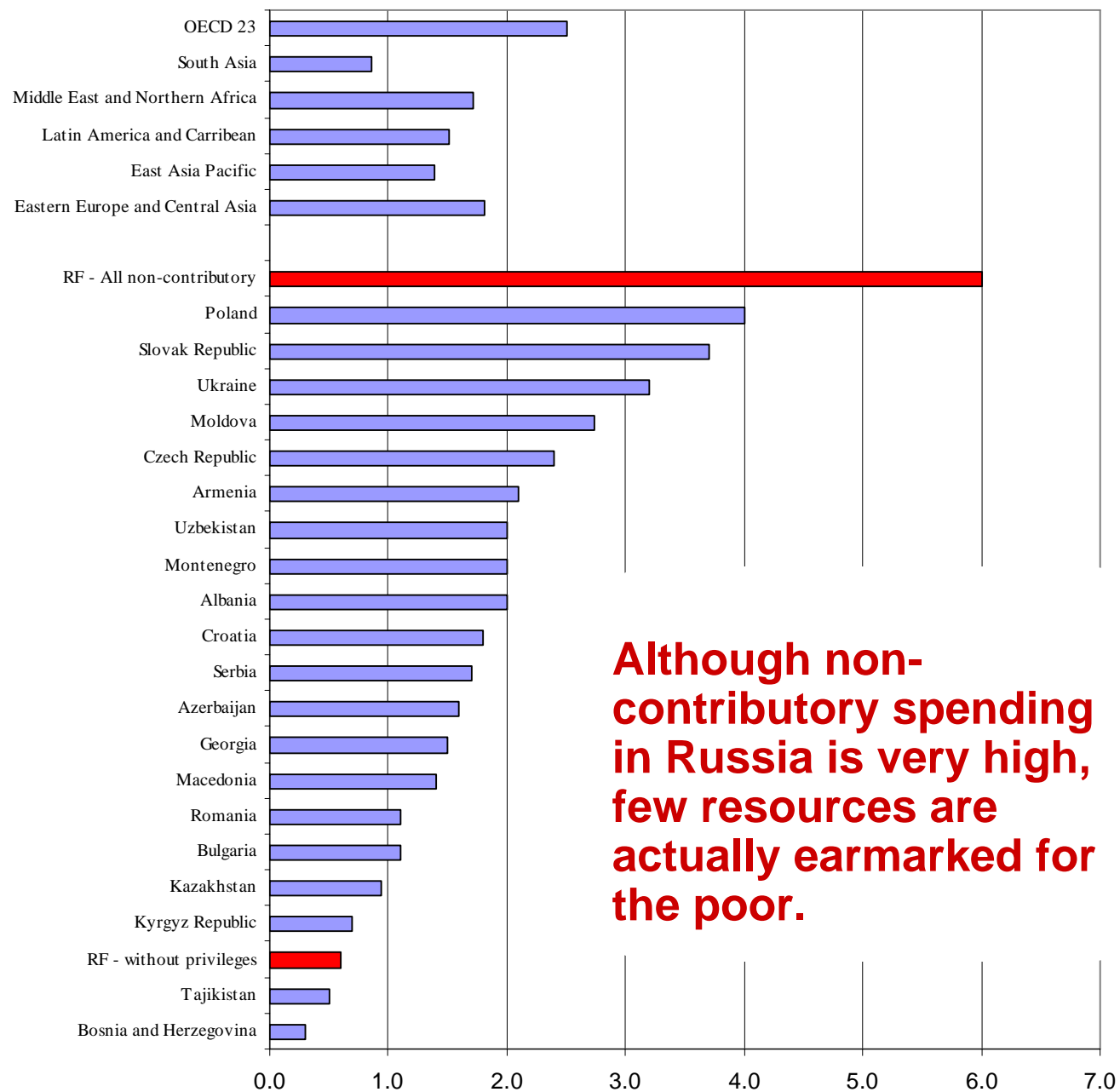
## Social Protection Sector: Spending levels are high, but not for the poor:

- SP system includes pensions, unemployment insurance, other social insurance, and social safety net (social assistance) programs
- Government spending for SP programs is large: 12.6% of GDP in **2002**
- The largest share (2/3) of SP spending finances social insurance programs
- Non-contributory social assistance programs and subsidies channel an additional 5.9 percent of GDP
- **The majority of these money finances untargeted, regressive privileges (i.e. in-kind free services provided on categorical, not means-tested basis)**
- Targeted SP programs account for only 0.4% of GDP

# Composition of Social Protection Spending in 2002

	2002
<b>Social Insurance</b>	
Pensions	6.3%
Other social insurance	2.4%
Unemployment benefits	0.0%
<b>Non-contributory Programs</b>	
Lgoty for housing and utility services	2.3%
Housing allowances	0.1%
Child benefits	0.2%
Other social protection programs	1.3%
<b>Total public spending</b>	12.6%
Other lgoty not covered above and quasi-fiscal subsidies	2.0%
<b>Total social protection spending</b>	14.6%

Social Assistance Expenditures as a % of GDP



**Although non-contributory spending in Russia is very high, few resources are actually earmarked for the poor.**

# The Social Safety Net

- Three pillars:
  - Privileges:
    - Subsidies financed from fiscal and quasi-fiscal sources benefiting citizens with privileged status
    - War veterans, disabled, labor veterans ...
    - For housing and utility services, medicines, transport
  - Social assistance programs (mostly income-tested)
    - Child allowances
    - Housing and utility allowances
    - Last resort programs operating in some regions
  - Social services



# Outline

1. Country and Program Context
2. **The Russian Social Assistance Study**
  - 2.1. Review the design of social assistance programs (incl. targeting assessment)
  - 2.2. Review the implementation of the programs (process evaluation)
3. Value of Process Evaluation

## Coverage of the study

- The study covered 3 social assistance programs which use income-testing to determine eligibility:
  - Child allowance (CA)
  - Allowances for housing and utility services (HA)
  - Regional targeted social assistance programs (TSA)
- From 5 regions:
  - Tver
  - Kalmykya
  - Karachaevo-Cherkessia
  - Tomsk
  - Tatarstan

# Motivation and methodology

- **Motivation: Targeting accuracy of income-tested programs is low in Russia**
  - Although GoR places poverty reduction as one of the most important goals
  - The current social assistance system does not yet have the capacity to effectively identify and assist the poor
  - Since 2005 social assistance programs have been transferred from federal to regional level. Regions define the design of the program, provide financing
- **Project to identify whether low targeting accuracy is due to program design or implementation:**
  - Concept and contracting consultants: July 2005 – Jan 2006
  - Field work: Feb 2006 – April 2007

# Objectives and Criteria

- **Objectives of the study**
  1. Assess the design and implementation practices of income-tested programs in 5 regions and provide suggestions leading to better targeting accuracy, in light of best practices.
  2. Assess the degree of integration of employment and social assistance programs in selected regions (since the ultimate success is to help people escape from poverty)
- **Criteria used to assess the effectiveness of income-tested social assistance programs in reducing poverty:**
  - Coverage of the poor
  - Leakages of funds to the non-poor
  - Generosity of the program
  - Cost-efficiency (share of administrative costs in program budget)
  - Horizontal equity (similar treatment for participants from different locations)

# Outline

1. Country and Program Context
2. The Russian Social Assistance Study
  - 2.1. Review of the design of Social assistance programs
  - 2.2. Review of the implementation of the programs
3. Value of the Process Evaluation

## 2.1 Child allowances

### Before 2005

Introduced in 1995 as a universal flat benefit to nuclear families with children below 16 or 18 (if still in school), financed by regional budgets

Benefits double for single parent families and are increased by 1.5 times if a father serves military draft or does not pay alimony

Substantial arrears were accumulated in 1990s as regions did not have enough resources to fund the benefits

Since 1998, targeted to families with children and incomes below poverty line (subsistence minimum)

In 2000, became federally financed, arrears were paid off by the federal budget; other rules remained

### After 2005

Transferred back to the regions, who have the power to define the rules of the program and the responsibility for financing

During the 2005 reforms, CA received the least attention as much had to be done to adjust legislation to monetization of privileges

Most regions kept the same rules (flat benefit, nuclear family, income below subsistence minimum, increased benefit for single parent etc.) and 27 regions kept even benefit the same – 70 Rubles, equivalent to 2.8 USD

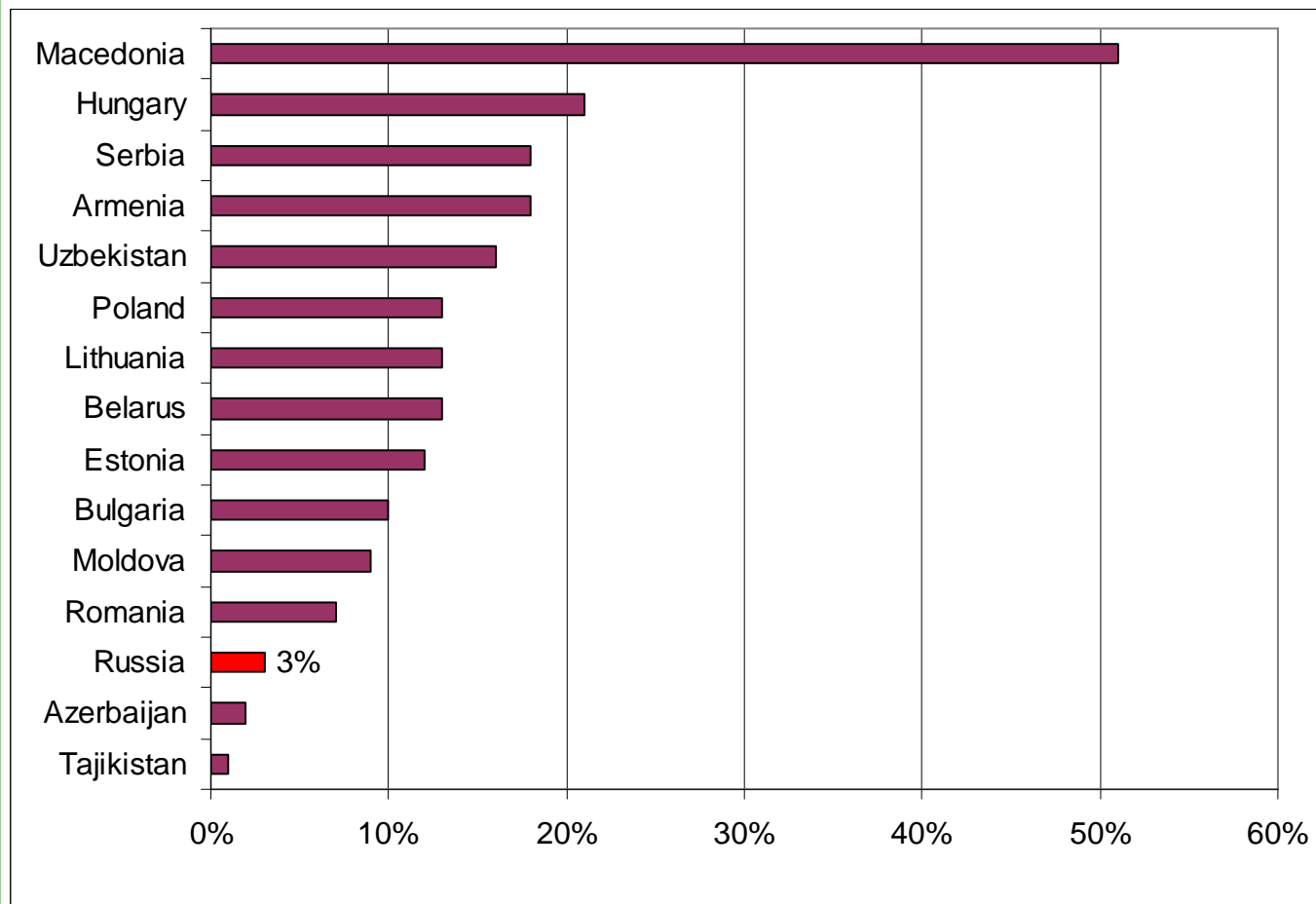
27 regions introduced new categories of beneficiaries such as parents with disability, student families, families with more than 3 children. Some exceptions are Leningrad oblast, Komi or Chuvashia where benefit amount depends on child's age and poverty gap  
Only 63 regions legislated mandatory regular recertification

## 2.1 How effective is child allowance program in poverty reduction?

	Tverskaya oblast	Karachaevo-Cherkessia	Tomskaya oblast	Kalmykiya	Tatarstan
Coverage of the poor children	Good, 77%	Moderate, 53%	Moderate 58%	Moderate, 57%	Low, 12%
Leakage to the non-poor	High, 52%	High, 63%	High, 51%	Moderate, 39%	High, 51%

## 2.1 Major design flaw: extremely low generosity, benefit not indexed since 1998

Benefit to household consumption ratio in child allowance programs



## 2.1 Housing and utility allowances

### Before 2005

- Introduced in 1994, the first means-tested program in Russia
- Implemented by housing & utility authorities, no connection with social protection system
- Dual objectives:
  - (i) Mitigate transition to 100% cost recovery and ensure that utility providers receive payment for their services during transition (not related to poverty)
  - (ii) Affordable services for **consumers of such services**
- By design, households not connected to the housing grid are not covered by the program – many poor are thus excluded
- Eligibility rules and benefit formulae changed many times

### After 2005

- The program was transferred to the social assistance system in 2005
- Some regions add complications to the formula, such as income thresholds (between which MAS variate) or categories with different MAS level
- Some 33 regions have the full set of standards non-contradictory to federal legislation, others use outdated, more cumbersome and sometimes wrong formulae
- Complicated formula, plus lack of household survey data, makes planning or assessing policy alternatives impossible

## 2.1 Housing allowances: Eligibility / Benefit Formula

The benefit formula, defined in the federal legislation, is:

$HA = \text{regional cost standard} * N - MAS * \text{total household income}$   
or if per capita income is below subsistence minimum, then

$HA = \text{regional cost standard} * N - MAS * C * \text{total hh income}$ , where  
 $C = \text{per capita Y/subsistence minimum}$

Regions decide on their own standards for

- the cost for housing and utility services (highly biases spending towards urban areas);
- living space for which expenditures are taken into account
- MAS: maximum allowable share of expenditures on housing and utility services in the total family income (22% in most regions and never higher)

февраль 2006 : 2186.80  
 в т.ч. перерасчет : -106.56  
 в т.ч. жил. субсидия : 0.00  
 Надоплата : 0.00

Площадь: отапли.: 60.80, жилая: 44.30, общая:

Вид платежа	Долг	Ставка	Начисл	Льгота	Субсид	Перер	Итого
Содерж. дом	- 3.27	198.82	-	-	-	-27.33	171.49
Вывоз отх.	- 0.97	58.98	-	-	-	-	58.98
Рем. жилья	- 1.79	108.83	-	-	-	-	108.83
Наем жилья	-	-	-	-	-	-	-
Хол. вода	- 57.00	228.00	-	-	-	-	-
Канализац.	- 52.21	208.84	-	-	-7.16	-	220.84
Отопление	- 16.31	991.65	-	-	-6.94	-	201.90
Гор. вода	- 101.5	406.04	-	-	-48.12	-	943.53
Газ	- 19.30	77.20	-	-	-17.01	-	389.03
							77.20

Льгота Нет

Срок хранения 3 года

Пеня	0.00
Всего	2186.80

Тверской Городской  
 БИК 042809790  
 04 MAR 2006  
 ППП № 9  
 г. Тверь

Вид платежа	Долг	Ставка	Начисл	Льгота	Субсид	Перер	Итого
Содер. Живт	-	-	-	-	-	-	-
Антенна	-	7.50	15.00	-	-	-	15.00
Кап. ремонт	-	-	-	-	-	-	-
Итого	-	2293.4	-	-	-	-106.56	2186.80

Настоящее счет-извещение отражает начисление платы за ОТОПЛЕНИЕ и ГВС только ФЕВРАЛЯ 2006 года  
 УТВЕРЖДЕНИЕ ПЕРЕПЛАНИРОВОК И РЕКОНСТРУКЦИЙ. ВСТУПЛЕНИЕ В НАСЛЕДСТВО. ОФОРМЛЕНИЕ ПРАВ НА ЗЕМЛЮ.  
 ЮРИДИЧЕСКОЕ СОПРОВОЖДЕНИЕ СДЕЛОК С НЕДВИЖИМОСТЬЮ. Агентство недвижимости "ПАРАМОНОВЪ". тел. 495-300

С ноября 2005го года  
 выпускать собственные квитанции

установленные Налогом  
 на имущество физических лиц

## 2.1 How effective is housing allowance program in poverty reduction?

	Tverskaya oblast	Karachaevo-Cherkessia Republic	Tomskaya oblast	Republic of Kalmikiya	Republic of Tatarstan
Generosity (% of average wage per AU)	Moderate, 8%	Moderate, 9,6%	Low, 6%	Moderate, 16%	Moderate, 8%
Coverage of the poor households	Low, 11%	Low, 39% of covered households are from the first quintile	Low, 13%	Low, 2%	Moderate, 28%
Leakage to the non-poor households	High, 68%	High, 53%	High, 64%	Moderate, 38%	High, 78%

## 2.1 Regional targeted social assistance programs

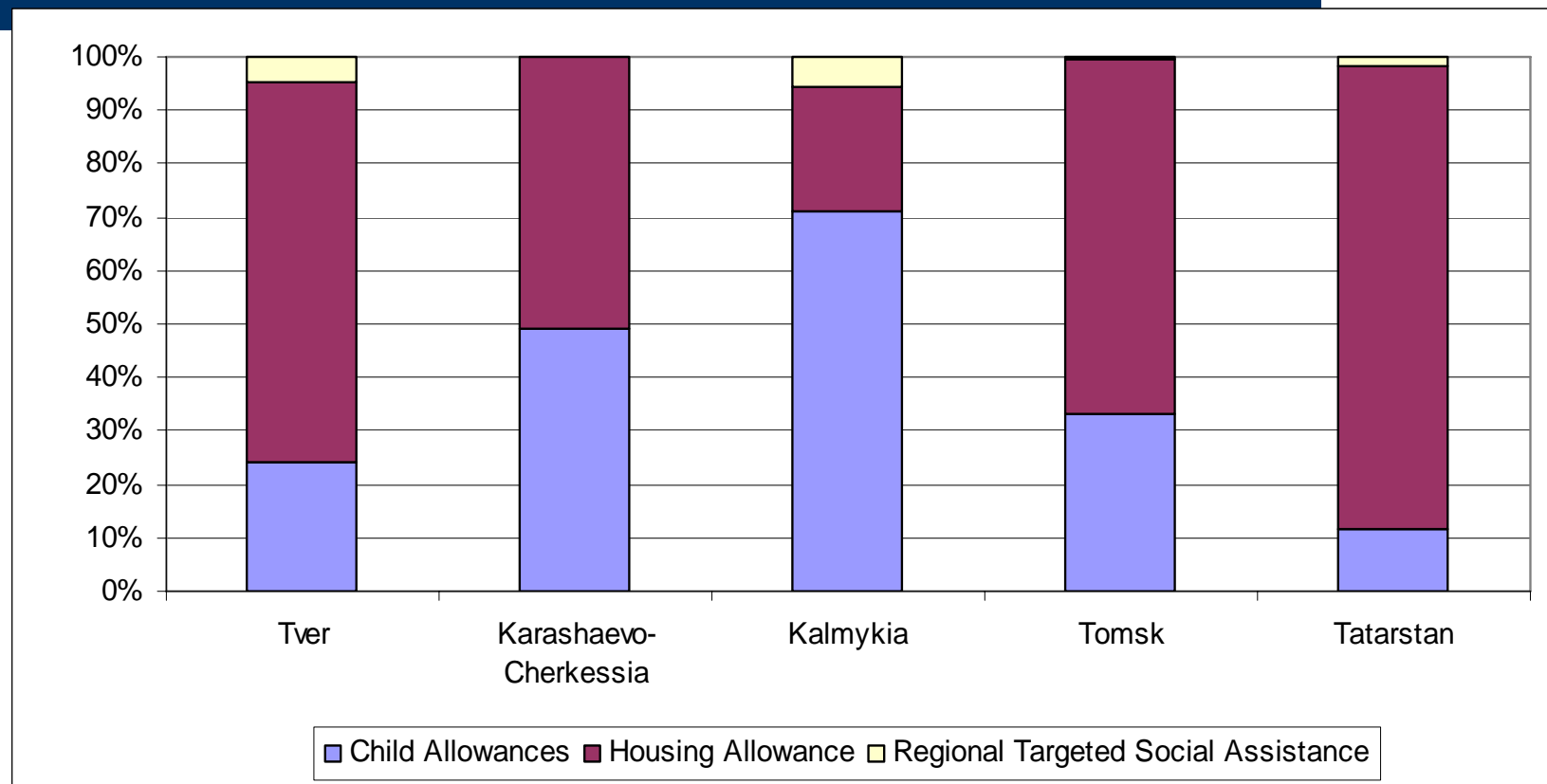
### Before 2005

- First instituted in 1998. The law set TSA eligibility as “below subsistence minimum” but left funding issue untouched or to be defined by the regions
- Initially only 18 regions had TSA, by 2004 – about 40
- Since 2005 TSA continues to be regional and non-mandatory to have
- As of the fall 2006, 61 region had some sort of TSA program

### After 2005

- Eligibility rule has been modified to keep clientele small (poor, different categories, emergency cases, or ‘difficult circumstances’)
- About 10 definitions for difficult circumstances can be found
- 37 regions use some income test
- 4 main types of benefits (many regions offer a combination):
  - Regular cash benefits for some period (40 regions);
  - One-time cash payment (48 regions);
  - In-kind assistance (45 regions);
  - Free services (8 regions)

## 2.1 TSA in the project regions are marginal



Share of the budget spent on each income-tested program, 2005

## 2.1 When redistribution is absent, poor in poorer regions are hurt

	Poverty Rate	Spending Per Poor Person
Tatarstan	13.5	3,529
Tomsk	17.0	2,877
Tver	19.1	2,681
Karashaevo-Cherkessia	26.6	1,425
Kalmykia	61.9	507

Note: Spending on income-tested programs in 2005 divided by the number of poor persons

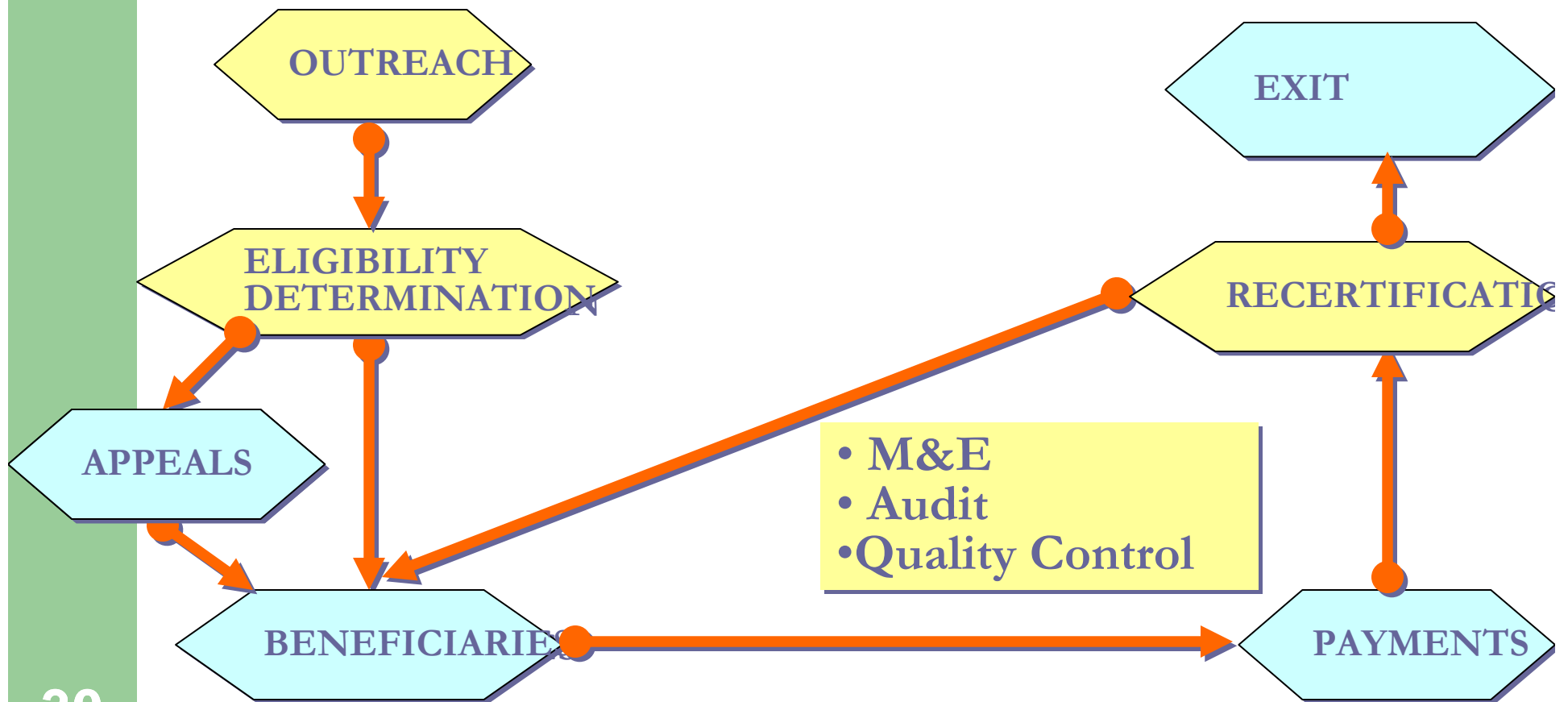
## 2.1. Findings based on the analysis of program design

- Programs for the poor have low fiscal priority
- A small share of social assistance spending is reaching the poor, because:
  - The largest program, housing allowances, is not designed to protect the poor. Most poor do not qualify for the program.
  - Child allowance program has high levels of leakage and low generosity
  - Targeted social assistance programs play only a small role in all regions
- Suboptimal design: Asset tests and other targeting methods, which elsewhere proved effective to improve targeting accuracy, are not used in Russia
- Institutional fragmentation, important institutional gaps
- No referrals to other services or programs
- Categorical targeting is preferred
- Difference in eligibility rules across programs increase admin costs, as well as costs for applicants
- The decentralization of financing of income-tested programs hurt the poor from poor regions

# Outline

1. Country and Program Context
2. The Russian Social Assistance Study
  - 2.1. Review the design of programs (incl.targeting assessment)
  - 2.2. Review the implementation of the programs (process evaluation)
3. Value of Process Evaluation

## Key phases influencing targeting accuracy for transfer programs



# Instruments and Methodology

Qualitative	Quantitative
<ul style="list-style-type: none"> <li>● <b><i>Open-ended interviews</i></b> with intake workers, rayon heads and oblast heads/ministers of the Social Assistance and Employment Offices</li> <li>● <b><i>Focus groups</i></b> with recipients</li> <li>● <b><i>Observation of eligibility determination processes</i></b></li> <li>● <b><i>Observation of the premises</i></b></li> <li>● <b><i>Analysis of reporting and information flows</i></b></li> <li>● <b><i>Regional labor market assessments</i></b></li> </ul>	<ul style="list-style-type: none"> <li>● <b><i>Evaluation of targeting accuracy, based on representative household surveys (NOBUS, HBS, Tomsk and Leningradskaya oblasts)</i></b></li> <li>● <b><i>Analysis of randomly selected case files</i></b></li> <li>● <b><i>Analysis of administrative costs and use of time by program staff</i></b></li> <li>● <b><i>Collection of administrative and statistical data on the programs</i></b></li> </ul>

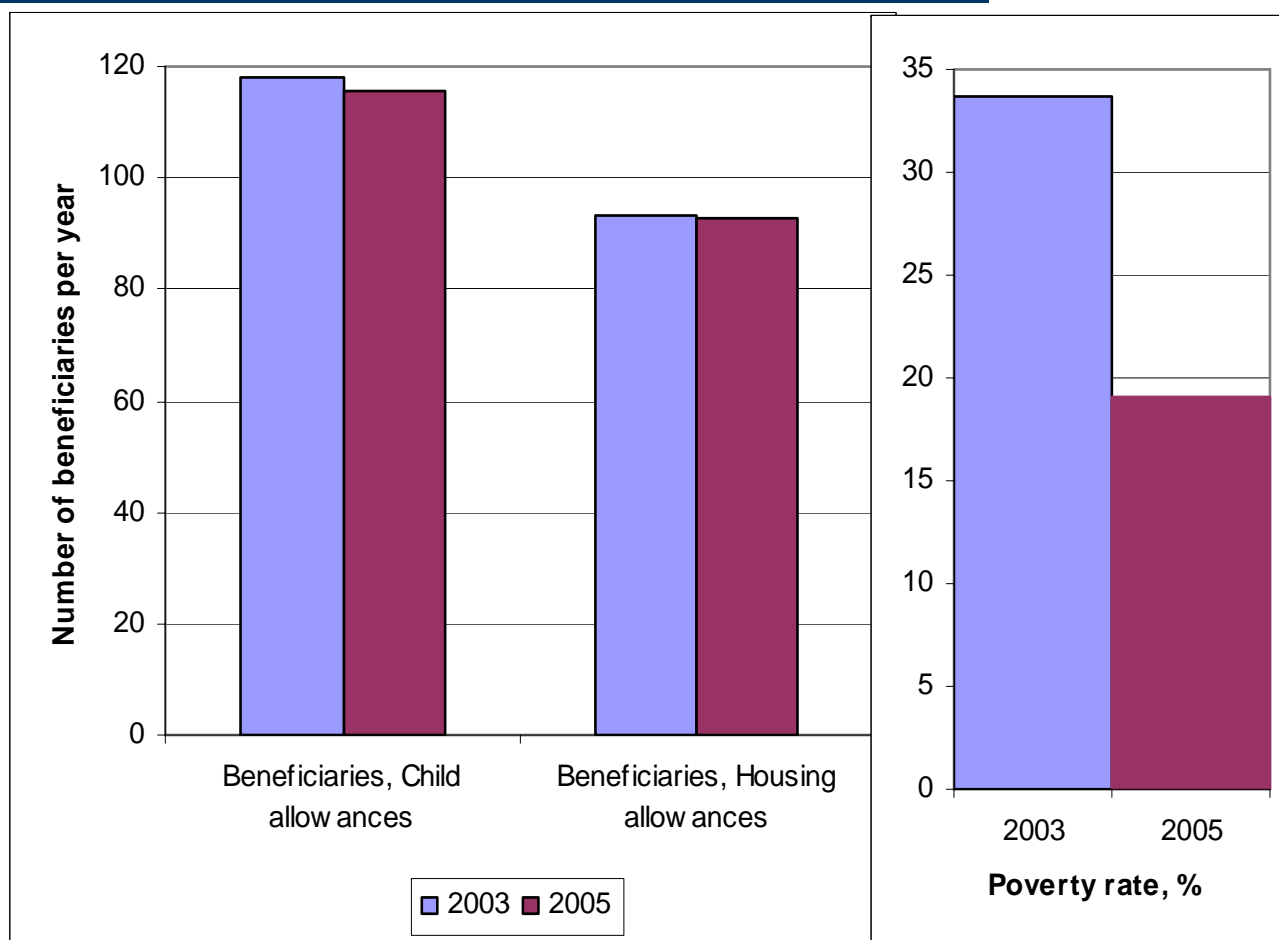




## Using Administrative Data

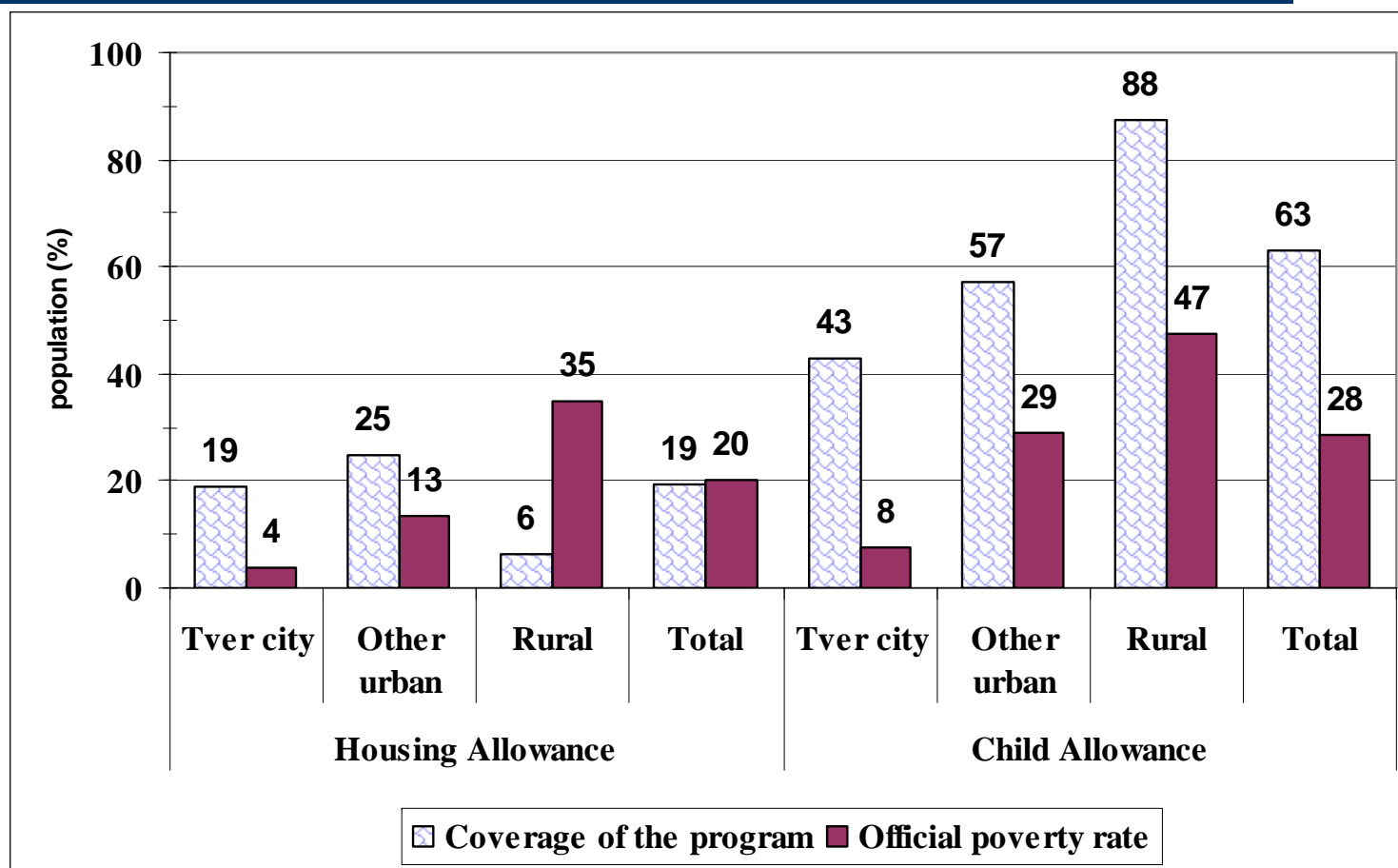
**Since 2003, poverty fell from 33% to 19% in the region of Tver, but caseloads remained the same**

**Source:**  
RosStat for poverty data, Tver SP Department for caseload data



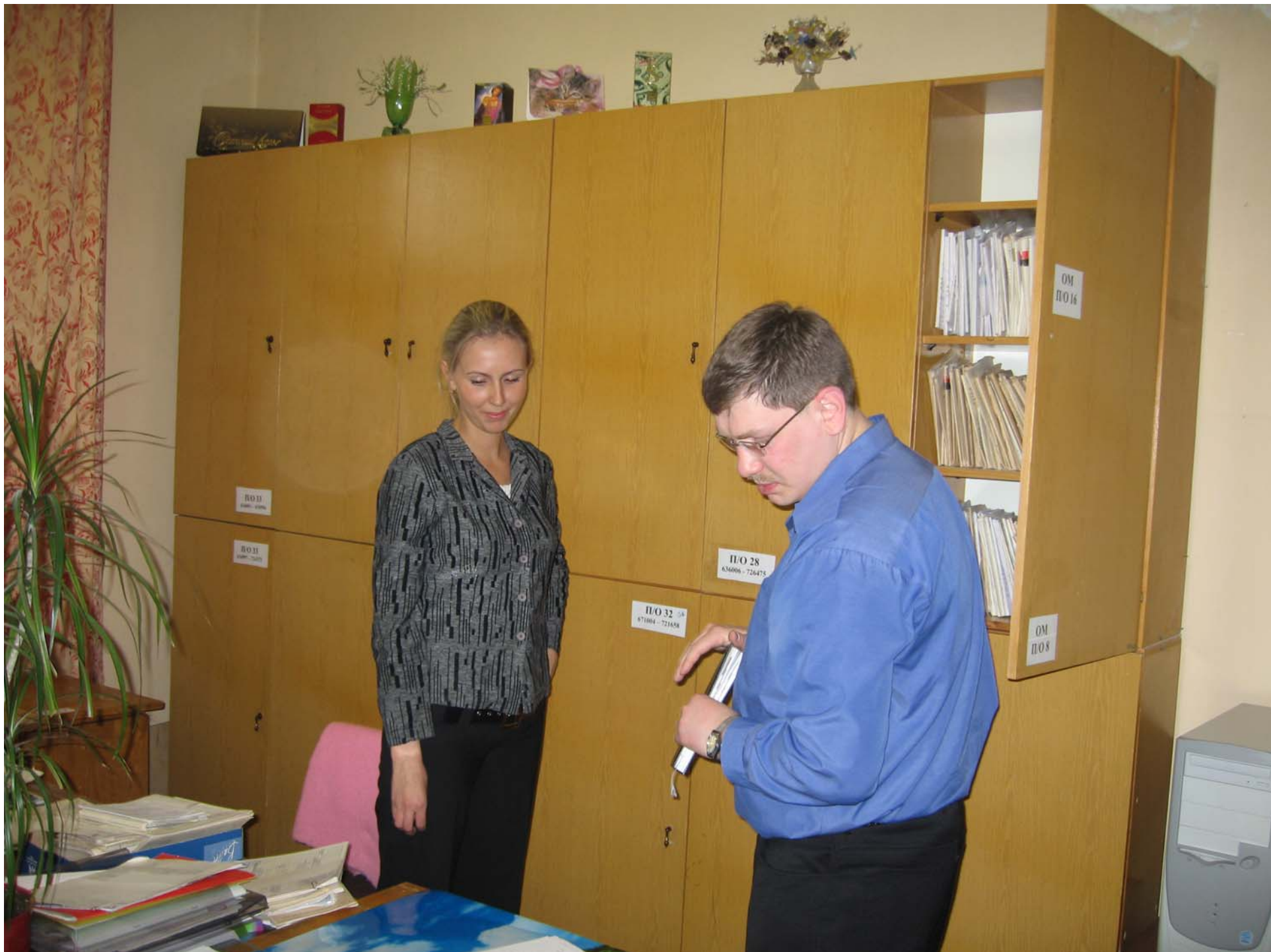
# Large differences between program coverage and official poverty,

by type of settlement, Tver oblast, 2005

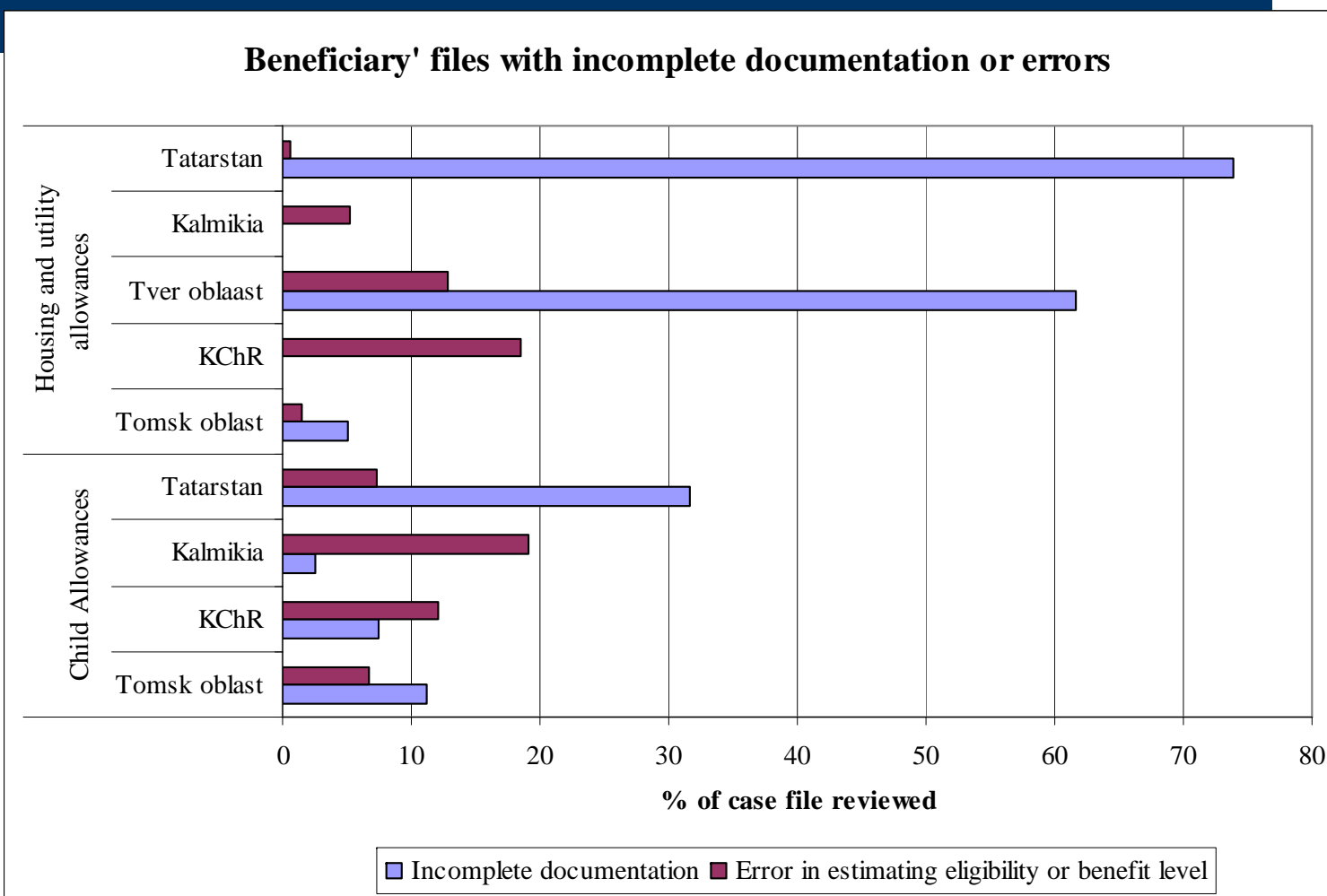


# Random Review of Applicants' Files

- What it is?
  - Similar with the Quality-Control Review process of SSN programs in OECD countries
  - Assess whether the eligibility and recertification decisions have been correctly made, given the documentary evidence available in the file
  - How often do beneficiaries report changes in their circumstances?
- Uses of the technique:
  - Estimate the level of error in determining eligibility or recertification



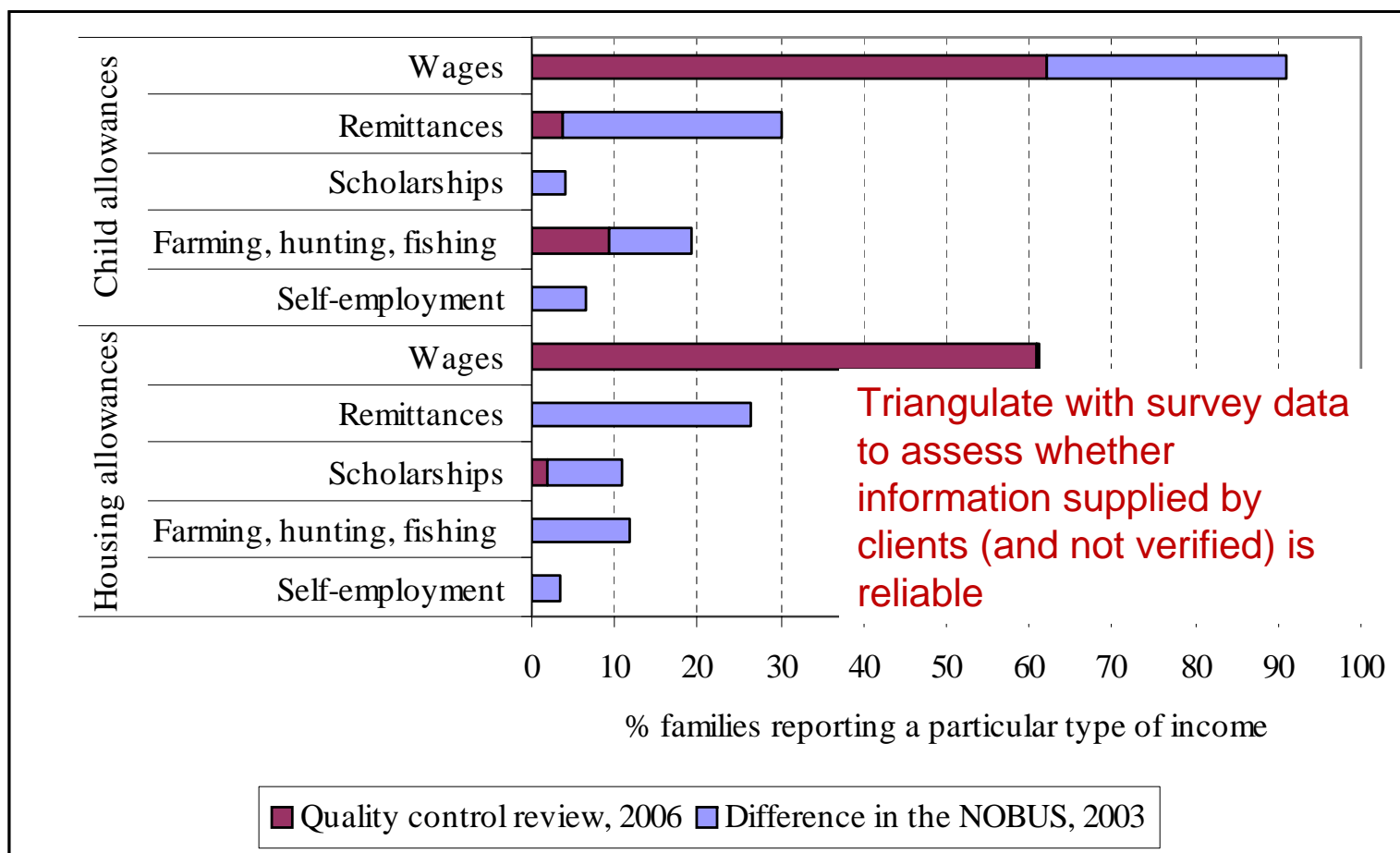
## Random Review of Applicants' Files: Error level is low, regional variation



## Comparing Findings from the Review of Applicants' Files with Survey Data

**Many beneficiaries do not declare all the incomes they earn**  
(Example from one region)

**Source:**  
**NOBUS 2003**  
**and case-control**  
**review, 2006**

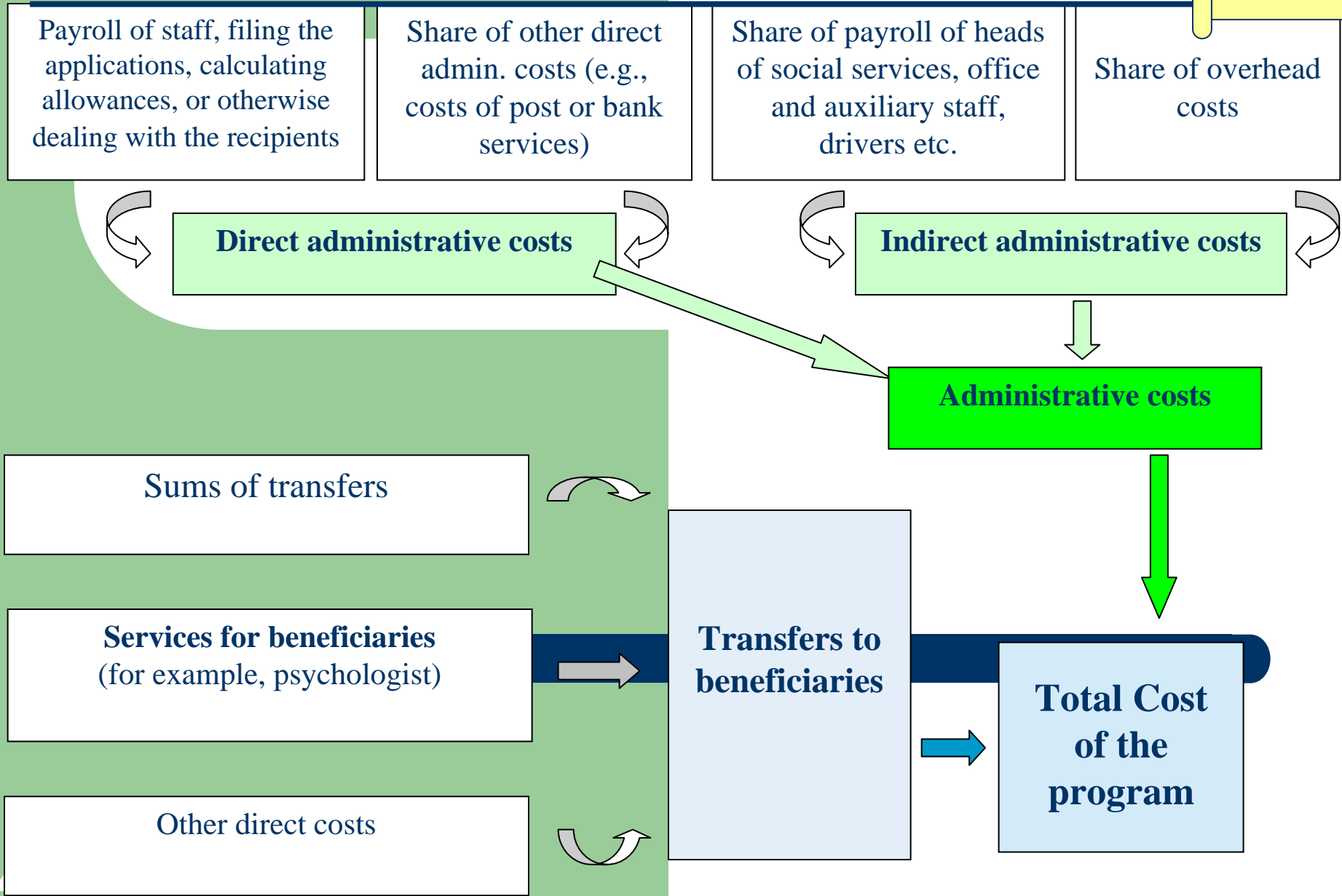


## Administrative cost survey / time use survey

- Estimate how much is spent on administrative costs
- Estimate the time devoted to check documentary evidence
- Estimate productivity indicators (beneficiary/staff ratios)
- Benchmark this information across sites and programs, within and outside Russia
- Example of its uses: spot programs with unusually high admin costs (TSA program in Tomsk city has admin cost ratio of 100%)



# 2.2



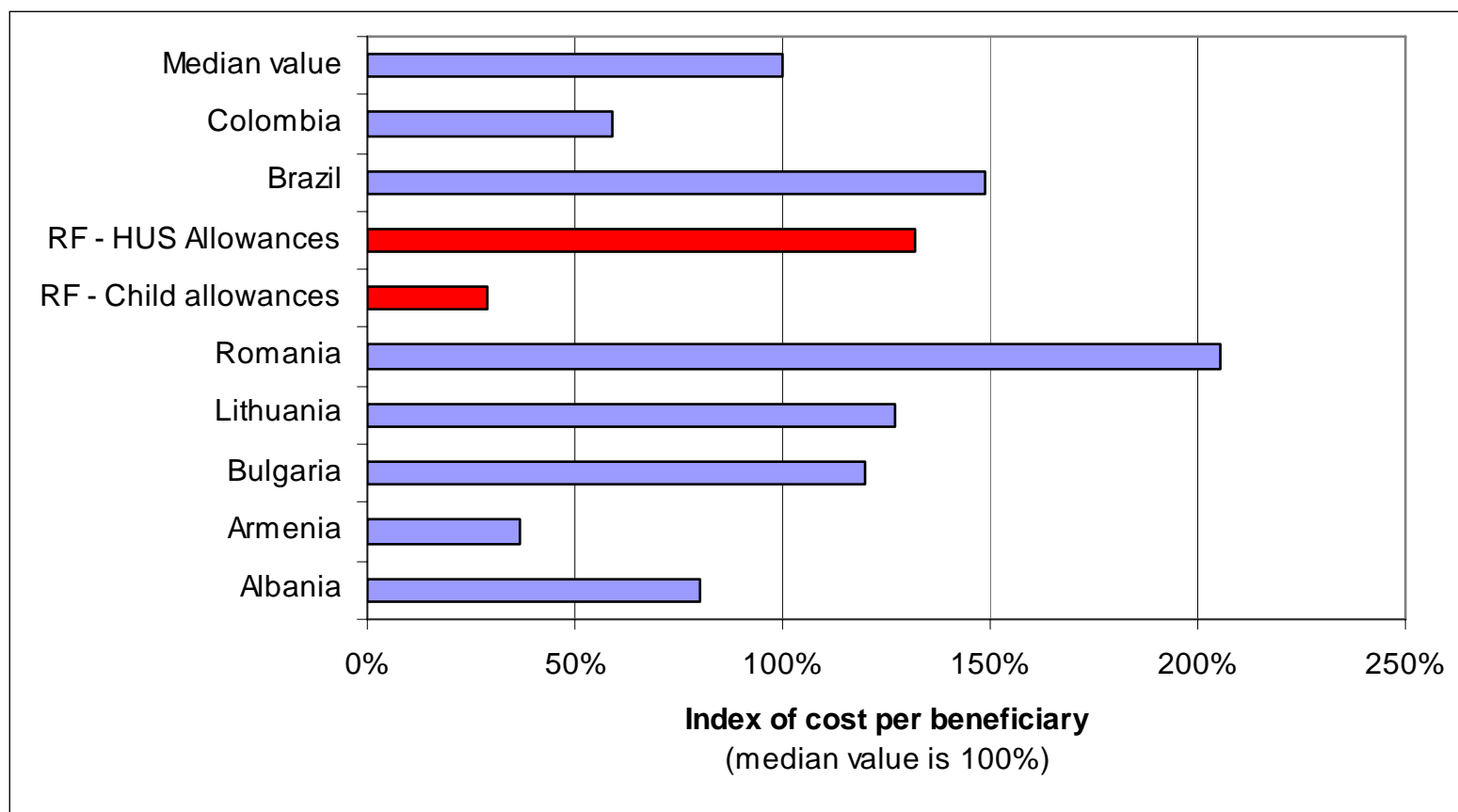
# High variation in administrative costs across regions and rayon

	Tver oblast					KChR			Tomsk oblast			
CA	4.9	5.6	12.0	9.0	21.7	14.4	11.6	11.0	11.0	12.7	13.7	13.3
HA	6.0	6.2	14.3	1.7	41.0	16.5	10.7	8.1	4.6	12.0	4.5	13.1
Reg/mun	8.9	11.2	10.7	13.6	29.7				35.8			

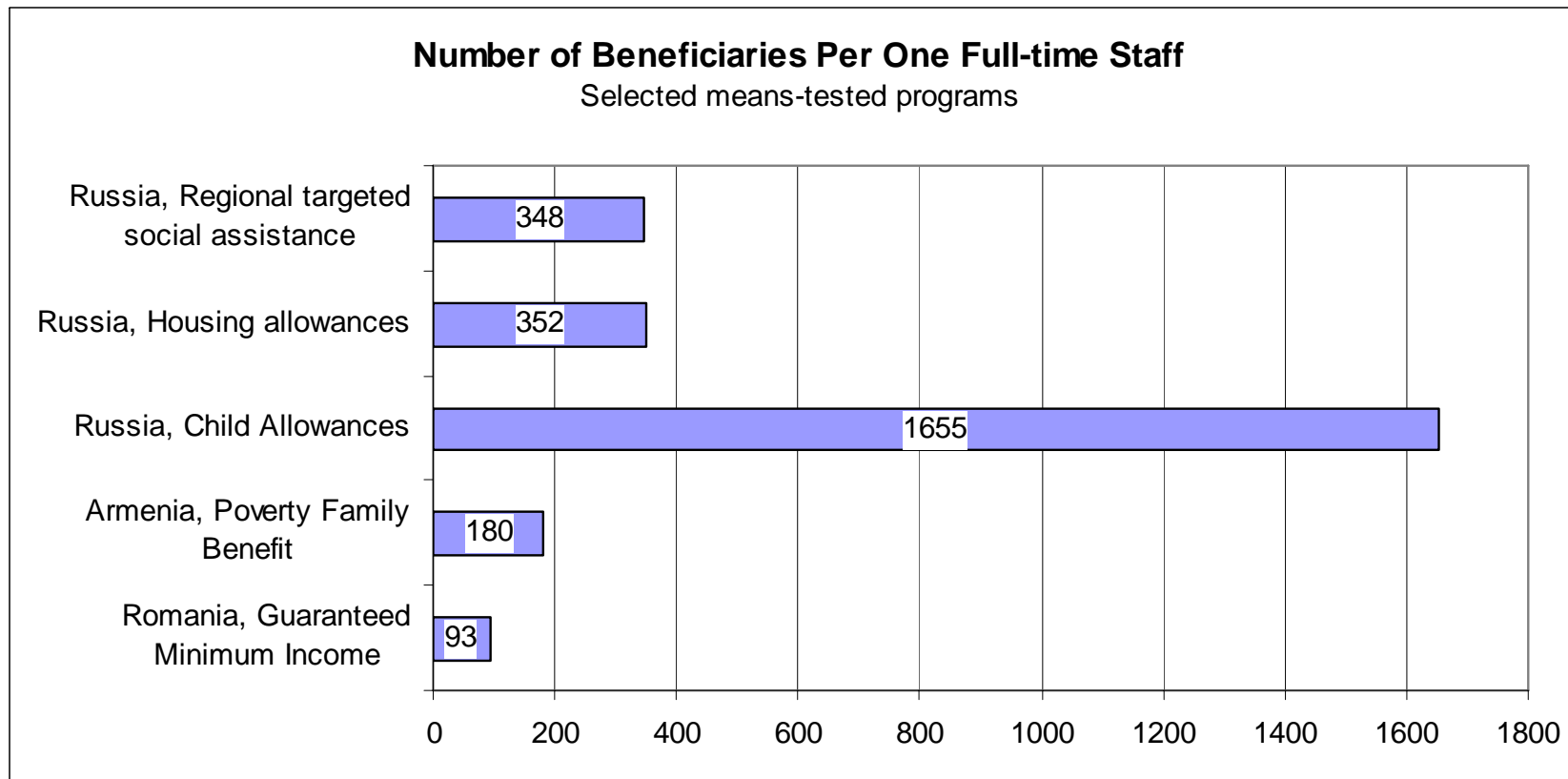
	Kalmikiya Rep.				Tatarstan Rep.			
CA	6.9	7.1	6.2	7.3	8.7	7.3	12.1	9.7
HA	13.3	13.5	23.5	66.6	5.1	5.3	1.9	7.1
Reg/mun	52.9	41.8	46.1	40.1	2.3			

Administrative costs as % of total program expenditures

## Administrative Costs per Beneficiary are small for the child allowance program



## The Workload of the SP Staff is too high in Russia

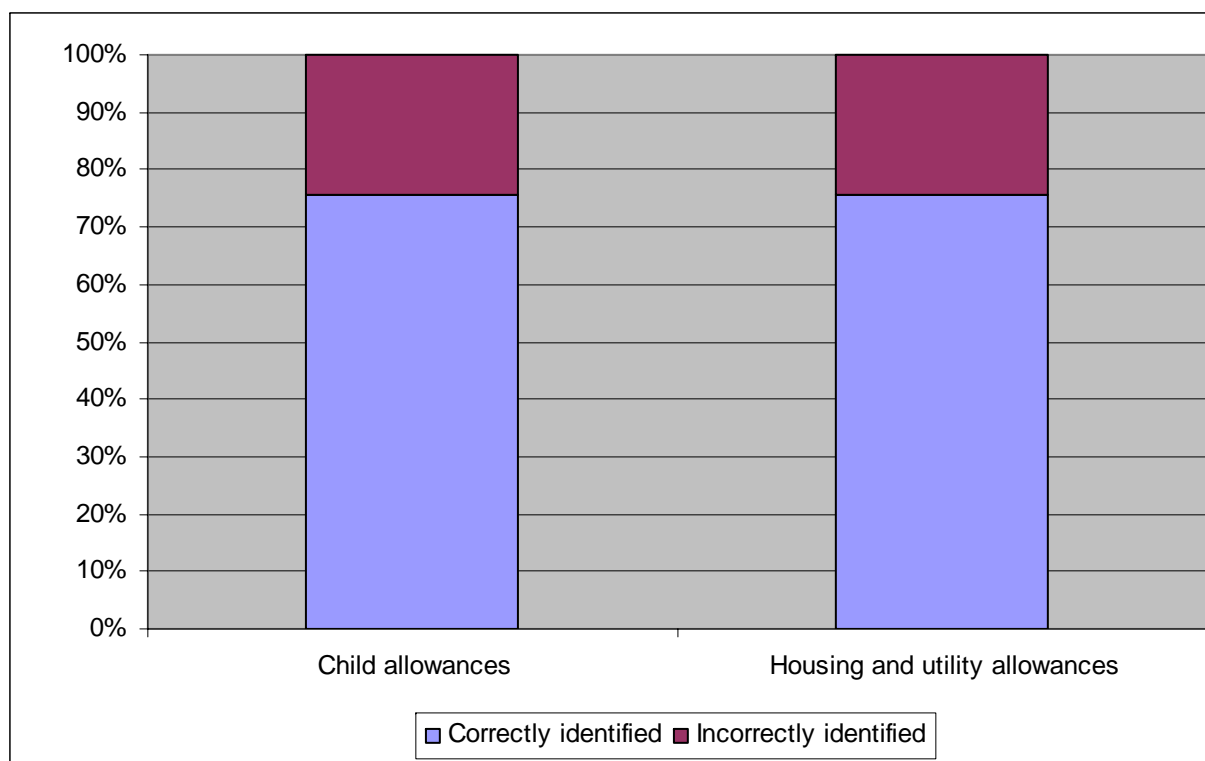


# Simulation of Eligibility Determination using Survey Data

## Evidence from **Tomsk Poverty Monitoring Survey**

- Specially designed survey to assess poverty and living standards in Tomsk oblast
- Implemented/ Financed jointly by Tomsk Administration and the World Bank
- Data collected during June 2006
- Sample size 3147 households and 7834 individuals
- Representative at regional level, and for the most populous rayons
- Collects information on receipt of income-tested social assistance and employment assistance programs
- Collects all information required to simulate eligibility for social assistance programs

## SP Staff are doing their best to implement income-tested programs



Tomsk Example: 76% of beneficiaries are correctly identified

# Observation guide

- What research questions it addresses?
  - Documents how the eligibility / recertification process is done in practice
  - Are the rules of the programs respected by staff?
  - Informal / habitual practices that lead to inclusion or exclusion errors
  - Are SP Offices accessible for the clients?
- Findings:
  - Practices vary unnecessarily across municipalities
  - SP offices do not facilitate the access of clients with special needs or marginalized
  - When rules are hard to implement, SP officers improvise
  - Informal relationship matter more than rules in some offices

## Observation guide: High regional/ rayonal heterogeneity

Recall period of the income used to determine eligibility

For how long the benefit is assigned/ how frequent is mandatory recertification

Does the applicant have to submit the information on all types of income, stipulated by the law, or does he give the only the information he considers relevant

Does the applicant need to collect papers from other units of social assistance office

What agencies regularly give information that is used for verification

How often (what % of cases) are home visits conducted

Is income from land plot and subsidiary agriculture calculated?

How often do you check information submitted by applicants using the third party (calling tax inspections, enterprise etc.)

Are there appeal commissions

How many cases of clients' fraud (or %) were last year

Duties defined by contract, instructions, other formal means?

Was there quality control by regional authorities of mistakes in granting the benefit this year?



## Findings from the Process Evaluation:

### Why is targeting accuracy so low?

- Is hard to implement an accurate income-test when the share of the shadow economy is so high as in Russia
- Under-reporting of income is widespread
- Verification of the reported income is infrequent or absent
- Mechanism to deter, detect and reduce fraud and error are insufficiently developed
- Some program functions that are critical to ensure accurate targeting are understaffed and underfinanced
- Arbitrariness in eligibility determination is widespread
- Quality control or procedural guidance from federal level is lacking
- The authorities have not known about the magnitude of this issue due to lack of evaluation and monitoring

# Outline

1. Country and Program Context
2. The Russian Social Assistance Study
  - 2.1. Review the design of programs (incl. targeting assessment)
  - 2.2. Review the implementation of the programs (process evaluation)
3. **Value of Process Evaluation**

# Value of the Process Evaluation

- Is it Cost-effective?
  - Describe the effort involved, in terms of staff, time, \$\$\$
- Is It Replicable?
- What determines success?
  - Methodological guidance
  - Training of staff
  - Piloting of instruments
- Things to avoid

## It is feasible and affordable

- Training of interviewers and observers was done in 3 full days
- Instruments are detailed, tested in different regional and local environments, polished after practical application
- Field work in a region takes 1 or 2 weeks depending on the number of interviewers (10 people can do in 1 week)
- Poor accounting is a problem but was mostly overcome (except 1 municipality in Tomsk)
- Field work and analysis per region would cost some USD 120 000 (4 municipalities) but can generate substantial savings in reduced benefit leakages

## Features of special value

- Triangulating data sources, making the most use of admin statistics but demonstrating value of surveys for correct assessment of targeting
- Contrasting different perspectives (of clients, managers, independent observers)
- Helping system managers to see deviations from the rules and major flaws
- A lot of data has never been generated before and rich context remained unknown for authorities and public
- Getting over the “I know it first hand” syndrome

## Replicability and demand

- 3 regions out of 5 directly asked for instruction manuals and training in QCR and administrative costs analysis
- SP managers valued highly independent monitoring results and triangulation of data
- Performance budgeting introduced in Russia as part of administrative reform requires analysis of full cost of public services including social assistance provision
- Federal ministry needs to redefine its role, strengthen training and quality control elements, tools are ready for them



2007/02/14

**DO SVIDANIYA!**