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**СЕПРА**

**DEVELOPMENT OF TARGETED SOCIAL ASSISTANCE PROGRAMS IN  
ALTAI REPUBLIC**

**Moscow  
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## ***Introduction***

Contemporary Russian social assistance has several major disadvantages. One of them is declaring about 70 per cent of the population eligible for social aid. In Soviet Russia basic needs were provided by a number of Government agencies and ministries like The State Planning Committee, The State Prices Committee, the State Labor Committee, the Ministry of Trade, etc. People could not become rich (legally), but they were also saved the hardships of poverty. While the huge state machine catered for basic needs the social assistance performed numerous but not costly duties of little significance. The situation has changed in the 90s. The Government has lost the leverage of the predecessor and has not created any substitute of its own. The economy has entered in a state of transition with no inbuilt regulators. Basic needs have been left unattended. The social assistance keeps on providing aid, which on the one hand exceeds the limits of the available budget, on the other hand has no vital significance for the recipients just as before the reforms. As a result quite a few of the social assistance obligations became sheer declarations, which makes good reason for the opponents of the reforms to substantiate their position.

Another deficiency is rooted in the indiscriminate character of the social assistance. The absence of selectivity was no hindrance in the days when the Government kept under a stringent control economic activity of the population, when there were no opportunities and disadvantages of the market economy, when careers and incomes were predictable. The innumerable elite (less than 1 percent of the population) lived its life of abundance behind a veil of secrecy. Others were more or less equal. The significance of wages and salaries was purposefully diminished in favor of goods and services in kind from the so called "public consumption fund". The poverty problem was dealt with ignoring incomes by guaranteeing minimum consumption directly through various non-market institutions. The "Soviet rich" and the "Soviet poor" could live door to door in likewise apartments, eat the same food (with some exclusions), have neighboring cottage houses, use the same public transport or even drive the same brand of cars, if any. It is no longer so but the social assistance keeps on providing aid as if nothing has changed.

There also exist drawbacks common to most if not all national social assistance systems. They are overburdened with a variety of allowances and services legitimated under certain economic, social and political circumstances of the past. The causes have long ago become bygone while the outdated solutions persist. Their main insufficiency is reflected in the fixed amounts of allowances. A person becomes eligible once he falls below certain qualifying standards and proves his case to social assistance officers. The available aid does not or just symbolically reflects the depth to which the person has sunk below the standard. As a result, the consumption of some of the recipients does not reach the tacitly assumed level, whereas the others get above it. The Government has general knowledge of the percent-

age of the population below the poverty line but does not know how desperately poor is each of those below the line. It does not care because the knowledge will in no way affect the size of the allowances and services provided to the poor. It relies on average figures, which in real life have the significance of the mean temperature in a hospital. This way of aiding poor citizens can hardly be viewed as efficient if a society undertakes to draw a line below which it does not want its members to fall. If the intention is to raise living standards from down below upwards the bottom should be leveled first, then lifted uniformly step by step to the desired level.

To meet the challenges SOTECO has developed a methodology and a matching software registered by the Russian Copyright Agency as "The regional minimum income regulation" technology (RMIR) This technology is to be built in the system of social assistance as an additional unit not conflicting with the already existing ones. Its short-term objective is that of filling the gaps in the safety net by way of introducing guaranteed per capita income (GPI) and the appropriate allowance calculated for each family separately. With time it will prove the superfluous character of the narrow-scope allowances, which do not make it possible to concentrate efforts on carrying out an efficient policy of minimum income maintenance.

It is "common knowledge" that the administrative cost of determining the amount of an allowance to every single family is prohibitively high. SOTECO projects prove just the opposite. "Simple" schemes are cheaper to start but one has to pay for the simplicity all the time afterwards. Pilot projects in several Russian regions in 1998-1999 bore evidence to the higher administrative cost of traditional mechanisms compared to the sophisticated one. The difference between them is clearly demonstrated by the fact that every new client in the traditional type of assistance adds proportionately to the administrative cost, whereas new clients in RMIR system decrease administrative per capita cost. Just like in the handicraft and the assembly line production.

The RMIR allowance brings the per capita income of the recipients to a guaranteed level. The need to keep on paying traditional allowances substantially drains available budgets leaving little left to start at a high enough level guaranteed as the bottom line, but it will not last for ever since all the traditional allowances are included in the applicants' incomes when determining their eligibility for the RMIR allowance. Once the budget is consolidated, more funds will be available to earmark for the RMIR allowance. The level will grow respectively.

The guaranteed level varies to reflect differing cost of life to equalize minimum purchasing power all across the RMIR territory. Besides it is revised on a regular basis to match social and economic changes as well as the rate of inflation.

The process of the GPI setting, the per capita income calculation, the family allowance determination, the recipients' purchasing power evaluation and the perspective planning of the RMIR targets is automatic. This is achieved with the help of the data gathered in the course of two surveys designed to get basic information

about vital aspects of local communities lives. Changes happen at a low pace. The surveys are to be repeated every five years from the RMIR introduction to check them. The RMIR administrator routinely updates the computer memory in between thorough check ups. His duty is to track down fluctuations relevant to the cost of commodity, goods and services affecting the lives of average people. The manual part of the RMIR manning consists also of punching information in computer from the application called “Declaration of well-being”.

The “object oriented” programming method and a modular structure of the software makes it possible to attune the methodology to the variety of the national, regional and confessional specifics in Russia and elsewhere.

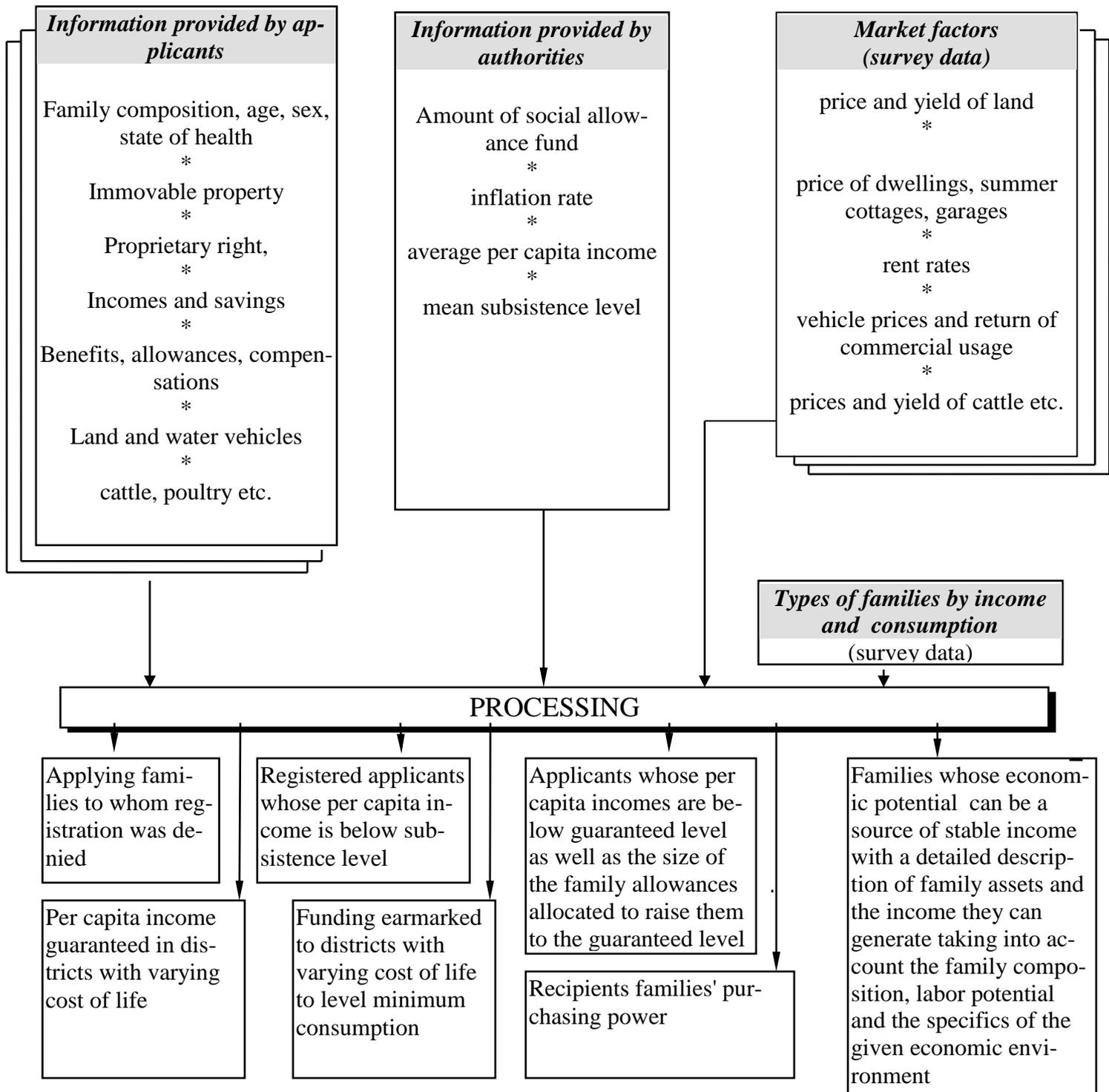
The methodology consists of two principal blocks. One of them is designed for the central office to balance the existing social needs and the available public funds:

- To set priorities of social assistance in terms of the desired/anticipated minimum consumption,
- To calculate an average and the area-oriented levels of the GPI and the appropriate RMIR budgets ,
- To calculate short and long-term budget spending to keep and/or rise the GPI taking into account the rates of inflation and the growth of the average per capita income,
- to generate statistics for monitoring and planning at the central office level

The other block is designed for field offices:

- to calculate monthly per-capita income of the applying household taking into account the household savings, as well as all kinds of income in cash or in kind and the assets that can generate regular income in cash or in kind,
- to calculate the size of the household monthly allowance that will bring the household per capita income to the guaranteed level,
- to deliver allowances to recipient households,
- to generate statistics for monitoring and planning at the field-office level.

## General database scheme



Laboratory work consists of processing the data collected. The results of the first survey is used to create the computer memory to become a “thermometer”, which, in fact, is a cross section of the surveyed communities characterizing households in terms of what they can afford with the incomes they have. It has been called a “thermometer” because it looks like it on the screen and performs a likewise function of determining the state of the poor before and after public spending on social assistance. The results of the second survey is used to build the part of the computer memory responsible for the evaluation of the income that the applicants’ assets may generate if properly used in the given economic environment and taking into account the composition of the household, i.e. the number of individuals, their sex, age and health. The results of both survey are also used to adapt the Application for social assistance and the software to local requirements and traditions.

Stage three is educative and training work. Local social assistance authorities and field officers are acquainted with the opportunities of the RMIR, instructed on the use of the software. Special courses are organized for senior officials, RMIR operators and administrators.

### **Stage one**

Within the period from June 2 to July 16 2001 the Altai Republic (AR) Ministry of labor and social policy provided SOTECO with information pertaining to the AR population, differing modes and standards of life, occupational peculiarities, types of housing and some other details required to work out a sample design and questionnaires for the surveys that will make the foundation of the RMIR computer memory.

1. First of all it was necessary to determine the size of sampling, that is find a compromise between the accuracy of the expected results and the cost of the accuracy. In surveys, like the one envisaged by the RMIR project, information is derived from a multiplicity of indications, features and characteristics. Hence, there may be a dozen of various sizes of samplings -  $n_i$  (where [i] is the indication/feature/characteristic number) for each of the indications; features and characteristics. Those  $n_i$  may substantially differ one from another. The selection of the minimal  $n_i$  may produce results ruinous to the whole survey. The maximum  $n_i$  may be prohibitively costly. The accuracy in the RMIR project is determined by the following assumption – the variations of indications, features and characteristics under consideration should substantially exceed inaccuracies of the accepted  $n_i$ ,

The method is based on the following logic: we want to minimize the likelihood of the inaccuracy of an indication (p) to exceed the limiting value (d)

$$P_r ( |p - P| \geq d ) = \alpha \quad (1)$$

p – the evaluation of an indication/ feature/characteristic of the sample,

P – the value of an indication/ feature/characteristic of the sample,

The following equations were used to determine the size of the sample.

- In case of qualitative features and characteristics

$$n = \frac{\frac{t^2 P Q}{d^2}}{1 + \frac{1}{N} \left( \frac{t^2 P Q}{d^2} - 1 \right)} \quad (2)$$

P – a part of the respondents that gave an identical answer to a question (for example, they answered affirmatively when asked whether they a second job )

Q = 1 - P,

N - stratified sampling,

t – the Gaussian curve abscissa value cutting off the area at the tail.

Let us substitute a preliminary estimate (p) for (P). In this case the equation become simpler if (N ) is big enough

$$n_0 = \frac{t^2 P Q}{d^2} \quad (3)$$

Equation (3) is a satisfactory approximation of equation (2) if  $n_0/N$  is negligibly small. In the opposite case (n) is calculable as:

$$n = \frac{n_0}{1 + \frac{n_0 + 1}{N}} \quad (4)$$

In our case ( $n_0/N$ ) is negligibly small. That is, first approximation of ( $n_0$ ) is always satisfactory.

- In case of quantitative indications

$$n = \frac{\left( \frac{t S}{d} \right)^2}{1 + \frac{1}{N} \left( \frac{t S}{d} \right)^2} \quad (5)$$

S – indication variance.

Equation (5) becomes simpler if (N) is big:

$$n_0 = \frac{t^2 S^2}{d^2}$$

if  $(n_0/N)$  is not negligibly small, then:

$$n = \frac{n_0}{1 + \frac{n_0}{N}} \quad (7)$$

Note: Qualitative features may be transformed in quantitative indications. In this case

Analogous survey in the similar social and demographic environment of Komi Republic makes it possible to use some of the earlier revealed data for the survey in AR. Hereinafter is displayed an example of the simulator study of the most common characteristics.

1) Estimation of the family size:

$$\bar{Y} = 3,70 \quad S = 0,30$$

$$\varepsilon = 1\%, \quad \varepsilon \bar{Y} = 0,037 = d \quad n_0 = \frac{4 \times 0,09}{0,0014} = 257$$

Which means that the sample of 257 respondents ensures full confidence to the first decimal figure after the dot. It is at this level that the indications, features and characteristics of social layers and groupings start to vary.

4) Per capita income :

$$\bar{Y} = 292,9 \quad S = 131,7$$

$$\varepsilon = 1\%, \quad d = \varepsilon \bar{Y} = 2,93 \quad n_0 = \frac{4 \times 17351}{8,58} = 8089$$

$$\varepsilon = 5\%, \quad d = \varepsilon \bar{Y} = 14,65 \quad n_0 = \frac{4 \times 17351}{214,62} = 323$$

$$\varepsilon = 3,5\%, \quad d = 10,25 \quad n_0 = 600$$

3,5% error margin ensures confidence to the second decimal figure after the dot. Which makes it possible to classify the population by per capita income intervals.

These two examples show that the coverage of 600 families creates enough confidence to the anticipated quantitative indications of the survey just as to the qualitative which need lesser coverage.

2. The second task was to ensure the representative character of the population coverage by the survey. To this end the rural population was stratified by administrative districts, specifics of living conditions (geographic and climatic) and by the kind of economic activity. The urban population is concentrated in the republican capital Gorno-Altai. Its population was stratified in accordance with the administrative division, that is: south-eastern side along Barnaulskaia street on the left-hand side of the river running across the city, south-eastern side along Lenin street on the right-hand side of the river, central part of the city at the crossing of Lenin and Communist streets, south-western side and other side of the river from the center along Communist street.

Respondents were selected randomly. PSU of the random sample were determined in the following way:

If  $k(s)$  is the quantity of PSU to be covered by the survey in stratum (s) whereas  $K(s)$  is the total number of PSU in the given stratum, then likelihood of inclusion is:

$$P_1(s, k) = \frac{k(s)}{K(s)}$$

If  $b(s, k)$  is the number of households covered by the survey in the PSU(k) of the stratum(s), whereas  $B(s, k)$  is the total number households in the given PSU, then:

$$P_2(s, k, c) = \frac{b(s, k)}{B(s, k)}$$

This means that the probability for the person (i) of the constituency (c) of the PSU (k) of the stratum (s) to appear in the sample equals:

$$P(s, k, c, i) = \frac{k(s)}{K(s)} \times \frac{b(s, k)}{B(s, k)} = 0,01$$

The number of respondents in each of the strata is determined proceeding from the following:

- if 600 families to be covered by the survey with the average family size (K) equaling 3,4182 means that the population coverage is around 1 per cent
- if PSU were selected in a way to ensure the product of  $k(s)/K(s) = 1$
- then the target value is found by the equation  $b(s, k)/B(s, k) = 0.01$

The questionnaires were of two types:

- To interview respondents face-to-face. The interviews were to last 15 to 20 minutes
- To describe household assets that can be a stable source of income as well as the size of the income they can generate. This questionnaire was filled by social workers proceeding from their knowledge of the actual situation. If they were not sure, it was recommended to consult local people and statisticians.

Geographic coverage by the RMIR surveys in Altai Republic  
Settlements are marked with squares

## **Stage two**

Stage two of the Altai Republic (AR) Project lasted from July 15 to September 15, 2001.

### 2. Fieldwork

600 families in 33 settlements as well as in Gorno-Altaiisk were interviewed. Refusal rate was below 1 per cent (5 households). The job was done by contracted local social workers from 10 districts and the Capital of the Republic who got the sample design, instructions and the appropriate training in the premises of the Republican Ministry of social assistance. Deputy Minister Valentina Endovitskaia assumed the role of the supervisor to assure the quality control and the timely completion of the job.

The survey of market factors across the Republic, allowing to evaluate family assets: immovable property, motorized vehicles, cattle, poultry and other creatures that can generate regular income in specific local circumstance, was also carried out successfully.

### Labwork

By the end of August, 2001 the questionnaires were delivered from Gorno-Altaiisk to SOTECO (Moscow):

- Initial information was checked, verified and punched in computer.
- The database was cleaned, processed and used to adapt the RMIR software to local peculiarities. This included:
  - The AR version of targeting objects of social assistance. Allowances will be calculated to every household separately to bring their per capita income to the level guaranteed by the authority;

- The software block responsible for calculating economic potential of applying households (*HEP*);
  - The general and district oriented typology of *AR* households by income and consumption patterns. It will be used to set *GPI* levels and calculate budget current and perspective spending, to rectify consumption discrepancies existing in districts with varying cost of life, to level minimum consumption and to gradually raise it to desired targets in the future;
  - The set of exogenous variables was determined for loading in the computer memory at regular intervals and in cases of economic emergencies to update the soft to current situation.
- Instruction manuals to social workers detailed to man and to administrate the *RMIR*.

The primary purpose of the surveys was to provide data to evaluate "economic potential" factors, which together with statistical data are used to determine the income of families applying for social aid. The next step was to create a table of exogenous parameters, which were taken as pivotal in relation to peripheral values in administrative districts related to the pivotal as fractions above or below "1". It is the duty of the *RMIR* administrator to update the face value and its interrelationship with the peripheral values if the latter changes. Corrections are performed routinely in conformity with the appropriate instructions. Hereinafter is given the "pivotal" table as of July 2001.

Apart from the above, the survey data was also used to study socio-economic climate in the Altai Republic, which is represented in a selection of the hereinafter bar charts and diagrams.

**Таблица экзогенных параметров**

**ВЫХОД**

**ОТМЕНИТЬ**

Дата ввода : **23.11.01**    Период выплат : **3**    Текущий год : **2001**

Минимальная сумма выплат :	<b>50,00</b>	руб.
Минимальная зарплата :	<b>200,00</b>	руб. в месяц
Цена квадратного метра жилья :	<b>170,00</b>	долларов США
Биржевой курс доллара США :	<b>29,91</b>	руб. за доллар
Соотн-е цены кв. м. в комм. квартире и кв. м. в отд. квартире :	<b>0,30</b>	
Соотн-е цены кв. м. в собств. доме и кв. м. в отд. квартире :	<b>0,60</b>	
Отнош-е ПМ средн. по республике к ПМ пенсионера :	<b>1,43</b>	
Цена одной сотки земли :	<b>130,00</b>	долларов США
Минимальная цена дачного строения :	<b>60 000,00</b>	руб.
Средняя плата за аренду гаража \$ :	<b>10,00</b>	долларов США
Цена нового автомобиля класса Москвич-2141 :	<b>100 000,00</b>	руб.
Средняя цена ритуальных услуг :	<b>470,00</b>	руб.
Средняя процентная ставка по сбережениям :	<b>1,05</b>	%
Ср. душ. денеж. доход в текущем месяце в регионе :	<b>1 189,00</b>	руб. в месяц на чел.
Прожиточный минимум - корзина :	<b>1 107,00</b>	руб. в месяц на чел.

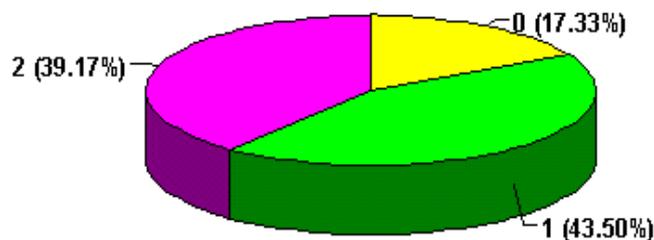
1. Most families consider themselves either as poor (43.5%) or extremely poor (17.33 %).

**Распред. по самооц. благосостояния**

**Распределение семей по самооценкам их благосостояния**

Категория благосостояния	Кол-во опр. семей	% от общ. количества
0	100	17,33
1	251	43,50
2	226	39,17

Всего: **577**    **100,00**



## 2. Most families are not upset about their domiciles



25.13% live in separate apartments (they have either privatized them or may do it if they wish)

61.27% live in private homes

2.58% share apartments with other families

1.89% live in hostels

9.12% rent living space from private owners

3. Dwellings are predominantly wooden without communal facilities such as hot water, central heating and sewerage.



64.06% - wooden cottage houses without communal facilities

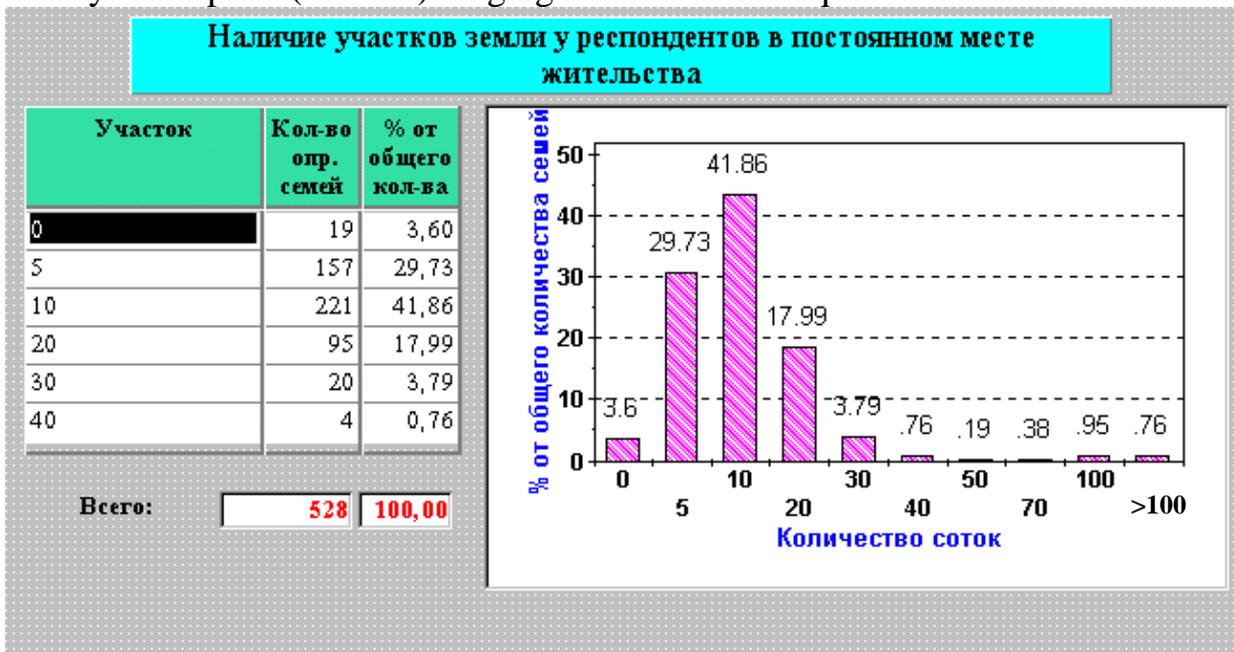
5.56% - brick cottage houses without communal facilities

18.75% - wooden apartment buildings houses without communal facilities

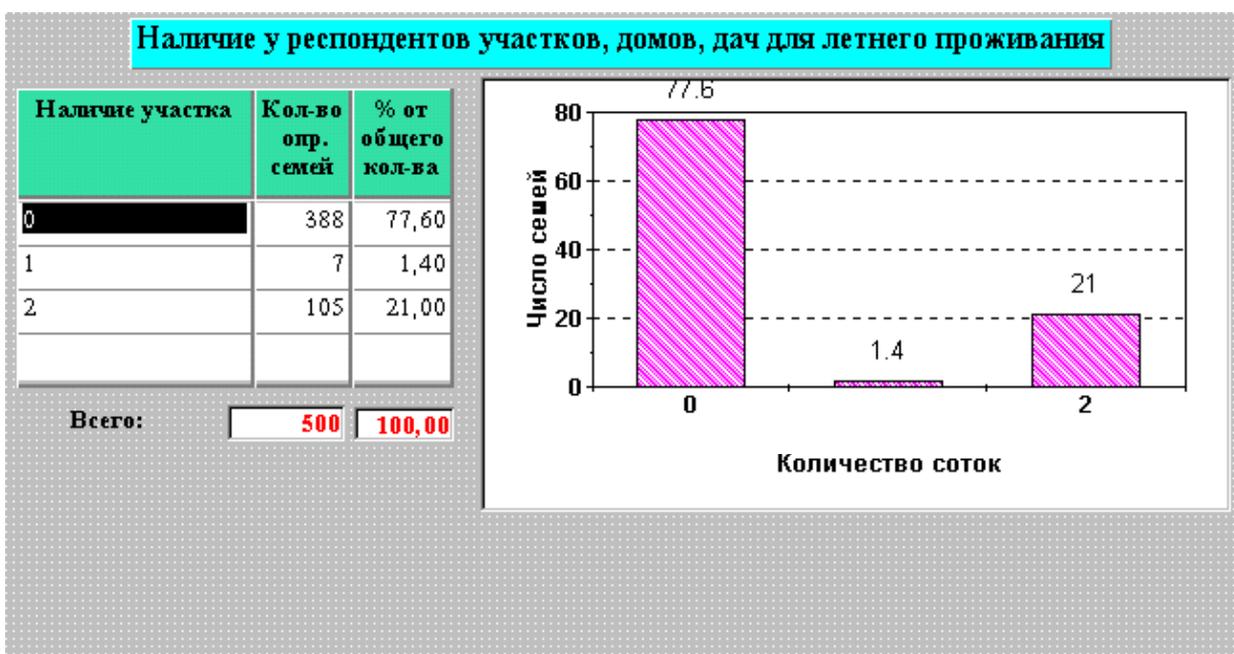
5.03% - brick apartment buildings

6.6% - prefabricated concrete panel buildings

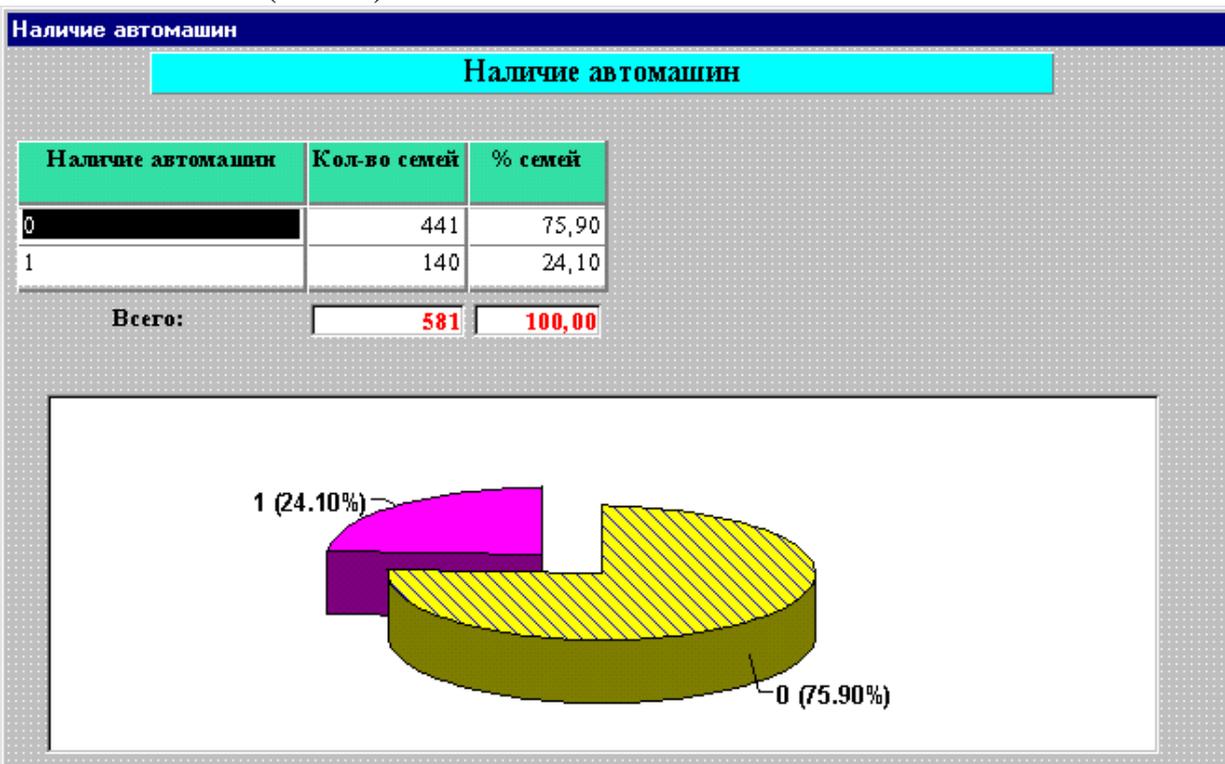
4. Vast majority have cultivated plots of land adjacent to their dwellings. They are not land owners and may not sell those plots but they can cultivate them to grow vegetables for food and cereals as fodder for their cattle and poultry. These are mostly small plots (89.58%) ranging from 50 to 200 square meters.



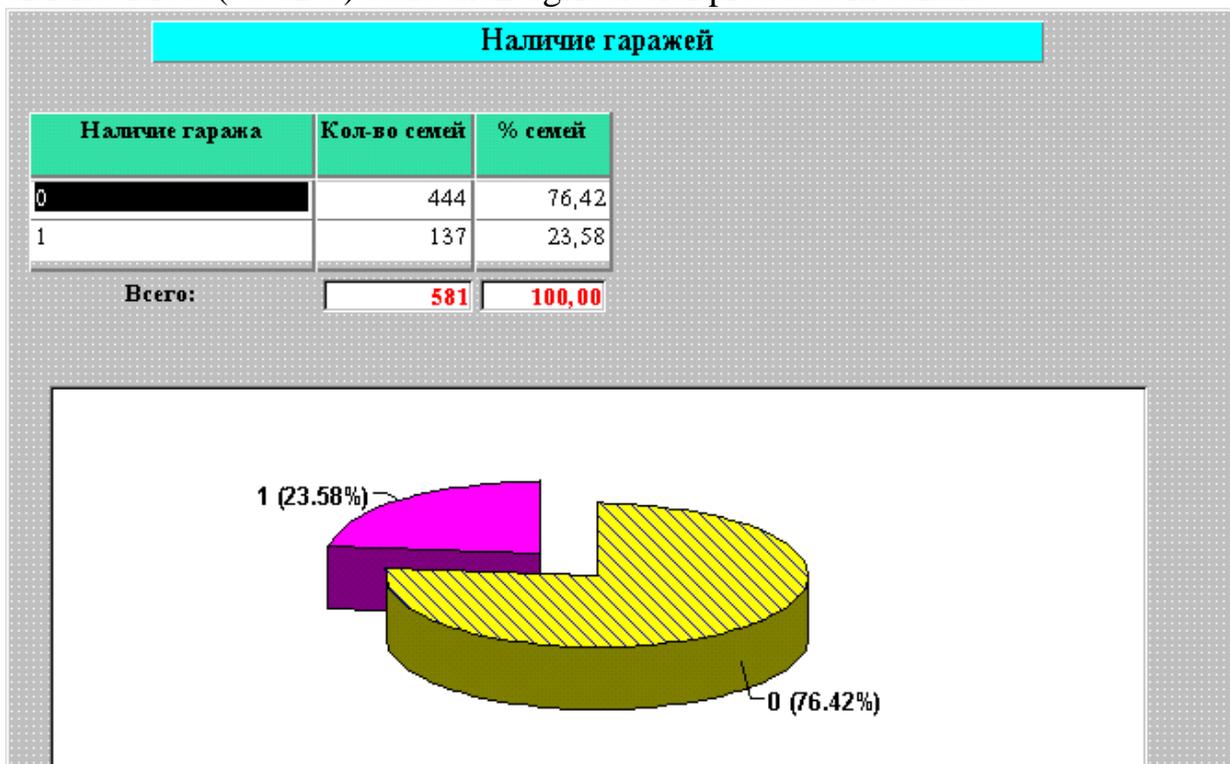
5. Most families (77.6%) have additional cultivated plots of land outside inhabited localities. Together with the above mentioned these plots are an important income generating source on top of their employment. Those better off (21%) have wooden houses on their plots. Usually they own the house but not the land, but when the sell or rent out their property the characteristics of the plot and the nature of the ground heavily affect the rent and/or the price



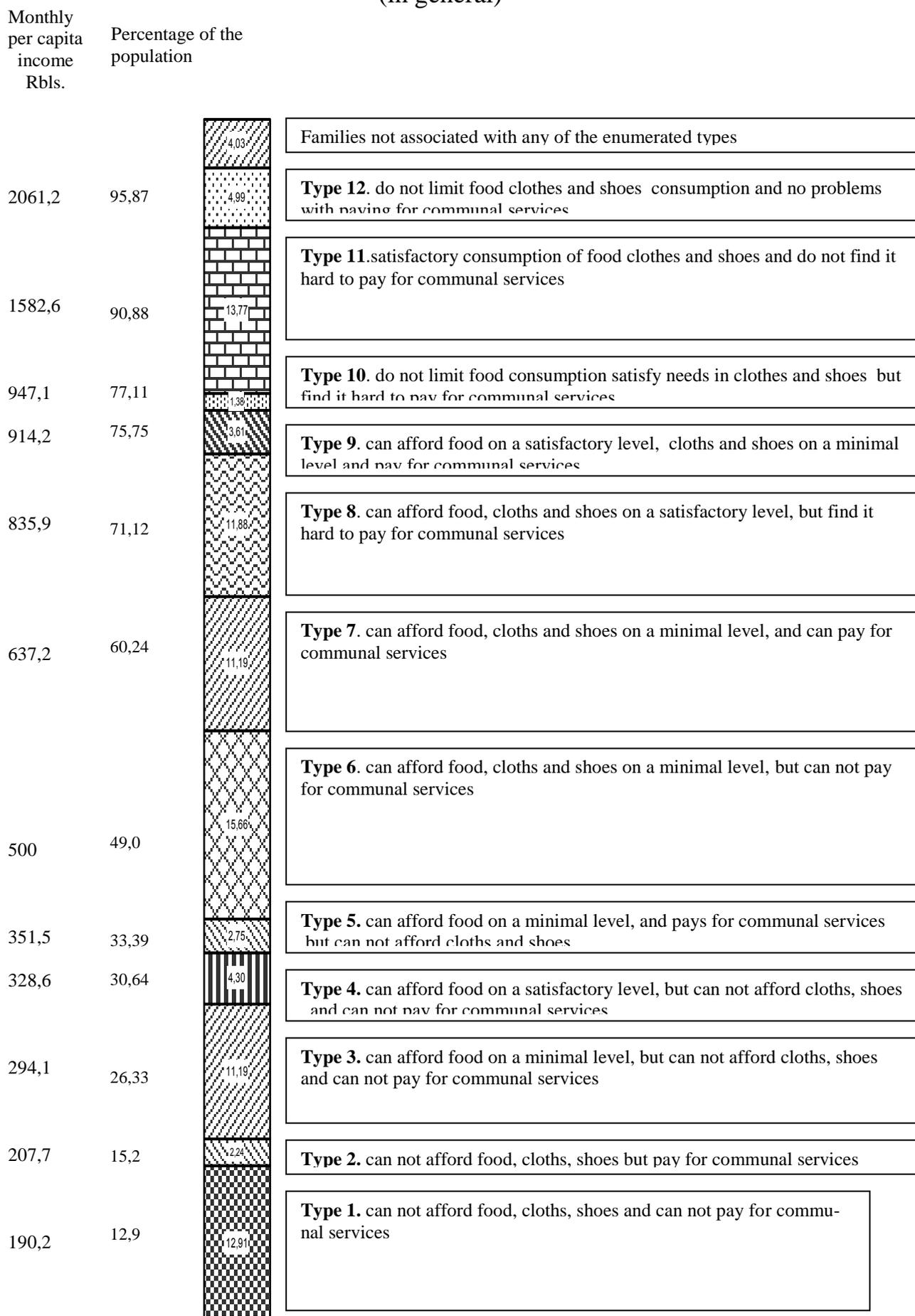
6. Most families (75.9%) own no cars or trucks.



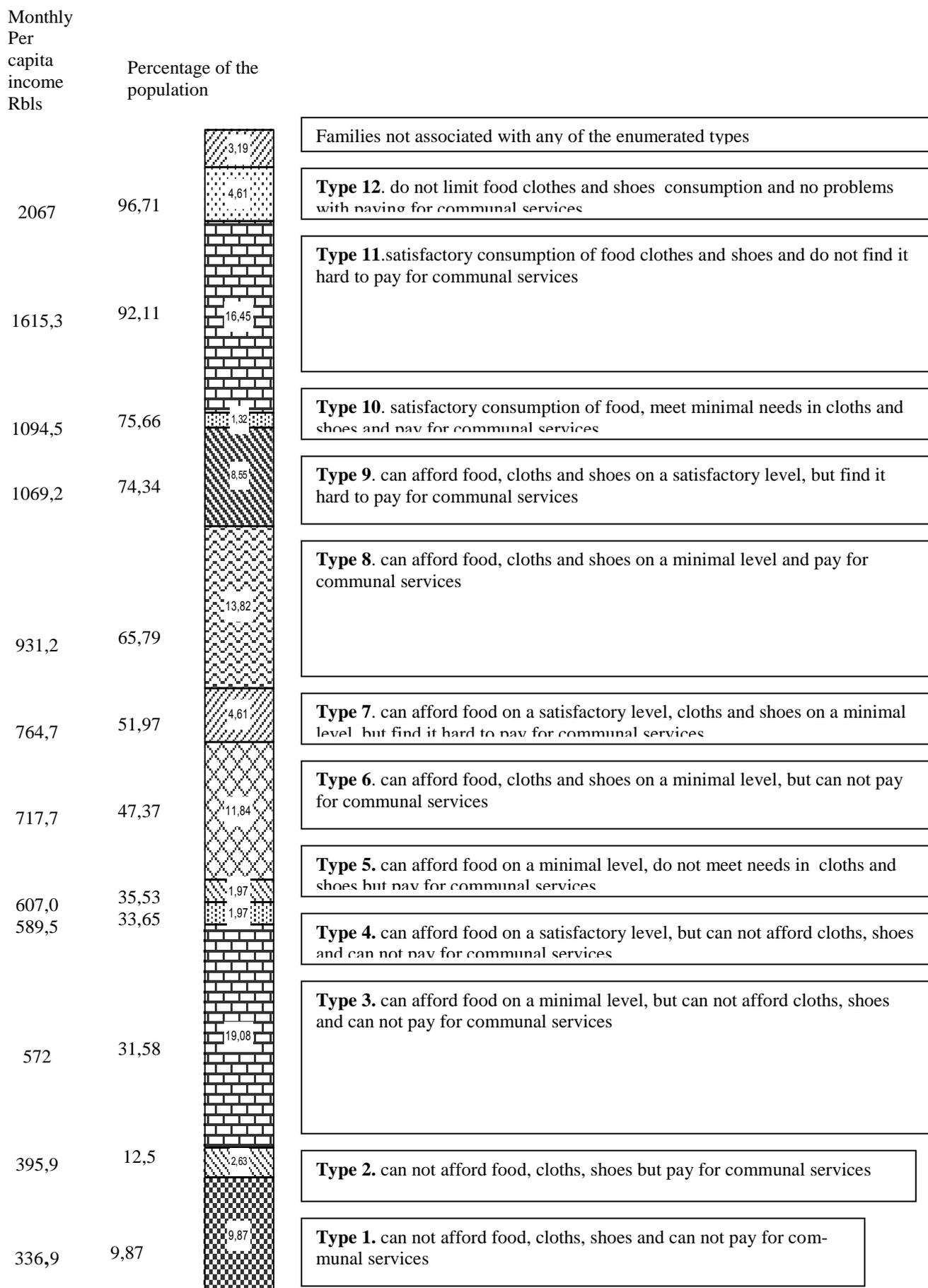
7. Almost all car or truck owners (23.56%) own "garages" which are a factor of well being since they are actually used to store agricultural products from the plots of land. Most (76.42%) store their agricultural products in cellars.



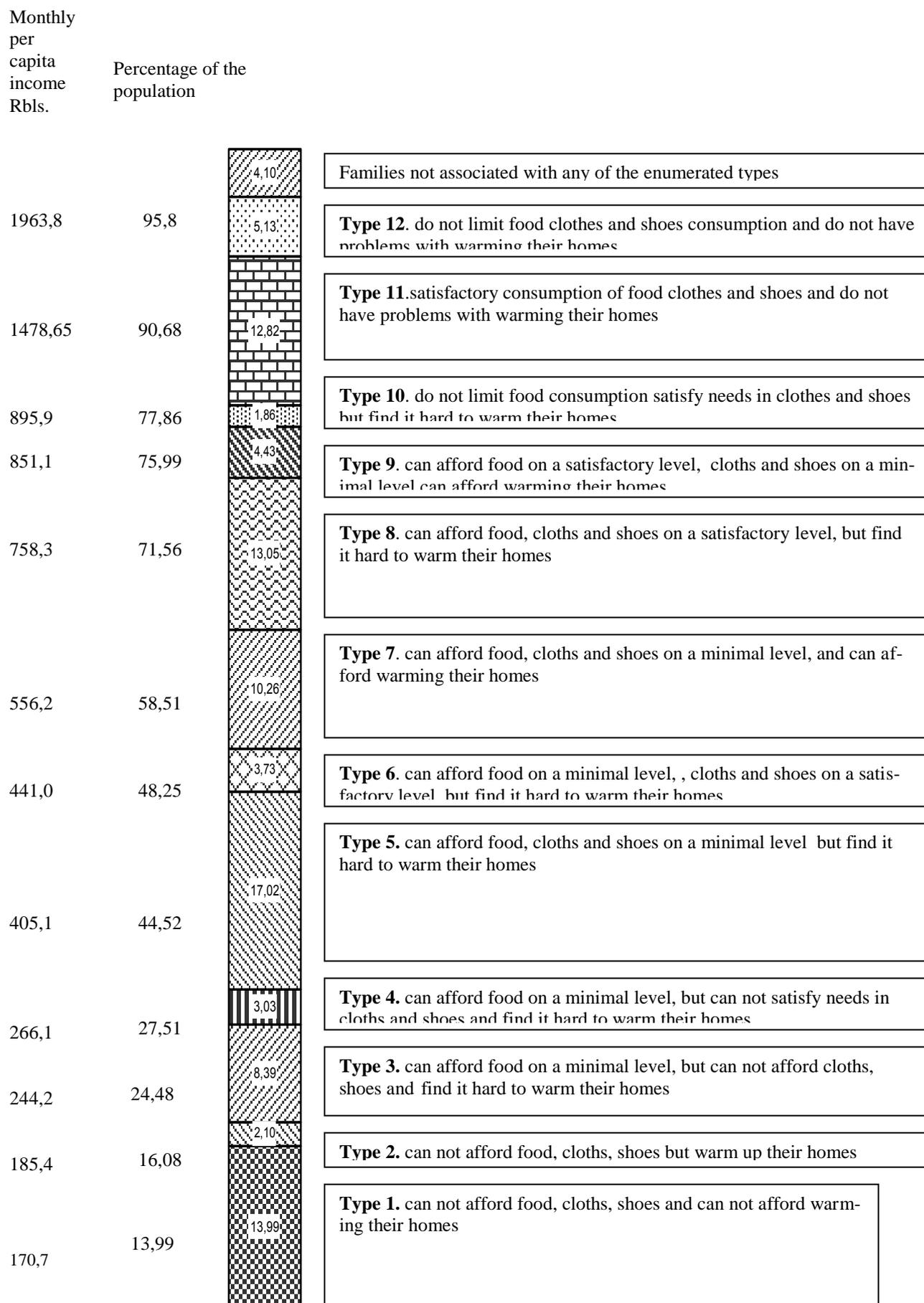
## Altai Republic families by per capita income and affordable consumption (in general)



## Urban families by per capita income and affordable consumption



## Rural families by per capita income and affordable consumption



The above diagrams are principle units of the RMIR mechanism of determining the levels of GPI and the appropriate funds to support them. The software allows three variants of planning poverty relief projects:

1. One may set as a target the elimination of the lowest and any number of the subsequent types of consumption. The computer will determine the relevant GPI level, the part of the population eligible for the allowance and the required financing with respect to the expected rate of inflation rate and the average per capita income rise.
2. One may proceed from the available annual, quarterly or monthly budget the computer will determine the GPI and the number of recipients.
3. One may set a desirable level of GPI then the computer will determine the required budget and the number of recipients.

This feature has been built using the results derived from the initial surveys. They can be used from the very start, the error margin being within 3.5 per cent<sup>1</sup>. The source of the error has dual character. Firstly, due to the acceptably erroneous findings of any survey in general. Secondly, due to the tardiness of the poorest people to respond to the requirements of the new type of social assistance. Predictably, those better off come first but get nothing because their per capita income is above the guaranteed level. The latter factor is minimized electronically by the introduction of a “latency index” predetermined empirically in the course of previous projects. In some cases in Russia it takes up to 18 months for the poorest people to take advantage of the system and apply for the GPI allowance. The speed of response definitely differs in various areas, which is an interesting subject to study by itself, but apart from the scholarly side of the problem this factor has a practical significance to take in consideration in the first year of the RMIR introduction. Otherwise the allocated funds will not be drained and the money needed elsewhere will idle on the RMIR account. The second and all the following years, when all the expected applicants actually apply, the problem disappears altogether.

## FINDINGS

### 1. GPI and BUDGET SPENDING

The analysis of the survey data shows that about 61 per cent of the population consider themselves poor of whom 17 per cent consider their living an absolute misery. The existing practice of granting trifling aid to all of them is politically meaningless. Very few will feel relief. The “thermometers” named **Altai Republic families by per capita income and affordable consumption** (in general) shows that available financial resources should be concentrated on the population that can afford virtually nothing (Types 1 and 2). They suffer from hunger. The first aim

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<sup>1</sup> The actual error in Komi Republic, where RMIR was introduced in 1997, was below 1 per cent

should be doing away with famine. If and when the aim is achieved one can think of the next step to take.

Families suffering from hunger on average make above 15 percent of population or 9170 families in other words. The GPI required to create conditions that would drastically diminish the problem varies for urban and rural population. On average GPI should equal 207.7 Rubles, provided that inflation rate does not exceed today's 1 percent. If it grows due to the latest tendencies on the world oil market another estimated figure should be punched into the computer memory and it will recalculate the GPI and the relevant spending. With the existing rate of inflation budget spending on RMIR allowances in the period from September 2001 to September 2002 will total 26,62 million Rubles. The figure looks prohibitively high unless poorest families own economic resources are taken in account. For Type 1 and Type 2 families these resources amount to 18.38 million Rubles. The spending may be reduced from 26,62 million to 8.24 million Rubles by advising people how to use their economic potential. The soft produces detailed reports on economic potential (if any) of each of the registered family naming assets item by item and estimating the income it can generate if used properly in the specific economic environment of the place of residence and the composition of the given family in terms of age, sex and capacity for work. This information can easily be used to provide useful advisory service.

The above paragraph deals with average figures, which are good for macroeconomic purposes but are misleading on the microeconomic level. RMIR has a dual function. The technology was designed to be a microeconomic tool just as well. The 207.7 Rubles GPI would actually mean that rural families of Type 3, which manage to satisfy the need in food by themselves, would become eligible. Whereas about 50 percent of the hungry urban population would be denied the right to receive allowances that they desperately need. Evaluating the survey results the soft by itself generates correction factors that enable to determine GPIs, which level minimum consumption across the RMIR territory. This is demonstrated by the "thermometers" named **Urban families by per capita income and affordable consumption** and **Rural families by per capita income and affordable consumption**. The number of varying GPIs depends on the number of meaningful distinctions detected by the soft. In Altai Republic two GPIs are to be introduced to comply with the RMIR requirements.

The share of families suffering from hunger in urban population makes 12.5 percent. The solution of the problem for them would be raising GPI to 395.9 Rubles. The 12-months budget to support this GPI would total 7.24 million Rubles. Economic potential of these families in terms of stable annual income makes 1.58 million Rubles. It all boils down to 5.66 million Rubles of annual budget spending plus advising families on how to make good use of what they have.

In the countryside more families suffer from hunger. They make 16,1 percent of rural population. GPI amounting to 185.38 Rubles will suffice to solve the problem

of hunger. To maintain this GPI 19.42 million Rubles will be required. Taking into account the rural population economic potential the figure is reduced by 16.64 million Rubles to 2.78 million. This how the average figure of 8.24 million Rubles is arrived. This money will be enough to create preconditions to strike the famine off the order of the day in one of the poorest regions of the Russian Federation.

The diagrams on pages 11 to 13 apart from being principle units of the RMIR “thermometers”, facilitate a profound insight into the patterns of behavior of various social layers and of groupings within those layers which make an intricate composition of natural instincts, traditional ‘soviet’ habits and the adaptation to the new reality – a vivid demonstration of what a society in transition actually is.

Just as an example. State of homelessness is generally speaking unknown to post-Soviet Russians the reason mainly being the habit for the relatives to live together even if this causes the inconvenience of overcrowded domicile be it in the flat of an apartment house or in a private cottage. The lack of means to pay for accommodation is not a burning issue for this reason. Besides, owners, which in majority cases still happen to be the local government or companies, very seldom if ever evict debtors. Central heating, electricity, water supply and all kind of combustibles for heating is another matter. If people cannot pay for them, they loose the opportunity to use these communal services in the growing number of cases. This is an issue worth taking into account in determining the level of well-being.

The ping-pong of households’ priorities comes when they confront the alternative of paying for food, cloths and shoes or for communal services. It is true about the poorest and the comparatively well off alike. The case with the latter is not too complicated. These are people who made good living under Soviet power and built oversized (in a comparative sense) homes or got big (again in a comparative sense) apartments from authorities not caring about heavily under priced rates. They have to pay much more now. They cannot afford but they do not want to move to affordable habitation because they are not ready to it psychologically. In other words it is mostly a problem of rational economic behavior. In the case of real poverty the situation is not as simple. It is mixture of natural instincts and “Soviet habits”. A young mother would rather buy food and cloths to the child, ignoring communal payments in hope to settle the problem somehow some day. An old age person, who got accustomed to discipline, would rather economize on food but pay for communal services. The introduction of guaranteed per capita income would diminish the importance of “natural instincts” and “soviet habits” in the appearing civil society.

## 2. FAMILY ECONOMIC POTENTIAL

One of the major challengers of present day Russia is to make the most of its possessions. Item No.1 on the agenda is not the lack of resources but the lack of skill to use them. The likewise assertion is predictably applicable when it comes to

evaluate family circumstances. This is why it is not the *actual financial* resources but *potential economic* resources are to be measured and converted in monthly income that the owners can but do not have for a variety of reasons, the principle being the lack of economic initiative.

General assessment just as in the case of average figures may be erroneous when applied to each single family. There are chances of running across a family that does the best of its assets. This causes a dilemma. If actual income is taken into account, then “hard working boys” will find themselves punished for their industriousness, because they will need less and they will get a smaller allowance, if at all, than the “lazy boy” who has identical assets but no income. In the specific Russian situation one can't even request that the “lazy boy” dispossess of the unused assets to have cash instead, because in most cases he does not own the immovable property that he can use to make his leaving. This is the legacy of the Soviet past that should be reckoned with.

The escape from the trap lies in studying well-being factors across the RMIR territory and use the knowledge gained to appraise immovable property, cars, trucks, motorboats, cattle, bees, deer so on and so forth, then appraising them in terms of monthly income in cash and load the data in computer memory. One should keep in mind, of course, that social assistance clients are not yuppies or anything of that kind. More often than not they are persons of average if not below average talents. Loaded should be moderate not the best figures defined by the relevant survey. Once this is done there is no need left to ask the applicants, how much they make of their property. They are just requested to indicate what they have; the computer then evaluates their assets automatically. This way of solving the above dilemma does not give the “lazy boy” a chance to profit from his laziness. On the other hand “the hard working boy” is rewarded because he may have bigger income than the one determined by the computer oriented towards slightly below average indices. This procedure has an educative effect too. It becomes obvious that being idle does not pay any longer.

The process of calculation is rather complicated since the computer deals with dozens of variables at each step before making the next. For example, the applicant family consists of an elderly couple, which lives in a three-room apartment. The computer starts analyzing by determining whether or not the asset has any value as an income generator. Meaningful will be information provided by the applicants whether they own the apartment or they have not privatized it. If they have, the computer will then check whether they live alone or there is someone else who does not apply for the allowance but lives with them and without his consent nothing can be done with the flat. If they live alone, the computer will appraise the flat taking into account all market factors that would determine the price. This done, the computer will compare the price with a qualitatively likewise flat having two rooms. Then it will calculate the income the couple would have by moving from the three-room apartment to the two-room apartment. The resulting sum then will

be assessed in terms of monthly per capita income for the next ten years. The sum will be divided by 10, by 12 and by 2 taking into account interest generated by the deposit in the Russian Federation Savings Bank. This step completed, the computer will compare the alternatives with having boarders, or giving their three-room flat away to the state in return for the right to move to the elderly person house, or selling their right of owners retaining the rights of users till their dieing day. Al those alternatives will be also calculated with the relevant “ifs”. Finally, the computer will choose the best variant, which will appear on the print out containing the estimates of the family per capita income, which will include all the other sources not mentioned in this paragraph, and the determination of the eligibility. In the latter case the size of the allowance will also appear on the print out.

Hereinafter follow some of the figures gained in the course of the market factors survey in all administrative districts of Altai Republic.

## URBAN PRICE FACTORS

### 1. Dwelling price (thousand Rubles)

Type	In the center			In the outskirts		
	1 -room	2 -room	3- room	1 -room	2 - room	3-room
Wooden	80	90	100	50	60	70
Brick (cottage)	100	120	130	80	90	100
Slag-concrete	60	70	80	40	50	60
Brick (apartment house)	100	300	400	100	300	400
bearing-wall structure	100	250	350	90	150	200
block structure	90	120	200	80	100	150
Enhanced apartment house	150	250	350	150	250	350

### 2. Garage price (thousand Rubles) and monthly renting rates (thousand Rubles)

	Welded	Concrete /brick
Price	15 - 20	25 – 30
Rates	300	300

### 3. Countryside cottage price (thousand Rubles)

Type	От 3 до 5 км от центра города			Свыше 5 км от центра города		
	1 - комн.	2 - комн.	3- комн.	1 - комн.	2 - комн.	3- комн.
Brick	80	100	200	70	90	150
Log	60	80	150	50	60	100

### 4. Plots of land prices (thousand Rubles per unit of 10x10 meters)

	From 3 to 5 km. from the city	Above 5 km. from the city
Price	5000	2000

5. Average daily income of the car and truck owners who use their vehicles for commercial purposes (Rubles): 5000

### 6. Average monthly rent rates (thousand Rubles).

House type	In the center		In the outskirts	
	One room.	Hole flat	One room.	Hole flat
Wooden	600	800	500	700
Brick (cottage)	700	900	600	800
Slag-concrete	600	800	500	700
Brick (apartment house)	900	1000	800	900
Bearing wall structure	600	800	500	700
Block structure	600	800	500	700
Enhanced apartment house	900	1000	800	900

## Rural price factors

1. District: Shebalinskiy

Plot of land in the vicinity of the district administrative center (Rubles per the unit of 10x10 meters): 900

Average monthly *profit* generated by the unit of a plot of land (Rubles): 13

Average monthly profit (Rubles) generated by:

Species	Profit
Siberian deer	--
Sheep	0,8
Cow	127,5
Pig	37,77
Horse	4,35
Nanny-goat	-
Angora goat	-
Yak	-
Camel	-
Hen	1,5
Goose	-
Turkey	-
Duck	-
Bee-hive	25,39

4. Average monthly income from traditional trades (Rubles)

a) hunting - none

б) bracken picking - none

5. Price of a flat/cottage in the district administrative center (thousand Rubles)

Type	Room number				
	1	2	3	4	>4
Apartment in a standard two-apartment house	10	25	50	70	100
Wooden house	15	30	60	85	170
Brick house	-	-	-	120	-
Cottage	-	-	-	-	-

2. District: Ust-Koksa

Plot of land in the vicinity of the district administrative center (Rubles per the unit of 10x10 meters): 9.5

Average monthly *profit* generated by the unit of a plot of land (Rubles): 0

Average monthly profit (Rubles) generated by:

Species	Profit
Siberian deer	Unprofitable
Sheep	Unprofitable
Cow	5.1
Pig	1.1
Horse	4,35
Nanny-goat	-
Angora goat	-
Yak	-
Hen	0.1
Goose	0.1
Turkey	0.1
Duck	
Bee-hive	2.5

4. Average monthly income from traditional trades (Rubles)

a) hunting - none

б) bracken picking - none

5. Price of a flat/cottage in the district administrative center (thousand Rubles)

Type	Room number				
	1	2	3	4	>4
Apartment in a standard two-apartment house	25	35	45	-	-
Wooden house	20	40	90	120	
Brick house	-	-	-	-	-
Cottage	-	-	-	-	-

### 3. District: Maima

Plot of land in the vicinity of the district administrative center (Rubles per the unit of 10x10 meters): 4000

Average monthly *profit* generated by the unit of a plot of land (Rubles): 100

Average monthly profit (Rubles) generated by:

Species	Profit
Sheep	-
Cow	100
Pig	100
Horse	200
Nanny-goat	50
Angora goat	-
Yak	-
Hen	1
Goose	5
Turkey	2
Duck	2
Bee-hive	100

### 4. Average monthly income from traditional trades (Rubles)

a) hunting - none

б) bracken picking - none

### 5. Price of a flat/cottage in the district administrative center (thousand Rubles)

Type	Room number				
	1	2	3	4	>4
Apartment in a standard two-apartment house	-	150	250	-	-
Wooden house	-	100	200	-	-
Brick house	-	200	300	-	-
Cottage	-	-	350	450	-

#### 4. District: Ulagan

Plot of land in the vicinity of the district administrative center (Rubles per the unit of 10x10 meters): 0

Average monthly *profit* generated by the unit of a plot of land (Rubles): 0

Average monthly profit (Rubles) generated by:

Species	Profit
Sheep	0.8
Cow	127.5
Pig	37.77
Horse	-
Nanny-goat	0.8
Angora goat	0.8
Yak	-
Hen	1.5
Goose	1.5
Turkey	1.5
Duck	1.5
Bee-hive	25.99

4. Average monthly income from traditional trades (Rubles)

a) hunting - none

б) bracken picking - none

5. Price of a flat/cottage in the district administrative center (thousand Rubles)

Type	Room number				
	1	2	3	4	>4
Apartment in a standard two-apartment house	35	45	60	70	75
Wooden house	45	50	60	70	80
Brick house	-	-	-	-	-
Cottage	-	-	-	-	-

5. District: Kosh-Agach

Plot of land in the vicinity of the district administrative center (Rubles per the unit of 10x10 meters): 590

Average monthly *profit* generated by the unit of a plot of land (Rubles): 0

Average monthly profit (Rubles) generated by:

Species	Profit
Sheep	0.8
Cow	127.5
Pig	-
Horse	3.16
Nanny-goat	50
Angora goat	-
Yak	90.28
Hen	-
Goose	-
Turkey	-
Duck	-
Bee-hive	-

4. Average monthly income from traditional trades (Rubles)

a) hunting - none

b) bracken picking - none

5. Price of a flat/cottage in the district administrative center (thousand Rubles)

Type	Room number				
	1	2	3	4	>4
Apartment in a standard two-apartment house	12	15	50	90	-
Wooden house	16	30	60	95	-
Brick house	-	-	-	-	-
Cottage	-	-	-	-	-

6. District: Chemal

Plot of land in the vicinity of the district administrative center (Rubles per the unit of 10x10 meters): 5000

Average monthly *profit* generated by the unit of a plot of land *месячный* (Rubles): 500

Average monthly profit (Rubles) generated by:

Species	Profit
Sheep	30
Cow	400
Pig	-
Horse	20
Nanny-goat	200
Angora goat	50
Yak	-
Hen	25
Goose	-
Turkey	-
Duck	-
Bee-hive	150

4. Average monthly income from traditional trades (Rubles)

a) hunting - none

б) bracken picking - 100

5. Price of a flat/cottage in the district administrative center (thousand Rubles)

Type	Room number				
	1	2	3	4	>4
Apartment in a standard two-apartment house	15	25	100	150	-
Wooden house	25	70	150	200	300
Brick house	-	200	300	-	-
Cottage	-	-	-	-	-

## DRAFT REGULATION

SOTECO proposed a draft regulation to the local authority. The draft does not contradict relevant federal laws. The only problem with the document is that the calculation of the household per capita income is to be regulated by a federal law, which is not in existence. Last year SOTECO was contracted by the Federal Ministry of labor and social development to draft the law and the technology of the actual calculation process, which SOTECO did and the papers are presently under the scrutiny of the Government and the Parliament. The draft has passed two readings in the lower chamber in spring-summer this year. The third and the last reading is pending. The regulation that SOTECO has proposed to Altai Government is within the mainstream of the above law.

### **DRAFT ALTAI REPUBLIC REGULATION**

#### **Under the Federal “Social assistance” and “Subsistence minimum” Acts**

##### 1.INTERPRETATION

In this Regulation:

“allowance” means a monthly allowance provided to families and lonely persons in need with the aim of rising their per capita income to the guaranteed level,

“guaranteed per capita income” means guaranteed by the Government size of the per capita income to each citizen of Altai Republic,

“applicants” mean all members of families and lonely persons applying for the allowance,

“recipients” mean applicants receiving the allowance.

##### 2.APPLICATION FOR ALLOWANCE

2.1 Every application for the allowance under this Regulation shall on a form of the “Declaration of well-being”, supplied by the Ministry of labor and social development of Altai Republic, be made to the district administration units of social development.

2.2 A member of the family applying for the allowance shall be considered as a person to whom the applicants delegate the responsibility to represent them.

2.3 Applicants shall provide documentary evidence of their permanent residence in the districts where they apply for assistance.

2.4 Unemployed applicants shall provide documentary evidence of looking for a job or of undergoing educative or vocational training courses or of being unemployable from respective employment, educational, medical institutions.

2.5 Information requested in the “Declaration of well-being” shall be conveyed orally to the interviewing officer. The officer shall commit the information to paper. The applicant shall read the completed Declaration and undersign each page. The applicants or their representatives shall sign a paper testifying to the effect of bearing full responsibility for false information.

### 3.GUARANTEED PER CAPITA INCOME

3.1 Guaranteed per capita income shall be determined by the President of Altai Republic upon recommendation of the Ministry of labor and social development by balancing available resources, the requirements of the population in need and the difference in the cost of life.

3.2 The amount of the guaranteed per capita income shall be revised every quarter of the year to match developments in the social and economic situation in Altai Republic. The attained amount of the guaranteed per capita income shall not be decreased.

### 4.ELIGIBILITY

4.1 Applicants, whose per capita income is below the guaranteed amount, shall be eligible to the allowance.

4.2 Eligibility shall be determined by the calculation of the applicants’ per capita income with the help of the registered by the Russian Federation Copyright Agency and accepted by the Altai Government software Reg.No 970355. The local unit administrator shall take final decision.

4.3 Eligibility shall be confirmed or denied within 15 days from the date of application.

4.4 Recipients shall be responsible to prove their eligibility every three months from the date of becoming eligible, unless changes affecting the eligibility occur in-between the specified interval, by updating their “Declaration of well-being”. Failure to do so results in losing eligibility

### 5.DETERMINING PER CAPITA INCOME<sup>2</sup>

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<sup>2</sup> The Regulation outlines the principles of determining per capita income. The formulas used in the RMIR software to determine incomes are numerous and complicated for an average citizen or social assistance officer to understand. For this reason the method is not presented in this report. Besides, defining the method is a Federal prerogative. The already mentioned Act will give the guidelines, whereas the federal Ministry of labor and social development will recommend the actual method of calculation. The latter contracted SOTECO to prepare both the draft and the method. Thus, the soft for Altai is the method accepted by the Federal Ministry .

5.1 To determine per capita income applicants shall provide information requested in the “Declaration of well-being” for the period of three months preceding the month when the application is made.

5.2 For the purpose of this regulation, per capita income shall be determined as the total amount of income of each member of the applying family divided by the number of the family members and by the number of months within which the income was received. Lonely person income shall be determined as total amount of income divided by the number of months within which the income was received.

5.3 The total amount of income means the amount of income in cash or in kind received from all sources, on all grounds before taxes as well as the Ruble value of all received benefits and the actual and/or calculable income from assets.

5.4 Calculable income means regular income that immovable property, motorized land and water vehicles, animals, poultry and other creatures can possibly in cash or in kind in the place of residence, taking into account the composition of the applying family by sex, age and the ability of owners to use the assets for their benefit. If there exists an alternative to sell the asset or make good use of it the most remunerative shall be calculated.

## 6. VERIFICATION, DETERMINING AND REVISING ELEGIBILITY

6.1. Social assistance unit administrator shall have the powers to verify the “Declaration of well-being” information before and after confirmation of eligibility by all means not contradicting the laws of the Russian Federation.

6.2. Eligibility shall not be confirmed or shall be discontinued whenever the verification reveals fraudulent misrepresentation of information in the “Declaration of well-being” or changes of applicants’ and/or recipients’ circumstances.

## 7. AMOUNT AND PAYING OF ALLOWANCE

7.1 The amount of the allowance shall equal the difference between the recipients’ and the guaranteed per capita incomes.

7.2 Eligible applicants shall be entitled to the allowance from the date of application. Payment of the allowance shall commence within 30 days from the date of application.

7.3 The allowance shall be paid in cash, or direct arrangements for goods, services and for settlement of obligatory payments.

## 8. APPEALS

8.1 Any applicant for or recipient of the allowance who is dissatisfied with the decisions of the local unit administrator may within 20 days after such decision is

given in writing notify the unit administrator that he wishes to appeal to the Ministry of Labor and social development of Altai Republic.

8.2 The unit administrator shall forthwith transmit such notice of appeal to the Minister of labor and social development along with the documents and records in the possession of the unit pertaining to the matter under appeal.

8.3 The Ministry shall within 30 days take a decision on the appeal and notify of it in writing the appellant and the unit administrator involved.

8.4 Applicants and recipients dissatisfied with the ministerial decision may bring the case to the Court of justice. The Court decision shall be final

## 9. FUNDING

The allowance funding shall be included as an item of expenditure in the annually adopted Altai Republic budget. Funding may also be effected from other sources not forbidden by current legislation through the Republican social assistance fund or through other duly empowered public services.

### **Stage three**

Week 41 was selected by the Republican Ministry of labor and social development as the time for a seminar to instruct those involved in manning the republican minimum income regulation system. Attending were 12 persons. Among them district operators, program administrator and a Deputy Minister (V.P. Endovitskaia)

District operators were instructed on:

- The organizational side of the poor families registration procedure.
- The way of filling the Declaration of well-being
- The technicalities of punching information into computers
- The use of the software:
  - to determine the applying family per capita income including its unused economic potential
  - to determine the size of allowance for each family to bring the family per capita income to the guaranteed level
  - to deliver it to the recipients
  - to get information from the database for statistical purposes
  - to create archives and to transfer data to the Republican Ministry of labour and social development

System administrator was instructed on:

- The way the exogenous parameters should be renewed to match the changes in the economic situation.
- The way to repair minor soft falls.

The Deputy Minister was instructed on the use of the software

- To set the quarterly size of the guaranteed per capita income (GPCI) taking into account the budget limits, the population needs and the rate of inflation
- To plan the budget spending precluding its shortage or surplus
- To plan the GPI gradual growth over a long term period
- To monitor the relation between the budget spending and the change of the poor people purchasing capacity
- To organize a special service to provide consultations to poor families regarding proper use of their assets