

Document of
The World Bank

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Report No: 39971-RU

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$10 MILLION

TO THE

RUSSIAN FEDERATION

FOR A

SECOND STATE STATISTICAL SYSTEM DEVELOPMENT PROJECT
UNDER THE STATCAP (APL) PROGRAM

June 8, 2007

Poverty Reduction and Economic Management Sector Unit
Russian Federation Country Unit
Europe and Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 8, 2007)

Currency Unit	=	Russian Ruble
Russian Ruble 25.92	=	US\$1
US\$1	=	SDR 0.66

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BOP	Balance of Payments
CPS	Country Partnership Strategy
CBR	Central Bank of the Russian Federation
CIS	Computer Information System
CPI	Consumer price index
DFID	Department for International Development (United Kingdom)
DQAF	Data Quality Assessment Framework
EUROSTAT	European Union Statistical Office
FTP	Federal Targeted Program
GFS	Government Finance Statistics
HBS	Household Budget Survey
ICT	Information and Communication Technology
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MIC	Main Interregional (Computer) Center
OLAP	Online Analytical Processing
O&M	Operation and Management
PIU	Project Implementation Unit
PPI	Producer Price Index
RF	Russian Federation
ROSSTAT	Federal Service of State Statistics of the Russian Federation
SNA	System of National Accounts
SDDS	Special Data Dissemination Standards
SMP	Statistical Master Plan
SSS	State Statistical System
STATCAP	Adaptable Lending Program for Statistical Development
STASYS	The WB Development of the State Statistical System Project (Russian Federation)
TA	Technical Assistance
TACIS	Technical Assistance for Commonwealth of Independent States
TSSA	Territorial State Statistics Authority
ZAGS	System of vital registration recording

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RUSSIAN FEDERATION
Second State Statistical System Development Project

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RUSSIAN FEDERATION
 SECOND STATE STATISTICAL SYSTEM
 PROJECT APPRAISAL DOCUMENT
 EUROPE AND CENTRAL ASIA

ECSPE

Date: June 8, 2007	Team Leader: Misha V. Belkindas Co-Team Leader: Olga Shabalina Sectors: Central government administration (100%) Themes: Economic statistics, modeling and forecasting (P);Debt management and fiscal sustainability (S);Analysis of economic growth (S);Other economic management (S);Macroeconomic management (S) Environmental screening category: Not Required		
Country Director: Klaus Rohland Sector Manager/Director: Asad Alam			
Project ID: P092429			
Lending Instrument: Adaptable Program Loan			
Project Financing Data			
<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:			
For Loans/Credits/Others: Total Bank financing (US\$m.): 10.00 Proposed terms: Variable Spread Loan with repayment period of 15 years			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
Borrower	40.00	0.00	40.00
International Bank for Reconstruction and Development	0.00	10.00	10.00
Total:	40.00	10.00	50.00
Borrower:			
Responsible Agency: Federal State Statistical Service Miasnitskaya, 39 Moscow Russian Federation 103450 Tel: (7-095) 207-4902 Fax: (7-095) 207-4087 stat@gks.ru			

Estimated disbursements (Bank FY/US\$m)									
FY	2008	2009	2010	2011	2012				
Annual	0.90	1.70	2.30	3.2	1.90				
Cumulative	0.90	2.60	4.90	8.10	10.00				
Project implementation period: Start: October 1, 2006 End: October 15, 2012									
Expected effectiveness date: September 28, 2007									
Expected closing date: December 15, 2012									
Does the project depart from the CAS in content or other significant respects? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Ref. PAD A.3									
Does the project require any exceptions from Bank policies? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Ref. PAD D.7									
Have these been approved by Bank management? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No									
Is approval for any policy exception sought from the Board? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No									
Does the project include any critical risks rated “substantial” or “high”? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Ref. PAD C.5									
Does the project meet the Regional criteria for readiness for implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Ref. PAD D.7									
<p>Project development objective Ref. PAD B.2, Technical Annex 3 The main objective of the project is to build a sustainable state statistical system, which provides timely, coherent and trustworthy statistical data concerning the economy and social conditions in Russia, that are required by government, business and society to make informed decisions.</p>									
<p>Project description [<i>one-sentence summary of each component</i>] Ref. PAD B.3.a, Technical Annex 4 Modernization of statistics methodology component will ensure the further development of the System of National Accounts harmonized with international standards, including the introduction of internationally compatible classifications; development of the institutional sectors accounts and satellite accounts.</p> <p>Development of modern design and technology for statistical data collection, processing, and dissemination system component will support ROSSTAT’s strategic IT goal of improving data survey development, data gathering, data analysis, and data dissemination processes through the use of information technology.</p> <p>Enhancement of social statistics component will strengthen statistics on poverty and living standards by modernization of the HBS and administrative data collection.</p> <p>Human resource development component will establish a sustainable system of continued professional education for statisticians in different data-providing agencies.</p> <p>Project Management component will support the Project Implementation Unit (PIU).</p>									
<p>Which safeguard policies are triggered, if any? Ref. PAD D.6, Technical Annex 10 There is no safeguard issue triggered by the project.</p>									
<p>Significant, non-standard conditions, if any, for:</p>									

Ref. PAD C.7

Board presentation:

This is a STATCAP project, which is approved by the regional Vice-President. No Board presentation required.

Loan/credit effectiveness:

There is no significant, non-standard condition.

Covenants applicable to project implementation:

There is no significant non-standard conditions.

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

1. The process of transition to a market economy in Russia has demonstrated the necessity for reform of the state statistical system, from one that served the needs of a centrally planned economy to one which meets the needs of a democratic society and a market economy.

2. To address this issue, the Russian Federation has implemented two medium-term Federal Programs to reform the statistical system in the recent past (1992-1996 and 1997-2002) and a third, inter-agency, Program was completed in 2006. The first two programs focused on the adoption of internationally accepted accounting and statistical principles. The completion of these programs has resulted in, among other things, the emergence of a virtually new statistical system that is largely aligned with the socioeconomic situation and conforms to the basic principles of official statistics as set out by the UN Statistical Commission.

3. Implementation of these programs has resulted in the development of the basic elements of the statistical system serving the needs of the market economy and the democratic society: essential SNA elements and the BOP were developed; key international statistical methodologies in the areas of price, labor market, external trade, etc. were adopted in response to the need to capture in the statistics the country's transition to a market economy; considerable improvements were introduced in the system of statistical observations, i.e. introduction of sample surveys in many areas covered previously by complete reporting; the state statistical register is being established and a number of international classifications were adopted.

4. These positive developments were supported by a number of international and bilateral partners, including technical assistance (TA) provided by the IMF, EUROSTAT (TACIS program), DFID, and others. The World Bank provided support under several joint projects, including the first Development of the State Statistical System (STASYS) Project.

5. However, there is still a lot to be accomplished. Recently a Statistical Master Plan (SMP) and the third medium-term Federal Targeted Program (FTP) "Development of the State Statistics in Russia in 2007-2011" have been prepared. The objective of the SMP is to provide a vision and high level development framework covering the next 10 years or so, within which more specific proposals can be formulated and reviewed. The FTP is more concrete, having a five year time horizon during which it aims to continue modernization of the whole statistical system of the Russian Federation. It takes a balanced view, emphasizing accelerated investment in infrastructure, upgrading personnel skills, further adoption of international standards and classifications, and the launch of new surveys and data collection initiatives (see Annex 1).

6. Finally, the statistical system as a whole and the Federal Service of State Statistics of the Russian Federation (ROSSTAT) more directly, has an opportunity to contribute in a significant way to the Russian government's goal of establishing e-government. Greater availability of data and more efficient storage, management and dissemination will maximize the returns to the large investment that ROSSTAT and other data-providing government bodies have already made and now propose to make in ICT hardware, applications, and in developing the infrastructure.

2. Rationale for Bank involvement

7. The rational is seen twofold: on the side of the Bank itself and on the side of the Russian Government.

8. One of the Bank's key objectives is an improvement of public service delivery, and the provision of reliable statistical data for analysis, economic forecasts and policy making is a traditional area of such public service. The Bank's ability to promote international cooperation in the public sector and to coordinate international procurement in general is undoubted; and in the area of statistics in particular provides useful and sometimes unique support to the client's development goals.

9. The Bank possesses unique expertise and resources in developing and guiding comprehensive, integrated, and targeted projects on statistical capacity building. Unlike other donors and investors, the Bank is able to provide support for all aspects of institutional development, such as infrastructure costs and costs associated with reorganization and human resource development. The Bank, which itself is a solid user of economic and social data, has a broad knowledge of the country's development situation, and a specific focus on capacity building. It is particularly well equipped to assist the government with this effort through supporting the Project with emphasis on capacity-building; promotion of the use of statistics in policy design, monitoring, and evaluation; and commitment to poverty reduction in Russia.

10. Furthermore, the Bank has a longstanding global perspective and substantial experience in assisting countries in statistical capacity building activities to develop better national statistical systems, through the administration of both loans and grants (such as the Trust Fund for Statistical Capacity Building, the Institutional Development Fund, and PHRD grants). Through its new lending vehicle, STATCAP, the Bank, is also able to lead a long-term effort in support of the development of statistical systems worldwide, which gives it a distinct comparative advantage in developing and supporting this Project as part of a wider program.

11. It is important to note that participation in the worldwide statistical capacity building program STATCAP will allow the Russian experts to be involved in similar projects in other countries in the areas where achievements of Russian statistics are well known. This helps to increase the prestige and recognition of Russian statistics in the international statistical community.

12. While completing the transition to a qualitatively new and no less productive relationship with Russian government that is based on new modalities of cooperation and in a view of Russia's large fiscal surplus, the Bank's value added now is not in providing financial support but rather in helping Russia gain access to global knowledge and skills through analytical and advisory support and through bringing together different stakeholders and parts of government in forging consensus on key policy issues.

13. The Project is seen as a continuation of the current STASYS Project, which has promoted the reform of the primary statistical procedures and has developed the main elements of the modern IT network. This earlier investment will underpin the effectiveness of the proposed

Project outcomes. The new Project, therefore, will build on what was achieved by STASYS I, on the one hand, and will have a renewed focus on the areas where a limited impact was perceived, on the other.

14. Being well coordinated with the new Federal Targeted Program “Development of the State Statistics in Russia in 2007-2011”, the Project will complement the specific tasks of the FTP that will be dealt by the Government in the areas where utilization the Bank’s Project has comparative advantages vis-à-vis the Government procurement procedures.

15. In order to achieve the FTP’s tasks in the area of statistical methodology, it is crucial to use the best possible solutions in applying latest standards, classifications and most advanced methodology. This requires involvement of the international expertise. Employment of foreign experts in support of implementation of new methods helps to raise the quality of the methodologies developed in Russia and gives higher prominence to the Russian statistics in the international statistical community. Team efforts of foreign and local experts significantly shorten the time of introducing the new standards and methodologies, new data collection schemes, compilation and dissemination procedures what, in the end, reduces the overall cost of implementation.

16. Another area of preferable use of the Bank’s Project mechanism is development and improvement of the professional skills of staff in ROSSTAT and other agencies. The Project allows training either abroad, in the leading statistical agencies all over the world, or in Russia with participation of experienced trainers from those agencies.

17. Utilization of the Bank’s Project financing mechanism for even a small, but critical part of tasks stated in the FTP, allows ensuring of its steady and – at the same time - flexible financing for the entire Project implementation period.

18. As the statistical system develops, the complexity of further improvement grows. This is true for the currently worked up FTP on Statistics. Therefore, without involvement of all foreign and local expertise, and utilization of most flexible financing and implementation arrangements, the FTP’s goals cannot be achieved. This is why the Bank’s Project even small in the amount, is so important for implementation of the large in size national development program in statistics.

3. Higher level objectives to which the Project contributes

19. The Government’s vision for mid-term development for Russia is outlined in the Socio-Economic Program for 2005-2008, with halving the incidence of poverty being a declared priority goal. At the same time the President of the RF Vladimir Putin set out four national development priorities in education, health, affordable housing and rural development.

20. Key goals of the development strategy are to continue to promote economic growth, to achieve ambitious social goals and targets, and to ensure significant improvements in the efficiency of federal government agencies performance.

21. The government's comprehensive reform program was supported by the World Bank in the following three priority areas in FY 2003-2005: improving the business environment and enhancing competition, strengthening public sector management, Mitigating social and environmental risks.

22. Implementation of a broad-based poverty reduction strategy and attaining job-creating, sustainable economic growth in Russia could not be achieved without a steady supply of trustworthy and readily available social and economic statistics. In this regard, the Federal State Statistical Service (ROSSTAT), together with the other data-providing agencies, constituting the state Statistical System, had an important role in providing the information needed for evidence based decision making.

23. The current Country Partnership Strategy (CPS) was developed for 2006-2009 and envisions a partnership with the Russian government for the realization of four primary objectives: (a) sustaining rapid growth, (b) improving public sector management and performance, (c) improving the delivery of social services, and (d) enhancing Russia's global role. The first three pillars correspond closely to the pillars of the previous CAS, and channel support directly toward the development challenges and policies elaborated in the government's Medium-Term Economic Program, with a particular focus on the regions. The fourth pillar forms the basis for a new area of assistance, and concerns Russia's integration in the world economy and donor community.

24. The main objective of the Project will be to support the implementation of the Socio-Economic Program and achievement of the current four national priorities (in health, education, housing, and agriculture) by generating the statistical data needed to support, monitor and evaluate the administrative reform, to promote performance management and performance based budgeting, to adopt international accounting standards, and to facilitate the municipal reform and other programs in an efficient and effective way.

25. The Government is putting increasing emphasis on the importance of transparency, and has recently subscribed to the IMF Special Data Dissemination Standard (SDDS). In addition, following up on the Federal Electronic Russia (2002-2010) target program, the Russian Ministry of Information and Communications, joined by ROSSTAT, has developed a Conceptual Framework for technologies to be developed to provide ready access to government statistics for the federal bodies of executive government as an element of infrastructure facilitating interdepartmental collaboration.

B. PROJECT DESCRIPTION

1. Lending instrument

26. This Project will be a Specific Investment Loan, under the umbrella of the STATCAP Adaptable Program Lending to improve statistical capacity through a sector-wide approach, using a Statistical Master Plan as the basis for investments. To enter the STATCAP lending program borrowers need to fulfill the following eligibility criteria: (i) preparation of a national statistical development strategy and statistical master plan; (ii) strong national commitment and leadership; (iii) willingness to comply with good statistical practice; (iv) participation in global

development and monitoring activities; and (v) use of sustainable financial and institutional arrangements.

27. The key element of STATCAP is a devotion to the implementation of a national statistical development strategy and approbation of the SMP. Russia has adopted a FTP for 2007-2011 and developed a SMP, and thus has met the eligibility criterion for STATCAP.

28. The Russian Government has demonstrated national commitment and leadership for the continuation of reforms in the national statistical system by developing and adopting its FTP. The FTP has a proposed budget of some \$200m. The Project makes up \$50m in total of which \$10m are to be supported by the World Bank loan. It is also envisaged to finance the activities which directly support and contribute to the implementation of the activities under Component B of the Project out of the FTP in the amount that equals \$ 50 m.

29. Willingness to comply with good statistical practice is evidenced by Russia's subscription to the IMF Special Data Dissemination Standard in January, 2005.

2. Program objective and Phases

N/A

3. Project development objective and key indicators

30. The objective of the Project is to assist the government of Russian Federation to produce reliable, timely, and accurate economic, financial, socio-demographic and other data for policy formulation and decision-making in line with international good practice and frameworks. This will be done through strengthening the capacity of the National Statistical System. The project supports the implementation of the national development strategy to promote economic growth, to achieve ambitious social goals and targets, and to ensure significant improvements in the efficiency of federal government agency performance. The improved availability of comprehensive sets of macroeconomic, social, poverty-related and labor market indicators, with regional breakdowns, will contribute to the monitoring of policy implementation.

31. The Project will support the implementation of the third FTP "Development of the State Statistics in Russia in 2007-2011", aimed at further modernization and enhancement of the state statistical system (SSS). The modernized SSS will help to improve economic policy making and private investment decisions by providing pertinent, reliable, and timely data, thereby contributing to the growth of the Russian economy.

32. Although it will account for only some 25% of the FTP budget, the Project will address many areas connected with the FTP, in general terms including:

- Upgrading the quality and flow of official statistical and administrative data by introduction the methodologies and definitions that can bring Russia's performance in the field of statistics up to international standards;
- Integration of statistical resources by making them compatible methodologically and technologically;

- Making statistics accessible and achieve transparency of methodologies used;
- Development of statistical data gathering, processing, storage, and distribution capabilities using modern ICT, including the Internet;
- The establishment of necessary sustainable facilities for continuous professional training and skill development of statisticians.

33. It should be noted that whilst the issue of organizational structure is considered in the SMP it is not addressed in the Project or, in fact, in the FTP. There are two basic reasons for this. First, the current administrative reforms are forcing change and will take time to work through. It would be imprudent to attempt additional changes at the same time. Second, organizational structure is not just a technical matter it is also a political issue. ROSSTAT is “evolving” in line with other ministries and agencies

34. A key indicator of performance will be the availability of data conforming to international standards. In addition, new policy relevant indicators will be available to the Government of Russia. Quantifiable indicators of Project outcomes will include:

- An increase in the level of conformity of the main macro-aggregates (such as SNA, BOP, GFS) and price indices as assessed by the IMF DQAF
- An increase of the number of the MDG indicators collected and processed by the SSS;
- An increase in the share of data which conform to the international standards in statistical questionnaires provided to international organizations;
- An increase in the number of agencies offering online access to their statistical resources through public networks;
- Growth in the number of visits to the ROSSTAT and other data-providing agencies websites;
- An increase in trained and re-trained staff, particularly at the regional level, etc (see Annex 3).

35. Feedback mechanisms will be established to monitor implementation progress, including regular surveys of different categories of data users to assess user satisfaction, which should stay in place after Project completion as part of the performance assessment mechanisms of the SSS.

4. Project components

36. The Project components are designed to support the implementation of the SMP and FTP, and will be implemented in a consistent and well-sequenced manner. The major components of the Project are planned as:

37. Component A: *Modernization of economic statistics methodology (US\$709,400)*

The component will ensure the further development of the System of National Accounts harmonized with international standards, including the introduction of internationally compatible classifications; development of the institutional sectors accounts; construction of assets and liabilities balance sheets for non-financial assets, improvement of capital account, improvement of constant price estimates by enhancing the Consumer Price Index (CPI), the Producer Price

Index (PPI), and other price indices and use of double-deflation methods; development of the methodological basis for the compilation of the basic Input-Output Tables built on the newly introduced classifications and the results of the Agricultural Censuses (2006).

38. Component B: *Development of modern design and technology for statistical data collection, processing, and dissemination system (US\$6,774,400)*

This component will support ROSSTAT's strategic IT goal of improving data survey development, data gathering, data analysis, and data dissemination processes through the use of information technology ROSSTAT will implement the new information and communication technologies (ICT) infrastructure, developed during the STASYS Project and successfully tested in 15 pilot regions of Russia. Bank support will be for particular technical assistance where international best practices are required for institutional development in establishing and maintaining IT investments, and for limited hardware and software investments to enable integration of statistical resources based on the formation of distributed data warehouses, use of unified standards of data and metadata storage, and access for users to data through web-channels by using Online Analytical Processing (OLAP) technologies. ROSSTAT will finance all of the cost of the equipment roll-out of the national system, and construction and civil works for computing centers, which is both an ongoing and pre-existing investment.

39. To support the budget reform and to switch to the results oriented budgeting (performance based budgeting), work is planned within this Project to improve the information base for the performance monitoring of the budget institutions in the social sphere, financial sphere, and the real sector. In addition, monitoring and efficiency evaluation of this Project's results will be done, and in the first place, the regular monitoring of the users' satisfaction. A separate sub-component will deal with the optimization of the centralized (ROSSTAT) and decentralized (administrative data collected by other agencies) data collection and data sharing and with improvement of the specific areas of the social and economic statistics. It is envisaged to finance out of the Project funds consulting services on preparation of proposals on the IT-strategy for ROSSTAT, system integration, preparation of terms of reference and technical specifications and requirements.

40. Component C: *Enhancement of social statistics (US\$425,400)*

This component will strengthen statistics on population incomes, poverty and living standards by modernization of household sample surveys and administrative data collection. In particular it will focus on improvement of statistics of income and income distribution by main social and economic groups on the basis of linked continued and one-time household surveys and administrative data on various aspects of income generation and use; on poverty monitoring using the modernized household budget survey design and more extensive use of data on social assistance which are available in various government agencies dealing with social issues. It is envisaged: to improve the cooperation and coordination of regional statistical offices with the agencies responsible for vital registration (ZAGS), to upgrade the systems of vital registration recording and migration registration for the purposes of the demographic statistics between the population censuses; to improve the methods for the analysis of labor supply in the economy; salaries and wages levels; to further develop the labor force survey and employers survey.

41. Component D: ***Human resource development (US\$1,305,400)***

The component will establish a modern and sustainable system of continued professional education for statisticians in different data-providing agencies by defining the needed skill-mix in modern statistical work; developing appropriate new job descriptions; designing training and re-training programs, including distance learning for the staff at the regional offices and different categories of statistical data users.

42. Component E: ***Project Management (US\$785,400)***

The component will support the Project Implementation Unit (PIU) – Bureau of Economic Analysis Foundation (BEA).

Technical Annex 4 contains detailed descriptions of each component.

5. Lessons learned and reflected in the Project design

43. The main Project outcomes of the STASYS Project are: improved statistical standards and methodologies especially in the areas of economic statistics; adaptation of data collection instruments to suit market based economy; trained staff; and computerization of the statistical system. On the other hand, the vital registration and other administrative data systems had a limited improvement impact. The STASYS-II Project will build on these results already achieved and will have a renewed focus on the areas where a limited impact was perceived. Jointly with the Federal Targeted Program “Development of the State Statistics in Russia in 2007 – 2011”, the Project will be targeted at further harmonization of the statistical practices in Russia with the international statistical standards and classifications.

44. Two important lessons were learned in the first Project with respect to IT matters: (i) coordinating equipment delivery, software testing and installation, and civil works for computing centers is complex, and requires closer supervision and monitoring; and (ii) software contracts require more realistic contractual periods (the largest related contract under the first Project was extended twice, initially for a year and then for 6 months, with no-costs increase).

45. ROSSTAT fully supports development of a monitoring and evaluation framework to evaluate achievement of the ICT investments, which will be realized through technical assistance to develop a suite of indicators standard in the statistical community.

6. Alternatives considered and reasons for rejection

46. Alternatives considered during Project preparation are:

- Providing support to ROSSTAT only instead of the whole statistical system. This approach was rejected because improvements are needed throughout the system, including line ministries and other producers and users of statistics. Some improvements in ROSSTAT are conditional on improvements in other parts of the system.

- The initial idea was to set the duration of the Project as three years, based on the experience gained by the implementing agency during the STASYS. This was rejected because (i) the large ICT component will involve a longer than three year time for installation and staff training; (ii) involvement in the Project of multiple data-providing agencies, often with different levels of statistical literacy, will need extended coordination efforts.

C. IMPLEMENTATION

1. Partnership arrangements

N/A

2. Institutional and implementation arrangements

47. STATCAP Projects as a rule are multi-agency because they cover improvements in many agencies' data producers and also some of the major users. These projects are heavy on capital investment because they finance large scale computerization of the statistical system. The lead agency for this Project is the statistical agency of the country, in the case of the Russian Federation – ROSSTAT. Management of such type of projects is best done by a Project Implementation Unit (PIU) that is independent of the ROSSTAT but that reports progress to the Head of ROSSTAT and through him to the Coordinating Committee of the Project. The STASYS Project was implemented that way and it proved to be successful. It is suggested a new Project be established along similar lines. BEA will be responsible for the Project and has already established a successful track record in its implementation of certain World Bank Projects. However, an action has been agreed with BEA to strengthen its financial management capacity, namely to revise Financial manual for the inclusion of new activities of this Project.

48. Consideration was given to the idea that ROSSTAT itself might provide the PIU capacity. The benefit would be that it would improve the ROSSTAT coordination function through experience gained. On reflection, it was decided that ROSSTAT will get coordination experience in being the technical leader of the Project and that the only experience that it will be missing is that of Project management, which is not a core function. This loss is not sufficient to outweigh the benefits to the Project of having an experienced company in charge of Project management.

3. Monitoring and evaluation of outcomes/results

49. To track progress towards the desired outcomes, the BEA will regularly monitor a set of intermediate results indicators in accordance with the results framework specified in Annex 3. The benchmarks for these indicators took into account to the extent possible the results from a user survey held at the end of STASYS Project implementation. The BEA will monitor implementation of the Project through quarterly financial management reports and annual technical audits and other reports on an annual basis. A joint midterm review will be carried out by the government and the World Bank about two and a half years after the Project becomes effective. This will provide an in-depth assessment of progress towards desired Project

outcomes and will recommend measures to reorient the Project, if needed, to ensure that it will achieve its objectives.

50. A set of DQAF indicators developed by the IMF is used to develop a monitoring baseline and for regular Project monitoring. These indicators are supplemented by information from the survey mentioned above and other sources, including IMF Reports on the Observance of Standards and Codes, IMF multi-sector statistical mission reports, surveys of users of statistical products, an independent assessment of statistical products against the master plan, audits of management, staff, facilities, human resource training and records and SDDS metadata. The evaluation will be carried out by an independent agency selected by the implementing agency.

51. An Interagency Coordination Committee (ICC) such as existed for STASYS will be put in place to ensure checks and balances on implementation decisions. The work of the ICC is going to be organized using the principle of consensus.

4. Sustainability

52. The recipient has shown a strong commitment to strengthening the capacity of national statistical system and has demonstrated its readiness to work on the Project by preparing the FTP that was endorsed and accepted by the Government in August 2006, and the SMP that was positively considered in early October 2006. The Government investment in the FTP as a whole is almost \$200m, which demonstrates its commitment and ownership of the Project. Furthermore, as previously noted, the Government subscribed to the IMF's Special Data Dissemination Standard in early 2005, indicating a sustained commitment to improving the State Statistical System.

53. Sustainability of IT investments depends on adequate operation and maintenance (O&M) of hardware, systems and software, and availability of funds to expand beyond the pilot Project. It should initially be noted that, at whatever its level of funding in the past decade, ROSSTAT has skillfully and efficiently maintained its technical infrastructure, as evidenced by the fact that equipment has lasted to the end of its depreciation cycle and far beyond. Sustainability of the IT investments has been promoted by further keeping down projected operation and maintenance costs through long-term warranty contracts and ensuring funding to roll-out the system nationwide. Detailed design and procurement specifications took into account future O&M costs (5 years for servers and 3 years for workstations, with most equipment still under warranty, but software will require renewal of licenses). As for public funding of the national roll-out, in the follow-on STASYS-2 Project, the Ministry of Finance has decided that the Government would finance the equipment related to the roll-out of the CIS and that Bank involvement was not required in this case.

54. Sustainability of the infrastructure, systems and procedures put in place by this Project will largely depend on the Government's future budgetary support to the statistical system. In approving the FTP and SMP the Government is indicating its intention to allocate the necessary budget to support the national statistical system beyond the lifetime of this Project. In particular, about \$ 50 m is allocated from the FTP to directly contribute to the activities envisaged under

Component B of the Project. Sustainability is all the more likely as the Project will contribute significantly to the Russian government's goal of establishing e-government.

5. Critical risks and possible controversial aspects

55. The 2005 BEEPS seems to confirm that corruption is a major issue for doing business in the country. According to the 2005 BEEPS, corruption appears to have taken an upward turn after a period of decline during 1999-2002, and is increasingly cited by businesses as a major problem. If the number of businesses in the World Bank-EBRD BEEPS survey citing corruption as an obstacle to their business declined notably between 1999 to 2002 (from 51 percent to 29 percent), this number increased again to 39 percent in 2005. However, adequate mitigation measures are foreseen for the Project, and Bank staff will closely monitor performance during implementation. The mitigating actions can be summarized as follows: (a) the size of procurement thresholds and the frequency of the Bank's prior review will be determined in a way that allows an appropriate level of control after assessment of the procurement capacities and the risks of corruption and fraud in the country; (b) enhanced disclosure and transparency of Project-related information; (c) appropriate complaints handling mechanism, with all complaints from bidders, observers or other parties being promptly forwarded to the borrower for consideration and follow-up action; (d) enhanced internal controls as there will be limited cash payments from Project funds: there are no grants or civil works, and goods and consultancy services have to be first accepted by the beneficiaries before any payment is made; (e) some reliance on the regular audits of the Project by the Accounting Chamber of the RF (the supreme audit institution) and internal audit units of the MOF; and (f) intensive Bank supervision, including annual visits by supervision missions to selected beneficiary entities.

56. The overall risk rating for the Project has been determined to be **Moderate**. The key Project risks and their mitigation measures are provided in the following risk matrix:

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
To Project development objective		
Commitment of the Government to support statistical work	Training of officials and other data users in the use of statistics; improving data quality to promote value of statistics in monitoring and evaluating programs and projects.	M
Capacity of ROSSTAT to sustain the development of the statistical system	Revising the legal framework in order to enhance ROSSTAT central role	M
To component results		
Absorption capacity of ROSSTAT and other statistical offices in line ministries is	A detailed assessment of staff participation in each component implementation is being performed with necessary adjustments to the	M

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
insufficient to implement the Project	implementation schedule/components' activities; creation of a project management unit.	
Dependencies on roll-out of the CIS to 88 regions	Systems to be deployed have been established on a pilot basis. ROSSTAT also decided it could implement the extension of the pilots itself.	M
Key, recruited or newly trained staff are not retained in the statistical system	Improvement in the incentive structure and a remuneration scheme that better reflects staff performance and qualification.	M
Activities and responsibilities of different statistical agencies are not coordinated	Improved institutional framework that will ensure increased coordination and communication between statistical agencies.	M
Lack of funding to replace hardware/software.	Steady capital budget for ROSSTAT	M
Creating a monopoly for future procurement of software.	Increased number of vendors in Russia	H
Capability of ROSSTAT to manage the IT investment	Maintaining appropriate staffing levels	M
Security and privacy	Security plan and its implementation	M
Information system security assessment findings require availability and competency of other resources	ROSSTAT has begun to develop information system security activities to assure the protection of the evolving ICT infrastructure.	M
<i>Overall risk rating</i>		M

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

6. Loan conditions and covenants

57. Conditions for Negotiations

- Discussions regarding the Procurement Plan have taken place between the Bank and the BEA.
- Discussions on the finalization of the agreed monitoring indicators have taken place between the Bank and ROSSTAT
- Terms of References for Project activities have been developed

Conditions for Board

- Terms of References for the first year of Project activities have been developed.

Conditions for Effectiveness

- The Project Implementation Agreement has been executed on behalf of the Borrower, represented by the MOF and ROSSTAT, and the PIU.
- The IACC with a composition, resources and terms of reference satisfactory to the Bank has been established by the Borrower.
- The Project Operational Manual satisfactory to the Bank has been adopted by the Borrower.

Other covenants

- BEA will maintain a financial management system acceptable to the Bank. The Project financial statements, (including SOEs and Special Account) will be audited by independent auditors acceptable to the Bank and on Terms of Reference acceptable to the Bank. The annual audited statements and audit report will be provided to the Bank within six months of the end of each fiscal year.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

58. **Economic.** The Project is not amenable to a cost-benefit analysis as national statistical offices have hardly any significant cost recovery. The economic benefits from the Project will derive from three main sources. First, improvements in the effectiveness and efficiency of statistical operations and agencies will result in broader coverage of and higher-quality data for the same level of expenditure. Second, better data will enhance the potential for evidence-based decision making, at policy, program and Project levels. Third, the Project will help address the significant costs of missing or inaccurate data.

59. **Financial.** National statistics are a public good and generally financed from tax revenue. There is only very limited potential for cost recovery, mainly through data dissemination. Therefore, only marginal financial returns are expected from this Project. However, there can be a fiscal impact contributing to a better budgeting process and a potential increase in revenues due

to better information and coverage, as well as a possible increase in recurrent costs to cover enhanced operations of the national statistical system.

2. Technical

60. The technical design of the Project is based on a detailed analysis of the strengths and weaknesses of the national statistical system. The proposed developments in management of statistical agencies, statistical infrastructure, and statistical operations and the choice of technology are appropriate to the borrower's needs and capabilities, as well as international good practice and standards.

3. Fiduciary

61. The implementing agencies will be responsible for ensuring that acceptable financial management and reporting procedures are in place for the purposes of the Project and that these are in place by the date of effectiveness of the relevant legal documents.

62. The financial management systems in the implementing agencies will support management in their deployment of resources with the purpose of ensuring economy, efficiency and effectiveness in the delivery of outputs required to achieve desired outcomes. The systems will be capable of producing timely, understandable, relevant and reliable financial information that enables management to plan, implement, monitor and appraise the Project's overall progress towards the achievement of its objectives.

63. The financial management functions of the Project will be handled by the Bureau of Economic Analysis Foundation (BEA), and the BEA will be responsible for the flow of funds, accounting, reporting, and auditing.

64. The financial management arrangements of the BEA have been reviewed periodically as part of previous Project supervisions and have been found satisfactory. An assessment of the financial management arrangements for the Project was undertaken in January 2007 and the assessment will be updated before Board. The financial management arrangements of the Project are acceptable to the Bank.

65. The overall FM risk for the Project is moderate. The 2005 BEEPS seems to confirm that corruption is a major issue for doing business in the country. According to the 2005 BEEPS, corruption appears to have taken an upward turn after a period of decline during 1999-2002, and is increasingly cited by businesses as a major problem. If the number of businesses in the World Bank-EBRD BEEPS survey citing corruption as an obstacle to their business declined notably between 1999 to 2002 (from 51 percent to 29 percent), this number increased again to 39 percent in 2005. However, adequate mitigation measures are foreseen for the Project, and Bank staff will closely monitor performance during implementation. The mitigating actions can be summarized as follows: (a) the size of procurement thresholds and the frequency of the Bank's prior review will be determined in a way that allows an appropriate level of control after assessment of the procurement capacities and the risks of corruption and fraud in the country; (b) enhanced disclosure and transparency of Project-related information; (c) appropriate complaints handling

mechanism, with all complaints from bidders, observers or other parties being promptly forwarded to the borrower for consideration and follow-up action; (d) enhanced internal controls as there will be limited cash payments from Project funds: there are no grants or civil works, and goods and consultancy services have to be first accepted by the beneficiaries before any payment is made; (e) some reliance on the regular audits of the Project by the Accounting Chamber of the RF (the supreme audit institution) and internal audit units of the MOF; and (f) intensive Bank supervision, including annual visits by supervision missions to selected beneficiary entities.

66. The last Country Financial Accountability Assessment (CFAA) in the Russian Federation was conducted in 2001. Overall, the CFAA concluded that gradual progress in public financial management had been made since the start of the transition. Pending the graduation of the Government's financial management and procurement capacity and infrastructure to a level of performance that would allow the World Bank to rely on those systems, the CFAA recommended that fiduciary functions (disbursement, procurement, accounting and reporting) continue to be outsourced to specialized agencies. Such agencies (PIUs) present the advantage of using skilled consultants and reliable, suitable, and stand-alone computerized information systems. Given that ROSSTAT has limited capacity to implement the Bank-financed projects, the Russian side has decided to outsource the fiduciary functions (disbursement, procurement, accounting and reporting) to an external agency (BEA).

67. Based on the Bank's current audit policy, the CFAA recommends maintaining current arrangements for the annual audit of Bank-assisted projects, which involve audit by private sector audit firms competitively appointed among those pre-selected by the Bank, in consultation with the MOF.

4. Social

68. The Project includes activities to strengthen social statistics and enhance household and labor force surveys, to help the Government design and conduct a better-focused social policy, including that on poverty reduction, and access to needed social services. Although the Project does not have specifically targeted social development goals, one important element of the Project will be improved social statistics in Russia, which will help to better monitor Russia's progress towards meeting the Millennium Development Goals.

69. There are no significant negative social consequences expected from the Project design. Gradual reduction of staff levels in the ROSSTAT is possible, mostly through natural attrition, but this negative tendency is hoped to be reversed by creating a better working climate, by providing training and re-training, by making the jobs more creative and thus attractive to young professionals.

70. The Project is expected to benefit the following groups:

- public sector entities – will gain tools for better macroeconomic management and social and economic policy making through speedier and easier access to reliable macroeconomic indicators, including new ones;
- private sector, business community, foreign investors – will acquire a dependable source of higher-quality and timely data as inputs to sound business decisions;

- civil society groups, academia, mass-media – will obtain from an open, modern SSS easily accessible data on the work and performance of the government, data transparent enough to permit them to evaluate official activities and their impact on society;
- international organizations, foreign governments and investors will benefit from Russia's adoption of standard international statistical methodologies and improved comparability of data.

5. Environment

71. The Project is classified as category C. The location of the Project will be largely in Moscow and in regional capitals. No civil works are being planned. The focus of the Project on modernization of the state statistical system will have no environment impact. However, the Project will improve environmental statistics that in turn will contribute to the implementation of the Government environment policy.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP 4.01)</u>	[]	[X]
<u>Natural Habitats (OP/BP 4.04)</u>	[]	[X]
<u>Pest Management (OP 4.09)</u>	[]	[X]
<u>Cultural Property (OPN 11.03, being revised as OP 4.11)</u>	[]	[X]
<u>Involuntary Resettlement (OP/BP 4.12)</u>	[]	[X]
<u>Indigenous Peoples (OP/BP 4.10)</u>	[]	[X]
<u>Forests (OP/BP 4.36)</u>	[]	[X]
<u>Safety of Dams (OP/BP 4.37)</u>	[]	[X]
<u>Projects in Disputed Areas (OP/BP 7.60)*</u>	[]	[X]
<u>Projects on International Waterways (OP/BP 7.50)</u>	[]	[X]

7. Policy Exceptions and Readiness

72. There is no policy exceptions required for this Project.

* By supporting the proposed Project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Annex 1: Country and Sector or Program Background

RUSSIAN FEDERATION: Second State Statistical System Development Project

. *Main features of the state statistical system*

1. Statistical functions in Russia are divided between the Federal Service of State Statistics of the Russian Federation (ROSSTAT) and other line ministries and agencies (more than 50 of them) of the Federal Government with ROSSTAT playing the leadership role. The various Ministries and agencies both at the federal government level and local levels collect statistical data to service their own needs, as well as provide data to ROSSTAT.
2. There is total of more than 600 statistical questionnaires (forms) used in state statistical reporting, with 260 of them being collected by ROSSTAT and about 360 – by other government bodies. The sole responsibility of ROSSTAT is data collection on price statistics, enterprise finance statistics, and structural enterprise surveys. In all other areas, particularly in social statistics, statistics of services, transport and communication, and environment statistics, the data are provided mainly by other government agencies.
3. ROSSTAT, as the designated national statistical office, reports to the Government. ROSSTAT has oversight and authority over regional statistical offices in the 88 regions of the country. Besides, within the ROSSTAT sphere, there are several independent agencies set up as specialized and independent organizations to help ROSSTAT discharge its functions.
4. ROSSTAT has total responsibility for the collection of primary and secondary data through its regional offices. Primary data collection is undertaken by field staff working through its statistical offices at rayon or regional level, and the processed data is transferred to the Central Office by various ICT arrangements. The Regional statistical offices not only collect and provide statistical data to ROSSTAT at national level, but also provide statistical information to the regional governments.
5. The main areas of responsibility of ROSSTAT is compilation of the National Accounts, CPI and PPI, Enterprise statistics, Incomes and living standards of the population, Employment and unemployment statistics, statistics of Agriculture and, of course, maintaining the Statistical Register.
6. ROSSTAT also has under its direct responsibility a department, which determines IT strategy. The department interfaces with the Main Interregional Center, which deals with testing and rollout of hardware and software procedures and with subsequent processing of the data. It also interfaces with The Research Design and Technical Institute (NIPI Statinform, which chooses and develops software programs), and the user departments within ROSSTAT. The Research Institute for Socio-Economic Research provides support in methodological development. In summary, it clear from the way the various activities are divided that the broad plan has been to introduce a degree of specialization of activities. These particular arrangements are in part historical and in part a response to the staff ceilings on the numbers of public servants imposed by budgetary and administrative rules.

7. ROSSTAT also collects data from Federal Ministries and agencies. ROSSTAT's main functions are mandated by a Government regulation issued in July 2004 establishing the Federal Statistical Service¹. The Regulation states that the Federal Service is an authorized federal executive agency that carries out functions related to approval of regulatory and legal acts in the area of state statistical activity. These functions are related to preparation of official statistical information on the social, economic, demographic and environmental situation in the country as well as to oversight of other state statistical activity. The key functions can be summarized as follows:

- To work out plans for statistical surveys, making arrangements for and inspecting statistical work and economic accounting work at federal and regional levels;
- To organize the implementation of federal and regional statistical surveys, to collect, process and provide statistical data of the whole country or of a particular region;
- To conduct statistical analysis on economic and social development and to exercise statistical supervision;
- To administer and coordinate statistical survey questionnaires designed by various departments.

8. Although the government institutions produce statistics independently, ROSSTAT is responsible for ensuring methodological consistency and avoidance of duplication. Also, within the framework of sectoral cooperation and functional regulation in the field of state statistics, ROSSTAT has been working to approve revised non-centralized (sectoral) forms of federal state statistical monitoring as submitted by federal executive bodies. In the absence of the firm legislative basis, the coordination of the statistical process within the whole SSS by ROSSTAT is considerably hampered, particularly when it deals with the data providers of a much higher status, such as Federal Tax Service, Ministry of Finance, Ministry of Transportation, etc.

9. The cooperation between the agencies is implemented mostly on the bilateral basis and often depends on the goodwill of the partner agency, as well as on its human and ICT resources, not to mention the level of priority given to statistics in these agencies.

10. There is also a problem of coordinating the statistical activities to provide data to the regional authorities: in some cases the regional offices of data-providing federal agencies other than ROSSTAT provide data to the federal agencies but fail to meet data needs at the regional level.

11. The major drawbacks of the present organizational arrangements are:

- uneven degree of capacities (including human, financial, logistics, management, computing) in different data-providing agencies to supply quality data according to international standards;

¹ There is no Law on Statistics as yet. ROSSTAT has drafted (with support from the international statistical community) a *Federal Law on Official Statistical Services and the Government Statistics System of the Russian Federation*. This law has been submitted to the Government in September, 2005, and included in the plan of legislative activities for 2006.

- insufficient coordination of information and statistical resources in the government institutions which form the state statistical system which lessens its efficiency;
- absence of regulations on rights and responsibilities of the federal executive bodies in the area of developing of statistical resources, on the one hand, and using them, on the other;
- deficient compatibility of their information systems which hampers the inter-agency data exchange.

12. To promote coordination of statistical activities it is suggested to introduce shared databases accessible through a common portal; widely apply common data and metadata management standards.

Progress to date

13. Transition to a market economy called for the adequate reform of the statistical system. The Government of Russia and ROSSTAT has implemented a number of medium-term programs to promote modernization of the statistical processes, introduction of international standards, and use of modern ICT in data collection, processing, and dissemination. The first (1992-1996) Program's goal was adoption of the internationally accepted accounting and statistics principles as required by the needs of market-type economic development (approved by the Supreme Council of the Russian Federation in its Resolution 3708-1 on October 23, 1992); the second Program, "Reform of the Statistics Service in 1997-2002," was approved by the Government of the Russian Federation in its Resolution No. 1410 on November 23, 1996; the inter-agency "Program of development of the State Statistical System up to the year 2005", which in many aspects coincides with the STASYS Project of the WB, was adopted by the (then) Goskomstat resolution of November 28, 2001 N162. The latter Program was coordinated with the MEDT, Ministry of Industry and Science, (then) Ministry of Labor, and (then) the Customs Committee.

14. Implementation of programs of development of the SSS, supported by the technical and financial assistance of international organizations and bilateral donors, resulted in development of the basic elements of the statistical system serving the needs of the market economy and the democratic society:

- essential SNA elements and the BOP were developed;
- key international statistical methodologies in the areas of enterprises, price, labor market, external trade, etc. were adopted in response to the need to capture in the statistics the country's transition to a market economy;
- considerable improvements were introduced in the system of statistical observations, i.e. introduction of sample surveys in many areas covered previously by complete reporting;
- the state statistical register is being established and a number of international classifications were adopted.

15. The efficiency of statistical data services has been improved significantly in order to provide federal bodies of executive government with statistical data and analytical materials, accompanied by graphics and maps at short notice. Broader access to official statistics is now provided to users as equal opportunities of accessing statistical data, which is the underlying principle of statistical data dissemination, are offered to various categories of users.

16. However, there is still a lot to be accomplished. First of all, the SNA, which provides the international standard for producing comprehensive economic accounts for a national economy and organizational framework for all economic statistics, requires considerable enhancement in order to improve of accuracy of the macro-aggregates compilation. Thus, there is a need today for systematization of microeconomic data used in SNA based on information technologies and for structuring SNA output data. It can be accomplished by creating an integrated database for use in gathering national accounting data by using identical microeconomic data coordination techniques. A broad spectrum of economic data is used to develop a system of national accounts. It includes regular statistical survey data, tax and customs statistics, government finance statistics, monetary and enterprise finance statistics, and the balance of payments. The large body of information involved is in need of organization and coordination in terms of classifications used, economic content of similar data, the range of subjects surveyed, and so on. Integrated databases are to serve as data storages with broad analytical functions. Compiling and maintaining such databases requires the use of modern software products and data processing technologies. Data storages with analytical functions provide a basis for all national accounts in international practice.

17. The government measures to reform social services and fight poverty forces up demand for social statistics. Statistical data and indicators have to be tailored to show progress of efforts to raise living standards, reduce social inequality, and put basic social benefits within reach of the lowest-income groups of the population. Existing problems are having an adverse effect on the quality of information on which monitoring of individual aspects of living standards depend.

18. Progress is hampered, in particular, by the need to improve techniques used to evaluate income distributions and to measure socioeconomic differentiation across major population groups, by region and income components. An optimal scheme has to be developed to unify information resources as well as a system of indicators to assess economic inequality, which should be based on a renovated household sample survey and administrative data on personal incomes. The system will improve the quality of survey results that could be used for household sector policy design. Improving calculation techniques to obtain data for personal incomes and expenses, with reference to standards of the System of National Accounts (SNA) is a key area in need of modernization.

19. More improvements are to be made in the existing program of household budget surveys in order to achieve the closest possible compliance with methodologies for deriving and calculating statistics for household expenditure and consumption described in the Resolution on household income and expenditure statistics of the 17th International Labor Statistics Conference.

20. Finally, it is necessary to modernize the poverty monitoring program based on further improvement of the Household Budget Surveys and development of the statistical indicators for integrated assessment of social assistance to population including the data in possession of government departments concerned with social affairs.

Federal Targeted Program for 2007-2011

21. The key objective of the Program, as stated, is to establish an integrated statistical system to ensure production of timely, exhaustive and reliable macroeconomic statistics by integrating all statistical data resources on the countrywide scale, which would allow effective use of statistics in management and forecasting in all areas, including analysis of the current condition and development trends in the national economy, financial system, demographics, and society. This goal is to be achieved by pooling statistical data resources at all levels of federal data-providing agencies giving real-time access to users relying on these data resources, including the government statistics portal on the Internet, which has been launched within the context of the Federal "Electronic Russia" Targeted Program (2002-2010).

22. The general targets of the Program are to:

- (i) pool statistical resources to make efficient use of statistics in management, monitoring, and forecasting in all areas;
- (ii) make statistics accessible and achieve transparency of methodologies used;
- (iii) use international statistical standards and classifications in improving data quality and comparability;
- (iv) reduce the respondent burden on reporting organizations by expanding the use of administrative data through greater and more effective data sharing between various agencies of the government, as well as more widely used sample surveys;
- (v) facilitate benchmarking and monitoring of the country's socioeconomic development targets and performance criteria;
- (vi) achieve quality improvements in official statistics;
- (vii) ensure development of statistical data gathering, processing, storage, and distribution capabilities using modern ICT, including the Internet; and
- (viii) establish the necessary sustainable facilities for continuous professional training and skill development of statisticians.

23. The Program encompasses the following tasks:

1. Draw on the international best practices to optimize the content of official statistics produced by federal government agencies to be used for management decision-making and forecasts at various government, municipal, and corporate governance levels²

² This task includes such sub-tasks as improvement the quality of data in various statistical areas, such as National Accounts, Enterprise Statistics, Social statistics, Demographic statistics, Price statistics, Statistics of natural resources, etc. Besides, it envisages development of such new areas as Monitoring of Public Administration Reform, Monitoring Budget Planning Entities' Performance, "Information Society" Statistics, Statistics of Innovations, etc. Also, a system of economic statistics classifications to be used in the government statistics information system will be developed.

2. Minimization of the respondents burden by introduction of modern observation methods, i.e. sample surveys
 3. Integration and harmonization of statistical resources developed by Federal Government agencies on the countrywide scale
 4. Upgrading the system for gathering, processing, storing, and distributing statistics from government statistics providers by modern telecommunications technologies
 5. Creation of continuous professional training facilities for statistical personnel
 6. Enhancement confidence in national statistics and statistical literacy of statistical data users
24. The parts of the FTP supported by the Project are the sub-tasks of the Task 1, mostly concerning National Accounts, Financial and Price statistics (Component A), as well as the Social statistics (Component C); parts of the Task 4, such as where international best practices are required for institutional development in establishing and maintaining IT investments, and for limited hardware and software investments to enable integration of statistical resources based on the formation of distributed data warehouses, use of unified standards of data and metadata storage, and access for users to data through web-channels by using Online Analytical Processing (OLAP) technologies (Component b). Finally, the Project will support some sub-tasks of the Task 5, mostly in developing training materials and courses for training of data providers and users.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

RUSSIAN FEDERATION: Second State Statistical System Development Project

Sector Issue	Project	Latest Supervision (PRS) Ratings (Bank-financed projects only)	
Bank-financed: Enhancing of Macroeconomic statistics Enhancing of Social Statistics and Poverty Measurement Application of international methodological standards; strengthening of statistical infrastructure; introduction of sample surveys; increasing effectiveness of data collection, processing, transmission and dissemination by introduction of modern ICT.	Improvement in the areas of national accounts and input-output analysis (a component of the Bureau of Economic Analysis Loan, 1998-2003) National Survey of the living standards of the households and their participation in the social programs - NOBUS (a part of the Ministry of Labor Project "Assistance in reorganization of the system of the social protection" (2003)) "Enhancing Poverty Measurement, Monitoring and Analysis in Russia" involving the Ministries of Economic Development and Trade and of Labor and Social Development and ROSSTAT (together with DFID, 2002-2007) Development of the State Statistical System (STASYS) (2002-2006)	S	S
Other development agencies: IMF EUROSTAT (TACIS) Harmonization of the statistical indicators methodology according to the international standards and methods; Optimization of data collection in accordance with the market economy requirements;	Support the implementation of SDDS; Macroeconomic data improvement: Quarterly National Accounts; GFS, BOP. Statistics 4-5		

Annex 3: Results Framework and Monitoring
RUSSIAN FEDERATION: Second State Statistical System Development Project

Results Framework

PDO	Project Outcome Indicators	Use of Project Outcome Information
Contributing to the ongoing construction of a sustainable state statistical system, which efficiently provides timely, coherent and trustworthy statistical data concerning the economy and social conditions in Russia, as required by government, business and society to make informed decisions	POI-1 Regular analysis of users' satisfaction POI-2 Overall average score from ROSC style review POI-3 Share of statistical information provided by ROSSTAT to the users with a break of established time schedule	Years 1–5: ROSSTAT management and Project Coordinator will monitor progress in establishing intermediate indicators and take action if these are not being satisfactorily implemented. Progress towards Project outcomes will be reported annually and compared with baseline data. There will be mid-term review. Year 4: No improvement in these outcomes may indicate that the Project components and the implementation strategy need to be re-examined.
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
1. Adequate policy, legal, regulatory and coordination frameworks as well as effective management, quality assurance and human resources frameworks are in place	1-1 The Statistical Council is established 1-2 A staff satisfaction survey has been conducted 1-3 Appropriate dynamics of ROSSTAT staff training is achieved 1-4 Positive dynamics of the share of state budget expenditures for training purposes in the overall ROSSTAT budget is achieved	Years 1–5: Action will be taken to either ensure that these are put into place or to redesign the Project to correct deficiencies. Year 5: These results are compared with baseline data to evaluate the Project outcome.
2. Statistical infrastructure enhanced in the areas of classifications and standards, questionnaire design, sample selection, data collection and editing, imputation, analysis, and dissemination procedures	2-1 Total number of classifications used throughout the SSS that are compatible with the equivalent international classifications 2-2 Mastering of international standards (filling of statistical Questioners from International Organizations with harmonized data) 2-3 Number of surveys that are conducted on a sample basis 2-4 Reduction in respondent (enterprise)	Years 1–5: Action will be taken to either ensure that these are put into place or to redesign the Project to correct deficiencies. Year 5: These results are compared with baseline data to evaluate the Project outcome.

	<p>burden resulting from the introduction of administrative data to replace survey data</p> <p>2-5 Availability of meta data for all statistical data published</p>	
3. The core statistical programs have been enhanced to ensure that they meet international standards and national needs in terms of coverage, content, comparability over time and coherence	<p>3-1 Number of new methods of data collection</p> <p>3-2 Number of MDG indicators produced by the SSS</p> <p>3-3 Compliance with the ICLS household income and expenditure methodology</p> <p>3-4 Availability of data on skilled labor, demand for skilled labor, and hidden earnings</p>	<p>Years 1–5: Action will be taken to either ensure that these are put into place or to redesign the Project to correct deficiencies.</p> <p>Year 5: These results are compared with baseline data to evaluate the Project outcome.</p>
4. The ICT infrastructure is sufficient to facilitate modern methods for collection, production and dissemination of data, and there are adequate funds and resources to maintain this infrastructure	<p>4-1 Number of ROSSTAT website visits per annum</p> <p>4-2 Availability of data collected through remote/distanced methods</p> <p>4-3 Computer equipment of ROSSTAT staff</p> <p>4-4 Availability of microdata bases for users in open access (HBS and LFS)</p> <p>4-5 Number of statistical tasks resolved on a new technology basis and forwarded to the United Foundation of algorithms and programs</p>	<p>Years 1–5: Action will be taken to either ensure that these are put into place or to redesign the Project to correct deficiencies.</p> <p>Year 5: These results are compared with baseline data to evaluate the Project outcome.</p>

Arrangements for results monitoring

Project Outcome Indicators	Baseline	Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
POI-1 Regular analysis of users' satisfaction	-	-	+	+	+	+	Annual	User survey	ROSSTAT,
POI-2 Overall average score from ROSC style review	2004 ROSC	-	-	+5%	-	+2%	YR3, YR5	Self assessment	
POI-3 Share of statistical information provided by ROSSTAT to the users with a break of established time schedule	-	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	Annual		
Intermediate Outcome Indicators									
1-1 The Statistical Council is established	no	no	no	no	no	yes	Annual	Regulation	ROSSTAT
1-2 A staff satisfaction survey conducted	no	no	yes	no	yes	yes	YR3, YR5	Staff satisfaction survey	ROSSTAT
1-3 Appropriate dynamics of ROSSTAT staff training	-	+	+	+	+	+	Annual	Internal sources	ROSSTAT
1-4 Positive dynamics of the share of state budget expenditures for training purposes in the overall ROSSTAT budget	-	+	+	+	+	+	Annual	Internal sources	ROSSTAT
2-1 Total number of classifications used throughout the SSS that are compatible with the equivalent international classifications	-	Not less than 5	By project completion	ROSSTAT
2-2 Mastering of international standards (filling of statistical Questioners from International Organizations with harmonized data)	85%	+	+	+	By project completion	Internal sources	ROSSTAT

2-3 Number of surveys that are conducted on a sample basis	-	-	-2%	-2%	-2%	Annual	Internal sources	ROSSTAT
2-4 Reduction in respondent (enterprise) burden resulting from the introduction of administrative data to replace the survey data	-	-	+4%		+10%	Years 2 and 5	Internal sources	ROSSTAT
2-5 Availability of meta data for all statistical data published							Internal sources	ROSSTAT
3-1 Number of new methods of data collection	-	By project completion	Internal sources	ROSSTAT
3-2 Number of MDG indicators produced by the SSS	31 out of 48	Not less than 10		Internal sources	ROSSTAT
3-3 Compliance with the ICLS household income and expenditure methodology					Not less than 34		Internal sources	ROSSTAT
3-4 Availability of data on skilled labor, demand for skilled labor, and hidden earnings					Annual	HBS	LFS	ROSSTAT
4-1 Number of ROSSTAT website visits per annum	-	+	+	+	+	+	Annual	Internal sources
								ROSSTAT

4.2 Availability of data collected through remote/distanced methods	-	no	no	no	yes	Annual	Internal sources	ROSSTAT
4.3 Computer equipment of ROSSTAT staff		1 for 1	1 for 1	1 for 1	YR3, YR5	YR3, YR5	Internal sources	ROSSTAT
4.4 Availability of microdata bases for users in open access (HHS and LFS)	-	20	40	50	60	60	Internal sources	ROSSTAT
4.5 Number of statistical tasks resolved on a new technological basis and forwarded to the United Foundation of algorithms and programs								

Annex 4: Detailed Project Description

RUSSIAN FEDERATION: Second State Statistical System Development Project

1. This is a five-year long Project to continue modernization of the State Statistical System of Russia and ROSSTAT – the primary federal agency responsible for the data producing and general coordination of the statistical process in the country.
2. The modernization includes:
 - upgrading and development statistical operations and procedures;
 - development of statistical infrastructure, including such aspects as sampling frames, classifications, data- and metadata-base structures and geographic information systems;
 - establishing a system for human resource development;
 - providing ICT equipment and software.

3. The Project seeks to create a statistical system which will efficiently and effectively collect, process and disseminate accurate, timely, consistent and trustworthy statistical data concerning economic and social conditions in Russia, required by government, business and society to make informed decisions.

Project Component A - Modernization of economic statistics methodology

A1. Enhancement of National Accounts

4. The sub-component will ensure further development of the SNA by introduction of the internationally compatible classifications; development of the institutional sectors accounts; improvement of constant price estimates, using of enhanced Consumer Price Index (CPI) and Producer Price Index (PPI) and use of the double-deflation methods; creation of classification of intangible assets and valuables and valuation of tangible non-produced assets (natural resources), valuables, and intangible assets, in the absence of which good estimates of the country's national wealth cannot be produced and the assets and liabilities balance sheet for non-financial assets could not be constructed; developing methodology and conducting a pilot survey to collect data on the actual service lives of fixed assets and capacity utilization rates with the purpose to improve calculation of consumption of fixed capital and to compile capital account, developing the methodological recommendations on estimating earnings (employment income) and property incomes with the purpose of constructing the economic accounts for the household sector.

A2. Development of the methodological basis for the compilation of the basic Input-Output Tables

5. Input-Output Tables is the only instrument to be used to systematize and make consistent the system of indicators to characterize flows of goods and services and thus to obtain more precise estimates of the GDP, primary incomes, final consumption and capital formation, to estimate the scope of the non-observed economy. In the framework of this Project, it is planned to develop methodology which would allow constructing annual Input-Output Tables on the

basis of current statistical observation and one time surveys' results. This work will lay the foundation for database systematization that will provide a framework for compiling the main SNA accounts in years to come, and will ensure consistency of various sections of macroeconomic and sectoral statistics. The new Input-Output tables will be based on the internationally compatible National Classifications of Economic Activities (Russian acronym OKVED) and the National Product Classifications by Economic Activity (Russian acronym OKPD).

A3. Enhancement of the price statistics

6. To improve the quality of the SNA estimates in constant (comparable) prices and to apply double-deflation methods, there is a need for radical improvement and modernization of the price indexes system with the purpose of meeting the international standards formulated, in particular, in the Resolution on Consumer Price Indexes adopted at the 17th international Labor Statistics Conference and in the IMF' manuals on Consumer Price Indexes and Producer Price Indexes, and in other documents.

7. In order to improve the accuracy of the calculations of the Consumer Price Index (CPI), which not only is one of the main indicators of the social and economic situation in the country but is an important factor for estimating the components of final consumption in constant prices, it is necessary to provide consulting services on constructing the harmonized consumer price index in compliance with the EU requirements; estimating the representativeness of weights at the regional level; constructing samples of outlets for price collections. Expansion of the new methods of price data collection (electronic and internet trade, scanning, etc) calls for providing training for the staff of the regional statistical offices and ROSSTAT on using paperless technology in price data collection, as well as for technical assistance in developing this technology. In addition, in view of improving consumer price observations, there is a need in consulting services to support calculations of the cost of living index and base inflation rates used for inflation trends forecasting and for financial and monetary policy planning.

8. In the course of the STASYS Project, statistics on producer prices have been improved. However, the implementation of the new IMF Manual calls for conducting training and providing consultations with the purpose to improve producer price observations in certain kinds of economic activity and to apply modern methods of producer price indexes calculation. These methods are: collecting data from the monopolies at the federal level to lower the burden on the regional statistical offices; collecting data on production services and including these data into calculation of the total producer price index; improving price indexes calculation for agricultural products to level the seasonal changes and imputing the missing data for the periods of zero sales; using the method of construction components instead of resource - technological models for calculating price indexes in the construction sector.

9. In addition to training and consulting, this component includes conducting several pilot surveys to test the modernized and newly designed surveys.

A4. Enhancement of trade statistics.

10. Within this component it is envisaged to assist in solving some methodological problems by using a comprehensive approach and by conducting research, developing methodology and undertaking organizational efforts to develop programs and implement new technology to achieve harmonization with international standards in the field of statistics of international trade in services and constructing international trade price indexes.

11. Under the continued negotiations on the Russia's membership in the World Trade Organization and the increased need of the government agencies in the respective statistical data, it is expedient to upgrade the methodology of statistics of international trade of services in compliance with the UN Manual approved in 2004. The UN Manual realizes a comprehensive approach to the statistics of international trade in services, allows obtaining more detailed, consistent and comprehensive statistical data on various types of such trade. Methodological recommendations will be prepared on the basis of developing and testing of the program and methods of statistical observation by main aggregated groups of services.

12. It is necessary to improve the methodology of import/export indexes calculation, because, at present, in some aspects it does not correspond with the existing international standards in this field. It is needed to estimate the deviations in index levels dependant on the base for calculations to justify their use; to ensure calculation of indexes on the continued basis and to use chain indexes in statistical calculations in compliance with the SNA methodology. It is also expedient to consider combination and comparison of the customs data and data collected by statistical services to be able to calculate international trade price indexes in the situation of absence of the customs borders between two or more trading countries. In the framework of the Project, it is planned to attract experts from one of international statistical organizations to carry out analysis of the methodology currently used in Russia for calculation of the international trade price indexes. On the basis of this analysis recommendations will be drafted to improve the quality of calculations and technical assistance will be provided in applying programs and implementing technologies to carry out calculations of the basis of upgraded methodology.

A5. Enhancement of enterprise statistics

13. Enterprise statistics is one of the main data sources for national accounts compilation. At present, it is very important to use, on the basis of IT development, methodology which is harmonized with the international standards and best international practices.

14. In order to improve the quality, timeliness and analytical value of data, it is necessary to develop and implement a Project on collecting and processing primary data of the annual structural survey at the federal level.

15. Development of the market economy in Russia leads to, on the one hand, establishing of multinational corporations, large holdings and firms, and, on the other hand, thriving of small businesses. While the role of small businesses in Russia increases, there is a need to improve sampling methods to be used in this area of statistics which would improve the coverage, ensure sample rotation and coordination in accordance with the international experience. It is expedient to study the international experience in this field and to use the expertise of international

consultants. Implementation of the developed techniques would call for conducting pilot surveys and further training of personnel.

Project Component B – Development of modern design and technology for statistical data collection, processing, and dissemination system

16. This component will support ROSSTAT's strategic IT goal of improving data survey development, data gathering, data analysis, and data dissemination processes through the use of information technology. ROSSTAT will implement the new information and communication technologies (ICT) infrastructure, developed during the STASYS Project and successfully tested in 15 pilot regions of Russia.

17. This component will also support strategic goal of improving information base for performance monitoring of the budget in situations in the social sphere, financial sphere, and the real sector. In addition, monitoring and efficiency evaluation of this Project's results will be done, in the first place, that of users' satisfaction.

18. Bank support will be: (i) for particular technical assistance where international best practices are required for institutional development in establishing and maintaining IT investments, (ii) to leverage opportunities for collaboration with other statistical agencies, and (iii) for limited hardware and software investments to enable integration of statistical resources based on the formation of distributed data warehouses, use of unified standards of data and metadata storage, and access for users to data through web-channels by using Online Analytical Processing (OLAP) technologies. ROSSTAT will finance all of the cost of the equipment roll-out of the national system, and construction and civil works for computing centers, which is both an ongoing and pre-existing investment.

19. A foundation now exists for implementing a large-scale unified statistical data collection, processing, warehousing and delivery system throughout ROSSTAT, which will expand to 88 entities with the existing Computer Information System (CIS) application software, and include distance learning training to regional staff on the use of IT and local optimization of systems. This is a result of STASYS, which, among other things, supported the first phase of the CIS Project in: (i) developing an overall plan and detailed Technical design for the development of the entire ICT infrastructure; (ii) developing specialized information software, and subsequently testing and accepting these 17 subsystems covering ROSSTAT's key operations and processes to pilot sites; (iii) establishing up-to-date server rooms at the Central Office, the Main Interregional Computer Center, the Research and Design Institute, and in 14 Territorial State Statistics Authorities (TSSAs); (iv) procuring and equipping 6,730 workplaces with modern computers including all workplaces of Central Office employees; (v) establishing a high-speed fiber optic communication channel between the Central Office and the Computer Center (Moscow), and Internet and Intranet channels for the pilot facilities; and (vi) establishing training centers with distant learning tools at the Central Office, the Computer Center, and in 6 TSSAs to provide training of ROSSTAT specialists.

20. Activities under STASYS have led to some initial results, which are difficult to measure because most of them have only recently been completed. The most obvious is improved work environment and staff morale through improved tools and custom-tailored software. Others include: (i) new information processing and analysis solutions have been developed and tested; (ii) the subsystems have been unified through the use of ready-made software components and standard industrial interfaces; (iii) the subsystems are based on solutions that allow for increased functionality and application at different organizational levels of statistical observation, as well as utilization by mid-level specialists; (iv) a basis for collective work of CIS users, irrespective of their geographic location, has been tested; (v) tools for the creation and maintenance of databases for economists have been developed, tested and accepted; (vi) a technology for efficient warehousing and processing of microdata and aggregated statistical data was developed; and (vii) ROSSTAT's web site has been upgraded, providing a new level of openness along with tools for searching for statistical information to all users. The international Internet-ranking firm Rambler rates this site among the top four administrative sites in Russia.

21. The benefits and efficiencies to be derived from the IT systems are difficult to quantify. Anecdotal evidence suggests that in the pilot sites, more efficient research tools is (i) allowing reductions in the time required to introduce changes into All-Russian Classifiers, (ii) significantly reducing the time required to obtain output tables, (iii) providing increased information analysis capabilities, and (iv) reducing the time and costs of statistical publications. Given the magnitude of spending associated with IT under STASYS-2, a methodology to assess the efficiency and performance of investment in IT will be initiated as a technical assistance assignment. It is intended to provide ROSSTAT with international best practice in other statistical agencies of evaluating IT Projects, monitoring progress of the IT Project/s in terms of cost, schedule and performance, and then using that data to drive performance improvement. The findings and recommendations of the TA will serve as an input to the joint midterm review.

22. Bank involvement in STASYS-2 will include support for solving the following tasks that the Government has indicated it would require relevant international experience:

B1. Improved access to data through electronic and web-enabled technologies: (i) development of new web-enabled software applications that will provide administered access for economists and users to various information resources and services; (ii) development of a unified integrated system for collection, processing, warehousing, and distribution of statistical data, including optimization of vertical information flows at different levels within ROSSTAT (such as federal and regional); (iii) support for internal units to submit statistical reports in electronic format, including web-enabled data collection and retrieval; (iv) use of handheld and laptops for entering data for personal interviews; and (v) developing a decision support system that automates the manual processing of planning statistical work, overseeing results, and monitoring of implementation in ROSSTAT and its regional branches.

B2. Development of a modern system of the demographic data collection and processing: (i) modernization of electronic processing of vital statistics data on the basis of modern information technology and; (ii) modernization of electronic processing of migration statistics data on the basis of modern information technology and software – that will lead to the expansion of the scope of information processed and increase in the quality of data at exit; (iii) modernization of electronic processing of calculation of demographic data on the basis of modern information

technology and software; (iv) development of automated system for verification of mortality reasons coding in line with WHO recommendations (including piloting in 2-3 regions)

B3. Development of a system for collection, analysis and dissemination of the household and population surveys data: (i) development of the programmed and technological platform to ensure optimization of data collection and processing during the household budget surveys; (ii) development of software to ensure the introduction of open access system to HBS microdata bases .

B4. Improved integration of databases: (i) development of relevant software and a database for national accounts statistics that would make it possible, based on the use of OLAP technologies, to calculate derivative indicators and prepare non-standard fact books and other information materials for publication; (ii) development of a two-tier integrated database that would ensure the national accounts on the basis of harmonized and adjusted microdata to comply with the requirements of the national accounts statistics; and (iii) creation of integrated information resources on enterprise statistics with the use of modern technologies so that information resources are developed in accordance with the national accounts statistics requirements. To ensure further improvement of the national accounts and the quality of macroeconomic estimates, an integrated base of microdata will be constructed to assist in systematization of microeconomic calculations of indicators used for compilation of national accounts. Data bases with analytical functions are widely used in the international practices of national accounting. Working with large data sets assumes their systematization in terms of classifications, economic content of similar data, observation units, etc. Construction and maintenance of such data base requires use of up-to-date software and data processing technology. The proposed data base will serve as a foundation for generating national account data on the basis of microdata coordination. It will contain data from the regular statistical observations, tax and customs statistics, government finance statistics, enterprise statistics, Balance of Payment statistics. The integrated base of enterprise microdata shall include sub-systems for sample design and construction, and sample rotation and coordination with the account for the international experience.

B5. Institutional strengthening of ROSSTAT's IT policy framework: review of ROSSTAT's IT policies with regard to the planning, budgeting, procurement and the management of IT assets in support of the agency's mission and business needs. This will include guidance on international best practices in evaluating IT asset performance, making maximum use of commercial services and off-the-shelf technology, and conducting post-implementation reviews of IT Projects to validate estimated benefits and costs, and document effective management practices, that is, lessons learned, for broader use. The planned study tours under the Project (Component D) will include a focus on the ways other statistical agencies plan and manage IT investments and oversee the implementation of laws, regulations, policies and guidance on matters concerning IT.

B6. Improved IT security planning and requirements both for IT investments under implementation and under consideration. ROSSTAT will require best practice technical assistance to review current security and privacy arrangements for systems, applications and

information of the CIS, identify IT security weaknesses, and develop a plan of action to address IT security performance issues.

B7. Development of the corporate computer and information system of ROSSTAT assumes development and implementation of new technical solutions on the basis of up-to-date information technologies and their application to the processes of data collection, processing and dissemination; establishing electronic mail and electronic document circulation systems, audio- and video- conference communications.

B8. Development of the efficient system of data collection and interagency interaction for monitoring of performance indicators of the budget institutions in the social sphere, financial sphere, and the real sector considering the international experience in the framework of the Administrative reform in the RF, on the basis of the concept developed within the STASYS Project.

B9. Remote data collection for the purposes of social and economic statistics (labor statistics, household budget statistics, health and social security statistics)

B10. Consulting services on preparing proposals for strategic development of the ROSSTAT IT-systems, ensuring system integration and consistency of new solutions. This subcomponent will support a complete stock-taking of the IT used by ROSSTAT and will allow to assess the capacity and to propose on coordinated IT solutions for various types of tasks (observations/surveys).

Project Component C – Enhancement of social statistics

C1. Statistics of living standards and poverty measurement

23. The sub-component will strengthen the statistics of population incomes, poverty and living standards through modernization of the system of household budget surveys and improvement of administrative data collection.

24 At present there is a task to develop the optimal scheme to construct the information resources and system of indicators in such a way that would allow reflecting the economic inequity based on HBS data administrative data on incomes. That should create a basis of higher quality for using the survey results for constructing the household sector accounts.

25. There is a need to improve methods of evaluation of income distributions and measurement of socioeconomic differentiation across major population groups, by region and income components. The proposed system should accumulate information resources based on HBS and administrative data on personal incomes. Improving compilation techniques to obtain estimates of personal incomes and expenditures, according to the SNA standards is also a key area in need of modernization. The current HBS has to be modernized in order to achieve the closest possible compliance with the methodologies on household expenditure and consumption prescribed in the resolution on household income and expenditure statistics of the 17th International Labor Statistics Conference.

26. In addition, it is necessary to expand the scope of information in those areas where direct statistical reporting can not provide reliable data. First of all it refers to statistical data on the informal sector of the economy, irregular income from the secondary employment, income of self-employed, etc. It may be possible to collect this kind of data through specialized surveys of informal employment, use of time, level and kinds of expenditures (housing, tourism, own business, etc.). Conducting of such surveys will contribute to a comprehensive estimation of living conditions.

27. The work will start on developing specialized modules to be incorporated in the Household Budget Survey (HBS) Program, which are to include such social indicators as access of households to quality housing, education, healthcare, and social assistance programs, and be added to the regular household surveys on a rotating basis.

28. Finally, comprehensive statistics are to be developed to evaluate social protection of the population by developing and integrating official statistics and administrative data of government agencies responsible for social assistance. The core of this instrument is the system of income and expenditure accounts for social assistance system. The concept of this system is presented in the Manual on the European System of Integrated Social Protection Statistics (ESSPROS) which allows reflect the financial flows directed to social protection of the population.

C2. Labor statistics

29. This component supports further development of labor statistics and proposes new tasks in labor force analysis with the purpose of developing policies to support labor market. It is also targeted at modernization and upgrading of collecting, storing and processing of data and at meeting the requirements of Labor Statistics Convention (1985).

30. As the conditions of the labor markets in the Russian regions differ substantially, an important task for labor statistics is to provide representative estimates of the key indicators of economic activity, employment and unemployment for all regions of the Russian Federation. To be able to solve this task, it is necessary to improve the labor force survey which is the main source of data on the economic activity of the population, to upgrade the sampling methods and dissemination of the results, to expand the sample of households.

31. In statistics on wages and salaries, it is necessary to develop methods of data collection – that are missing at the moment - on wage levels for such categories as employees working for self-employed, persons serving households, persons working without written contract and not included in the employer's reports.

32. Among the goals of data development is enhancement of data processing and storing and publication of the results of the labor force survey and the survey of wages and salaries by occupations and jobs which has been introduced into statistical practices since 2004.

C3. Demographic statistics

33. The sub-component will improve demographic statistics in the framework of the System of personal registration of population, and will achieve optimization of centralized (ROSSTAT) and non-centralized (administrative data collected by other data-providing agencies) data collection and data sharing; will improve the cooperation and coordination of regional statistical offices with the agencies responsible for vital registration (ZAGS) and upgrade the systems of vital registration recording and migration registration for demographic statistics purposes between the population censuses. It will require improvement of morbidity statistics to develop more comprehensive and reliable data on the health conditions of the population.

34. It will require consulting services and training on the use of paperless technologies for collecting data on vital movement of population and introducing automated checking of the cause of death coding used in the EU countries. In addition to consulting and training, this sub-component will support pilot surveys to test the upgraded system of demographic data collection.

35. A number of specialized modules will be developed and included in the HBS on a rotating basis, such as "Quality of Nutrition" and some others.

36. It is planned to develop the methodology and statistical tools for a full-scale survey "Behavioral Aspects in Health (self-preserving behavior)". The developed tools will require testing in the pilot regions.

Project Component D – Human resource development

D1. Analysis of the current retraining system and development a strategy for its development

37. This sub-component of the Project aims to develop a strategy for human resource development by:

- Defining the needed skill-mix in modern statistical work;
- The establishment of job profiles by function and corresponding salary scales and standard career paths for each profile; and
- The development of a training and re-training strategy for continued professional education programs.

D2. Development of training programs and training materials

38. This sub-component will support the development and implementation of training programs, including those for distance learning, that contribute to human resource capacity building in the state statistical system. The objective of the component is to increase the percentage of managers, trainers, data producers, disseminators and IT staff who have acquired the required skills for statistical operations. This will require that comprehensive training be undertaken, not on an ad hoc and intermittent basis, but on an ongoing and priority basis so that statistical personnel can acquire knowledge and strategic skills that will help the core functions to deliver desired statistical products more effectively and efficiently.

39. Introductory courses will also be developed for all new staff recruited into ROSSTAT to cover such topics as the vision, mission and linkages within the state statistical system; the role and structures of ROSSTAT and how its departments and divisions interact with each other. The course will also be useful for statistical personnel of the other data-providing agencies.

D3. Training and exchange of the experience (knowledge sharing)

40. Within this subcomponent it is envisaged to develop and deliver the training courses in various areas of statistics, including the household budget surveys issues for ROSSTAT regional bodies and training on IT matters.

Project Component E – Project Management

41. STATCAP Projects as a rule are of multi-agency nature, because they cover improvements in different agencies-data producers, also in some of the major users and, therefore, require involvement of many institutions at various stages of implementation. These Projects are heavy on capital investment as they finance large-scale computerization of the national statistical systems. At the same time, usually the leading role is played by the statistical agency of the country, in the case of this Project – by ROSSTAT of the RF.

42. Within the Project the terms of references for consultancies, training and specifications for procurement of goods have to be initially developed by the relevant agencies involved and further - with support of professional Project managers - submitted to the Project Coordination Committee (or Working groups) for approval. The Project managers then proceed with bidding, contracting and etc. This type of arrangements requires a staff of full time professionals to implement the Project in accordance with the World Bank guidelines. None of the ROSSTAT entities have either the qualified staff or the direct experience to manage implementation of a World Bank project. It is also important to mention that there is no need for the beneficiary agencies to maintain capacity of dual financial management and procurement (in line with both the GOR and the WB rules) after the completion of the Project.

43. Management of such type of projects is best done by a Project Implementation Unit (PIU), which reports to the Head of leading agency (ROSSTAT) and the Project Coordination Committee. The STASYS Project was implemented that way and it proved to be successful.

44. The PIU – Bureau of Economic Analysis Foundation which has satisfactorily implemented the previous statistical Project - was selected following an open competitive bidding procedure on January 19, 2007. to implement STASYS-II. However, the role of the PIU will be limited to procurement, financial and disbursement aspects of the implementation. All substantive decisions will be undertaken by Project Coordinating Committee and dedicated staff of the agencies involved.

45. The subcomponent will also include monitoring of the project performance efficiency on the basis of target indicators, including the users' satisfaction surveys.

Annex 5: Project Costs

RUSSIAN FEDERATION: Second State Statistical System Development Project

Project Cost By Component and/or Activity	Local US \$million	Foreign US \$million	Total US \$million
Component A. Modernization of economic statistics methodology	1.20	2.32	3.52
Component B. Development of modern design and technology for statistical data collection, processing, and dissemination	24.18	9.80	33.98
Component C – Enhancement of social statistics	1.20	0.90	2.10
Component D. Human resource development	2.30	4.20	6.50
Component E. Project Management	3.90		3.90
Total Baseline Cost	<u>32.78</u>	<u>17.22</u>	<u>50.00</u>
Physical Contingencies			
Price Contingencies			
Total Project Costs	32.78	17.22	50.00
Front-end Fee	0	0	0
Total Financing Required	32.78	17.22	50.00

Annex 6: Implementation Arrangements
RUSSIAN FEDERATION: Second State Statistical System Development Project

1. Project implementation will be undertaken by the Federal State Statistics Service of the Russian Federation (ROSSTAT) as the main budget executor for the Project. ROSSTAT is a federal executive body responsible for coordination and operational control over statistical activities in Russia. ROSSTAT is also responsible for the preparation and implementation of the Federal Targeted Program (FTP) "Development of the State Statistics in Russia in 2007-2011". The main participants of the Project are Federal State Statistics Service, its regional bodies, and dependent organizations.
2. The Project implementation arrangements envision an Inter-agency Coordination Council (ICC), working groups corresponding to the main parts of the Project, and a competitively selected Project Implementation Unit (PIU) – Bureau of Economic Analysis Foundation.
3. Main functions of the ICC are to manage the Project from the subject matter point of view, to approve the budget and allocate funds by components of the Project, to exercise general control over the implementation of the Project. The ICC comprises authorized representatives of ROSSTAT, Ministry of Finance of the Russian Federation (MOF), and Ministry of Economic Development and Trade of the Russian Federation (MEDT). There is an intention on the Borrower side to organize the work of ICC including the principle of consensus.
4. Ministry of Finance of the RF represents the borrower (Russian Federation) in the framework of this Project, controls the on-purpose use of loan proceeds, guarantees loan servicing and repayment, and fulfils other conditions of the Loan Agreement.
5. Ministry of Economic Development and Trade of the RF represents the borrower (Russian Federation) in the framework of this Project; it exercises control, jointly with MOF, over Project implementation, considers and approves Project Implementation Plan, Procurement Plan, reports on their realization; evaluates efficiency of the Project implementation.
6. In addition, the following ministries and agencies are planned to be involved into the respective Working Groups to discuss the terms of references, as well as will be included into selection committees: Ministry of Health and Social development, Ministry of education and science, Central Bank and Ministry of Justices. It is true that the current trend in the Bank, and current policy in the ECA Region, is to avoid using stand-alone PIUs for Project implementation, especially those not organically or structurally connected with beneficiary entities. The key reason is that such a practice militates against true ownership and accountability on the part of the beneficiary entities, and against long-term institutional capacity-building in the beneficiary entities for designing and implementing modernization plans
7. In Russia, however, implementation of Projects financed by the Bank has historically been managed by non-for-profit foundations, which – over more than a decade – have built up knowledge and expertise in Bank procedures and processes. It is expected that BEA, given its expertise, will meet these needs effectively through its designated role of facilitating day-to-day operational issues such as procurement, financial management, fiduciary compliance, and provision of logistical and secretarial support. On the other hand, ROSSTAT and its regional offices will be responsible and will control strategic and subject-matter issues as well as provide quality control. Thus, the proposed implementation arrangements are somewhat hybrid in nature, specific to the Russian institutional context.

Annex 7: Financial Management and Disbursement Arrangements
RUSSIAN FEDERATION: Second State Statistical System Development Project

I. Country Issues.

1. The last Country Financial Accountability Assessment (CFAA) in the Russian Federation was conducted in 2001. Overall, the CFAA concluded that gradual progress in public financial management had been made since the start of the transition. Pending the graduation of the Government's financial management and procurement capacity and infrastructure to a level of performance that would allow the World Bank to rely on those systems, the CFAA recommended that fiduciary functions (disbursement, procurement, accounting and reporting) continue to be outsourced to specialized agencies. Such agencies (PUIs) present the advantage of using skilled consultants and reliable, suitable, and stand-alone computerized information systems. Given that ROSSTAT has limited capacity to implement the Bank-financed Projects, the Russian side has decided to outsource the fiduciary functions (disbursement, procurement, accounting and reporting) to an external agency (BEA).

Based on the Bank's current audit policy, the CFAA recommends maintaining current arrangements for the annual audit of Bank-assisted projects, which involve audit by private sector audit firms competitively appointed among those pre-selected by the Bank, in consultation with the MOF.

II. Risk Analysis.

2. The overall financial management risk for the Project is moderate. Table below summarizes the financial management assessment and risk ratings of this Project:

	Risk Rating	Risk Mitigation Measures	FM after risk mitigation
Inherent Risk			
Country level	S	To mitigate this risk, the CFAA recommended using existing BEA and engaging private independent auditors. Accordingly, the BEA has been selected to act as the BEA. Appropriate mitigation measures on corruption risk are incorporated in this Annex.	M
Entity level	M	The BEA has experience in implementing Bank-financed Projects (including Projects with a high share of co-financing); its organizational structure is adequate.	M
Project level	M	Budget funds will be provided through ROSSTAT, significantly simplifying the flow of funds.	M

		The corruption risk in this Project is assessed as modest, as there will be limited cash payments from Project funds only for training expenses; there are no grants or civil works. Goods and consultancy services have to be first accepted by the beneficiaries before any payment is made	
<i>Overall Inherent Risk</i>	M		M
<u>Control Risk</u>			
1. Budget	M		M
2. Accounting	M		M
3. Internal controls	S	Enhancing and documentation of control procedures in the financial management sections of the Project Operation Manual is a condition of effectiveness.	M
4. Funds flow	L		L
5. Financial reporting	M		M
6. Auditing	L		L
<i>Overall Control Risk</i>	M		M
<i>Overall Project FM Risk</i>	M		M

3. According to the 2005 BEEPS, corruption appears to have taken an upward turn after a period of decline during 1999-2002, and is increasingly cited by businesses as a major problem. If the number of businesses in the World Bank-EBRD BEEPS survey citing corruption as an obstacle to their business declined notably between 1999 to 2002 (from 51 percent to 29 percent), this number increased again to 39 percent in 2005. However, adequate mitigation measures are foreseen for the Project, and Bank staff will closely monitor performance during implementation. The mitigating actions can be summarized as follows: (a) the size of procurement thresholds and the frequency of the Bank's prior review will be determined in a way that allows an appropriate level of control after assessment of the procurement capacities and the risks of corruption and fraud in the country; (b) enhanced disclosure and transparency of Project-related information; (c) appropriate complaints handling mechanism, with all complaints from bidders, observers or other parties being promptly forwarded to the borrower for consideration and follow-up action; (d) enhanced internal controls as there will be limited cash payments from Project funds: there are no grants or civil works, and goods and consultancy services have to be first accepted by the beneficiaries before any payment is made; (e) some reliance on the regular audits of the Project by the Accounting Chamber of the RF (the supreme audit institution) and internal audit units of the MOF; and (f) intensive Bank supervision, including annual visits by supervision missions to selected beneficiary entities

III. *Strengths*

4. The significant strengths that provide a basis of reliance on the Project financial management system include: (i) the experience of BEA and its financial management staff of implementing Bank-financed Projects and satisfying Bank financial management requirements; (ii) the unqualified audit reports issued on the BEA and Projects' financial statements as well as the absence of any issues raised by the auditors in the management letters during the last three years; and (iii) sound internal control system within the BEA. Key comprehensive internal control procedures specific to the Project are described in the internal control section below; the details will be described in the financial management part of the OM, to be ready before Board presentation date.

IV. *Weaknesses and Action Plan*

5. As noted earlier, the financial management arrangements of the Project need to be strengthened. The FM assessment has identified some weaknesses, which should be corrected as follows:

Weakness	Action	Responsible person	Completion date
FM part of the OM	To revised financial management manual to incorporate specific features and requirements of this new Project	BEA (Finance Director)	By Board presentation date

V. *Implementing Entity*

6. The Federal Service for State Statistics of the Russian Federation (ROSSTAT) will be responsible for the implementation of the Project, including progress reports and coordination with parties concerned. The Ministry of Finance will oversee the operations of ROSSTAT for implementing the Project. Given that ROSSTAT has limited capacity to implement the Bank-financed Projects, the Russian side has decided to outsource the fiduciary functions (disbursement, procurement, accounting and reporting) to an external agency (BEA). Such agencies present the advantage of using skilled consultants and reliable, suitable, and stand-alone computerized information systems.

7. BEA, a noncommercial legal entity, has been selected on a competitive basis to act as the Project Implementing Entity. The BEA on behalf of ROSSTAT shall deal with the necessary procurement activities, Project accounting and financial management in the course of implementing the SSSDP Project activities.

Considering the above controls and mitigation measures, the risk associated with the implementing entity is assessed as moderate.

VI. *Budgeting and Planning*

8. Budgeting is done on the basis of the procurement plan approved by ROSSTAT by finance staff in excel. Budget data is then entered in the Project financial statements. Should the BEA desire to switch to the report based disbursement after the initial stage of Project implementation; the budgeting system should be incorporated into the accounting system. The planning and budgeting system is acceptable to the Bank.

9. The risk associated with planning and budgeting is assessed as moderate.

VII. *Accounting*

Accounting staffing

10. At present, key financial positions are occupied (all people with a lot of experience in Bank-financed projects). Financial specialists regularly undergo various accounting seminars and trainings (organized by the Bank and external). All accounting staffs have extensive accounting knowledge (including for WB financed projects) and are considered acceptable.

Information Systems

11. The BEA maintains its accounting books and records as well as accounting books and records for the Bank-financed Projects using a computerized accounting system. It prepares three sets of financial statements: entity financial statements on an accrual basis in accordance with IFRS and Russian statutory reporting requirements, and on cash basis (for Bank-financed projects). Cash accounting will be used for this Project. The BEA uses 1-C management information system for Projects and entity accounting and reporting. This integrated management system generates all the required reports automatically (including reports for MoF, FMRs for the World Bank). It also automatically produces SOE/Summary Sheets.

12. The accounting system is acceptable to the Bank.

Accounting Policies and Procedures.

13. The BEA has a clear formal set of appropriate accounting procedures and internal controls including authorization and segregation of duties. Key internal controls for the Project will include the following:

- Segregation of duties;
- Proper authorization and approval procedures;
- Restricted access to the accounting system
- The FM manual for the Project will be updated to describe all the details, including key internal controls and will be reviewed by the Bank prior to Board presentation.

VIII *Internal Controls and Internal Audit.*

14. The BEA has adequate internal controls for the Project implementation, including adequate segregation of duties, defined internal control procedures (expenditure approval), reconciliation of disbursement summaries of the World Bank with Project accounting records. Detailed procedures relating to internal controls and audits for this Project, will be specified in the financial management part of the OM. All procurement and funds transfers in this Project will be carried out in a centralized manner by the BEA under ROSSTAT's supervision. Please refer to Annex 8 for details on procurement arrangements. There is no internal audit function in the BEA, which is acceptable given its size and structure. However, the Project activities and funds are also expected to be audited periodically by the Accounting Chamber of Russia (SAI) and also internal audit units of the Ministry of Finance.

15. The internal control procedures for the Project will be further explicitly defined in the financial management section of the OM, which will be prepared by the BEA and to be reviewed by the Bank prior to the Board presentation. Currently, BEA has key internal controls procedures related to segregation of duties, authorizations, acceptance of goods/services, cash withdrawals, bank payments, reconciliations etc. for its existing Projects.

16. Considering the above controls and mitigation measures, the risk associated with the internal control arrangements for the Project is assessed as moderate.

IX. *Reporting and Monitoring.*

17. The BEA will be responsible for producing all financial reports for the Bank. BEA has demonstrated in other Projects that it is able to report on Project expenditures accurately and on time.

18. Project Interim un-audited Financial Reports (IFRs) will be used for Project monitoring and supervision. They will be prepared on a cash basis. Entity financial statements will be prepared in accordance with IFRS. The BEA will produce a full set of IFRs every quarter throughout the life of the Project. Draft formats of these IFRs (including the physical progress report) have been prepared and discussed with the BEA.

19. The risk of financial reporting is assessed as moderate.

X. *External Audit.*

20. There are no overdue audit reports or outstanding issues either for the BEA, or for Projects it implements.

21. The audit of the SSSPD and the audit of BEA will be conducted by independent private auditors acceptable to the Bank, using International Standards on Auditing. Auditors will be engaged through standard terms of reference acceptable to the Bank and procured by the BEA in accordance with the Bank procurement guidelines. The cost of the audit will be financed from the proceeds of the loan.

22. The first and final Project audits can cover up to 18 months. The contract for the audit will be awarded during the first year of Project implementation and thereafter extended from year-to-year with the same auditor, subject to satisfactory performance.

23. The following chart identifies the audit reports that will be required to be submitted by the Project implementation agency together with the due date for submission.

<i>Audit Report</i>	<i>Due Date</i>
Audit of Implementing Entity [BEA]	Within six months of the end of each fiscal year
Project financial statements (PFS), including SOEs and designated account. The PFSs include sources and uses of funds by category, by components and by financing source; SOE statements, Statement of designated account, notes to financial statements, and reconciliation statement.	Within six months of the end of each reporting period; the first and the final audit can cover the period up to 18 months.

Considering the above controls and mitigation measures, the risk associated with audit arrangements is assessed as moderate.

XI. *Funds Flow and Disbursement Arrangements*

24. Funds flow arrangements for the Project will be straightforward. Designated account will be opened in a commercial bank acceptable to the Bank. A Project account in rubles will be opened, too. Co-financing will be provided through ROSSTAT. Flow of funds for the whole Project will be done in a centralized way. The traditional method of disbursement will be used at the initial stages of the Project implementation with the opportunity to switch to report based disbursement during implementation provided that financial management capacity would be adequate and the Russian side would wish to do so. All possible disbursement mechanisms (advances, direct payments, reimbursement and special commitments) will be used. The ceiling for the Designated Account will be equivalent to US\$ 1.0 million. Payments made from the Designated Account are to cover eligible expenditures under the Project. Applications for replenishment will be supported by the necessary documentation. Considering the above controls and mitigation measures, the risk of flow of funds for the Project is assessed as moderate.

XII. *Financial Covenants.*

25. BEA will maintain a financial management system acceptable to the Bank. The Project financial statements, SOEs and Special Account will be audited by independent auditors acceptable to the Bank and on terms of reference acceptable to the Bank. The annual audited statements and audit report will be provided to the Bank within six months of the end of each fiscal year.

XIII. *Supervision Plan.*

26. As part of its Project supervision missions, the Bank will conduct risk-based financial management supervisions, at appropriate intervals. During Project implementation, the Bank will supervise the Project's financial management arrangements in the following main ways: (a) review on a 9 months basis the financial part of Project's IFRs as well as the annual Project's audited financial statements and auditor's management letter; and (b) during the Bank's on-site supervision missions, review the following key areas (i) Project accounting and internal control systems, including walk through test of limited number of transactions; (ii) budgeting and financial planning arrangements; (iii) disbursement management and financial flows, including counterpart funds, as applicable; and (iv) any incidences of corrupt practices involving Project resources. As required, a Bank-accredited Financial Management Specialist will assist in the supervision process.

Annex 8: Procurement Arrangements

RUSSIAN FEDERATION: Second State Statistical System Development Project

A. General

1. Procurement for the proposed Project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the IBRD in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity.

2. **Procurement of Goods:** Goods procured under this Project would include: Information Technology (IT) equipment (hardware and software), telecommunications equipment, office equipment and related technical services. The procurement will be done using the Bank's SBD for all ICB. The shopping threshold is set forth at US\$100,000 equivalent per contract. Prior- and post-review contracts will be indicated in the procurement plan.

3. **Training:** Training activities which will include study tours, conducting seminars, workshops and participation in international conferences on the subjects related to the Project, will be procured through procedures agreed with or satisfactory to the IBRD (Agreed Procedures). When appropriate, a firm will be selected to provide services in respect of organization of training upon comparison of at least three responsive price quotations presented by suitably qualified local service providers under agreed procedures. Individual contract values will normally not exceed USD 100,000 equivalent. Contracts estimated to cost more than USD 100,000 will be advertised nationally or internationally and bids for contracts will be invited. Technical services related to organization of training can be procured through NCB when foreign firms may no be interested to participate in tenders, and estimated to cost less than US\$ 1,000,000 equivalent per contract. Current rules for the public procurement in Russia in general do not agree with the Bank's guidelines. Possible unacceptable features of NCB may be invalidated by adding an Annex to Schedule 2 "Mandatory provisions for procurement under Bank-financed contracts subject to National Competitive Bidding" into the Loan Agreement to assure that NCB will be conducted under procedures acceptable to the Bank. The procurement will be done using the IBRD's SBD or National SBD agreed with or satisfactory to the IBRD. Participation in conferences and workshops on the Project subject matter may, with the Bank's prior agreement, may be procured on a sole-source basis. All contracts will be subject to prior review which will be indicated in the procurement plan.

4. **Selection of Consultants:** Consulting services will be utilized for: (i) modernization of the economic statistics methodology, (ii) development of the data collection, processing and dissemination technologies, (iii) improvement of social statistics, (iv) preparation of and conducting training for the staff of statistical offices, (v) monitoring of Project implementation

on the basis of target indicators, (vi) preparation of proposals on IT-strategy and preparing terms of references and technical requirements, (vii) conducting financial audit for the Project. Except as otherwise specified in the Procurement Plan consulting services under the Project will be procured using the QCBS procedures and the standard RFP and contract formats. Contracts meeting the requisites of Para 3.6 of the Consultants Guidelines may be procured using LCS procedures. For small assignments meeting the requisites of paragraphs 3.7 and 3.8 of the Consultants Guidelines, CQS may be used. Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract awarded on the basis of QCBS, QBS, LCS and CQS, may be comprised entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. Services for acquiring international experience, which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single-Source Selection, may, with the Bank's prior agreement, be procured from single source in accordance with the provisions of paragraphs 3.9 though 3.13 of the Consultant Guidelines. Selection of individual consultants will be carried out as specified in Section V of the Consultants Guidelines, including paragraph 5.4 of this Section for selection of individual consultants on a sole-source basis. Prior- and post-review contracts will be indicated in the procurement plan.

5. Public Education, Training, and Research Institutions: Services for modernization of statistics methodology under Component A, enhancement of social statistics under Component C, human resource development and training under Component D, may, with the Bank's prior agreement, be procured from public education, training, and research institutions (including dependent institutions for services for development of modern design and technology for statistical data collection, processing, and dissemination under Component B), if it has been satisfactorily established that no suitably qualified private sector consultant is readily available for the assignment.

6. Operating Costs: The operating costs of the PIU will include incremental operating costs incurred by the PIU on account of Project implementation, management and monitoring, including staff salaries and consultancy costs, social charges, training, conferences and seminars, dissemination of Project related information, office rent and utilities, office and equipment insurance, maintenance and repair, vehicle maintenance and repair, travel, security, communication, bank charges, and other miscellaneous costs directly associated with the Project. The operating costs would be disbursed on the basis of annual budgets to be agreed with the IBRD.

B. Assessment of the PIU's Capacity to Implement Procurement

7. Procurement activities will be carried out by the Bureau of Economic Analysis Foundation (BEA), which has been selected as the PIU. The PIU procurement function is staffed by six persons, namely the Head of the Procurement Department (Mr. Kirnos), the Deputy Head for Procurement of Consulting Services (Ms. Tikhmeneva), the Deputy Head for Procurement of Goods (Ms. Gavrilova), Procurement Specialist (Ms. Nikolaeva), the Head of the IT Department (Mr. Stroganov) and his Deputy (Mr. Panfilov). Mr. Kirnos, Ms. Tikhmeneva, Ms. Gavrilova and Ms. Nikolaeva have sufficient qualification in international procurement issues, procurement of goods and consulting services under IBRD guidelines. Nevertheless, all PIU staff responsible

for procurement should be given additional training in procurement of goods and consulting services under the IBRD Guidelines of May 2004.

8. An assessment of the capacity of the PIU to implement procurement actions for the Project has been carried out. The assessment found that BEA has sufficient experience in procurement cycle management. BEA maintains up to date records according to the requirements of their regulations approved by the general director.

9. The BEA has already completed implementation of the Russian Bureau of Economic Analysis Project and STASYS I Project. Currently this PIU is implementing the Russian National Hydromet Modernization (NHM) Project (closing date September 30, 2010), and will start implementation of the Russian Judicial Reform Support Project in 2007.

10. The key issues and risks concerning procurement for implementation of the Project have been identified and include uncertain political, legal and financial environment.

11. The general level of risk connected with procurement activity in Russia is considered to be high. Accordingly, the overall Project risk for procurement is also rated as high.

12. The following recommendations were made to mitigate the potential risks to the implementation of procurement under the Project:

- PIU staff responsible for procurement should be given additional training in procurement of goods and consulting services for successful implementation of the Project under the new Guidelines of May 2004 (Turin ITC of ILO courses could be recommended); and
- One more Procurement Specialist should be hired after the loan is effective.

C. Procurement Plan

13. The Borrower, at appraisal, developed a procurement plan for Project which provides the basis for procurement methods. This plan has been agreed between the Borrower and the Project Team and will be available in the Project's database and at the IBRD's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity.

D. Frequency of Procurement Supervision

14. In addition to the prior review supervision to be carried out from Bank offices, the PIU will be visited on a regular basis no less than twice a year by the Project Procurement Accredited Staff based in the IBRD's Moscow Resident Mission.

E. Details of the Procurement Arrangements (Procurement Plan)

See page 52

F. Enabling Environment and Risk Mitigation

15. Given the wide difference of approach between the new public procurement law on the one hand, and the World Bank Procurement Guidelines on the other hand, insufficient practice under the new legal and institutional framework, and reportedly widespread corruption in the country (Anticorruption Law still is not adopted in Russia), the procurement environment for the implementation of the World Bank's portfolio in the Russian Federation continues to be a complex and high risk one. As a consequence, intensive supervision of World Bank's financed Projects remains a need.

16. There are other aspects, identified in CPAR update, that pose certain risks to procurement under World Bank-financed Projects in Russia, among which are:

- Attempts to apply some features in line with national procurement legislation, fail because use of other procedures would not be understood by national controlling organs, such as the Chamber of Accounts. These arguments are used despite the provision of national legislation giving precedence to the procurement procedures set forth in the agreements with the International Financial Institutions.
- Tendency to "recover" implementation delays by putting last moment pressure on procurement procedures in the sense of reduction of the time necessary for them according to the guidelines.
- Formulation of overly restrictive qualification and evaluation criteria, as well as technical specifications, particularly in the procurement of IT, which leads to increasing complaints from bidders or from consultants, as it may apply, and to limited participation in bidding and selection processes.
- Attempts to disregard World Bank's comments on bidding documents with the excuse that it should be left as it is or otherwise it would take too long to amend due to the internal bureaucratic process.

STASYS-2
Procurement Plan

Category	Activities	LOT	QCBS	RFP	Tot est costs incl taxes and cont in USD	SPN/EOI	Bid Opening	Signature	No to eval	Tnisi	Contract	
											Issueing BD/RFP	Loan's expected effectiveness date
Component A. Modernization of economic statistics methodology												
A.1	Enhancement of the National Accounts	CS 7	QCBS	RFP	Prior	1,600,000	May-09	Jun-09	Jul-09	Sep-09	Oct-09	Oct-10
A.2	Development of the methodology for the Input-Output tables construction	CS 1	QCBS	RFP	Prior	200,000	Nov-09	Sep-09	Dec-09	Jan-10	Mar-10	Apr-10
A.2.1	Enhancement of the methodology for constructing basic Input-Output Tables	CS 1	QCBS	RFP	Prior	200,000	Jul-08	Aug-08	Nov-08	Dec-08	Feb-09	Mar-09
A.3	Enhancement of the price statistics					570,000						
A.3.1	Enhancement of the methodology for developing a consistent system of price indices and deflators under the conditions of implementing new classifications and international standards	CS 1	QCBS	RFP	Prior	200,000	Oct-08	Aug-08	Nov-08	Dec-08	Feb-09	Mar-09
A.3.2	Developing methodology for constructing coordinated consumer price indices at the regional and federal levels	CS 1	QCBS	RFP	Prior	200,000	May-08	Aug-08	Sep-08	Nov-08	Dec-08	Dec-09
A.3.3	Methological approaches to statistical observation in the construction industry on the basis of aggregated kinds of work and using the price indices obtained by the method of construction components	CS 1	QCBS	RFP	Prior	170,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Mar-08
A.4	Enhancement of the trade statistics					350,000						
A.4.1	Enhancement of the methodology for foreign trade services statistics	CS 1	QCBS	RFP	Prior	150,000	Jul-08	May-08	Aug-08	Sep-08	Nov-08	Dec-08
A.4.2	Improvement of the methodology for calculation of foreign trade indices	CS 1	QCBS	RFP	Prior	200,000	Oct-08	Aug-08	Nov-08	Dec-08	Feb-09	Mar-09
A.5	Enhancement of enterprise statistics					800,000						
A.5.1	Enhancement of the survey methodology of subjects of small entrepreneurial business	CS 1	QCBS	RFP	Prior	800,000	Oct-07	Oct-07	Nov-07	Jan-08	Jan-08	Feb-08
Component B. Development of modern design and technology for statistical data collection, processing, and dissemination												
B.1	Improved access to data through electronic and web-enabled technologies					2,400,000						
B.1.1	Developing corporate information solutions on the basis of portal technologies allowing the use of statistical web-aplications ensuring an administered access for users to various information resources and services	CS 1	QCBS	RFP	Prior	800,000	Apr-09	Feb-09	May-09	Jun-09	Aug-09	Sep-09
B.1.2	Development of a unified integrated system for collection, processing, warehousing, and distribution of statistical data, including optimization of vertical information flows at different levels (federal and regional)	CS 4	QCBS	RFP	Prior	1,600,000	Jul-08	Sep-04	Aug-08	Sep-08	Nov-08	Dec-08
B.2	Development of a modern system of the demographic data collection and processing					3,000,000	Apr-09	Feb-09	May-09	Jun-09	Aug-09	Sep-09
B.3	Development of a system for collection, analysis and dissemination of the household and population surveys data	CS 4	QCBS	RFP	Prior	400,000	Dec-08	Oct-08	Jan-09	Feb-09	Apr-09	May-09
B.4	Improved integration of databases					5,400,000						

#	Activities	Category	Proc Seal Meth	LOT	DOC	WB review	Tot est costs incl taxes and cont in USD	SPN/EOI	Prep BD/RFP	Selling BD/RFP	Bid Opening	Evaluation	No to eval	Signing	Finalis	Contract	
B.4.1 Development of relevant software and a database for national accounts statistics, including the calculation of GRPs at regional and federal levels																	
B.4.2	Development of a two-tier integrated database that would ensure the national accounts on the basis of harmonized and adjusted microdata to comply with the requirements of the national accounts statistics	CS 1	QCBS	RFP	Prior	2,900,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Mar-08	Apr-08	Jun-08	Jul-08	Mar-08	Mar-09
B.4.3	Creation of integrated information resources on enterprise statistics with the use of modern technologies to produce data in accordance with the system of national accounts requirements	CS 1	QCBS	RFP	Prior	1,800,000	Feb-08	Mar-08	Apr-08	Jun-08	Mar-08	Mar-08	Mar-08	Mar-08	Jul-08	Sep-10	
B.5	Institutional strengthening of ROSSTAT's IT policy framework	CS 1	QCBS	RFP	Prior	700,000	Nov-07	Sep-07	Dec-07	Jan-08	Mar-08	Mar-08	Mar-08	Mar-08	Apr-08	Apr-08	Apr-09
B.6	Improved IT security planning and requirements	CS 1	QCBS	RFP	Prior	500,000	Dec-08	Oct-08	Jan-09	Feb-09	Apr-09	Apr-09	Apr-09	May-09	May-09	May-10	
B.6.1	Development of an efficient integrated system to protect statistical data from unauthorized access to ensure security of data in the CIS of Rosstat and in transmission along the communication channels	G 1	ICB	SIS2	Prior	2,000,000	Dec-08	Jan-09	Jan-09	Feb-09	May-09	Jun-09	Jul-09	Aug-11			
B.7	Development of the corporate CIS of ROSSTAT	G 4	ICB	SIS1	Prior	18,280,000	Feb-09		Mar-09	Mar-09	May-09	Jul-09	Jul-09	Aug-09	Aug-09	Jun-12	
B.8	Development of efficient system of data collection and inter-ministerial coordination for the performance monitoring of the budget institutions and organizations with account of international practice					1,000,000											
B.8.1	Development of the methodology for performance monitoring of the budget institutions in the social sphere	CS 1	QCBS	RFP	Prior	200,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Feb-08	Mar-08	Mar-08	Mar-08	Mar-09	
B.8.2	Development of methodology for performance monitoring of the budget institutions in the sphere of economics and finance	CS 1	QCBS	RFP	Prior	200,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Feb-08	Mar-08	Mar-08	Mar-08	Mar-09	
B.8.3	Development of the methodology for performance monitoring of the budget organizations in the real sector of the economy	CS 1	QCBS	RFP	Prior	200,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Feb-08	Feb-08	Feb-08	Feb-08	Mar-08	Mar-09
B.8.4	Development of the methodology for performance monitoring of the regional bodies of executive power of the subjects of the RF	CS 2	QCBS	RFP	Prior	400,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Feb-08	Mar-08	Mar-08	Mar-08	Mar-09	
B.9	Development of remote data collection methods for the purposes of social and economic statistics	CS 1	QCBS	RFP	Prior	400,000	Jun-08	Apr-08	Jul-08	Aug-08	Oct-08	Oct-08	Oct-08	Nov-08	Nov-08	Nov-09	
B.10	Consultant service for preparation of proposals for strategic development of the Rosstat IT-systems, ensuring system integration, preparation of TORs and specifications	CS 3	QCBS	RFP	Prior	600,000	Nov-07	Sep-07	Dec-07	Jan-08	Mar-08	Mar-08	Apr-08	Apr-08	Apr-08	Apr-09	
Component C – Enhancement of social statistics																	
C.1	Statistics of living standards and poverty measurement						2,100,000										
C.1.1	Methodological recommendations on estimation methods for functional and individual income distribution based on HRS data (experimental survey results) and data from administrative (revenue services) sources	CS 1	QCBS	RFP	Prior	400,000	Nov-07	Sep-07	Dec-07	Jan-08	Mar-08	Mar-08	Apr-08	Apr-08	Apr-08	Apr-09	

#	Activities	Category	Proc Sel Meth	LB Review	QCBS	RFP	Prior	Prep BD/RFP	SPN/EOI	Bid Opening	Evaluation	No to eval	Signaling	Final	Contract
C.1.2	Methodological recommendations on constructing the indicator for actual final consumption on the basis of HBS improvement according to Resolution on Household Income and Expenditure Statistics adopted at the 17th International Conference of labor statisticians	CS	1	QCBS	RFP	Prior	200,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Feb-08	Mar-08	Mar-09
C.1.3	Methodological recommendations for conducting the complex and thematic surveys of living conditions of populations and poverty monitoring	CS	1	QCBS	RFP	Prior	200,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Feb-08	Mar-08	Mar-09
C.1.4	Methodological recommendations for developing and introduction of System of income and expenditures accounts of social protection for population according to ESSPROS recommendations	CS	1	QCBS	RFP	Post	100,000	Oct-07	Aug-07	Nov-07	Dec-07	Feb-08	Feb-08	Mar-08	Mar-09
C.2 Labor statistics															
C.2.1	Enhancement of wages and salaries statistics in compliance with the SNA concept	CS	1	QCBS	RFP	Prior	200,000	Apr-09	Feb-09	May-09	Jun-09	Aug-09	Aug-09	Sep-09	Sep-10
C.2.2	Enhancement of labor force survey system	CS	1	QCBS	RFP	Prior	400,000	Oct-09	Aug-09	Nov-09	Dec-09	Feb-10	Feb-10	Mar-10	Mar-11
C.3	Demographic statistics	CS	3	QCBS	RFP	Prior	600,000	Jun-09	Apr-09	Jul-09	Aug-09	Oct-09	Oct-09	Nov-09	Nov-10
Component D. Human resource development															
D.1	Analysis of the current retraining system and development a strategy for its development	CS	1	CQS	RFP	Post	70,000	Mar-08	Jan-08	Apr-08	May-08	Jul-08	Jul-08	Aug-08	Aug-09
D.2	Development of training programs and training materials	CS	1	QCBS	RFP	Prior	500,000	Jan-08	Nov-07	Feb-08	Mar-08	May-08	May-08	Jun-08	Jun-09
D.3	Training and exchange of the experience (knowledge sharing)						5,930,000								
D.3.1	Training course on the subject "Information technologies"	TR	4	QCBS	RFP	Prior	1,400,000	Aug-08	Jun-08	Sep-08	Oct-08	Dec-08	Dec-08	Jan-09	Jan-10
D.3.2	Training courses for the employees of the regional offices of ROSSTAT on the issues of household budget surveys	TR	3	AP	IQ	Prior	150,000	Apr-08	n/a	Apr-08	May-08	Jun-08	Jun-08	Jul-08	Jul-09
D.3.3	Training courses in various areas of statistics	TR	12	QCBS	RFP	Prior	2,270,000	Feb-08	Dec-07	Mar-08	Apr-08	Jun-08	Jun-08	Jul-08	Jul-09
D.3.4	Acquiring the international experience and knowledge sharing	TR	12	SSS	n/a	Prior	140,000	Jan-08	n/a	n/a	n/a	n/a	Feb-08	Feb-09	
D.3.5	Participation in conferences and workshops on the Project subject matter	TR	20	SSS	n/a	Prior	420,000	Jan-08	n/a	n/a	n/a	n/a	Feb-08	Feb-09	
D.3.6	Logistical services for organizing training	TR	15	AP	IQ	Prior	1,500,000	Apr-08	May-08	May-08	Jun-08	Aug-08	Aug-08	Sep-08	Sep-09
D.3.8	Preparation of TORs/specifications	CS	10	IC	n/a	Post	50,000	Nov-07	n/a	n/a	Dec-07	n/a	Jan-08	Jan-08	Jul-08
Component E. Project Management															
E.1	Equipment for the PIU	G	3	SH	IQ	Post	3,900,000	100,000	Jan-08	n/a	Jan-08	Feb-08	n/a	Feb-08	May-08
E.2	Annual financial audit of the Project	CS	1	LCS	RFP	Prior	125,000	Jan-08	n/a	Feb-08	Mar-08	May-08	May-08	Jun-08	Jun-11
E.3	Consulting services	CS	2	QCBS	RFP	Post	275,000	Mar-08	Jan-08	Apr-08	May-08	Jul-08	n/a	Jul-08	Jul-09
E.4	Operating costs	OC					3,100,000								
E.5	Monitoring of the project performance efficiency on the basis of target indicators, including the users' satisfaction surveys	CS	2	QCBS	RFP	Prior	300,000	Dec-07	Oct-07	Jan-08	Feb-08	Apr-08	Apr-08	May-08	May-09
Total costs															
50 000 000															

Annex 9: Economic and Financial Analysis

RUSSIAN FEDERATION: Second State Statistical System Development Project

Economic

1. The economic benefits from this Project derive from improvements in the efficiency of statistical operations, particularly through increased data sharing between all the members of the State statistical system, better data to enhance the potential for evidence-based decision-making, and reduction in the costs of missing or inaccurate data. An analysis of the operational efficiency, resulting from decrease of respondents' burden and elimination of duplicate data collection by various agencies could be attempted (at considerable cost), but the use of better statistical data cannot be analyzed in economic or financial terms. Statistics are a true public good and have very limited means of cost recovery.

2. However, investment in ICT and human resources associated with this Project is expected to generate tangible economic benefits. First, improvements in the efficiency of statistical operations will result in efficiency gains through wider coverage of higher quality statistical output for given levels of resources. Second, improved data availability will enhance the potential for evidence-based decision making, at policy, program, and Project levels. Third, the Project will help address the significant costs of missing or inaccurate data.

3. The Russian government recognizes the importance of statistics and after a considerable decrease of the ROSSTAT financing, both in absolute (by 60 per cent in real terms from 1994 to 1997) and relative terms (from 0.16% to 0.11% of the total Federal Budget expenditures in the same period), the financing was increasing in real terms, albeit unevenly (see the table on the ROSSTAT budget below).

Financial

4. The Project is not amenable to standard financial analysis as national statistical offices have very limited opportunities for significant cost recovery. Therefore, only marginal financial returns are expected from this Project. However, there can be several fiscal impacts contributing to a better budgeting process and public expenditure management, and a potential increase in revenues due to better information and coverage. Besides, streamlining of statistical operations should produce less labor-intensive statistical operations and potential savings in recurrent costs. On the other hand, there might be a potential increase in recurrent costs to cover enhanced operations of the national statistical system.

Budget of ROSSTAT, 1998-2004 (m Rb.)

	1998	1999	2000	2001	2002	2003	2004
ROSSTAT budget (planned), total	498.98	1085.10	1389.70	1600.22	2241.52	2749.80	3141.97
Current expenditures	493.50	1083.60	1380.70	1568.50	2210.90	2724.70	3083.90
Salaries	344.30	692.20	890.80	1028.70	1323.20	1662.40	1859.60
Capital expenditures	5.48	1.50	9.00	31.72	30.62	25.10	5.07
ROSSTAT budget (executed), total	500.20	1078.50	1377.58	1588.52	2221.82	2735.30	3120.70
Current expenditures	498.70	1077.00	1371.10	1556.80	2191.20	2710.20	3063.00
Salaries	334.90	688.90	886.30	1028.20	1322.50	1662.00	1858.80
Capital expenditures	1.50	1.50	6.48	31.72	30.62	25.10	5.70
Of that, regional offices	457.10	975.80	1262.70	1463.10	2069.47	2563.46	2839.59
Current expenditures	455.60	975.30	1260.50	1438.80	2039.00	2540.60	2812.00
Salaries	320.50	672.20	858.50	995.60	1278.90	1613.90	1758.90
Capital expenditures	1.50	0.50	2.20	24.30	30.47	22.86	27.59
Expenditure breakdown between the central and regional offices (%)							
Central office	8.6	9.5	8.3	7.9	6.9	6.3	9.0
Regional offices	91.4	90.5	91.7	92.1	93.1	93.7	91.0
Expenditure breakdown between current and capital (%), actual							
Current expenditures	99.7	99.9	99.5	98.0	99.8	99.1	98.2
Capital expenditures	0.30	0.14	0.47	2.00	0.16	0.92	1.85
Total current expenditure at constant prices, 1998=100*	100.0	156.2	129.7	109.6	121.5	124.7	120.1
ROSSTAT expenditures as % of total federal budget expenditures as % of GDP	0.130	0.162	0.144	0.120	0.109	0.116	0.116
	0.019	0.022	0.019	0.018	0.020	0.021	0.019

* Calculated with the Government consumption deflator

Annex 10: Safeguard Policy Issues

RUSSIAN FEDERATION: Second State Statistical System Development Project

No safeguard policies are triggered by this Project.

The safeguard screening category is S2 (no safeguard issues).

The environmental screening category is C (no adverse environmental).

Annex 11: Project Preparation and Supervision
RUSSIAN FEDERATION: Second State Statistical System Development Project

	Planned	Actual
PCN review	12/01/2005	12/01/2005
Initial PID to PIC	12/10/2005	12/14/2005
Initial ISDS to PIC	12/10/2005	12/15/2005
Appraisal	02/20/2006	02/15/2006
Negotiations	03/27/2007	05/03/2007
Board/RVP approval	06/21/2007	
Planned date of effectiveness	08/25/2007	
Planned date of mid-term review	01/29/2010	
Planned closing date	08/25/2012	

Key institutions responsible for preparation of the Project:
ROSSTAT, Ministry for Economic Development and Trade, Ministry of Finance

Bank staff and consultants who worked on the Project included:

Name	Title	Unit
Misha Belkindas	Task Team Leader	DECDG
Olga Shabalina	Co- Task Team Leader	DECDG
Mustafa Dinc	Economist/Statistician	DECDG
Omar Hadi	Sr. Program Assistant	DECDG
Robert Schware	Lead Informatics Specialist	CITPO
Lucas Ojiambo	Sr. Economist	AFTP2
Alexander Balakov	Procurement Specialist	ECSPS
Galina Kuznetsova	Sr. Financial Mgmt. Officer	ECSPS
Aziz Mamatov	Sr. Financial Mgmt. Officer	ECSPS
Olga Ivanova	Consultant	DECDG
Michael Colledge	Consultant	DECDG
Neil Fantom	Peer Reviewer	DECDG
Salman Zaidi	Peer Reviewer	ECSPE
Antoine Simonpietri	Peer Reviewer	PARIS 21
Youri Ivanov	Peer Reviewer	Commonwealth of Independent States Statistical Committee

Bank funds expended to date on Project preparation:

1. Bank resources:\$171,315
2. Trust funds: \$29,000
3. Total: \$200,315

Estimated Approval and Supervision costs:

1. Remaining costs to approval:\$20,000
2. Estimated annual supervision cost: \$85,000

Annex 12: Documents in the Project File

RUSSIAN FEDERATION: Second State Statistical System Development Project

- Developed draft PAD for Russia
- Integrated Safeguards Data Sheet (Appraisal Stage) - Second State Statistical System - P092429
- Project Information Document (Appraisal Stage) - Second State Statistical System - P092429
- CHINA: Workshop on Strategy for Statistical Reform; RUSSIA: Project Supervision and Preparation Mission; and BOTSWANA: Anglophone Africa GDDS Project Evaluation Meeting - November 13 - December 10, 2005 - Back-To-Office-Report (BTOR)
- Re: STASYS-2 - processing
- Project Appraisal Document Data Sheet - Second State Statistical System - P092429
- Project Appraisal Document - Second State Statistical System - P092429
- Russian Federation-Second State Statistical System
- Re: STASYS-2 PCN Review minutes
- RU: STASYS-2 - Reviewer Comments - Neil Fantom
- RU: STASYS-2I-PCN - Reviewer Comments - John Kendall
- RU: STASYS-2 - Reviewer Comments -Yuri Ivanov
- Fw: Minutes of Concept Review for RUSSIAN FEDERATION: Second State Statistical System - P092429
- RU: STASYSII - Reviewer Comments -Maria Shkaratan
- Request for Comments on the Concept Stage ISDS
- Concept Review Package for RUSSIAN FEDERATION: Second State Statistical System - P092429
- Concept Review Package
- Integrated Safeguards Data Sheet (Concept Stage) - Second State Statistical System - P092429
- Project Information Document (Concept Stage) - Second State Statistical System - P092429
- Project Concept Note - Second State Statistical System - P092429
- Project Concept Note Data Sheet - Second State Statistical System - P092429
- Statistical Assessment (first report)
- Statistical Master Plan (second report)
- SMP (according to the WB guidelines)
- Concept of the Federal Targeted Program (September 2005) in English
- Concept of the Federal Targeted Program (October 2005) in Russian
- First draft of the Federal Targeted Program (December 2005) in Russian

Annex 13: Statement of Loans and Credits

RUSSIAN FEDERATION: Second State Statistical System Development Project

Project ID	FY	Purpose	Original Amount in US\$ Millions						Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF	Cancel.	Undisb.	Orig.	Frm. Rev'd
P089733	2007	JUDICIAL REFORM SUPPORT	50.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00
P093050	2006	REGISTRATION	50.00	0.00	0.00	0.00	0.00	50.00	3.50	0.00
P078420	2006	CADASTRE DEVT	100.00	0.00	0.00	0.00	0.00	67.45	-14.55	0.00
P082239	2005	HYDROMETEO SYST MOD	80.00	0.00	0.00	0.00	0.00	77.32	16.34	0.00
P075387	2004	E-LRN SUPRT (APL #1)	100.00	0.00	0.00	0.00	0.00	35.24	8.23	14.78
P046497	2003	HEALTH REF IMP	30.00	0.00	0.00	0.00	0.00	17.30	14.15	2.43
P072960	2003	CUSTOMS DEVT	140.00	0.00	0.00	0.00	0.00	96.50	73.07	60.45
P069063	2003	ST. PETERSBURG ECON DEVT	161.10	0.00	0.00	0.00	0.00	140.63	111.62	0.00
P064237	2003	TB/AIDS CONTROL	150.00	0.00	0.00	0.00	0.00	99.49	81.97	16.60
P066155	2003	TAX ADM 2	100.00	0.00	0.00	0.00	0.38	31.72	14.10	16.44
P064508	2002	TREASURY DEVT	231.00	0.00	0.00	0.00	0.00	219.31	114.31	11.08
P064238	2001	N RESTRUCT	80.00	0.00	0.00	0.00	0.00	46.38	46.38	46.38
P038551	2001	MUN HEATING	85.00	0.00	0.00	0.00	0.00	17.78	17.78	17.78
P046061	2001	MOSC URB TRANS	60.00	0.00	0.00	0.00	0.00	7.51	7.51	0.00
P008832	2001	MUN WATER & WW	122.50	0.00	0.00	0.00	33.62	42.95	76.57	10.85
P058587	2000	REG FISC TA	30.00	0.00	0.00	0.00	0.00	6.55	6.55	2.38
P053830	2000	SUST FORESTRY PILOT	60.00	0.00	0.00	0.00	0.00	23.40	23.40	6.75
P042622	1996	CAP MRKT DEV	89.00	0.00	0.00	0.00	34.09	9.04	43.13	9.38
P008821	1995	ENV MGMT	110.00	0.00	0.00	0.00	0.00	27.61	27.61	15.33
		Total:	1,828.60	0.00	0.00	0.00	68.09	1,066.18	671.67	230.63

RUSSIAN FEDERATION
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2006	Absolut Bank	15.00	8.76	0.00	0.00	8.00	8.76	0.00	0.00
2006	Absolut Bank	15.00	8.76	0.00	0.00	8.00	8.76	0.00	0.00
2002	AgroIndFinC	5.00	0.30	0.00	10.00	3.83	0.30	0.00	7.67
2006	Alliance Oil Co.	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003	BCEN Eurobank	50.00	0.00	0.00	0.00	50.00	0.00	0.00	0.00
2004	BSGV	25.00	0.00	0.00	0.00	25.00	0.00	0.00	0.00
2004	BSGV Leasing	71.28	0.00	0.00	0.00	56.69	0.00	0.00	0.00
2001	BVF	0.00	2.13	0.00	0.00	0.00	0.19	0.00	0.00
2005	BVPEF III	0.00	12.50	0.00	0.00	0.00	5.92	0.00	0.00
2004	Bauxite Timana	15.00	0.00	0.00	10.00	0.00	0.00	0.00	0.00
2006	Brunswick Cptl	37.50	7.50	0.00	0.00	6.14	7.50	0.00	0.00
	Center-Invest	4.03	0.00	0.00	0.00	4.03	0.00	0.00	0.00
2005	Center-Invest	5.21	0.00	5.00	0.00	5.21	0.00	5.00	0.00
2006	Chuvash Republic	8.57	0.00	0.00	0.00	8.57	0.00	0.00	0.00
2006	Cinema Park	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2002	Delta Credit	14.12	0.00	0.00	0.00	14.12	0.00	0.00	0.00
2003	Delta Credit	54.04	0.00	0.00	0.00	45.04	0.00	0.00	0.00
2004	Delta Leasing	2.50	0.00	0.00	0.00	2.50	0.00	0.00	0.00
2006	Delta Leasing	6.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2002	Egar Technology	0.00	0.76	0.00	0.00	0.00	0.26	0.00	0.00
2005	Esanna	14.30	0.00	0.00	47.05	12.58	0.00	0.00	41.28
2005	Eurosibtrans	30.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
2006	Eurosibtrans	33.00	0.00	15.00	71.50	0.00	0.00	15.00	0.00
2006	Fora Bank	6.71	0.00	0.00	0.00	4.03	0.00	0.00	0.00
	GTFP Absolut Bk	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
	GTFP CBM	1.66	0.00	0.00	0.00	1.46	0.00	0.00	0.00
	GTFP LOCKO Bank	0.64	0.00	0.00	0.00	0.64	0.00	0.00	0.00
2002	IBS	0.00	8.00	0.00	0.00	0.00	8.00	0.00	0.00
2004	INTH	0.00	3.50	6.13	0.00	0.00	0.00	6.13	0.00
2006	INTH	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
2002	KMB Bank	3.86	0.00	0.00	0.00	3.86	0.00	0.00	0.00
2005	Kronospan Russia	89.24	0.00	0.00	0.00	89.24	0.00	0.00	0.00
2004	Kronostar	46.67	0.00	0.00	38.37	46.67	0.00	0.00	38.37
2005	Kronostar	45.00	0.00	0.00	0.00	45.00	0.00	0.00	0.00
2005	KuAz	13.50	0.00	0.00	0.00	13.50	0.00	0.00	0.00
	Kupol	14.00	0.00	25.00	0.00	7.70	0.00	19.82	0.00
2004	Lebedyansky	35.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Locko	11.16	16.37	0.00	0.00	3.71	16.37	0.00	0.00
	Moscow Credit Bk	5.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00

2005									
2005	Moscow Credit Bk	5.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00
1998	Mosenergo	6.75	0.00	0.00	0.00	6.75	0.00	0.00	0.00
2003	NBD	2.50	0.00	2.00	0.00	2.50	0.00	2.00	0.00
2006	NBD	5.12	0.00	0.00	0.00	5.12	0.00	0.00	0.00
2001	NMC	1.73	0.00	0.00	0.00	1.73	0.00	0.00	0.00
2004	NWSC	23.00	0.00	0.00	23.48	3.33	0.00	0.00	3.40
2005	Novatek	0.00	11.53	0.00	0.00	0.00	11.53	0.00	0.00
2005	Peter Hambro	0.00	11.25	0.00	0.00	0.00	11.24	0.00	0.00
2006	Peter Hambro	0.00	17.53	0.00	0.00	0.00	17.46	0.00	0.00
2004	Pilkington Rus	54.18	0.00	0.00	0.00	54.18	0.00	0.00	0.00
2007	Primsots	0.00	0.00	5.59	0.00	0.00	0.00	0.00	0.00
2001	Probusiness Bank	0.00	0.00	5.00	0.00	0.00	0.00	5.00	0.00
	Promek	159.72	0.00	0.00	0.00	133.72	0.00	0.00	0.00
2006	Prominvestors	0.00	0.00	15.00	0.00	0.00	0.00	0.00	0.00
2003	Quadriga Capital	0.00	17.70	0.00	0.00	0.00	7.11	0.00	0.00
2005	RWMN	1.07	0.00	0.00	0.00	1.07	0.00	0.00	0.00
2004	RZB Leasing Russ	18.36	0.00	0.00	0.00	9.86	0.00	0.00	0.00
	RZB Russia	70.00	0.00	0.00	0.00	70.00	0.00	0.00	0.00
2003	RZB Russia	24.44	0.00	0.00	35.56	24.44	0.00	0.00	35.56
2004	RZB Russia	9.41	0.00	0.00	0.00	9.41	0.00	0.00	0.00
1998	Ramstore	6.30	0.00	0.00	0.00	6.30	0.00	0.00	0.00
2001	Ramstore	12.84	0.00	0.00	0.00	12.84	0.00	0.00	0.00
2002	Ramstore	21.42	0.00	10.00	15.00	21.42	0.00	10.00	15.00
2005	Ramstore	40.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
2003	Ru-Net	0.00	5.00	1.00	0.00	0.00	5.00	0.00	0.00
2006	Rus MBS 2006-1	8.77	0.00	10.60	0.00	0.00	0.00	10.60	0.00
2001	Ruscam	3.50	0.00	3.50	0.00	3.50	0.00	3.50	0.00
2003	Ruscam	8.00	0.00	0.00	0.00	8.00	0.00	0.00	0.00
2004	Ruscam	15.91	0.00	0.00	0.00	15.91	0.00	0.00	0.00
2004	Russ Stndard Bnk	63.08	0.00	0.00	0.00	63.08	0.00	0.00	0.00
2006	Russ Stndard Bnk	42.80	0.00	25.50	60.00	42.80	0.00	25.50	60.00
1995	Russ Tech Fnd	0.00	0.23	0.00	0.00	0.00	0.23	0.00	0.00
2005	RussiaPartnersII	0.00	9.80	0.00	0.00	0.00	2.00	0.00	0.00
	Russkiy Mir	23.41	0.00	0.00	28.37	11.22	0.00	0.00	13.48
2004	Russkiy Mir	10.71	0.00	0.00	0.00	10.71	0.00	0.00	0.00
2005	Russkiy Mir	19.57	0.00	0.00	23.72	9.25	0.00	0.00	11.11
2004	Severstaltrans	21.43	0.00	12.86	0.00	21.43	0.00	12.86	0.00
2004	Sibakadembank	3.00	0.00	6.00	0.00	3.00	0.00	6.00	0.00
2006	Sibakadembank	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
2003	Stav. Broiler	13.50	0.00	0.00	0.00	11.00	0.00	0.00	0.00
2002	Swedwood Tichvin	4.83	0.00	0.00	0.00	4.83	0.00	0.00	0.00
2005	ToAz	30.00	0.00	0.00	45.00	0.00	0.00	0.00	0.00
2006	Trio	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	UralSib Bank	30.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
2003	UralTransBank	5.83	0.00	0.00	0.00	5.83	0.00	0.00	0.00
	Vladpivo	0.00	5.31	0.00	0.00	0.00	5.31	0.00	0.00
2006	Vladpivo	9.66	0.00	0.00	0.00	9.66	0.00	0.00	0.00
2004	Volga Shipping	24.15	0.00	0.00	16.72	14.03	0.00	0.00	9.79

2001	Volga-Dnepr	9.84	0.00	5.89	12.02	9.84	0.00	5.89	12.02
2006	Vyksa	60.00	0.00	0.00	0.00	60.00	0.00	0.00	0.00
2002	ZAO Europlan	2.86	0.00	0.00	0.00	2.86	0.00	0.00	0.00
2002	ZAO Storaenso	3.50	0.00	0.00	0.00	3.50	0.00	0.00	0.00
Total portfolio:		1,649.44	146.93	154.07	436.79	1,262.64	115.94	127.30	247.68

Approvals Pending Commitment					
FY Approval	Company	Loan	Equity	Quasi	Partic.
2006	UVTB	0.01	0.00	0.01	0.00
2002	RSB II	0.00	0.00	0.00	0.00
2006	OMK-Vyksa	0.01	0.00	0.00	0.00
2006	Europlan II	0.02	0.00	0.00	0.00
2005	KMB Bank II	0.03	0.00	0.01	0.00
2005	Novatek Gas	0.05	0.00	0.00	0.07
2006	CityMortgage	0.03	0.00	0.00	0.00
2006	PIP-Vladpivo	0.01	0.00	0.00	0.00
2007	Primsotsbank	0.01	0.00	0.01	0.00
2003	DeltaCredit Bank	0.02	0.00	0.00	0.00
2007	Rusfinance Bank	0.05	0.00	0.00	0.00
Total pending commitment:		0.24	0.00	0.03	0.07

Annex 14: Country at a Glance

RUSSIAN FEDERATION: Second State Statistical System Development Project

POVERTY and SOCIAL	Russian Federation	Europe & Central Asia	Upper-middle-income		
2006					
Population, mid-year (<i>millions</i>)	142.5	473	599		
GNI per capita (<i>Atlas method</i> , US\$)	5,770	4,113	5,625		
GNI (<i>Atlas method</i> , US\$ billions)	822.3	1,945	3,368		
Average annual growth, 2000-06					
Population (%)	-0.4	0.0	0.6		
Labor force (%)	0.7	0.6	1.2		
Most recent estimate (latest year available, 2000-06)					
Poverty (% of population below national poverty line)	18		
Urban population (% of total population)	73	64	72		
Life expectancy at birth (years)	65	69	69		
Infant mortality (per 1,000 live births)	12	28	23		
Child malnutrition (% of children under 5)	6	5	7		
Access to an improved water source (% of population)	99	92	94		
Literacy (% of population age 15+)	100	97	94		
Gross primary enrollment (% of school-age population)	114	104	107		
Male	114	105	108		
Female	113	102	106		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1986	1996	2005	2006	
GDP (US\$ billions)	..	391.7	764.5	986.9	
Gross capital formation/GDP	..	23.7	20.9	20.9	
Exports of goods and services/GDP	..	26.1	35.1	33.3	
Gross domestic savings/GDP	..	27.9	34.4	34.0	
Gross national savings/GDP	..	26.5	31.8	31.0	
Current account balance/GDP	..	2.8	10.9	10.7	
Interest payments/GDP	..	1.7	1.8	1.6	
Total debt/GDP	..	31.9	28.3	23.8	
Total debt service/exports	..	8.8	20.9	20.9	
Present value of debt/GDP	..	25.5	
Present value of debt/exports	..	93.1	
	1986-96	1996-06	2005	2006	2006-10
(average annual growth)					
GDP	-8.5	5.4	6.4	6.7	5.5
GDP per capita	-8.4	5.8	6.9	7.2	6.0
Exports of goods and services	-4.4	8.1	6.3	4.3	3.6
STRUCTURE of the ECONOMY					
	1986	1996	2005	2006	
(% of GDP)					
Agriculture	..	7.2	5.6	..	
Industry	..	38.7	38.0	..	
Manufacturing	17.9	..	
Services	..	54.1	56.4	..	
Household final consumption expenditure	..	52.6	49.0	49.3	
General govt final consumption expenditure	..	19.5	16.5	16.7	
Imports of goods and services	..	21.8	21.5	20.2	
	1986-96	1996-06	2005	2006	
(average annual growth)					
Agriculture	-7.5	5.1	1.1	..	
Industry	-13.4	5.8	4.1	..	
Manufacturing	
Services	-3.8	4.6	7.6	..	
Household final consumption expenditure	-1.6	6.4	10.9	11.6	
General govt final consumption expenditure	-5.3	1.8	1.8	6.8	
Gross capital formation	-24.1	7.5	11.4	12.7	
Imports of goods and services	-11.1	11.2	17.3	20.2	

Development diamond*

Legend: Russian Federation (solid line), Upper-middle-income group (dashed line)

Economic ratios*

Legend: Russian Federation (solid line), Upper-middle-income group (dashed line)

Growth of capital and GDP (%)

Legend: GCF (solid line), GDP (dashed line)

Growth of exports and imports (%)

Legend: Exports (solid line), Imports (dashed line)

Note: 2006 data are preliminary estimates. Group data are to 2005.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Russian Federation

PRICES and GOVERNMENT FINANCE				
	1986	1996	2005	2006
Domestic prices				
(% change)				
Consumer prices	..	47.7	12.7	10.0
Implicit GDP deflator	..	45.8	19.2	16.1
Government finance				
(% of GDP, includes current grants)				
Current revenue	..	35.5	35.0	36.0
Current budget balance	..	-1.2	10.1	10.8
Overall surplus/deficit	..	-9.5	7.6	8.3
TRADE				
	1986	1996	2005	2006
(US\$ millions)				
Total exports (fob)	..	89,685	243,569	302,903
Crude oil	..	15,578	83,439	..
Natural gas	..	14,683	31,671	..
Manufactures	..	9,441	14,300	..
Total imports (cif)	..	70,684	129,447	159,281
Food	..	11,557	17,400	..
Fuel and energy	..	1,848	1,600	..
Capital goods	..	14,894	43,400	..
Export price index (2000=100)	..	87	182	217
Import price index (2000=100)	..	115	112	115
Terms of trade (2000=100)	..	76	162	189
BALANCE OF PAYMENTS				
	1986	1996	2005	2006
(US\$ millions)				
Exports of goods and services	..	102,966	268,135	329,067
Imports of goods and services	..	86,757	164,718	199,816
Resource balance	..	16,209	103,417	129,251
Net income	..	-5,433	-18,736	-23,884
Net current transfers	..	72	-1,122	21
Current account balance	..	10,848	83,559	105,388
Financing items (net)	..	-15,862	-22,370	-10,825
Changes in net reserves	..	5,014	-61,189	-94,563
<i>Memo:</i>				
Reserves including gold (US\$ millions)	..	15,318	182,240	276,803
Conversion rate (DEC, local/US\$)	..	5.1	28.3	27.1
EXTERNAL DEBT and RESOURCE FLOWS				
	1986	1996	2005	2006
(US\$ millions)				
Total debt outstanding and disbursed	..	125,044	216,505	234,565
IBRD	..	2,512	5,200	4,720
IDA	..	0	0	0
Total debt service	..	9,478	59,719	71,433
IBRD	..	66	963	840
IDA	..	0	0	0
Composition of net resource flows				
Official grants	..	459
Official creditors	..	1,409	-20,089	-26,090
Private creditors	..	5,663	57,571	41,150
Foreign direct investment (net inflows)	..	1,664	1,473	2,915
Portfolio equity (net inflows)	..	4,338	-11,521	4,859
World Bank program				
Commitments	..	0	225	..
Disbursements	..	1,097	250	200
Principal repayments	..	0	780	680
Net flows	..	1,097	-529	-480
Interest payments	..	66	184	160
Net transfers	..	1,031	-713	-640

Year	GDP deflator (%)	CPI (%)
01	20	22
02	18	15
03	16	12
04	18	10
05	17	12
06	16	10

Year	Exports (US\$ mill.)	Imports (US\$ mill.)
00	80,000	60,000
01	90,000	70,000
02	100,000	80,000
03	110,000	90,000
04	120,000	100,000
05	130,000	110,000
06	140,000	120,000

Year	Current account balance to GDP (%)
00	18
01	10
02	7
03	6
04	8
05	10
06	9

Category	Value
D	514
A	4,720
E	4,976
G	29,105
F	195,250
C	IMF
D	Other multilateral
B	IDA
A	IBRD
E	Bilateral
F	Private
G	Short-term

Annex 15: Maps

RUSSIAN FEDERATION: Second State Statistical System Development Project

