Reforming Ukrainian social support system
State social assistance, housing subsidies, and privileges

**REFORM**
(targeted privileges, targeted assistance)

1. Law of Ukraine “On State Assistance to Families with Children"
   - assistance in connection with pregnancy and child-bearing;
   - assistance at child birth;
   - nursing aid for children under age of three;
   - assistance for children under care or custody;
   - assistance for single mothers;
   - assistance for adopted children

2. Law of Ukraine “On State Social Assistance to Low-Income Families"

3. Law of Ukraine “On Psychiatric Care"

4. Temporary state assistance to children whose parents renege on their alimony

5. State Program of Housing Subsidies

6. Privileges in payment for communication services, housing and public utility services, and transportation
Situation before the social support system reform

1. In 2014 more than 18 million Ukrainian citizens had right to various types of privileges. Taking into account other kinds of social support (assistance, compensations) this figure amounted to about the half of Ukrainian population.

2. According to estimates by international experts, “Social protection and social security” is the greatest expenditure item in the State Consolidated Budget of Ukraine. Total amount of financing under this expenditure item is about 7-8 % of GDP (not including money of the Pension Fund), that significantly exceeds expenditures for public health and education put together.

3. Targeting accuracy of the budget funds use for the social support was quite low. According to estimates made by experts, only 40% of funds of the Guaranteed Minimum Income Program that has the best targeting accuracy among Ukrainian social support programs goes to really poor groups.
Families that got state assistance for payment of housing and public utility services before the privileges and subsidies system reform (as of 01.01.2015)

- Families that had privileges in payment for housing and public utility services: 5.0 million families (29.5%)
- Families that got housing subsidies: 1.3 million families (7.7%)

In total, there are 16.9 million families in Ukraine.
Main components of the reform completed
Privileges system reform

1. Cancelled privileges for some professional groups (*Members of Ukrainian Parliament, judges, public prosecutors*). The main principle of the reform: these categories have to get merited wages but not privileges.

2. Implemented mechanism for determining right to privileges taking into account the total income in the beneficiary’s family (financial situation in the family is verified when granting privileges. This significantly increases their targeting accuracy).
Results of implementing the mechanism for privileges granting based on beneficiary’s family total income (since July 1, 2015)

- **3.8 million beneficiaries**
  - Total number of privilege beneficiaries whose right to the privileges was determined on the income basis

- **1.1 million beneficiaries**
  - Number of beneficiaries who have lost their right to the privileges taking into account their income

- **2.7 million beneficiaries**
  - Number of beneficiaries who have kept their right to the privileges taking into account their income

*About 30% of beneficiaries have lost their right to privileges taking into account their family’s total income*
The World Bank funded Social Assistance System Modernization Project and the Loan Program for Development have promoted active political dialogue on social assistance targeting accuracy.

“One-stop-shop” model has been implemented in local welfare offices as a result of the Project implementation, and unified principle of social assistance bodies operation was developed to provide various types of the social assistance.

According to the World Bank estimates, time for processing an application reduced from 4.5 hour to 1.4 hour in 2011 as a result of the Project activities, and to 1.2 hour for today.

This increase in efficiency enabled social workers to increase number of applications processed by them from 260 to 498 applications per worker a month. This has restrained administrative expenditures in social assistance programs.
Use of information systems and information exchange between various government bodies is an efficient tool to increase the targeting accuracy of social support.

To ensure granting privileges based on beneficiary’s family income, information exchange has been implemented between social assistance bodies, the Pension Fund, and housing and public utility service providers.

To simplify the Housing Subsidies Program, information exchange has been implemented between social assistance bodies, the Pension Fund, the State Fiscal Service, local government bodies, and housing and public utility service providers.

Widespread use of information exchange between various government bodies not only promotes simplification of mechanisms for application for and granting all the types of social assistance but also ensures control over targeted use of budget funds.
Phase I of Housing Subsidies Program Reform

Since October 1, 2014 the Procedure for Housing Subsidies Granting was changed:

• New social ceilings for housing and public utility services consumption was implemented for the purpose of privileges and subsidies granting (these unified ceilings were established as a result of monitoring service consumption by subsidy beneficiaries in previous year).

• Categorical principle of determining mandatory payment amount was abrogated, and now the amount is individual for each family and depends solely on the family’s income.
Phase II of Housing Subsidies Program Reform (May-September 2015)

1. The subsidies shall be granted on the basis of only two documents – The Application and the Declaration (no other documents are required). Simplified forms of the Application and the Declaration on Income and Expenditures (each form on 1 page) have been approved for persons applying for the subsidy.

2. It was implemented principle that the subsidy shall be granted on the basis of declared data. Trueness of the data shall be verified by social protection bodies after the subsidy is granted by way of sending inquiries to appropriate bodies, institutions, and organizations.

3. All restrictions regarding property situation of applicants for the subsidy were abolished.

4. The subsidy is granted for the period of 12 months instead of a heating period.

5. It was implemented principle that the subsidy is granted for the new period automatically (it is unnecessary to apply for the subsidy for the new period if no changes in situation occure).
Quantitative characteristics of the Housing Subsidies Program after its reform (comparison of figures for 2014 and 2015)

Number of subsidy beneficiary families increased almost 9-fold (+3,513.7 thousand families)

Number of the subsidy beneficiary families in October 2014: 441.4 thousand families

Number of the subsidy beneficiary families in October 2015: 3,955.1 thousand families
Comparison of families quantity that are participants of the Housing Subsidies Program

In 2014 – 2015

(.thousand families)
Families that got state assistance for payment of housing and public utility services after the privileges and subsidies system reform (as of 01.10.2015)

Families that had privileges in payment for housing and public utility services

3.0
Million families
(19.9%)

Families that got housing subsidies
4.0
Million families
(26.5%)

In total there are 15.1 million families in Ukraine
Main achievements of the reform:

1. Abrogated privileges for some professional groups (Members of Ukrainian Parliament, judges, public prosecutors).

2. Increased targeting accuracy of privileges to be granted taking into account beneficiaries’ income.

3. Ensured step-by-step transfer of beneficiaries from category-based privileges system to the Housing Subsidies Program with greater targeting accuracy.

4. Implemented principle of mandatory payment individual calculation for families participating in the Housing Subsidies Program. This provided possibility to increase targeting accuracy for this type of assistance.

5. Simplified procedure of citizens’ application for social assistance through implementation of information exchange between various organizations and government bodies, as it pertains to data needed for granting the assistance.