

# Social safety net in Ukraine

# Ukraine: background information

- ◆ Population: 48.5 mln, 68% urban
- ◆ GDP per capita: 710 USD
- ◆ Real formal GDP fall between 1991-99: 60%
- ◆ Informal sector share in total GDP: ca. 50%
- ◆ Poverty rate: 23%
- ◆ Unemployment rate: 12%
- ◆ Primary school enrollment rate: 82%
- ◆ Social assistance budget: 3.5% of GDP

# Poverty assessment summary

Poverty and extreme poverty rates are higher among

- ◆ HHs headed by elderly over 70-75 yrs of age
- ◆ HHs with three and more children
- ◆ HHs with very young (<3 yrs) children
- ◆ HHs headed by unemployed

Poverty is strongly negatively correlated with levels of education

Poverty gap: 3.4% of GDP

# Social assistance programs

Program	Budget, % of GDP	Beneficiaries	Targeting
Social privileges	13.6	42% of HHs	Categorical (professional etc.) Leakage: 87% of funds to non poor
Chernobyl benefits	1.0	4.2 of population	Disabled, evacuees, resettled, living nearby
Housing and utility allowances	0.9	25 % of HHs (+16 thru privileges)	Notional burden 23% of poor HHs 28% of non-poor
Family and child benefits	0.4	16% of families with children	11 categories (64% of families with 3 chld, 52% of families with young children)
Assistance for low income families	0.001	Ca. 2.2% of HHs	Monthly income < USD 8 per capita

RISKS	ISSUES	PROGRAMS /PERFORMANCE
Child poverty	1 in 2 children in HHs with +3 children are poor	Child and family allowances Only 10% of poor HHs receive CA
Old age	+70- risk of pov. is high	Housing and utilities allowance Targeted social assistance Privileges
Decrease in human capital accumulation	Education: High dropout rate in secondary school Health: Long term Chernobyl affects Social/: HIV incidence	- Chernobyl benefits
Increase in the price of housing and utilities	-Burden on state budget -Low compliance and discipline -Poor communities can not afford to pay	Housing and utilities allowance 23% of poor HHs 28% of non-poor
Depressed regions Unemployment	Mono company town Mining industries	

# Recommendations

- ◆ Cut down amount and number of privileges
- ◆ Consolidate child and family allowances in 2 or 3 benefits
  - CB linked to school attendance
  - Universal child allowance for under 3
- ◆ Develop the existing Targeted social assistance for low income families: change to proxy means testing
- ◆ Use Public works and Social investment funds to rehabilitate deteriorated social infrastructure
- ◆ Introduce microfinance schemes and training in depressed area (geographical targeting)
- ◆ Incorporate evaluation in the design of new schemes

## **Financing sustainability**

- ◆ Savings from downsizing privileges
- ◆ Coordinated donor support