

Policy Report No. 36

**CHANGES IN NORMATIVE
ACTS OF UKRAINE
ON SOCIAL PROTECTION:
FEBRUARY 1999 - JANUARY 2000**

November 2000



Developed by PADCO with assistance from USAID

To contact PADCO, call
Tel.: (380 44) 463-7615/16/18
Fax: (380 44) 463-7614

E-mail: rvaughan@padco.kiev.ua



PLANNING AND DEVELOPMENT COLLABORATIVE INTERNATIONAL

Contract No.

121-C-00-98-09000-000

PROVIDES GOVERNMENTS AND PRIVATE CLIENTS WITH HOUSING, URBAN,
ENVIRONMENTAL, AND REGIONAL DEVELOPMENT SERVICES

1025 Thomas Jefferson Street NW, Suite 170, Washington DC 20007-5209
Phone: (202)337-2326 Fax: (202)944-2350 Internet: padcoinc@interramp.com

CONCLUSIONS

- 97 normative documents on social protection were issued/passed between February 1999 and January 2000 including 20 laws, 4 decrees of the Supreme Rada of Ukraine, 12 decrees of the President of Ukraine, 36 decrees and 2 instructions of the Cabinet of Ministers of Ukraine, 23 documents of ministries and agencies.
- Leonid Kuchma, in his Message to the Supreme Rada "Ukraine: Entering the XXIth Century. Strategy of the Economic and Social Policy for 2000-2004" pointed out that reforms were hampered by slow development of a principally new and adapted to the market economy social infrastructure, particularly, delaying the pension and housing/utilities reform.
- There were over one million poor families in Ukraine in early 2000 i.e. families with monthly per capita income below 50 hrn. Over 100 thousand families received per capita income below 20 hrn. (source: the Ministry of Labor and Social Policy).
- The targeted cash assistance to low income families was introduced in April 1999 (CM Decree No. 238 dated February 22, 1999 "On Introducing the Targeted Social Assistance to Low Income Families"). In February 2000 this assistance and housing subsidies were targeted on most needy families/households by including evaluation of applicants' property status in the procedure of granting assistance/subsidies.
- On July 15, 1999 the Supreme Rada of Ukraine passed the Law of Ukraine "On the Minimum Subsistence Level" which provided the definition of the subsistence level and laid the foundation for establishing it.
- A lot of budget funds go in the form of privileges to people who are not poor, Ivan Sahan, the Minister of Labor and Social Policy, said. The budget cost of all privileges envisaged by the Ukrainian legislation is 32 billion hrn. which is comparable with the annual national budget.
- A number of social privileges to certain categories of individuals are suspended for 2000, particularly: free or discounted installation/use of telephone, sanatorium/resort treatment, free or discounted housing and utilities, electricity, gas, and fuel, free use of public transit and commuter transport. The Cabinet of Ministers is instructed to ensure that the military, staff of the Ministry of Internal Affairs, military veterans are paid compensation for sanatoria/resort treatment, housing and communal services, electricity, gas, and fuel because of these privileges are suspended (Law of Ukraine No. 1458-III dated February 17, 2000 "On the 2000 State Budget of Ukraine").
- Cabinet of Ministers Decree No. 822 dated May 14, 1999 improved the mechanism for granting housing subsidies: enrolled households would no longer have to pay for unconsumed gas even if actual charges of consumed gas is below the cost of normative consumption. Besides, the Decree eliminated reasons that had discouraged households to conserve services and install meters.
- It is planned to implement, as a result of the pension reform, a three pillar pension system which will consist of a traditional pay-as-you-go, mandatory accumulation, and private pension insurance pillars.
- The minimum old-age pension and minimum pension payment were raised from 16.62 hrn. to 24.9 hrn. and from 41 hrn. to 46 hrn., respectively, effective September 1, 1999 (Law of Ukraine No. 979-XIV dated July 15, 1999 "On Raising the Minimum Pensions").
- In view of large pension arrears new taxes under the mandatory state pension insurance were introduced in 1998 and 1999, namely: taxes on (a) purchase/sale of foreign currency and real estate, (b) sales of jewelry made of gold, platinum, and precious stone, (c) cost of purchased cellular phones and cars.

CONTENTS

SECTION I. OVERVIEW OF PRINCIPAL PROVISIONS OF THE LAST 97 NORMATIVE DOCUMENTS ON SOCIAL PROTECTION ISSUED/PASSED BETWEEN FEBRUARY 1999 AND JANUARY 2000...	3
SECTION II. REVIEW OF REACTIONS AND COMMENTS OF REPRESENTATIVES OF THE CABINET OF MINISTERS, SUPREME RADA, OTHER INSTITUTIONS AND THE PRESS CONCERNING SOCIAL PROTECTION ISSUES	25
I. SOCIAL PROTECTION REFORM	25
1.1 MAJOR DIRECTIONS OF SOCIAL POLICY	25
1.2 DEVELOPMENT OF THE SOCIAL BUDGET	25
1.3 REFORM OF THE SOCIAL ASSISTANCE SYSTEM	26
1.3.1 How Many Low Income Families Are There in Ukraine?	26
1.3.2 Major Measures to Reform the Social Assistance System.....	26
1.3.3 Introduction of Targeted Social Assistance to the Low Income Families	26
1.3.4 Targeting Social Assistance.....	27
1.3.5 Legislative Regulation of Targeted Social Assistance	28
1.4 MODIFYING THE SYSTEM OF SOCIAL STANDARDS	28
1.5 SOCIAL INSURANCE REFORM	29
1.5.1 Adoption of the Law "On Mandatory Social Insurance against Workplace Accidents and Occupational Diseases which have Caused Loss of Working Ability"	29
1.5.2 Capping Pregnancy and Childbirth Benefits and Disability Benefits for Certain Categories of Employees	29
1.5.3 The Right of Entrepreneurs, who have Opted for the Special Method of Taxation of their Profit, to Payments from the Social Insurance Fund has been Confirmed.....	29
1.5.4 Trade Union Federation Did not Permit Inclusion of Financial Resources of the Social Insurance Fund into the 1999 State Budget.....	30
1.6 GRANTING PRIVILEGES	30
1.6.1 The Government Restored the Procedure of Provision of Public Transit Passes for Students	30
1.6.2 Regarding the Need to Eliminate Privileges for Certain Categories of Employees	30
1.6.3 A Number of Privileges Have Been Suspended for 2000.....	31
1.7 MODIFICATIONS OF THE HOUSING SUBSIDY PROGRAM.....	31
1.8 MODIFICATIONS IN THE PROGRAM OF ASSISTANCE TO FAMILIES WITH CHILDREN	32
1.8.1 New Procedure for Calculating the Amount of the Assistance.....	32
1.8.2 Responsibility for Granting and Distributing Benefits are Transferred from Employers to Social Protection Authorities	33
1.9 WAGE AND SOCIAL PAYMENT ARREARS.....	33
2. PENSION REFORM	34
2.1 PENSION REFORM.....	34
2.2 SEGREGATING SOURCES OF FINANCING PENSIONS.....	34
2.3 PERSONIFYING RECORD KEEPING WITHIN THE STATE MANDATORY PENSION SYSTEM.....	35
2.4 ACTIVITIES OF NON-STATE PENSION FUNDS.....	35
2.5 FAILURE OF PEOPLE'S DEPUTIES TO SPECIFY THE RETIREMENT AGE IN THE CONSTITUTION OF UKRAINE	36
2.6 RAISING THE MINIMUM PENSION TO UAH 24.90	37
2.7 DISTRIBUTING PENSION BENEFITS THROUGH BANKS	37
2.8 PAYMENT OF CONTRIBUTIONS UNDER THE STATE MANDATORY PENSION INSURANCE	37
2.9 PENSION ARREARS	38
APPENDIX 1. STATE SOCIAL ASSISTANCE IN UKRAINE	40
APPENDIX 2. STATE ASSISTANCE TO FAMILIES WITH CHILDREN	46
APPENDIX 3. MINIMUM CONSUMPTION LEVEL VALUE AND SOCIAL BENEFITS ACCORDING TO NORMATIVE ACTS OF UKRAINE IN 1991-2000	48

SECTION I.

OVERVIEW OF PRINCIPAL PROVISIONS OF THE LAST 97 NORMATIVE DOCUMENTS ON SOCIAL PROTECTION ISSUED/PASSED BETWEEN FEBRUARY 1999 AND JANUARY 2000

97 normative documents were issued/passed between February 1999 and January 2000 including 20 laws, 4 decrees of the Supreme Rada of Ukraine, 12 decrees of the President of Ukraine, 36 decrees and 2 instructions of the Cabinet of Ministers of Ukraine, 23 documents of ministries

and agencies. Principal provisions of these normative acts are included in Tables 1 and 2. Of these, 13 affect pensioners, 4 affect families with children, 9 affect the entire population, and the rest relate to individual categories of people and executive power bodies.

Table 1: List of Principal Normative Documents in the Sphere of Social Protection Issued/Passed between February 1999 and January 2000

No.	Documents	What is new or what is changed
<i>Social Policy</i>		
1.	<p>CM Decree No. 358 dated March 13, 1999, "On Economic Results in 1998".</p> <p><i>Effective March 13, 1999.</i></p>	<p>Deterioration of the economic situation has caused the aggravation of social problems. The trend of growth of wage arrears has not been fully overcome. The total amount of wage arrears reached UAH 6.5 billion as of 10 January 1999 and the amount of pension and benefit arrears was more than UAH 2 billion.</p>
2.	<p>Law No. 586-XIV dated April 9, 1999 "On Local State Administrations".</p> <p><i>Effective May 12, 1999.</i></p>	<p>The authorities of local State Administrations in the area of social security and protection include, in particular (Article 23 of the Law):</p> <ul style="list-style-type: none"> • Establishment of a network of social protection organizations and their financial and material support, improvement of the quality of their services; • Development and assurance of implementation of comprehensive programs for the provision of services to socially unprotected citizens; • Assurance of employment of the disabled, promotion of provision of material support and household services to the disabled, treatment and rehabilitation of disabled, war and labor veterans and Chernobyl victims at sanatoria and resorts; • Assurance of provision of housing subsidies to the population. <p>The authorities of a local State Administration in the area of employment, labor and wages (Article 24 of the Law) include:</p> <ul style="list-style-type: none"> • Realization of state guarantees in the area of labor, including the right to timely obtain remuneration for work; • Development and organization of implementation of employment programs and measures to prevent unemployment; • Organization of paid community work for unemployed persons.
3.	<p>CM Decree No. 727, dated April 29, 1999, "On Additional Measures for Implementing Certain Provisions of the Basic Social Policy for 1997-2000".</p> <p><i>Effective April 29, 1999.</i></p>	<p>Additional measures for implementing certain provision of the Basic Social Policy for 1997-2000 were approved, including targeted social assistance to low-income people.</p>

Table 1

4.	<p>Supreme Rada Decree No. 795-XIV, dated July 1, 1999, "On the Main Directions of Budget Policy for 2000 (the Budgetary Resolution)".</p> <p><i>Effective August 5, 1999.</i></p>	<ul style="list-style-type: none"> • To ensure the priority financing of expenditures for education, health care, science, sports, social protection and security, including expenses to support the minimum level of income of people. • To finance in full current expenditures connected with the payment of salaries to employees of budget-financed organizations and payment of other social benefits that are financed out of the budget, together with the full payment of arrears that have arisen in the previous years. • Priority in the reform of the social protection system is enjoyed by a need to introduce the insurance principle in respect of 5 types of insurance, in particular: pension, medical insurance etc. • Development of a mechanism for the drafting of a social budget, namely: <ol style="list-style-type: none"> a) elimination of socially unjustified and economically unsound benefits; b) introduction of the principle of targeted provision of all types of social assistance and benefits; c) assurance of timely payment of social benefits; d) systematization of social protection legislation on the basis of a uniform codified act.
5.	<p>Presidential Decree No. 969/99, dated August 7, 1999, "On Basic Policy as to Monetary Incomes of Population in Ukraine".</p> <p><i>Effective September 7, 1999.</i></p>	<p>Subsection "Social Payments Policy" of this Decree states that social assistance paid from budget funds shall include assistance to families with children, monetary payments to low-income families, subsidies for housing and communal services, fuel, etc.</p> <p>The following measures are foreseen in this area:</p> <ul style="list-style-type: none"> • restructuring solidarity pension system; • improving, optimizing and increasing the targetness of social assistance to population; • increasing the amounts of social assistance to families with children, in particular, to low-income families; • providing unemployment benefits for the period of unemployment.
6.	<p>CM Decree No. 2118 dated November 22, 1999, "On Disseminating Mykolaiv Oblast Experience in Social Protection".</p> <p><i>Effective November 22, 1999.</i></p>	<p>Social protection experience of the Mykolaiv oblast state administration was discussed and approved. The new approach is based on the functional principles of building social protection offices, bringing them closer to recipients, reducing administrative costs and making targeted assistance to disabled and families with children more efficient.</p> <p>The Council of Ministers of AR of Crimea, oblast state administrations are entrusted to:</p> <ul style="list-style-type: none"> • complete setting up in each town and raion a territorial center for social services to retirees and single, unable-to-work individuals; • set up (during 1999-2000) offices for social protection of rural population in raion labor and social protection departments.
7.	<p>CM Decree No. 2173, dated November 29, 1999, "On Amendments to Tentative Lists Approved by CM Decrees No. 1101, dated June 22, and No. 1306, dated July 22, 1999".</p> <p><i>Effective November 29, 1999.</i></p>	<p>This Decree introduces changes and amendments to tentative lists of departments, offices and other structural units in raion state administration in the city of Sevastopol (CM Decree No. 1101), as well as in raion state administration in Kyiv (CM Decree No. 1306). The changes are due to reorganization of social protection agencies pursuant to Presidential Decree No. 1239, dated September 30, 1999.</p>
8.	<p>CM Decree No. 83 dated January 21, 2000, "On Functional Powers of the Prime Minister of Ukraine, the First Deputy Prime Minister of Ukraine, the Deputy Prime Ministers of Ukraine, and the Governmental Secretary of the Cabinet of Ministers of Ukraine" (as amended by CM Instructions No. 180-r dated April 12, 2000).</p> <p><i>Effective January 21, 2000</i></p>	<p>The Deputy Prime Minister for humanitarian policy issues shall inter alia organize the development and implementation of state social policy concerning the following issues:</p> <ul style="list-style-type: none"> • Reforming the systems of social security, pensions, health care, labor protection, and mandatory state social insurance • Reforming and implementing the housing, income and employment policies • charitable activities and humanitarian aid. <p>Within his/her functional terms of reference, this Deputy Prime Minister shall guide, coordinate and supervise activities of certain state agencies, including:</p> <ul style="list-style-type: none"> • The Ministry of Labor and Social Policy, and via it, the State Commit-

Table 1

		<p>tee for Affairs of Veterans</p> <ul style="list-style-type: none"> • The State Committee for Youth Policy, Sports and Tourism • The Pension Fund • The Ukrainian National Fund "Understanding and Reconciliation." <p>The Deputy Prime Minister shall provide for interaction between executive bodies and local governments, as well as voluntary associations of the latter, the National Council for Television and Radio, the National Council for Social Partnership, the National Intermediation and Reconciliation Service, the Ukrainian Coordinating Committee to Promote Employment, trade unions, political parties, and public organizations.</p>
9.	<p>Law No. 1458-III dated February 17, 2000 "On the 2000 State Budget of Ukraine".</p> <p><i>Effective March 14, 2000</i></p>	<p>Eight types of privileges to certain categories of individuals are suspended for 2000 (Article 62 of the Law), particularly: free or discounted installation/use of telephone, sanatorium/resort treatment, free or discounted housing and utilities, electricity, gas, and fuel; free use of public transit and commuter transport (pensioner are still eligible for the last privilege).</p> <p>The Cabinet of Ministers is instructed to ensure that the military, staff of the Ministry of Internal Affairs, military veterans are paid compensation for sanatoria/resort treatment, housing and communal services, electricity, gas, and fuel because of these privileges are suspended.</p> <p>There is an approved list of "protected" expenditure items in the State Budget including:</p> <ul style="list-style-type: none"> • Wages to employees of budget institutions; • Payroll taxes; • Transfers to the populations which are related to social protection and social security (including pension benefits and compensations for lost savings)
Targeted Social Assistance		
10.	<p>CM Decree No. 238, dated February 22, 1999, "On Introducing Targeted Social Assistance to Low-Income Families (with amendments introduced pursuant to CM Decrees No. 2146, dated November 26, 1999, No. 211 dated February 02, 2000).</p> <p><i>Effective March 4, 1999.</i></p>	<p>Starting from April 1, 1999, a new type of targeted social assistance to low-income families was introduced:</p> <ol style="list-style-type: none"> 1. It is payable to families which consist of: <ul style="list-style-type: none"> • retirees and children under 16 (school children – under 18); • non-working persons of workable age raising children, if this kind of employment is included in the labor record; • persons raising three or more children under 16; • persons taking care of I-category invalid or disabled child under 16, as well as of people who reached 80 years of age; • able-to-work persons not mentioned in this list under specific conditions and circumstances. 2. The social assistance is payable to families the average monthly income of which is less than the aggregated family income eligible for social assistance. <p>The amount of assistance is the difference between the eligibility threshold (46 hrn.) multiplied by an adjusting coefficient and family's average monthly income. The assistance is provided in cash.</p> <p>CM Decree No. 211 dated February 2, 2000:</p> <ul style="list-style-type: none"> • Included not working people of working age and the unemployed in the list of eligible individuals; • Included evaluation of the property status in the procedure for granting assistance (identification of those owning more than one housing units, cars); • Increased the maximum adjusting coefficient, which is used to calculate the total income when identifying eligible families, from 4 to 5.
11.	<p>Order of the State Committee for Statistics No. 163, dated May 17, 1999 "On Approving the Form for State Statistical Report No. 1 – "Report on Targeted Social Assistance to Low-Income Families" and Guidelines for Filling It In", registered in the Ministry of Justice under No.</p>	<p>Starting from July 1, 1999 and pursuant to CM Decree No. 238, dated February 22, 1999, records-keeping of low-income families receiving social assistance and its amounts was introduced.</p>

Table 1

	341/3634, dated June 1, 1999. <i>Effective June 11, 1999.</i>	
12.	Law No. 966-XIV, dated July 15, 1999, "On Subsistence Minimum". <i>Effective August 18, 1999.</i>	<p>The subsistence minimum is a value of the following sets:</p> <ul style="list-style-type: none"> • set of food products sufficient for normal functioning of human organism; • minimum set of non-food products; • minimum set of services necessary to meet basic social and cultural needs. <p>The subsistence minimum is used for:</p> <ul style="list-style-type: none"> – establishing minimum wages and minimum age retirement benefits, amounts of social assistance, child and unemployment allowances, stipends and other social payments stipulated in the Constitution and Laws of Ukraine; – establishing the eligibility for social assistance; – defining state social guarantees and standards of services in the areas of health, education, social protection, etc. <p>The subsistence minimum per capita, as well as for basic social and demographic population strata is to be annually approved by the Supreme Rada upon submission by the CM.</p> <p>Local self-government agencies may set up a regional subsistence minimum not less than that established by this Law. It is used, in particular, to define the eligibility for social assistance funded from local budgets.</p>
13.	Order of the Ministry of Labor and Social Policy, Ministry of Finance, Ministry of Economy, Ministry for Family and Youth, State Committee for Statistics No. 102/154/64/61/204, dated June 18, 1999, "On Methods for Calculating Aggregated Family Income for All Types of Social Assistance", registered in the Ministry of Justice, No. 470/3763, dated July 16, 1999. <i>Effective July 26, 1999.</i>	<p>To implement CM Decree No. 238, dated February 22, 1999, this order approves methods for calculating the aggregated family income to define the eligibility for social assistance and its amount.</p> <p>Types of social assistance are:</p> <ol style="list-style-type: none"> 1) state assistance to families with children; 2) housing subsidies to population; 3) targeted social assistance to low-income families; 4) funeral allowances. <p>The aggregated family income is a total of all incomes of household applicants paid in cash and in kind.</p>
14.	Order of the Ministry of Labor, Ministry of Finance, Ministry of Economy Ministry for Family and Youth, State Committee for housing construction, architecture and housing policy, State Committee for Statistics, No. 119/167/96/114/175/266, dated July 21, 1999, "On Regulations for Checking the Target Use of Budget Funds Earmarked for Housing Subsidies and Targeted Social Assistance", registered in the Ministry of Justice, No. 578/3871, dated August 25, 1999. <i>Effective September 5, 1999.</i>	<p>The approved Regulations defines conditions for checking the target use of budget funds earmarked for housing subsidies and targeted social assistance in the following areas:</p> <ul style="list-style-type: none"> • correct fixing of prices (tariffs) for housing and communal services; • correct calculating, timely transacting and target use by subsidy offices (departments) of funds earmarked for housing subsidies; • correct assigning, timely paying social assistance and target use by social protection department of funds earmarked for social assistance; • authenticity and comprehensiveness of income data used for assigning housing subsidies and social assistance; • correct calculating the amounts of housing subsidies and social assistance.
15.	CM Decree No. 1767 dated September 24, 1999, "On the Scientific/Public Expert Examination of the Food, Consumer Goods and Services Baskets for Determination of the Minimum Living Standard". <i>Effective September 24, 1999</i>	<p>The Procedure of the Scientific/Public Expert Examination of the Food, Consumer Goods and Services Baskets for Determination of the Minimum Living Standard was approved.</p> <p>An expert examination is concerned with determining the scientific justification of norms and standards of consumption, due observance of formation of these baskets. Expert examinations are carried out by an expert commission which consists of 12 persons, who include 4 representatives of central agencies of executive power and 4 representatives of employers' organizations and trade union associations with all-Ukrainian status.</p>

Table 1

16.	<p>CM Decree No. 2146, dated November 25, 1999, "On Amendments to CM Decrees No. 848, dated October 21, 1995, and No. 238, dated February 22, 1999".</p> <p><i>Effective December 15, 1999.</i></p>	<p>Amendments are made to the Regulations for assigning and paying subsidies to population (CM Decree No. 848) and to the Regulations for granting social assistance to low-income families (CM Decree No. 238). These amendments are made to unificate incomes to be considered for assigning all types of social assistance.</p> <p>Starting from January 1, 2000, the calculation of the aggregated income for assigning subsidies and assistance to low-income families shall be done by new methods approved by joint order of the Ministry of Labor and Social Policy, Ministry of Finance, Ministry of Economy, State Committee for Family and Youth.</p>
Other Social Benefits		
17.	<p>CM Decree No. 310, dated March 1, 1999, "On Approving the Regulations for Establishing the Value of Non-Food Products, Services and Housing for Poverty Level Formation".</p> <p><i>Effective March 18, 1999.</i></p>	<p>Families with low incomes are considered those the average per capita aggregated income of which in a month prior to the calculation month is less than the poverty level fixed for this period.</p> <p>The value of non-food products, services and housing for the poverty level is defined from real expenditures of low-income families. The value of non-food products cannot be less than 15% of the value of food products.</p>
18.	<p>Law No. 563-XIV dated March 25, 1999, "On Amending Individual Laws of Ukraine Regarding Payment of Particular Benefits by Social Protection Authorities".</p> <p><i>Effective April 22, 1999</i></p>	<p>Beginning April 3, 1999 responsibility for granting and distributing benefits to employed parents in families with children was transferred from enterprises (institutions, organizations) to social protection authorities at the place of residence of beneficiaries.</p>
19.	<p>CM Decree No. 783 dated May 10, 1999 "On the Increase in Benefits Financed from the State Employment Fund".</p> <p><i>Effective May 1, 1999</i></p>	<p>Effective May 1, 1999 monthly benefits were raised to:</p> <ul style="list-style-type: none"> • unemployment benefits – UAH 25; • financial unemployment support – UAH 18.75; • lump sum unemployment payments to unemployed persons and members of their families – UAH 12.5.
20.	<p>Order Ministry of Labor and Social Policy, Ministry of Finance, Ministry of Economy, State Committee for Family and Youth No. 84/132/158/32 "On Amendments to the Regulations for Assigning and Paying State Social Assistance to Families with Children", registered in the Ministry of Justice, No. 336/3629, dated May 28, 1999.</p> <p><i>Effective June 8, 1999.</i></p>	<p>Pursuant to Law No. 563-XIV, dated March 25, 1999, "On Amendments to some Laws of Ukraine on Payments Made by Social Protection Agencies", organizations and enterprises are not any more responsible for paying child allowances to families with children. This function is vested in social protection agencies, except for delivery cases, sick-child-care cases (temporary disability) which are paid at place of work (studies, service) by organizations and enterprises as before.</p>
21.	<p>CM Decree No. 915 dated May 27, 1999, "On Amounts of State Benefits to Families with Children in the Second Half of 1999".</p> <p><i>Effective June 8, 1999.</i></p> <p>The effect of the Decree has been extended for the year 2000 pursuant to CM Decree No. 122 dated January 24, 2000.</p>	<p>Benefits to families with children were raised effective July 1, 1999. The average per capita income which entitles a family to certain types of child care assistance was increased from UAH 38 to UAH 41 per month and from January 1, 2000 – to UAH 46. The Decree also increased the threshold of family's eligibility for the below listed types of assistance from 38 hrn. to 41 hrn. per capita per month, and, effective January 1, 2000 from 41 hrn. to 46 hrn. per capita per month:</p> <ul style="list-style-type: none"> • Assistance to not working women for taking care of a child between two and three; • Assistance for taking care of three and more children under sixteen; • Assistance for taking care of children under 16 (pupils – under 18); • Assistance for taking care of foster children under custody.
22.	<p>CM Decree No. 1308, dated July 21, 1999 "On the Introduction of Amendments to the Procedure of Determination of Amounts of Benefits Payable in Connection with Temporary Disability, Pregnancy and Childbirth to Per-</p>	<p>The upper limit of benefits payable in case of temporary disability, pregnancy and childbirth to persons whose wages exceed UAH 1000 is established: These persons include those who have a constantly calculated income and those whose income may be calculated only upon results of work for a year (entrepreneurs, attorneys, private notaries and other individuals whose activity is based on their individual private property and exclusively</p>

Table 1

	<p>sons, who have a Constantly Calculated Income and Persons whose Income may be Calculated only upon Results of Work for a Year".</p> <p><i>Effective July 24, 1999,</i></p>	<p>on their individual work). Now, for purposes of calculation of benefit amounts, wages are taken into account in the amount, which is subject to charges (contributions) payable to social funds, i.e. under UAH 1000.</p> <p>The total number of years of service rather than uninterrupted years of service, as was the case before, is to be taken into account for calculation of amounts of benefits payable in case of temporary disability.</p>
23.	<p>Order of the Ministry of Health, Ministry of Finance, Ministry of Labor and Social Policy, Ministry of Economy, State Statistics Committee No. 181/121/169/97/271, dated July 23, 1999, "On the Approval of the Preliminary Food Basket for Work Incapable Persons in Ukraine", registered with the Ministry of Justice on August 9, 1999, under No. 543/3836.</p> <p><i>Effective August 19, 1999</i></p>	<p>A temporary basket of foodstuffs for not-able-to-work people was approved in implementation of SR Decree No. 365-XIV dated December 25, 1998 "On the draft Law of Ukraine on the Introduction of the Minimum Consumption Level and the Minimum Wage for 1999".</p>
24.	<p>CM Decree No. 1398, dated July 30, 1999, "On Amending the Procedure for Calculating Average Monthly Wages, Approved by CM Decree No. 100 dated February 8, 1995"</p> <p><i>Effective August 20, 1999</i></p>	<p>The upper limit of pregnancy and childbirth benefits payable to persons whose wages exceed UAH 1000 is established. Now, for purposes of calculation of benefit amounts, wages are taken into account in the amount, which is subject to contributions for mandatory state social insurance, i.e. under UAH 1000.</p> <p>The average wage, on which basis the amount of temporary disability benefits is calculated, has been limited – it may not exceed the double salary rate, the double position rate of pay, together with lump sum bonuses and extra payments that are of a constant nature and are prescribed by the Cabinet of Ministers (except for temporary disability benefits in case of work-related injury, occupational disease, diseases of persons, who have suffered as a result of the Chernobyl accident and are referred to the 1st or 2nd Category, and pregnancy and childbirth benefits).</p>
25.	<p>Law No. 1047-XIV, dated September 15, 1999, "On Amendments to Law "On Poverty Level and Minimum Wage for 1999".</p> <p><i>Effective October 10, 1999.</i></p>	<p>The poverty level for first six months of 1999 was 90.7 hrn., for the second half-year it was fixed at 118.3 hrn.</p>
26.	<p>Law No. 1105-XIV dated September 23, 1999, "On Mandatory State Insurance against Workplace Accidents and Occupational Diseases which have Caused Loss of Working Ability."</p> <p><i>Effective January 1, 2001</i></p>	<p>Individuals, who work under employment agreements (contracts) at enterprises, institutions and organizations, irrespective of their forms of ownership and corporate form, or work for natural persons, i.e. hired employees, are subject to mandatory insurance against accidents. Self-employed individuals and individuals registered as subjects of business activity may be insured on a voluntary basis.</p> <p>Employers and, in certain circumstances, insured persons are payers of insurance contributions [premiums].</p> <p>The Fund of Social Insurance against Workplace Accidents and Occupational Disease of Ukraine acts as an insurer and is a non-commercial, self-regulatory organization acting on the basis of a charter that is approved by the Fund's Board.</p> <p>Insurance payments are amounts payable by the Fund to insured person or persons who are entitled thereto in case of onset of an insured event, in particular:</p> <ul style="list-style-type: none"> • Monthly benefits payable in case of partial or full loss of working ability, which compensate the relevant portion of lost wages of a victim; • Lump sum payment to a victim (members of his family and persons who were dependents of a deceased person); • Disability pension benefits payable to a victim; • Survivor benefits; • Allowance payable to a child who was born disabled as a result of

Table 1

		<p>work-related injury or professional disease of its mother during her pregnancy;</p> <ul style="list-style-type: none"> • Insurance contributions for medical and social assistance; • An insurance payment for moral damage is made to a victim, if the fact of moral damage has been established. <p>Employers must make contributions to the Fund in amounts that depend on the category of occupational risk at work an enterprise is referred to, reductions (or increases) thereof for low (or high, accordingly) levels of injuries, occupational diseases. The amount of a contribution is calculated by the Fund pursuant to the Procedure of Calculation of Insurance Rates, which is approved by the Cabinet of Ministers.</p> <p>Employees do not incur costs for obtaining insurance against accidents.</p>
27.	<p>Order Ministry of Labor, Ministry of Finance, State Committee for Family and Youth, State Committee for housing construction, architecture and housing policy, Fund of social insurance and Pension fund No. 192/257/250/376/263/08-06-1151/125, dated October 27, 1999 "On Changes and Amendments to the Regulations for Assigning and Paying State Assistance to Families with Children and Funeral Allowances", registered in the Ministry of Justice No. 798/4091, dated November 19, 1999.</p> <p><i>Effective November 29, 1999.</i></p>	<p>According to the approved new Methods for calculating the aggregated family income for all types of social assistance (Order dated June 18, 1999), the monthly average income is calculated not for the previous quarter but for 6 months.</p> <p>According to CM Decree No. 111, dated January 29, 1999, "On Separating the Sources for Funding Pensions and Monetary Assistance Assigned by Different Pension Programs", child-care allowances (until child is 1.5) are paid to working women from the Pension Fund with further reimbursement of this money from the state budget. For a child from 1.5 to 3 years of age the allowance is also paid from the Pension Fund but with further reimbursement of paid money from local budget. Starting from 2000 this kind of assistance is to be paid from local budget.</p>
28.	<p>CM Decree No. 126 dated January 24, 2000 "On Approving the Procedure for Allocation to the Social Insurance Fund of Proceeds from the Sale of Special Trading Patents to Subjects of Business Activity and the Single Tax paid by Small Businesses, and of Accounting and Use of such Proceeds".</p> <p><i>Effective February 11, 2000</i></p>	<p>This Procedure sets out a mechanism for the allocation to the Social Insurance Fund of proceeds from the sale of special trading patents to subjects of business activity and the single tax paid by small businesses, as well as the procedure of accounting and use of such proceeds.</p> <p>Money is used to reimburse these entrepreneurs for expenses connected with their payment of temporary disability benefits (including nursing care provided to an ill child or any other member of the family), pregnancy and childbirth benefits and burial allowances.</p>
Payroll Tax (Contributions to Social Funds)		
29.	<p>Presidential Decree No. 462/99 dated April 30, 1999, "On Controlling the Collection of Taxes to Mandatory State Pension Insurance, Mandatory Social Insurance and Other Contributions for Financing Social Benefits and Allowances".</p> <p>The Decree didn't come into effect because Law No. 700-XIV, dated May 21, 1999, was enacted.</p>	<p>Offices of the Pension Fund and Social Insurance Fund were entrusted to check up financial activities of businesses on paying insurance taxes and their targeted use (except taxes for mandatory social insurance against unemployment).</p>
30.	<p>CM Decree No. 840 dated May 19, 1999, "On Amending Decree No. 65 of the Cabinet of Ministers of Ukraine dated January 27, 1997".</p> <p><i>Effective June 4, 1999.</i></p>	<p>In order to seek out additional sources of funds to ensure the timely payment of wages, pensions and other social benefits, it is prescribed that between July 1 and December 31, 1999, import duties for customs clearance of goods that are imported into the customs territory of Ukraine will include a charge in the amount of 2% of customs value of goods, and revenues from this charge will be allocated to the State Budget of Ukraine. A list of goods, which are not subject to this provision, has been specified in a number of subsequent decrees.</p>
31.	<p>Law No. 700-XIV dated May 21, 1999, "On Controlling of Taxes to Mandatory State Pension Insurance and Mandatory Social Insurance".</p>	<p>This Law duplicates Presidential Decree No. 462/99, dated April 30, 1999.</p>

Table 1

	<i>Effective June 9, 1999.</i>	
32.	<p>Presidential Decree No. 746/99 dated June 28, 1999, "On Amendments to Presidential Decree No. 727 dated July 3, 1998, 'On Simplified System of Taxation, Accounting and Reporting for Small Enterprises.'"</p> <p><i>Effective September 19, 1999.</i></p>	<p>The Decree sets forth a new wording of Presidential Decree No. 727 dated July 3, 1998.</p> <p>Amounts of single tax paid by small enterprises must be transferred by the State Treasury's branches according to the following scheme:</p> <ul style="list-style-type: none"> • When the tax is paid by an individual, 43 percent go to the local budget; when the tax is paid by a legal entity, 20 percent go to the State Budget, and 23 percent, to the local budget. Previously, the figures were 55, 20 and 35 percent, respectively • 42 percent go to the Pension Fund (previously, 40 percent) • 15 percent go toward mandatory social insurance (including 4 percent to the State Employment Fund) to cover expenses incurred under legislation related to temporary disability, as well as expenses due to child-birth and funeral (previously, 5 percent). <p>Single tax-paying small enterprise shall not be payer of a number of taxes and fees (obligatory payments), including contributions under mandatory social insurance and mandatory state pension insurance.</p>
33.	<p>Presidential Decree No. 754/99 dated June 28, 1999, "On the Procedure of Repayment of Taxpayers' Debts to Budgets and State Special Purpose Funds".</p> <p>The Decree did not come into force due to the rejection of the draft Law under the same title pursuant to SR Decree No. 1052-XIV dated September 16, 1999.</p>	<p>The approved Procedure establishes the mechanism for the repayment of debts before budgets and state special-purpose funds for taxes and duties (mandatory payments), non-tax charges, penalties and financial sanctions, which are imposed by controlling authorities onto taxpayers, and sets forth procedures under which actions of controlling authorities may be challenged.</p> <p>In particular, it is provided that garnishment of funds from accounts of taxpayers to repay the debts before the budgets and state special-purpose funds will be carried out exclusively by decision of the arbitration court. A list of controlling authorities (the State Tax Administration, customs offices, divisions of the Pension Fund and the Social Insurance Fund, the State Treasury and the Control and Supervision Administration) and issues and matters referred to their competence are determined.</p>
34.	<p>Order of the Ministry of Labor and Social Policy, Ministry of Finance, State Tax Administration No. 130/171/398 dated August 2, 1999, "On the Approval of the Instruction on the Procedure of Receipt, Accounting and Use of Monies of the Fund of Ukraine for the Social Protection of Disabled Persons", registered with the Ministry of Justice on September 1, 1999, under No. 592/3885.</p> <p><i>Effective September 11, 1999.</i></p>	<p>The Instruction is approved in connection with the amendment of the Enabling Rules on the Fund of Ukraine for the Social Protection of Disabled Persons pursuant to CM Decree No. 1538 dated September 28, 1998.</p> <p>The budget of the Fund is formed with:</p> <ul style="list-style-type: none"> • monies allocated to the Fund from the State Budget for implementation of state measures to provide social protections to the disabled (in particular, payments for cars and wheelchairs, prostheses, sanatorium/resort treatment, privileged installation of phones for disabled persons falling under the 1st and 2nd Disability Categories, provision of financial and in-kind support); • contributions made by enterprises, institutions and organizations, which have failed to ensure compliance with the prescribed requirement as to procuring the requisite number of jobs for disabled persons – are used to finance measures of social/labor and occupational rehabilitation and extension of loans from the State Budget for the creation of jobs for the disabled; • charitable donations from organizations, worker collectives and individuals; • out-of-budget monies; • other revenues.
35.	<p>Decree of the Board of the Social Insurance Fund of Ukraine No. 11 dated August 26, 1999 "On Approving the Instruction on the Procedure of Receipt, Accounting and Use of Monies of the Social Insurance Fund of Ukraine", registered September 21, 1999, under No. 634/3927.</p>	<p>The new Instruction was enacted in place of the previous Instruction. The currently effective Instruction sets forth procedures of registration of contributors, calculation and payment of contributions for mandatory social insurance to the Fund by enterprises, institutions and organizations, irrespective of their forms of ownership, corporate forms, types of activity, branch affiliation, and individuals registered as subjects of business activity who use hired employees, as well as procedures of allocation, accounting and use of the Fund's monies. Individuals, who do not use the labor of</p>

Table 1

	<i>Effective October 1, 1999.</i>	<p>hired employees, pay such contributions on a voluntary basis.</p> <p>Bodies in charge of the registration of contributors are all-Ukrainian branch trade unions and trade union associations, regional branch organs of trade unions and trade union associations which have their budgets approved, executive directorates of the Fund's divisions.</p>
Privileges		
36.	<p>Order of the Ministry of Finance, Ministry of Transport, Ministry of Education, Ministry of Youth and Family Affairs No. 59/123/57/31, dated March 1, 1999, "On the Approval of the Procedure of Provision of Public Transit Passes for Students of Higher Educational Institutions of I-IV Levels of Accreditation and Students of Vocational and Technical School by City and Commuter Passenger Transport and Intercity Coach and Railway Transport throughout Ukrainian Territory, and of Reimbursement of Costs Connected with the Provision of the Said Benefit", registered with the Ministry of Justice March 3, 1999, under No. 134/3427.</p> <p>(The Order was terminated by Order No. 128/254/142/23 dated May 14, 1999, issued by the Ministry of Finance.)</p>	<p>On January 1 1999 a new procedure was enacted that governs the provision of public transit passes by city and commuter transport and intercity coach and railway transport throughout Ukrainian territory to students of higher educational institutions of I-IV levels of accreditation and students of vocational and technical schools in state and community ownership.</p> <p>A benefit – payment of 50% of a ticket price – is in effect annually from 28 August till 28 June. Students are to buy tickets at full price and thereafter educational institutions will reimburse them half the price of their tickets. Earlier, they could buy tickets at 50% of the ticket price directly at booking offices.</p> <p>Funds to pay for the tickets are earmarked in budgets and made known to educational institutions by the Ministry of Education or other central agencies of executive power.</p>
37.	<p>Presidential Decree No. 309/99, dated March 31, 1999 "On Measures to Bring in Order the Mechanism for the Provision of Public Transit Passes to Certain Categories of Students".</p> <p><i>Effective April 3, 1999.</i></p>	<p>The effect of CM Decree No. 229 dated February 20, 1999, which changed the procedure of reimbursing expenses related to public transit passes for students, is suspended, and the Cabinet of Ministers is ordered to renew the procedure of public transit passes that existed before.</p>
38.	<p>CM Decree No. 541, dated April 5, 1999 "On the Approval of the Procedure of Provision of Public Transit Passes for Students of Higher Educational Institutions of I-IV Levels of Accreditation and Students of Vocational and Technical Schools by Commuter Passenger Transport and Intercity Coach and Railway Transport throughout Ukrainian Territory".</p> <p><i>Effective April 22, 1999.</i></p>	<p>The effect of the old Procedure of Provision of Public Transit Passes for Students, which was in effect before 1999, is renewed in implementation of Presidential Decree No. 309, dated March 31, 1999. Students may buy tickets at half price annually from August 28 till June 28.</p> <p>Funds for public transit passes by city transport are earmarked in relevant local budgets, and public transit passes by commuter and intercity coach transport – in budgets of educational institutions, and public transit passes by railway – under a centralized arrangement in the State Budget for the Ministry of Education.</p>
39.	<p>Law No. 696-XIV dated May 21, 1999, "On Amending the Law of Ukraine "On the Promotion of Social Formation and Development of Youth in Ukraine".</p> <p><i>Effective June 16, 1999.</i></p>	<p>There have been specified sources of financing public transit passes for students pursuing a daytime course of instruction in secondary general schools, vocational and technical schools and higher educational institutions – funds for public transit passes for travel throughout Ukrainian territory by railway, water, coach, city transport (except for taxis) are earmarked in the State Budget under a separate heading. Benefits concerned with public transit passes by commuter passenger transport are financed out to local budgets.</p>

**Table 2: List of Principal Normative Documents Regulating
the Ukrainian Pension System Which Were Issued
between February 1999 and January 2000**

No.	Document	What is new or changed (key issues)
<i>Pension Reform and Organizational Changes in the Pension System</i>		
1.	<p>CM Decree No. 111 dated January 29, 1999, "On Separating Sources for Financing Pensions and Monetary Assistance Assigned by Different Programs" (as amended by CM Decree No. 784 dated May 12, 2000).</p> <p><i>Effective January 29, 1998.</i></p>	<p>Schedule for separating sources for financing payments from the Pension Fund for 1999-2001 was approved. Expenses at amount of 1.588 billion hrn. for 2001 should be paid from the state budget, not from the Pension Fund. The following payments should be made from the state budget:</p> <ul style="list-style-type: none"> • social benefits; • state assistance to certain categories of retirees; • allowance to low-income retirees; • benefits to certain categories of retirees, such as: war veterans, government employees attorneys, people's deputies, judges, scientific workers, etc; • retirement benefits for early retirement, pursuant to the Law "On Employment"; • allowance for taking care for single and disabled people; • child allowance for children under 1.5 years.
2.	<p>CM Decree No. 746 dated April 30, 1999, "On Division of Functional Powers among the Prime Minister of Ukraine, the First Deputy Prime Minister of Ukraine, the Deputy Prime Ministers of Ukraine, and the Minister of the Cabinet of Ministers of Ukraine" (as amended by CM Decrees No. 1562 dated August 27, 1999, No. 1943 dated October 21, 1999, and No. 2275 dated December 11, 1999).</p> <p><i>Effective April 30, 1999.</i></p> <p>Invalidated by CM Decree No. 83 dated January 21, 2000.</p>	<p>Responsibilities of the Deputy Prime Minister for economic issues inter alia include the development and implementation of labor, employment and social protection policies. In particular, he coordinated and supervised activities of:</p> <ul style="list-style-type: none"> • The Ministry of Labor and Social Policy, and via it, the Committee for Supervision over Labor Protection and the Committee for Affairs of Veterans of the War and Armed Conflicts in Foreign States • The Pension Fund • The Social Insurance Fund. <p>He also provided for interaction between executive bodies and the National Council for Social Partnership, the National Intermediation and Reconciliation Service, the Ukrainian Coordinating Committee to Promote Employment, the Council of Veterans of Ukraine, the Ukrainian Society of the Deaf, the Ukrainian Society of the Blind, the Union of Invalids' Organizations of Ukraine, and trade unions.</p> <p>Pursuant to CM Decree No. 1562 dated August 27, 1999, the above responsibilities in the social area were transferred to the Deputy Prime Minister for humanitarian policy issues.</p>
3.	<p>Law No. 776-XIV dated June 29, 1999, "On Amendments to the Law of Ukraine 'On State Budget of Ukraine for 1999.'" </p> <p><i>Effective October 5, 1999.</i></p>	<p>Pensions and cash benefits to enlisted servicemen and their families, state cash benefits, benefits for care of a child under three years, pensions to Chernobyl accident victims, and pensions granted under the Law "On Employment" shall be paid exclusively from the State Budget. Making such payments from the Pension Fund shall be prohibited.</p> <p>The Cabinet of Ministers is charged to provide for monthly transferring to the Pension Fund at least 88 million hrn. to pay pensions funded from the State Budget and to delimit sources of funds for pensions granted under different pension programs.</p>

Table 2

4.	<p>Supreme Rada Decree No. 795-XIV dated July 1, 1999, "On Basic Budget Policy for 2000 (Budget Resolution)".</p> <p><i>Effective August 5, 1999.</i></p>	<p>The Budget Resolution includes several provisions about pension security. When restructuring the social security system, priority is to build the management and legal framework for introducing different types of social security, including pension insurance.</p> <p>The Resolution advocates for separating sources for financing retirement benefits and other social allowances between the state budget and the Pension Fund.</p> <p>The following retirement benefits should be paid from the state budget:</p> <ul style="list-style-type: none"> • benefits raised pursuant to the Law "On Status of War Veterans, Guarantees for Their Social Security"; • benefits to government employees, judges, court experts, attorneys; • social benefits; • increments to benefits for children, single people and disabled; • increments pursuant to laws "On Donoring Blood and Its Components", "On Rehabilitation of Political Victims in Ukraine", "On Status of Mountainous Populated Areas"; • child-care allowance. <p>In order to cut down administrative costs and budget outlays the function of social protection offices for assigning and preparing pension documents is to be transferred to the Pension Fund.</p> <p>The Resolution advocates for leveling the pension debt between rural and urban territories, industrial and non-industrial regions. 50% of insurance contributions should be centralized for further redistribution between regions proportionally to the period of indebtedness.</p>
5.	<p>Law No. 996-XIV dated July 16, 1999, "On Accounting and Financial Reporting in Ukraine."</p> <p><i>Effective January 1, 2000.</i></p>	<p>Non-state pension funds, insurance companies and other financial institutions shall be bound, at latest on June 1 of the year following the reporting year, to publicize their annual financial statement and consolidated statement by publishing these in dailies and periodicals or distributing in a form of separate prints.</p>
6.	<p>Presidential Decree No. 969/99 dated August 7, 1999, "On Basic Policy of Population Incomes in Ukraine".</p> <p><i>Effective September 7, 1999.</i></p>	<p>The mechanism of this policy includes:</p> <ul style="list-style-type: none"> • establishing subsistence minimum for basic social and demographic population groups as a state social standard, and ensuring its proper functioning; • establishing minimum wages and minimum retirement benefits as government social guarantees; • introducing accumulated personified bank accounts in the overall state mandatory pension insurance; • introducing non-government pension insurance.
7.	<p>CM Instruction No. 797-p August 9, 1999, "On Establishing a Fixed Tariff in 2000 for Delivery of Benefits and Allowances Paid by the Pension Fund to Population".</p> <p><i>Effective August 9, 1999.</i></p>	<p>In order to reduce Pension Fund Expenditures, this document instructs to establish for 2000 fixed charges for distribution of pension and other benefits funded from the Pension Fund at a rate which should not exceed 1.5 percent of the total amount of pension and other benefits due.</p>
8.	<p>Presidential Decree No. 1004/99 dated August 18, 1999, "On Main Lines in Investment Policy for 1999 – 2001."</p> <p><i>Effective September 13, 1999.</i></p>	<p>When drafting normative acts on regulating activities of unit investment trust institutions and pension funds, provide for mechanisms of guaranteeing safety for contributions of people (one of the investment policy measures for 1999 – 2001).</p> <p>In case buyers of privatization objects fail to meet or unduly meet their investment obligations, take measures to return under state ownership the parcels of shares and property of the privatized enterprises most indebted to the State Budget and the Pension Fund.</p>
9.	<p>CM Decree No. 1596 dated August 30, 1999, "On Measures for Realizing Article 3 of Presidential Decree No. 734, July 4, 1998" (as amended by CM Decrees</p>	<p>To realize Presidential Decree No. 734 "On Improving the Collection of Mandatory Pension Contributions and Rational Use of the Pension Fund's Assets", a new procedure for paying benefits and allowances was developed and approved. By this procedure, upon recipient's consent, the</p>

Table 2

	<p>No. 580 dated March 29, 2000 and No. 785 dated May 12, 2000).</p> <p>Had to come into effect on September 7, 1999. However, Presidential Decree No. 734, dated July 4, 1998, was not enacted because Law No. 64-XIV, dated July 24, 1998, was passed.</p>
10.	<p>benefits and allowances assigned by social protection offices and paid from the Pension Fund and relevant budgets are deposited on recipients' current bank accounts. The accounts shall be opened in authorized banks such as Joint-Stock Post and Pension Bank "Aval", "Privatbank", "Prominvestbank", "Ukrsotsbank" and the State Specialized Savings Bank of Ukraine.</p> <p>Trade unions and their associations shall take part in defining main criteria for living standards, subsistence level, minimum wage, minimum pension, social benefits, and pricing policy, as well as in developing social programs aimed at social protection in case of full, partial or temporary disability, survivor, old age and other events provided for by law.</p> <p>Trade union's elected body at an enterprise, institution or organization shall have inter alia the following powers:</p> <ul style="list-style-type: none"> • Supervise the preparation and submission by employer of documents necessary to grant pensions to employees and their family members • Supervise that the pensioners and invalids who worked at the enterprise, institution or organization before retirement are given right pari passu with the employees to make use of available facilities for health care, housing, trips to sanative/preventive institutions, and other social services in compliance with the Charter of the enterprise, institution or organization and the Collective Agreement.
11.	<p>Law No. 1045-XIV dated September 15, 1999, "On Trade Unions, their Rights and Guarantees for Operation."</p> <p><i>Effective October 5, 1999.</i></p> <p>This Decree allows the Pension Fund to take bank credits and use them for paying benefits and to emit promissory notes against liabilities and interest. Relevant changes were introduced in the Regulations on the Pension Fund which were approved by CM Decree No. 345 June 1, 1994.</p>
12.	<p>CM Decree No. 1926 dated October 19, 1999, "On Some Issues of Financing Retirement Benefits".</p> <p><i>Effective October 19, 1999.</i></p> <p>According to CM Decree No. 1926 dated October 19, 1999 this Decree determines the procedure for obtaining loans by the Pension Fund and its structural units from commercial banks to finance pensions.</p> <p>Crimean and oblast departments of the Pension Fund may, by instruction of the Pension fund, receive up to 10 million Hrn. loans. Only the Pension Fund may receive larger loans.</p>
13.	<p>Decree of the Board of the Pension Fund No. 13-1 dated October 29, 1999, "On Approving the Regulation on Obtaining and Repaying Bank Loans to Finance Pensions by the Pension Fund of Ukraine", registered with the Ministry of Justice on December 1, 1999, No. 830/4123.</p> <p>The Pension Fund budget was approved with revenues and expenditures of 13.3 billion Hrn. each.</p> <p>Expenditures from contributions under mandatory state pension insurance are 11.775 billion Hrn., including:</p> <ul style="list-style-type: none"> • 9.426 billion Hrn. to pay pensions under the Law "On Pensions" • 542.837 million Hrn. to pay pensions under the Law "On Status of War Veterans and Guarantees of their Social Protection" • 453.596 million Hrn. to pay benefits to low-income pensioners • 66.638 million Hrn. of administrative costs • 45 million Hrn. of capital investment toward implementation of personified record-keeping. <p>Expenditures chargeable to the State Budget are 1.1 billion Hrn., including:</p> <ul style="list-style-type: none"> • 741.015 million Hrn. to pay pensions to servicemen • 334.973 million Hrn. to delimitate sources of funds • 29.868 million Hrn. to pay pensions to scientific workers of state scientific institutions. <p>Expenditures chargeable to the Chernobyl Fund to pay pensions under Law "On Status and Social Protection of Citizens Victimized by the Chernobyl Accident" are 412.820 million Hrn.</p> <p>Expenditures chargeable to the Employment Fund to pay pensions under Law "On Employment" are 44.392 million Hrn.</p>
14.	<p>CM Decree No. 2144 dated November 25, 1999, "On Budget of the Pension Fund for Year 2000."</p> <p><i>Effective November 25, 1999.</i></p> <p>The Pension Fund is a central executive body with a status equal to State</p>
14.	<p>Presidential Decree No. 1573/99 dated</p>

Table 2

	December 15, 1999, "On Changes in the Structure of Central Executive Bodies" (as amended by Presidential Decree No. 556/2000 dated April 3, 2000). <i>Effective December 27, 1999.</i>	Committee of Ukraine (according to the Scheme of organization and interaction of central executive bodies as approved by this Decree).
15.	CM Decree No. 83 dated January 21, 2000, "On Functional Powers of the Prime Minister of Ukraine, the First Deputy Prime Minister of Ukraine, the Deputy Prime Ministers of Ukraine, and the Governmental Secretary of the Cabinet of Ministers of Ukraine" (as amended by CM Instructions No. 180-r dated April 12, 2000). <i>Effective January 21, 2000.</i>	The Deputy Prime Minister for humanitarian policy issues shall inter alia organize the development and implementation of state social policy concerning the following issues: <ul style="list-style-type: none"> • Reforming the systems of social security, pensions, health care, labor protection, and mandatory state social insurance • Reforming and implementing the housing, income and employment policies • charitable activities and humanitarian aid. Within his/her functional terms of reference, this Deputy Prime Minister shall guide, coordinate and supervise activities of certain state agencies, including: <ul style="list-style-type: none"> – The Ministry of Labor and Social Policy, and via it, the State Committee for Affairs of Veterans – The State Committee for Youth Policy, Sports and Tourism – The Pension Fund – The Ukrainian National Fund "Understanding and Reconciliation." The Deputy Prime Minister shall provide for interaction between executive bodies and local governments, as well as voluntary associations of the latter, the National Council for Television and Radio, the National Council for Social Partnership, the National Intermediation and Reconciliation Service, the Ukrainian Coordinating Committee to Promote Employment, trade unions, political parties, and public organizations.
Retirement benefits and social allowances		
16.	CM Decree No. 377 dated March 15, 1999, "On Implementation of Articles 14 and 16 of the Law of Ukraine 'On State Support of the Media and Social Protection of Journalists.'" <p>Pensions to journalists of the state and communal media start being granted and calculated according to the norms, methods and procedures as those for civil servants with coming into force of the Law "On State Support of the Media and Social Protection of Journalists," i.e. from January 1, 1998.</p>	The Law "On State Support of the Media and Social Protection of Journalists" equaled journalists of the state and communal media with civil servants in terms of pension calculation, labor remuneration and privileges. The Decree has approved: <ul style="list-style-type: none"> • A procedure for labor remuneration of journalists of the state and communal media • A list of state and communal media journalists' positions equaled with the positions of executives and specialists on the staff of respective state agency and local government agency • A procedure for calculating the length of service for awarding a monthly long-service bonus and granting pensions to journalists of the state and communal media and state news agencies Eligible under the Law "On State Support of the Media and Social Protection of Journalists" shall be workers of the state or communal media who attained the retirement age set by Ukrainian legislation, provided that they have a total length of service of at least 25 years for males or 20 years for females, including at least 10 years of service in the state or communal media. Such persons shall be granted a pension at 80 percent of their established official salary plus an amount of rank premium, a monthly long-service bonus and other bonuses provided by the system of journalist labor remuneration.
17.	Order of the Ministry of Labor, Ministry of Finance and the Pension Fund No. 61/102/43 dated April 6, 1999, "On Procedure for Assigning and Paying State Cash Assistance to Certain Categories of Retirees", registered in the Ministry of Justice on May 14, 1999, No. 309/3602. <i>Effective May 24, 1999.</i>	In response to CM Decree No. 1951 "On State Cash Assistance to Certain Categories of Retirees", dated December 10, 1998, the Order approves a new procedure for assigning and paying state cash assistance to certain categories of retirees.

Table 2

18.	<p>CM Decree No. 652 dated April 22, 1999, "On Lump-sum Cash Benefit to Combatants, War Invalids and Individuals Having Special Merits before the Motherland, and on a Gradual Increase in Pensions to War Veterans."</p> <p><i>Effective April 24, 1999</i></p>	<p>Provide a lump-sum benefit of 20 hrn. to the said categories of WWII veterans.</p> <p>As from January 1, 2000, for those having special merits before the motherland there shall be an increase in:</p> <ul style="list-style-type: none"> • The supplement provided for under the Law "On Status of War Veterans and Guarantees of their Social Protection" (250 percent of the minimum old age pension) by 35 hrn. • The supplement provided for under the Law "On Basic Principles for Social Protection of Labor Veterans and other Elderly Citizens in Ukraine" (200 percent of the minimum old age pension) by 28 hrn.
19.	<p>Decree of the Board of the Pension Fund No. 4-5 dated April 23, 1999, "On Approving the Regulation on Procedure for Remittance of Pensions to Citizens who Have Moved Abroad, and Payment of Pensions to Pensioners from Foreign States who Reside in Ukraine," registered with the Ministry of Justice on June 24, 1999, No. 413/3706.</p> <p><i>Effective July 4, 1999.</i></p>	<p>A new wording of the Regulation was approved. Subject to remittance to foreign states shall be industrial injury/disease-related disability pensions granted in Ukraine to individuals who moved abroad for permanent residence, and pensions payable according to pension files taken from the Pension Fund of the USSR. Remittance abroad of other pensions and payment of pensions to pensioners from foreign states in Ukraine shall be carried out on grounds of relevant international treaties.</p>
20.	<p>Letter from the Pension Fund No. 11/2178 dated April 23, 1999, "Dictionary of Codes of Grounds for Determining Pension Eligibility".</p>	<p>This dictionary version (as of April 1, 1999) provides codes of grounds giving right to apply privileges when determining a pension pursuant to current legislation of Ukraine. The codes are to be used by employers and the Pension Fund's agencies when implementing an automated system for personified record-keeping of data on the insured.</p>
21.	<p>CM Decree No. 727 dated April 29, 1999, "On Additional Measures for Implementing Certain Provisions of the Basic Social Policy for 1997-2000".</p> <p><i>Effective April 29, 1999.</i></p>	<p>Additional measures were approved for implementing certain provisions of the basic social policy for 1997-2000, including provisions on retirement benefits.</p>
22.	<p>Supreme Rada Decree No. 621-XIV dated May 5, 1999, "On Recommendations of Parliament Hearing about Urgent Measures for Realizing Laws on Social Protection of Retirees, Veterans, Disabled, and Ways for Improving Them".</p> <p><i>Effective July 11, 1999.</i></p>	<p>Recommendations of parliament hearing were approved and submitted to the Supreme Rada, Cabinet of Ministers, ministries and departments about urgent measures for implementing laws on social protection of retirees, veterans, disabled, and about the ways of improving these laws.</p>
23.	<p>CM Decree No. 923 dated May 27, 1999, "On the List of Scientific Workers' Positions in State Scientific Institutions and Organizations, and Research-Teaching Positions in State Higher Educational Institutions of the 3rd and 4th Accreditation Levels Entitling to a Pension and Pecuniary Support on Retirement Pursuant to the Law of Ukraine 'On Scientific and Technological Activities.'"</p> <p><i>Effective June 18, 1999.</i></p>	<p>Approved was a List of scientific workers' positions ... (etc.) entitling to a pension and pecuniary support on retirement pursuant to the Law "On Scientific and Technological Activities."</p> <p>It was laid down that scientific service shall include:</p> <ul style="list-style-type: none"> • Service on the positions specified in the List (inclusive of that in scientific institutions of the former Ukrainian and other Soviet Republics and the USSR) as from the date of taking a doctoral degree or being titled with an academic rank • Civil service as from the date of taking a doctoral degree or being titled with an academic rank, provided that the civil servant directly switched over to a position of scientific worker after January 1, 1994.
24.	<p>CM Decree No. 924 dated May 27, 1999, "On Procedure for Recalculation of Pensions to Scientific Workers of State Scientific Institutions and Organizations, and Research-Teaching Workers of State Higher Educational Institutions of the 3rd and 4th Accreditation Levels who Had Retired before the Law of Ukraine 'On Scientific and Technological Activities'."</p>	<p>Pensions to scientists shall be recalculated from their average monthly salaries over last 24 months before applying for pension recalculation, or from the earnings over a service period on which the pension was earlier calculated (recalculated) according to documents in the pension file, including those over five years.</p> <p>The pension shall be granted at 80 percent of the average monthly earnings over last two years of working as a scientist in a state scientific institution and increased by 1 percent for each full year of scientific work up to 90 percent of the average monthly earnings.</p>

Table 2

	came into force.” <i>Effective June 18, 1999.</i>	to 90 percent of the average monthly earnings. The length of scientific service shall be determined pursuant to the List of scientific workers' positions approved by CM Decree No. 923 dated May 27, 1999, as from the date of taking a doctoral degree or being titled with an academic rank. For those scientists who had retired before Article 24 of the Law “On Scientific and Technological Activities” came into force (i.e. before June 22, 1999), the pensions shall become payable after quitting the job. During employment period, such workers reserve their right to receive a full pension granted under the Law “On Pensions.” In case of cessation of employment, payment of pension to the individual as a scientist shall be resumed.
25.	Decision of the Constitutional Court of Ukraine No. 2-b/99 dated June 2, 1999, on conformity of the Draft Law “On Amendments to Article 46 of the Constitution of Ukraine” with Articles 157 and 158 of the Constitution of Ukraine (case No. 1-20/99).	In 1997 the CM submitted to the Supreme Rada a draft law which increased the pension age from 55 to 60 for women and from 60 to 65 for men. In response the Supreme Rada preliminary passed a draft law which suggested to preserve the present pension age and make the following amendment to Article 46 of the Constitution “Citizens are eligible for social protection and care upon reaching not more than 55 years of age for women, and not more than 60 for men”. The Constitutional Court admitted that the Draft Law “On Amendments to Article 46 of the Constitution of Ukraine” didn't conform with the requirements of Article 157 of the Constitution because the proposed amendments, if passed, would restrict the eligibility of people for social protection in old age and limit other rights and freedoms.
26.	Presidential Decree No. 735/99 dated June 27, 1999, “On a Pilot Project in Housing Construction by Holding Company “Kyivmiskbud”.” <i>Effective September 16, 1999.</i> Law No. 1674-III dated April 20, 2000, “On a Pilot Project in Housing Construction by Holding Company “Kyivmiskbud” was passed.	It is planned that starting from July 1, 1999, to January 1, 2001, the holding company “Kyivmiskbud” in the city of Kyiv is conducting an economic experiment to stimulate housing construction with funds of citizens and businesses and to widen possibilities for social benefits at the expense of long-term housing savings deposits. During the experiment contracts on housing savings deposits are to be signed. The following tax privileges are envisaged for the whole validity period of these contracts: <ul style="list-style-type: none">• Money deposited in housing savings accounts will not be included into the aggregated taxable income at a rate of 600 non-taxable minimum incomes for the reporting (taxable) period. It will not be subject to payroll tax either;• social benefits will not subject to tax. The mentioned tax privileges are cancelled and taxes are to be paid, if money is withdrawn and contract terms are violated. Social benefits are paid under the following conditions: <ol style="list-style-type: none">1. depositor reaches the legal pension age;2. depositor becomes fully disabled.
27.	Presidential Decree No. 749/99 dated June 28, 1999, “On Changes and Amendments to Presidential Decree No. 1353, December 15, 1998”. <i>The Decree didn't come into effect because the Draft Law on rent for leasing land share (Supreme Rada Decree No. 901-XIV, July 9, 1999) didn't pass.</i>	The Decree had to increase the rent for leasing land share. It couldn't be less than 1% of the value of the leased land.
28.	Presidential Decree No. 753/99 dated June 28, 1999, “On Increasing Minimum Pension”. The Decree didn't come into effect because relevant Law No. 979-XIV, dated July 15, 1999, was passed.	Starting from September 1, 1999, the minimum age pension was increased from 15 hrn. (16.62 hrn. including indexing) to 24.9 hrn. This amount covers only labor pensions assigned pursuant to the Law “On Pensions”. The Decree stipulated also a targeted cash assistance for living at amount of up to 21.1 hrn. to unable-to-work people (except for those who receive age social benefits) if their monthly pension amount (including incre-

Table 2

		ments, compensations and additional benefits) is less than 46 hrn. Minimum age pension is not used for calculating the amount of social age pension, increments and other additional payment to the pension.
29.	CM Decree No. 1267 dated July 14, 1999, "On Amendments to Item 3 of the Procedure for Calculating the Length of Civil Service." <i>Effective July 24, 1999.</i>	Due to the adoption of a new wording of the Law "On Scientific and Technological Activities," the Procedure for Calculating the length of civil service (approved by CM Decree No. 283 dated May 3, 1994) was amended. The length of civil service shall also include periods of employment on the positions specified in the List of scientific workers' positions in state scientific institutions and organizations, and research-teaching positions in state higher educational institutions of the 3rd and 4th accreditation levels entitling to a pension and pecuniary support on retirement pursuant to the Law "On Scientific and Technological Activities" (the List was approved by CM Decree No. 923 dated May 27, 1999) as from the date of taking a doctoral degree or being titled with an academic rank, provided that the scientific worker directly switched over to a position of civil servant after January 1, 1994.
30.	Law No. 966-XIV dated July 15, 1999, "On Subsistence Level." <i>Effective August 18, 1999</i>	The subsistence level shall be applied inter alia to establish minimum wage and minimum old age pension, as well as to define amounts of social assistance and other social benefits ensuing from requirements of the Ukrainian Constitution and laws. The subsistence level shall be set statutorily per one person per month, and also separately for those belonging to main social and demographic groups, including disabled persons.
31.	Law No. 979-XIV dated July 15, 1999, "On Increasing Minimum Pension". <i>Effective August 14, 1999.</i>	The Law duplicates Presidential Decree No. 753/99 dated June 28, 1999, "On Increasing Minimum Pension".
32.	Law No. 1007-XIV dated July 16, 1999, "On Transplantation of Organs and other Human Body Materials." <i>Effective August 17, 1999.</i>	Donor's invalidity resulted from the exercise by him/her of a donor function shall be equaled to invalidity resulted from an industrial injury or disease. In case the exercise of a donor function caused death of the donor, a survivor's pension shall be granted to his/her dependent family members.
33.	Order of the Pension Fund, Ministry of Labor and Ministry of Finance No. 108/182/137 dated August 5, 1999, "On Procedure for Paying Pension Debt, upon Retiree's Consent, by Goods and Services Collected as Contributions to Mandatory Pension Insurance", registered in the Ministry of Justice on November 29, 1999, No. 821/4114. <i>Effective December 8, 1999.</i>	In response to CM Decree No. 1251, dated August 11, 1998, this Order approves the procedure for paying pension debt, upon retiree's consent, by goods and services collected as mandatory pension insurance contributions. According to this procedure, enterprises, organizations and businessmen having debts to mandatory pension insurance may, upon the Pension Fund's consent, pay the debt with goods and services. The in-kind benefits to retirees are paid solely upon their consent through shops and other entities, such as: timber enterprises, fuel storehouses, power providers, etc.
34.	CM Decree No. 1475 dated August 13, 1999, "On Approving the Regulations on Attestation of Scientific Workers." <i>Effective September 3, 1999.</i>	Pursuant to the Regulations, the main objective of attestation is to check if the scientific worker's skills and expertise match the position he/she occupies. Subject to the attestation shall be scientific workers whose positions are included in the List of scientific workers' positions in state scientific institutions and organizations, and research-teaching positions in state higher educational institutions of the 3rd and 4th accreditation levels entitling to a pension and pecuniary support on retirement pursuant to the Law "On Scientific and Technological Activities" (the List was approved by CM Decree No. 923 dated May 27, 1999).
35.	Presidential Decree No. 993/99 dated August 16, 1999, "On Extension of the Period for (Mutual) Settlements As Provided for by Presidential Decree No. 492 dated May 11, 1999." <i>Effective August 28, 1999.</i>	Extend until January 1, 2000, the period for mutual settlements and settlements with providers of housing services, utilities, gas and electric power within the limits for mutual settlements as set in Presidential Decree No. 492. Arrears of payments for the said services by pensioners as of April 1, 1999, may, by their written consent, be set off against pension arrears.

Table 2

36.	<p>CM Decree No. 1527 dated August 19, 1999, "On Targeted Cash Assistance to Unable-to-Work People With Minimum Income".</p> <p><i>Effective August 28, 1999.</i></p>	<p>This Decree, pursuant to the Law "On Increasing Minimum Pension", dated July 15, 1999, established a new amount of targeted cash assistance for living, starting from September 1, 1999. Retirees with benefits (including increments, monthly compensations and additional benefits) less than 46 hrn. are eligible for this assistance at amount of up to 21.10 hrn. (previously – 22.50 hrn.). The targeted cash assistance to people receiving social age benefits is 16.7 hrn. (didn't change).</p>
37.	<p>CM Decree No. 1528 dated August 19, 1999, "On Procedure for Assigning and Recalculating Benefits Pursuant to the Law "On Increasing Minimum Pension", dated July 15, 1999".</p> <p><i>Effective August 28, 1999.</i></p>	<p>As a new minimum age pension was established (24.9 hrn.), this Decree instructs relevant agencies to recalculate (starting from September 1, 1999) benefits assigned by the Law "On Pensions". Minimum age pension (full labor service) is 46 hrn. (previously – 41 hrn.). Maximum labor pension is a 3-fold minimum pension or 74.7 hrn. (previously – 59.86 hrn.). Maximum pension for workers by list No. 1 is a 4-fold minimum pension, that is 99.6 hrn.</p>
38.	<p>Law No. 1081-XIV dated September 21, 1999, "On Amendments to the Law of Ukraine 'On Pensions for Servicemen and the Command and Rank Staff of the Interior Bodies.'"</p> <p><i>Effective October 19, 1999.</i></p>	<p>Pensions granted to servicemen and the command and rank staff of the Interior Bodies and their family members shall be increased pursuant to the Law "On Indexation of Money Incomes of Population." Previously, the pensions were to be increased annually in relation to the indexation of population money incomes but not less than by 2 percent of the pay from which the pension was calculated, and the increase could not be less than 2 percent of minimum old age pension.</p>
39.	<p>Law No. 1127-XIV dated October 6, 1999, "Mining Law of Ukraine."</p> <p><i>Effective November 11, 1999.</i></p>	<p>For workers employed on jobs with a special character of labor, harmful or heavy labor conditions, there may be established supplementary pensions from money of mining enterprises accumulated in the industry pension fund. Conditions and a procedure for providing supplementary pensions, as well as a rate of deductions made by the mining enterprises for these purposes, shall be defined by a tripartite agreement of authorized representatives from mining enterprise owners, trade unions and the Cabinet of Ministers.</p> <p>Coal-mining and mine-construction enterprises shall provide free coal for household purposes at quantities as defined in collective agreement to certain categories of individuals, including:</p> <ul style="list-style-type: none"> • Pensioners who have worked at coal-mining (processing) and/or mine-construction enterprises at least 10 years on underground jobs, or at least 15 years on jobs related to underground conditions, or at least 20 years at production lines on the surface of operating mines, or in mines under construction, open cuts, washhouses or briquette plants. • Families of workers who were killed (died) in coal-mining (processing) enterprises, which receive survivor's pension.
40.	<p>Order of the State Committee for Construction No. 247 dated October 8, 1999, "On Approving the Regulations on Procedure for Involvement and Use of Funds to Finance Housing Construction and Provide Supplementary Social Security of Ukrainian Citizens within the Framework of Experiment", registered with the Ministry of Justice on October 15, 1999, No. 705/3998.</p> <p><i>Effective October 25, 1999.</i></p>	<p>The Regulations were developed in pursuance of Presidential Decree No. 735/99 dated June 27, 1999, "On Conducting an Experiment in Housing Construction Based on Company KyivMiskBud [Kyiv City Construction]" and with a purpose of supplementary voluntary social security of Ukrainian citizens through provision of social benefits.</p> <p>Social benefits here mean additional social security provided by a bank through payment of monthly benefits to a participant from his/her individual account for a period and on conditions specified in a contract. The contract may provide for life social benefits or term social benefits. The contributor makes contributions in a cash or non-cash form in hryvnias.</p> <p>The contract-specified social benefits shall become payable on the following conditions:</p> <ol style="list-style-type: none"> a) Attainment by the contributor of the statutory retirement age: 60 years for males and 55 years for females, or b) Full disability of the contributor. The fact of disability shall be ascertained according to the procedure established by law. <p>Contributors eligible for old-age or full-disability social benefits are of-</p>

Table 2

		ferred to chose one of these social benefits.
41.	<p>CM Decree No. 1971 dated October 23, 1999, "On Some Issues of Social Protection of WWII Veterans."</p> <p><i>Effective October 28, 1999.</i></p>	<p>Set off arrears formed in payment for housing and utilities by WWII veterans (combatants, war invalids, war participants) as of October 1, 1999, against arrears of payments to budgets of all levels.</p>
42.	<p>Order of the Ministry of Labor and Social Policy, the Ministry of Finance, the State Committee for Issues of Family and Youth, the Ministry of Education, the State Committee for Construction, the Social Insurance Fund, and the Pension Fund No. 192/257/250/376/263/ 08-06-1151/125 dated October 27, 1999, "On Amendments to the Regulations on Procedure for Granting and Paying State Assistance Benefits to Families with Children, and on Procedure for Paying Funeral Allowances," registered with the Ministry of Justice on November 19, 1999, No. 798/4091.</p> <p><i>Effective November 29, 1999.</i></p>	<p>Because of adoption of CM Decree No. 111 dated January 29, 1999, "On Delimiting Sources of Funds for Payment of Pensions and Cash Benefits Granted under Different Pension Programs," there were amendments made in the Regulations on procedure for granting and paying state assistance benefits to families with children approved by the Ministry of Labor, the Ministry of Social Protection, the Ministry of Education and the Ministry of Finance on March 11, 1993, No. 04-800/01-3/12/1/13-306, and registered with the Ministry of Justice on March 19, 1993, No. 10.</p> <p>Benefits for care of a child under 1.5 years to working and equal women shall be paid from the Pension Fund with subsequent refund from the State Budget, and for care of a child between 1.5 and 3 years of age, from the Pension Fund with subsequent refund from local budgets. As from January 1, 2000, the said benefits shall be paid from local budgets.</p> <p>Because of adoption of "Methodology for Calculating Aggregate Family Income for All Types of Social Assistance" approved by Order of the Ministry of Labor and Social Policy, the Ministry of Finance, the Ministry of Economy, the State Committee for Issues of Family and Youth, and the State Committee for Statistics No. 102/154/64/61/204 dated June 18, 1999, and registered with the Ministry of Justice on July 16, 1999, No. 470/3763, there were amendments made in "Procedure for Paying Funeral Allowances" approved by Order of the Ministry of Social Protection, the Ministry of Finance, the Ministry of Labor, the State Committee for Housing and Utilities, the Social Insurance Fund, and the Pension Fund No. 148/232/88/95/08-14-759/123 dated October 29, 1996, and registered with the Ministry of Justice on March 28, 1997, No. 99/1903.</p> <p>Aggregate family income for granting a supplementary funeral allowance is now calculated in accordance with the said Methodology. Previously, the calculation was done according to the Procedure for granting and paying state assistance benefits to families with children.</p>
43.	<p>Order of the Ministry of Finance, the Ministry of Economy, the State Tax Administration, the Ministry of Labor and Social Policy, the Ministry of Energy, the State Committee for Construction, Architecture and Housing Policy, and the National Stock Company "Naftohaz Ukrainy" ["Oil & Gas of Ukraine"] No. 275/134/689/203/332/276/302 dated November 15, 1999, "On Approving the Procedure for Setting off Arrears Formed in Payments for Housing and Utilities by WWII Veterans (Combatants, War Invalids, War Participants) as of October 1, 1999, against Arrears of Payments to Budgets of all Levels," registered in the Ministry of Justice on December 15, 1999, No. 867/4160.</p> <p><i>Effective December 25, 1999.</i></p>	<p>This Procedure was developed in pursuance of CM Decree No. 1971, dated October 23, 1999.</p> <p>Subject to write-off shall be arrears of payments for housing and utilities by WWII veterans (not including such arrears related to family members living with the veterans). The veteran-related arrears are determined by dividing the amount of arrears as of October 1, 1999, by the number of family members registered at the apartment together with the veteran. If a veteran lives and is registered alone, the entire arrears shall be written off.</p>
44.	<p>CM Decree No. 12 dated January 8, 2000, "On Amendments to Decree of the Cabinet of Ministers of Ukraine No. 393 dated July 17, 1992."</p> <p><i>Effective January 19, 2000.</i></p>	<p>The procedure for calculating a pension from additional types of pay and cash benefit on retirement from military service or interior bodies was refined.</p>

Table 2

45.	<p>Decree of CM and the National Bank of Ukraine No. 166 dated January 28, 2000, "On Implementation of Article 64 of the Law of Ukraine 'On the National Bank of Ukraine' when Determining Pensions Pursuant to the Law of Ukraine 'On Civil Service.'"</p> <p><i>Effective February 18, 2000.</i></p>	<p>For pension purposes, positions of National Bank officers were equaled to corresponding positions of civil servants in the Secretariat of the Cabinet of Ministers in accordance with an approved list.</p> <p>When determining pensions for the National Bank officers as per the Law "On Civil Service," the following shall be taken into account:</p> <ul style="list-style-type: none"> • Their official salary up to an amount of the maximum official salary attached to the corresponding civil servant position in the Secretariat • Rank premium • Long-service bonus • Other established bonuses.
<i>Personified record keeping</i>		
46.	<p>CM Instruction No. 333-p dated April 24, 1999, "For the Pension Fund to Ensure Implementation of Personified Accounting of Insurance Contributions Concurrently in 110 Raion Pension Fund Offices".</p> <p><i>Effective April 24, 1999.</i></p>	<p>The Pension Fund was instructed to launch (starting from June 1, 1999) a pilot project for introducing personified accounting of insurance contributions concurrently in 110 raion Pension Fund offices.</p>
47.	<p>Supreme Rada Decree No. 914-XIV dated July 13, 1999, "On Approving Tasks of the National Informatization Program for 1999 – 2001."</p> <p><i>Effective August 6, 1999.</i></p>	<p>The Decree's section concerning informatization of the social area defines a task to form a system for information and analytical support of social protection institutions, including:</p> <ul style="list-style-type: none"> • A labor market information and inquiry system • Local networks of social protection institutions united in a single information-calculating network • A system for automated personified record-keeping of data in the Pension Fund.
48.	<p>CM Decree No. 1902 dated October 15, 1999, "On Pension Reform Progress in Ukraine Taking into Consideration Results of the Pilot Project for Assigning Benefits by Pension Fund Offices in L'viv Oblast".</p> <p><i>Effective November 15, 1999.</i></p>	<p>The Decree acknowledges the necessity for the Supreme Rada to pass laws "On Overall Mandatory State Pension Insurance" and "On Non-Government Pension Funds" to ensure further development of pension reform in Ukraine.</p> <p>The pilot project in L'viv oblast has proved the expediency of vesting in Pension Fund offices the functions of assigning and paying benefits, and of introducing personified accounting in the system of overall mandatory state pension insurance.</p> <p>List of 135 raion and town Pension Fund offices has been approved for priority in introducing personified accounting in 1999.</p>
<i>Pension contributions</i>		
49.	<p>Law No. 414-XIV dated February 3, 1999, "On Amendments to Article 9 of the Law of Ukraine 'On Fixed Agricultural Tax.'"</p> <p><i>Effective February 20, 1999.</i></p>	<p>Payers of the fixed agricultural tax are exempted from this tax until January 1, 2001, except for payments under mandatory state pension insurance (68 percent of the fixed agricultural tax amount determined under this Law) and under mandatory social insurance (2 percent).</p>
50.	<p>Presidential Decree No. 189/99 dated February 23, 1999, "On Contributions to Mandatory State Pension Insurance from Real Estate Transactions and Services Rendered by Mobile Communication Enterprises".</p> <p>The Decree didn't come into effect because the Draft Law on amendments to the Law "On Contributions to Mandatory State Pension Insurance" (pursuant to Supreme Rada Decree No. 538-XIV, March 23, 1999) was rejected.</p>	<p>Temporary, until pension debt is fully paid, the number of insurance contributors together with objects of taxation was increased.</p> <p>New taxes are introduced:</p> <ul style="list-style-type: none"> • 1% of realty cost to be paid by enterprises (any form of ownership) and individuals buying realty; • 10 hrn. per month for each registered mobile telephone owned by legal entity or individual. • Realty insurance tax is not paid by: <ul style="list-style-type: none"> • agricultural producers paying a fixed agricultural tax; • foreign enterprises and organizations having privileges and immunities; • state-owned enterprises and organizations buying realty for budget funds.
51.	<p>Order of the Main Department of the</p>	<p>According to the Procedure for indisputable write-down, the amounts of</p>

Table 2

	<p>State Treasury of Ukraine No. 25 dated March 22, 1999, "On Approving the Procedure for Indisputable Write-down form Registration Accounts of Institutions and Organizations whereof Expenses are Paid for from a Single Treasury Account," registered with the Ministry of Justice on April 15, 1999, No. 233/3526.</p> <p><i>Effective April 25, 1999.</i></p>	<p>arrears of payments under mandatory state pension insurance and mandatory social insurance shall be written down indisputably on instructions from the Pension Fund and Social Insurance Fund.</p>
52.	<p>Law No. 539-XIV dated March 23, 1999, "On Amendments to Certain Legal Acts of Ukraine".</p> <p><i>Effective June 2, 1999.</i></p>	<p>According to this Law the actual payroll expenditure of business entities does not include payments which are not subject to insurance tax (Item 2, Article 5, CM Decree "On Income Tax from Individuals"). Before there was a list of payroll payments free of insurance tax and which were excluded from calculating the average monthly wage for pension assignment (CM Decree No. 697, dated May 18, 1998).</p>
53.	<p>Presidential Decree No. 462/99 dated April 30, 1999, "On Controlling the Collection of Taxes to Mandatory State Pension Insurance, Mandatory Social Insurance and Other Contributions for Financing Social Benefits and Allowances".</p> <p>The Decree didn't come into effect because Law No. 700-XIV, dated May 21, 1999, was enacted.</p>	<p>Offices of the Pension Fund and Social Insurance Fund were entrusted to check up financial activities of businesses on paying insurance taxes and their targeted use (except taxes for mandatory social insurance against unemployment).</p>
54.	<p>Law No. 700-XIV dated May 21, 1999, "On Controlling of Taxes to Mandatory State Pension Insurance and Mandatory Social Insurance".</p> <p><i>Effective June 9, 1999.</i></p>	<p>This Law duplicates Presidential Decree No. 462/99, dated April 30, 1999.</p>
55.	<p>Decree of the Pension Fund Board No. 4-6 dated June 3, 1999, "On Approving Guidelines for Calculating and Paying Taxes and Other Contributions by Enterprises and Individuals to Mandatory State Pension Insurance, and for Accounting These Revenues to the Pension Fund", registered in the Ministry of Justice on July 5, 1999, No. 436/3729 (as amended by Decrees of the Pension Fund No. 1-3 dated January 29, 2000 and No. 5-2 dated March 21, 2000).</p> <p><i>Effective July 15, 1999.</i></p>	<p>The Guidelines describe the procedure for calculating and paying by enterprise (any form of ownership) and individuals insurance taxes and other contributions, and for accounting these revenues to the Pension Fund. The Decree cancels the previous Guidelines adopted on September 6, 1996 (No. 11-1).</p> <p>The new Guidelines have increased the number of contributors by including:</p> <ul style="list-style-type: none"> • legal entities and individuals selling and buying currency. They have to pay 1% of the purchased/sold amount; • businessmen selling and buying jewelry items from gold, platinum and precious stones. The tax is 5% of the cost; • legal entities and individuals when cars are alienated. The tax is 3% of the cost of a car.
56.	<p>Presidential Decree No. 746/99 dated June 28, 1999, "On Amendments to Presidential Decree No. 727 dated July 3, 1998, 'On Simplified System of Taxation, Accounting and Reporting for Small Enterprises.'"</p> <p><i>Effective September 19, 1999</i></p>	<p>The Decree sets forth a new wording of Presidential Decree No. 727 dated July 3, 1998.</p> <p>Amounts of single tax paid by small enterprises must be transferred by the State Treasury's branches according to the following scheme:</p> <ul style="list-style-type: none"> • When the tax is paid by an individual, 43 percent go to the local budget; when the tax is paid by a legal entity, 20 percent go to the State Budget, and 23 percent, to the local budget. Previously, the figures were 55, 20 and 35 percent, respectively • 42 percent go to the Pension Fund (previously, 40 percent) • 15 percent go toward mandatory social insurance (including 4 percent to the State Employment Fund) to cover expenses incurred under legislation related to temporary disability, as well as expenses due to childbirth and funeral (previously, 5 percent). <p>Single tax-paying small enterprise shall not be payer of a number of taxes and fees (obligatory payments), including contributions under mandatory</p>

Table 2

		social insurance and mandatory state pension insurance.
57.	<p>Presidential Decree No. 750/99 dated June 28, 1999, "On Additional Measures for Paying Pension Debt".</p> <p>The Decree didn't come into effect because the Draft Law on amendments to the Law "On Contributions to Mandatory State Pension Insurance" (Supreme Rada Decree No. 835-XIV, dated July 7, 1999) was rejected.</p>	<p>Temporarily, up to January 1, 2001, the number of contributors and objects of taxation is enlarged. New taxes are introduced:</p> <ul style="list-style-type: none"> • 5% of the cost of tobacco products produced in Ukraine or imported. The taxpayers are producers and importers; • 1% of the cost of realty. Taxpayers are enterprises and individuals buying realty. Realty is not only a dwelling house, apartment, etc., but also objects included in group I of basic assets (Law "On Profit Tax of Enterprises"); • 6% of the cost of network mobile communication. Taxpayers are enterprises and individuals using services of network communication, as well as operators who provide these services free of charge; • 32% of the amount of the multiplication product of minimum wages by the number of payable workers. Taxpayers are businessmen with hired but unpaid labor.
58.	<p>Presidential Decree No. 754/99 dated June 28, 1999 "On the Procedure for Repaying Debts to Budgets and State Categorical Funds by Taxpayers".</p> <p>In fulfillment of Supreme Rada Decree No. 1052-XIV dated September 16, 1999 the Decree did not come into effect because of rejecting the homonymous Draft Law.</p>	<p>A Regulation was approved which established a procedure for repaying delinquent taxes and other non-tax payments to budgets and state categorical funds by taxpayers as well as penalties imposed on taxpayers by surveillance agencies. In addition, the Regulation established the appealing procedure.</p> <p>In particular, the Decree specified that debts to budgets and state categorical funds could be collected from taxpayers only by judgment of an arbitrary court. The Decree also listed surveillance agencies (State Tax Administration, State Customs, Pension and Social Insurance Funds, State Treasury and Audit Department) and their competence.</p>
59.	<p>Law No. 967-XIV dated July 15, 1999, "On Amendments to the Law "On Contributions to Mandatory State Pension Insurance".</p> <p><i>Effective August 19, 1999, and is valid till January 1, 2001.</i></p>	<p>The Law duplicates Presidential Decree No. 750/99, dated June 28, 1999.</p>
60.	<p>CM Decree No. 1549 dated August 25, 1999, "On Amendments to the Procedure for Paying Contributions to Mandatory State Pension Insurance from Certain Economic Transactions".</p> <p><i>Effective August 19, 1999, that is from day when Law No. 967-XIV, July 15, 1999, was published, and is valid till January 1, 2001.</i></p>	<p>In response to Law No. 967 "On Amendments to the Law "On Contributions to Mandatory State Pension Insurance", dated July 15, 1999, the Decree enlarges the List of economic transactions subject to insurance tax (approved by CM Decree No. 1740 dated November 11, 1998). It includes transactions with tobacco products produced in Ukraine and imported, transactions with realty, cost of network mobile communication. The new Procedure also establishes rules for collecting insurance tax from businesses with employed but unpaid labor. They have to pay 32 % of the product of minimum wages by the number of employed workers.</p>
61.	<p>Law No. 1039-XIV dated September 14, 1999, "On Production Allocation Agreements."</p> <p><i>Effective October 12, 1999.</i></p>	<p>When performing a production allocation agreement, the investor shall pay a number of taxes and fees, including contributions under mandatory state pension insurance and mandatory social insurance of Ukrainian employees and foreign citizens hired for work in Ukraine.</p>
62.	<p>Law No. 1222-XIV dated November 17, 1999, "On Amendments to Some Laws of Ukraine."</p> <p><i>Effective December 7, 1999.</i></p>	<p>Article 53 of the Law "On Pensions" was amended: issues were regulated concerning granting pensions to members of flying crews of civil aviation aircraft and board operators who fulfill special in-flight assignments.</p> <p>In the Law "On Contributions under Mandatory State Pension Insurance," it was laid down that the taxation object of business entities employing the above persons shall include actual expenses on payment and delivery of pensions granted under Law on Pensions Article 53 for the part that exceeds amounts of long service pensions – the contribution rate for these expenses is 100 percent. For actual expenses on labor remuneration, the rate of 32 percent has been left.</p> <p>Differentiated contribution rates were set for the above workers: 1, 2, 3, 4 or 5 percent of aggregate taxable income depending on its amount.</p>

Table 2

63.	<p>CM Decree No. 2157 dated November 26, 1999, "On Amendments to CM Decree No. 1064 dated July 13, 1998".</p> <p><i>Effective December 17, 1999.</i></p>	<p>In the example of calculating payroll tax to social funds the rate of contribution to the Pension Fund is changed: now employees pay one percent for earning up to 150 hrn and two percent for earning exceeding 150 hrn. Contributions to Chornobyl Fund are eliminated.</p>
64.	<p>CM Decree No. 2339 dated December 21, 1999, "On Amendments to the Procedure for Settling Arrears of Mandatory State Pension Insurance Contributions by Enterprises, Institutions and Organizations with Bills."</p> <p>The Decree, <i>effective January 5, 2000</i>, is applied to the bills made out to cover arrears of mandatory state pension insurance contributions after this Decree comes into force</p>	<p>In its new wording, the Procedure regulates execution with bills of only arrears of mandatory state pension insurance contributions. The previous wording also regulated advance payments of the mandatory state pension insurance contributions made with bills.</p> <p>The definition of arrears was changed. Now it is considered to be a contribution overdue for more than one year (previously, one month).</p> <p>The bill time of maturity and the discount were also changed. The time of maturity for bills with which arrears are executed may not exceed 60 days (previously, 90 days), and that for bills made out to cover bad debts may not exceed 120 days (previously, 180 days).</p> <p>The discount may not exceed 40 percent (previously, 50 percent) of the debt amount, or 50 percent for bad debts (previously, 60 percent).</p>

SECTION II.

REVIEW OF REACTIONS AND COMMENTS OF REPRESENTATIVES OF THE CABINET OF MINISTERS, SUPREME RADA, OTHER INSTITUTIONS AND THE PRESS CONCERNING SOCIAL PROTECTION ISSUES

List of Newspapers Article from Which Are Analyzed:

Business	(unofficial newspaper);
Voice of Ukraine	(official newspaper);
Halitski Contracty	(unofficial newspaper);
Day	(unofficial newspaper);
Law & Business	(unofficial newspaper);
Zerkalo Nedeli	(unofficial newspaper);
Kievskie Vedomosti	(unofficial newspaper);
Uryadovy Courier	(official newspaper);
Social Protection	(official magazine);
Ukraine: Labor Aspects	(unofficial magazine)

1. SOCIAL PROTECTION REFORM

1.1 Major Directions of Social Policy

In his message to the Supreme Rada in February 2000, Leonid Kuchma pointed out that considerable economic and social losses in the course of the reforms can be explained principally by the lack of consistency in the implementation of reforms and a number of errors and miscalculations. Development of the reforms was restrained by insufficient efforts aimed at forming a principally new, market-oriented social infrastructure, in particular by procrastination with the implementation of pension reform and reforms in the area of housing and communal services.

At the same time, resolution of social protection problems depends, in the first place, on the status of the national economy, as President Kuchma noted in April of 1999. He also said that it was necessary to reform the social sphere – universal in nature and paternalistic in substance – and to transform it into an effectively performing sector of the market economy. It presupposes implementation of viable income policy in order to reduce a gap in wealth between various layers of the population and to ensure an increase in the importance of the workforce and support of private ownership. In the course of social reforms, there must be introduced a system of minimal social guarantees and standards not for all population, but only for poor, work incapable persons, in particular retirees, disabled persons etc.¹

1.2 Development of the Social Budget

At the beginning of 1999, the development of the first version of the model social budget of Ukraine, which was prepared in implementation of Presidential Decree No. 1166/97 dated October 18, 1997 “On the Major Directions of Social Policy for 1997-2000”, was finished by the Labor Ministry with the assistance of the International Labor Organization, the World Bank and the UN Mission. The Social Budget includes data on social expenses and revenues to fund them and should be taken into consideration in the process of forming the State and local budgets. Social expenses (expenses connected with pension benefits, health care, social payments etc.) constitute approximately 25% of GDP in Ukraine. In other countries this figure is between 7% and 30%. The model social budget will allow raising the effectiveness of financing social programs and assist in bringing the legislative framework in the social sphere in line with its financial capacity.²

15, 1999, “Social Policy Ought to Really Become Humane”.

² *Uryadovy Courier*, April 24, 1999, “Social Budget – a Panacea against Poverty?”; *Voice of Ukraine*, May 18, 1999, “Social Budget: What is Written with a Pen is Still Quite in the Air...”

¹ *Uryadovy Courier*, February 23, 2000, “Ukraine: Entering XXI Century. The Strategy of Economic and Social Policy for the Years 2000-2004”; *Uryadovy Courier*, April

1.3 Reform of the Social Assistance System

1.3.1 How Many Low Income Families Are There in Ukraine?

The social assistance system is intended to protect not-able-to-work and low income people against poverty. Now there are 15 kinds of state social assistance in Ukraine (see *Appendix 1*).

At the beginning of 2000, over 1 million low income families, i.e. families whose average per capita income is below UAH 50, lived in Ukraine; moreover, over 100 thousand families had an average per capita income of only UAH 20 (according to data by the Ministry of Labor and Social Policy).

As noted by Mr. Ivan Sahan², Minister of Labor and Social Policy, currently a large portion of budgetary funds is spent through provision of benefits to people who can not be called poor. For example, a well-to-do owner of a 200 square meter apartment oftentimes receives a subsidy ten times higher than a poor retired woman who resides in a 20 square meter apartment. In connection therewith, Mr. I. Sahan² said that it was necessary to "turn the social security pyramid upside down", and to introduce targeted assistance instead of benefits.³

Poverty, in a broad sense of this word, is defined as the inability to support a certain minimum living standard, said T. Kiryan and M. Shapoval. However, the definition of the minimum living standard is problematic, especially when monetary income can not serve as an adequate indicator of real consumption. Financial resources of a family consist of current earnings, transfer payments, property etc. Therefore, the official definition of "poverty" is based on the amount of family income. For example, families whose average median level of income is 40-60% are deemed to be poor. A uniform, nationwide general criterion of poverty, which is defined as a share of average per capita monetary income, may be used in the event that a difference in living standards by region is inconsiderable.⁴

Currently, there is a large gap in wealth among various layers of the population in Ukraine – there are very rich and very poor people, while the middle class is practically nonexistent. Besides, there exists a large contrast between living standards in Kyiv and some regions.

Sociological polls conducted in 1998-1999 under the TACIS project "Support for the Development of Policy of Social Assistance and Services in Ukraine" proved that a majority of people consider themselves

poor, but are not poor because they have land plots, household effects.⁵

1.3.2 Major Measures to Reform the Social Assistance System

During 1999 and at the beginning of 2000, the following measures were undertaken:

- Targeted social assistance to low income families was introduced in April 1999 (CM Decree No. 238 dated February 22, 1999).
- The Supreme Rada passed Law of Ukraine No. 966-14 "On the Minimum Living Standard" on July 15, 1999.
- In February 2000, targeted monetary assistance and housing subsidies were expanded based on the financial position of applicants (CM Decree No. 211, dated February 2, 2000).
- On 1 June 2000, the Supreme Rada passed Law of Ukraine No. 1768-14 "On State Social Assistance to Low Income Families" that makes legislative provision for the system of targeted social assistance for the poor layers of population.

In addition, the Ministry of Labor develops a Poverty Prevention Program. Authors of the Program identify two key features of poverty which are characteristic for Ukraine: low income of the population and an increase in the number of able-to-work individuals who are not involved in socially productive labor. Errors committed in the course of economic reforms are cited as one of the main reasons for an increase in the number of low income people.

Proposals to reduce tax pressure as one of the ways to raise the income of the population and diminish poverty have been discussed in the press. For example, it has been proposed to raise the untaxable personal income from UAH 17 to the level of the minimum living standard. Proposals to reduce personal income tax rates are contained in the draft Tax Code adopted by the Supreme Rada in July 2000 in the first reading.

1.3.3 Introduction of Targeted Social Assistance to the Low Income Families

Improvements of the system of targeted social assistance were continued in 1999. The first step in this direction was adoption by the Cabinet of Ministers in 1995 of a Program of Housing Subsidies, which are provided to low income persons in non-cash form. Targeted monetary assistance to low income families was introduced in April 1999 (CM Decree No. 238 dated February 22, 1999 "On the Introduction of Targeted Social Assistance to the Low Income Families"). As noted by Mr. M. Noshchenko, Deputy Minister of Labor and Social Policy, this as-

³ *Kievskie Vedomosti*, February 4, 2000, "A Country of Pyramids Turned Upside Down"; *Uryadovy Courier*, March 4, 2000, "Realities and Prospects of Social Policy".

⁴ *Social Protection*, No. 3, 1999, "World Experience of Application of the System of Social Standards".

⁵ *Uryadovy Courier*, December 18, 1999, "Social Assistance and the Right thereto".

sistance is principally new in the state social policy. In prospect, it is planned to substitute social pensions payable to persons, who do not have any service history, for targeted social assistance, releasing the Pension Fund from payments that are uncharacteristic of it.⁶

This assistance is meant for families with low income – these are primarily families that consist of work incapable persons (retirees, disabled persons, children under age 16, students who have not attained the age of 18). Recipients of the assistance may also be families that consist of persons of working age who are temporarily unemployed for serious reasons (looking after children, disabled persons, elderly persons over age 80).

The mechanism for the provision of this assistance is targeted and income-based. The income-based mechanism for the provision of assistance means that the income of a family is increased up to the government-prescribed level of income. In such case, the amount of such additional assistance is determined as a difference between the prescribed level of income and the given family's income.

The targeted assistance principle presupposes assistance to a family (rather than one person), taking account of the aggregate income in the process of ascertaining eligibility for assistance, as well as taking account of categories that family members belong to in the process of calculating the amount of aggregate income entitling to social assistance. This latter amount is calculated as the product of an adjustable ratio for a particular family and the minimum income prescribed by the Cabinet of Ministers which entitles work incapable persons to targeted living allowances in cash (from 1 December 1998 – UAH 41, from 1 September 1999 – UAH 46 per month). The adjustable ratio is calculated as the sum of ratios for every member of the family (ratio variables are set between 0.5 and 1, depending on the category a family member belongs to) and, in general, may not exceed 4.

T. Kiryan, M. Shapoval and N. Zapolska propose in their article to use a methodology for ascertaining a family's state-guaranteed minimum income with the application of a calculated variable amount of minimum living standards for socio-demographic groups.⁷

1.3.4 Targeting Social Assistance

In 2000 the targeted nature of targeted social assistance and housing subsidies has been strengthened by taking into account the financial position of fami-

lies in the process of ascertaining their eligibility to assistance. Thus, pursuant to CM Decree No. 211, dated February 2, 2000, social assistance is not granted if a family makes an earning by letting an apartment for rent or owns in aggregate more than one apartment or home whose total square area exceeds the prescribed norms or owns a transport vehicle which has been in use for less than 10 years from the day of its production (except for a transport vehicle received or purchased on privileged conditions through labor and social security authorities).

Pursuant to this Decree, a list of families, which can be provided with targeted monetary assistance, has been expanded by adding thereto workless persons of working age, unemployed persons, as well as by rising the maximum adjustable ratio from 4 to 5, through which the amount of aggregate income that entitles to social assistance is calculated.

In 1999, the Cabinet of Ministers simplified the procedure of provision of social assistance, having approved the uniform Methodology for the Calculation of Household Aggregate Income for all Types of Social Assistance (Order No. 102/154/64/61/204 of the Ministry of Labor and Social Policy, Ministry of Finances, Ministry of Economy, State Committee on Family and Youth Affairs, State Statistics Committee on 18 June 1999 and registered with the Ministry of Justice 16 July 1999 under No. 470/3763). The Methodology is used for ascertaining the eligibility of families to social assistance and calculating amounts thereof for the following types of benefits:

- State benefits to families with children;
- Provision to the population of subsidies for reimbursement of expenses connected with payment of rent, utility and gas bills;
- Targeted social assistance to low income families;
- Burial allowances.

Conditions of provision of various types of social benefits have been unified with use of the Methodology (in particular, a list of earnings which should be included in the aggregate income, procedures of determination of average per capita aggregate income), due to which persons do not have to furnish numerous certificates for various types of social benefits.

The Cabinet of Ministers has introduced a single system for the control of use of budgetary allocations to provide targeted social assistance – the Regulation on the Conduct of Inspections of Targeted Use of Budgetary Allocations Earmarked for the Provision of Subsidies and Targeted Social Assistance to the Population (Order No. 119/167/96/114/175/266 of the Ministry of Labor and Social Policy, Ministry of Finances, Ministry of Economy, Ministry on Family and Youth Affairs, State Committee on Construction, Architecture and Housing Policy, State Statistics Committee on July 21, 1999, registered with the Min-

⁶ *Voice of Ukraine*, April 20, 1999, "Social Aid – For Everyone according to their Needs, Depending on the Budget".

⁷ *Social Protection*, No. 7, 1999, "Regarding the Methodology for Determination of the State-Guaranteed Minimum Family Income which is to be Used for Purposes of Provision of Social Aid".

istry of Justice August 25, 1999, under No. 578/3871). Previously, prior to the introduction of targeted social assistance, the analogous rule was applied only to the Housing Subsidy Program.

In order to unify various social assistance programs, the Labor Ministry had a functional reorganization, establishing a Department on Targeted Social Assistance Policy, which is in charge of implementation of housing subsidy programs, provision of assistance to families with children and targeted monetary assistance. Social security authorities have been reorganized by including therein housing subsidy departments pursuant to Presidential Decree No. 1239 dated September 30, 1999.

1.3.5 Legislative Regulation of Targeted Social Assistance

In order to legislatively regulate the provision of a new type of targeted social assistance, the Government submitted in March 1999 to the Supreme Rada for consideration a draft Law of Ukraine "On State Social Assistance", which had been developed by specialists of the Labor Ministry and experts of the TACIS project. This draft Law systematized for the first time various types of social assistance already introduced in Ukraine on the basis of numerous normative acts [ministry rules and regulations]. In particular, it includes state social benefits payable to the low income families and lonely work incapable persons; state social at-home assistance provided by hospital-type institutions, organizations and establishments; state social benefits to persons who are not entitled to labor pensions; state subsidies; lump sum social payments. However, as was proposed by the Committee on Social Policy and Labor in October 1999, the Supreme Rada returned this draft Law to the Government for further elaboration with subsequent submission thereof for consideration in a new first reading.

In October 1999, National Deputy M. Stepanov submitted another draft Law "On State Social Assistance to Low Income Families", which was passed in June 1, 2000.

1.4 Modifying the System of Social Standards

By far, the minimum consumption level has been used as a social standard for not working individuals under conditions of the economic crisis. This indicator has been used by the Cabinet of Ministers since 1993 as a criterion of eligibility of not-able-to-work persons for targeted monetary assistance. Later, the Supreme Rada passed Law of Ukraine No. 190/94-BP dated October 4, 1994 "On the Minimum Subsistence Level", which entered into force as of the moment of entry into force of the State Budget of Ukraine for the year 1995. However, the Regulation

on the Calculation of the Value of Consumer Goods and Services and Costs of Housing Maintenance in the Process of Forming the Minimum Consumption Level was approved only in 1999 (CM Decree No. 310 dated March 1, 1999).

During 1995-1999, the value of the minimum consumption level was periodically established by the Supreme Rada; however, no direct relationship of amounts of social benefits with this variable was legislatively entrenched. For the first half of 1999, the value of the minimum consumption level was UAH 90.7, and for the second half of 1999 – UAH 118.3. (see *Appendix 3* for the minimum consumption level value and social benefits in 1991-2000 according to Normative Acts of Ukraine).

The Law "On the Minimum Subsistence Level" was adopted on 15 July 1999. Pursuant to Article 46 of the Ukrainian Constitution, the minimum subsistence level is assumed as the basic social standard of living. It is supposed to be used to establish minimum wages and minimum old age pensions, to calculate amounts of social assistance (and identify eligible families and individuals), benefits to families with children, unemployment benefits, stipends and other social payments. In addition, the minimum subsistence level will be used to establish a set of social guarantees, to assess living standard and monitor its behavior.

Doubts were voiced in the press as to the possibility of real application of the minimum subsistence level. As noted by Mr. O. Yaremenko, Director of the Ukrainian Institute of Sociological Studies, while the consumer basket (i.e. the basket of foodstuffs, consumer goods and services used to establish the minimum subsistence level) is calculated throughout the world, this matter is not only economic, but also political in Ukraine. As the State lacks financial resources, the consumer basket is calculated on a minimum basis, and smaller amounts of money are earmarked in the budget.⁸

Pursuant to the Law No. 2025-III dated October 5, 2000 "On Establishing the Minimum Subsistence Level for 2000" the value of the minimum subsistence level per person is UAH 270.1 and separately for the basic social and demographic categories of population:

- children under age 6 – UAH 240.71;
- children aged between 6 and 18 – UAH 297.29;
- able-bodied persons – UAH 287.63;
- persons who have lost their working ability – UAH 216.56.

Articles by T. Kiryan and M. Shapoval generalize international experience dealing with the applica-

⁸ *Law & Business*, August 21, 1999, "In Two Months We Shall Know how to Live on the "Minimum Living Standard" "; *Day*, September 30, 1999, "The Cabinet of Ministers got to the Consumer Basket of the Taxpayer".

tion of systems of social standards and offer a set of social standards for Ukraine.⁹

1.5 Social Insurance Reform

1.5.1 Adoption of the Law "On Mandatory Social Insurance against Workplace Accidents and Occupational Diseases which have Caused Loss of Working Ability"

Law No. 1105-XIV dated September 23, 1999 "On Mandatory Social Insurance against Workplace Accidents and Occupational Diseases which have Caused Loss of Working Ability" was adopted pursuant to the Fundamentals of Ukrainian Legislation on Mandatory State Social Insurance. For the first time a national social law provides for the conclusion of a trilateral agreement – between the State, an employer and an employee. Insurance against accidents is carried out by a non-commercial Fund of Social Insurance against Accidents. Before the entry into force of this Law (1 January 2001), the Fund will be financed by the State – for this purpose the Government is assigned to earmark UAH 15.3 million in the State Budget of Ukraine for the year 2000. But employers shall be obligated to make contributions on their own beginning in 2001.¹⁰

1.5.2 Capping Pregnancy and Childbirth Benefits and Disability Benefits for Certain Categories of Employees

In July 1999, the Cabinet of Ministers established an upper limit of amounts of pregnancy and childbirth benefits payable to persons whose wages exceed UAH 1000. Now, in the course of calculation of benefits, wages are taken into account in the amount from which mandatory state social insurance contributions are deducted, i.e. UAH 1000 (CM Decree No. 1398 dated July 30, 1999 "On the Introduction of Amendments to the Procedure of Calculation of Average Wages approved by Decree No. 100 of the Cabinet of Ministers of Ukraine of 8 February 1995"). Such amendments were introduced upon adoption of Presidential Decree No. 506 dated May 25, 1998 and applicable CM Decree No. 1064, dated July 13, 1998, pursuant to which contributions to the Social Insurance Fund (4% of the labor remuneration fund) turned to be partially "truncated" – they are not paid from the wages that exceed UAH 1000.

However, such a provision of CM Decree No. 1398 is inconsistent with the Law of Ukraine "On

State Support of Families with Children", wherein it is specified that pregnancy benefits for working women are provided in the amount equal to 100% of their wages.

This case highlights drawbacks of legal regulation of social insurance matters. In counties, which have stable operating systems of social insurance, people know exactly how much they will receive in case of occurrence of insured events and how much they have to pay for it.¹¹

An analogous restriction on the amount of temporary disability benefits and pregnancy and childbirth benefits is introduced in respect of persons who have a constantly calculated income and persons whose income may be calculated only upon results of work for a year, i.e. businessmen, attorneys, private notaries and other individuals whose activity is based on their individual private property and exclusively on their individual work.

1.5.3 The Right of Entrepreneurs, who have Opted for the Special Method of Taxation of their Profit, to Payments from the Social Insurance Fund has been Confirmed

CM Decree No. 126 dated January 24, 2000 approved the Procedure of Allocation to the Social Insurance Fund of Proceeds from the Sale of Special Trading Patents to Subjects of Business Activity and the Single Tax paid by Small Businesses, and of Accounting and Use of such Proceeds, which was drafted pursuant to Law 98/96-BP of March 23, 1996 "On Patenting Certain Types of Entrepreneurial Activity" and in implementation of Presidential Decree No. 727 of July 3, 1998 "On the Simplified System of Taxation, Accounting and Reporting for Small Businesses".

This Procedure sets out a mechanism for the receipt of monies by the Social Insurance Fund and provides for the payment to such entrepreneurs of temporary disability benefits (including benefits payable in case of looking after an ill child or other family member), pregnancy and childbirth benefits and burial allowances. Before adoption of this Decree, the Fund refused to pay benefits in such cases. As a result of it, there developed a situation when a portion of money paid by entrepreneurs to the State Treasury as part of the single tax or for a special patent was transferred to the Social Insurance Fund, but employees of enterprises and entrepreneurs-natural persons were not paid for insured events.¹²

⁹ *Social Protection*, No. 3, 1999, "World Experience of Application of the System of Social Standards"; No. 7, 1999, "On the System of State Social Standards in Ukraine".

¹⁰ *Halitski Contracty*, No. 39, 1999, "A New Social Law Gives Employees Guarantees and Employees – Additional Contributions".

¹¹ *Business*, September 13, 1999, "Robbery of Pregnant Women".

¹² *Business*, February 7, 2000, "So it Can Be. The Cabinet of Ministers has Confirmed the Right of "Single Taxpayers" and "Special Patent Holders" to Payments from the Social Insurance Fund".

1.5.4 Trade Union Federation Did not Permit Inclusion of Financial Resources of the Social Insurance Fund into the 1999 State Budget

In the course of discussing by the Supreme Rada of a draft State Budget for 2000 in February 2000, the Federation of Trade Unions of Ukraine held an action of protest against a proposal to include financial resources of the Social Insurance Fund (UAH 1.3 billion) to the State Budget. Representatives of the Federation of Trade Unions of Ukraine put forward the following arguments against such a decision:

- It is inconsistent with the law;
- It will not guarantee payment of benefits which are financed by the Fund;
- According to international experience, insurance reserves (in case of disease, work-related injury, unemployment etc.) exist separately from government finances;
- It will interfere with the introduction of administration of social insurance on a territorial basis, which is planned for 2001.¹³

In 1998, the Government had already tried to transfer the financial resources of the Social Insurance Fund to the State Budget (CM Decree No. 972 dated June 27, 1998 "On Organizational Matters and Issues relating to Activities of the Social Insurance Fund of Ukraine"). However, it repealed this decision after protests by trade unions.

1.6 Granting Privileges

1.6.1 The Government Restored the Procedure of Provision of Public Transit Passes for Students

At the beginning of 1999, the Government introduced a new procedure of providing public transit passes to students who pursue a daytime course of instruction, pursuant to which students are granted annually between August 28 and June 28, as was the case before, public transit passes by transport for a fare equal to half the price of tickets. However, such a privilege was not financially supported as the responsibility for financing was in fact imposed onto educational institutions that were supposed to reimburse students for half the price of tickets (CM Decree No. 2006 dated December 18, 1998 "On Public Transit Passes for Students of Higher Educational Institutions of I-IV Levels of Accreditation and Students of Vocational and Technical Schools"; Order No. 59/123/57/31 of March 1, 1999 "On the Approval of the Procedure of Provision of Public Transit Passes for Students of Higher Educational Institutions of I-IV Levels of Accreditation and Students of Vocational and Technical Schools by City and Commuter Passenger Transport and Intercity Coach and

¹³ *Voice of Ukraine*, February 10, 2000, "The Rich will not Cry".

Railway Transport throughout Ukrainian Territory, and of Reimbursement of Costs Connected with the Provision of the Said Benefit", which was enacted by the Ministry of Finance, Ministry of Transport, Ministry of Education, Ministry of Youth and Family Affairs, registered with the Ministry of Justice on March 3, 1999, under No. 134/3427).

In March 1999, youth organizations posted pickets in Kyiv, near the building of the Cabinet of Ministers, and in L'viv, demanding that such decisions of the Government be repealed. In implementation of Presidential Decree No. 309/99 dated March 31, 1999, the mentioned decisions of the Government were suspended and the previous procedure of public transit passes was restored, wherein it was clearly specified that such public transit passes were to be financed out of the State and local budgets. An analogous provision as to the sources of financing is entrenched in Law No. 696-XIV of May 21, 1999 "On the Introduction of Amendments to the Law of Ukraine "On the Promotion of Social Formation and Development of Youth in Ukraine".¹⁴

1.6.2 Regarding the Need to Eliminate Privileges for Certain Categories of Employees

A large portion of budgetary funds is provided in the form of privileges to people who can not be called poor, as noted Ivan Sahan', Minister of Labor and Social Policy. UAH 32 billion are required to pay all legislatively provided benefits, which in practice is equal to the annual budget of the country. In order to rectify the situation, it is necessary to introduce targeted assistance.

The Federation of Trade Unions of Ukraine believes that privileges should be provided to those persons who can not make a living on their own and need social protection by the State. However, pursuant to effective law, employees of certain occupations and professions, in particular military servicemen (210 thousand persons), militia officers (170 thousand persons), civil servants, judges and many others are referred to categories of "privileged individuals" that are treated equally with disabled persons, veterans of the Great Patriotic War, Chernobyl victims. Being paid salaries, they simultaneously enjoy free passage by transport, a 50% payment of utility and electricity bills, free installation of telephones and free treatment and rehabilitation at sanatoria and resorts.

Mass media often present facts that many persons have illegally acquired the "Chernobyl victim"

¹⁴ *Day*, March 24, 1999, "The Government Must Abide by the Law. Or Resign"; "Cancellation of Benefits Reminds of a Provocation, Say Student Trade Unions of Lviv"; April 8, 1999, "Up for Stipends and ... a Berth on the First Class Train Car!".

status. It requires investigations to determine grounds under which pensions and benefits are provided.¹⁵

A large portion of the population enjoys privileges for transport passage – 17 million people according to the Ministry of Transport, including:

- 16.748 million low income persons, in particular retirees, war and labor veterans, disabled persons of all Categories, students, Chernobyl victims, orphans;
- 1.13 million of occupation-related “privileged individuals”, i.e. military servicemen, militia offices, prosecutors, employees of the Security Service, medical institutions etc.

An examination of the passenger profile in the Kyiv subway showed that, as a result of changes in the law, the number of “privileged passengers” increased by 16 times in comparison with 1985. Under such circumstances, the State is unable to cover costs of transport organizations relating to the carriage of “privileged passengers” (approximately UAH 1 billion per year). Therefore, the Ministry of Transport submitted proposals to reduce the number of “privileged passengers”. Thus, categories of privileged employees should not have a free fare, but should use transit tickets acquired for them by appropriate institutions. It is proposed to provide low income persons with targeted State subsidies instead of privileges, for example, to pay funds meant for covering carriage costs together with pension benefits.¹⁶

1.6.3 A Number of Privileges Have Been Suspended for 2000

Eight types of privileges to certain categories of individuals was suspended for 2000, in particular (Article 62 of the Law “On the State Budget of Ukraine for 2000”): provision of budgetary credits and loans; free capital repairs of housing; free or discounted installation/use of telephones, treatment and rehabilitation at sanatoria and resorts; exemption from/ reduction of payments for rent and utilities, electricity, gas, fuel; free passage by city and commuter transport (the latter benefit is retained for retirees).

The list of persons who are entitled to certain privileges as members of families of war veterans, combat participants and repressed persons, families of the servicemen killed in action, and Chernobyl victims has been limited. This list includes spouses and underage children (under age 18).

The Cabinet of Ministers is instructed to ensure that the military, staff of the Ministry of Internal Affairs, military veterans are paid compensation for sanatoria/resort treatment, housing and communal services, electricity, gas, and fuel because of these privileges are suspended.

Some privileges were retained for certain categories of persons, such as: war veterans, combat participants, Heroes of the Soviet Union and Heroes of Socialist Labor, holders of the entire set of the “Slava” Decoration, persons decorated with four and more medals “For Courage”, disabled children, persons who suffered as a result of the Chernobyl catastrophe.

1.7 Modifications of the Housing Subsidy Program

Improving the Mechanism for Granting Housing Subsidies

The mechanism for granting housing subsidies and paying for utilities by subsidy recipients that was in effect between 1997 and 1999 had a number of flaws. The entailed problems for potential recipients were so large that people preferred not to apply for subsidies. The first problem arose if charges for actual consumption of a metered service (for example, for gas) was below the mandatory payment for this service. If that was the case households had to pay for unconsumed gas (in fact overpayment was compensated through subsidies for other services) which discouraged them from obtaining subsidies. At completion of the eligibility period the subsidy for each month recalculated to adjust for actual consumption. In so doing, subsidies for certain months canceled so that recipient paid for actual consumption. Another problem arose if actual average monthly consumption of metered service was so small that a household lost its right to housing subsidy for the next period. That was why many recipients were not interested in conserving gas; instead, they tried to use gas to the maximum extent possible within the normative. Besides, subsidy recipients had little incentive to install meters.

Cabinet of Ministers Decree No. 822 dated May 14, 1999 “On Improving the Procedure for Granting Housing Subsidies” reached its goal. Today housing subsidies are calculated separately for each service. If charges for actually consumed service is below the mandatory payment for this service, households pay for actually consumed service. In other words, enrolled households no longer have to pay for not consumed gas even if charges of consumed gas is below the mandatory payment for gas.

The Decree also modified the mechanism for granting housing subsidies. Initially eligible households are identified: eligible households are those whose normative charges for housing and communal services, liquefied gas, solid and liquid fuel with due

¹⁵ Day, February 5, 2000, “Benefits – Budget: the Stand-Off goes on”.

¹⁶ Uryadovy Courier, April 17, 1999, “You Like Riding on a Sledge, You have to Like to Pull it Along”; Law & Business, June 12, 1999, “The Number of Beneficiaries Enjoying Benefits in Public Transport has Risen by 16 Times. Well, May be enough?”.

regard to privileges exceed mandatory payment for services as percentage of household total income (20% or 15% of the total household income).

Then Housing Subsidy Offices calculate subsidies. First, HSOs determine the normative charges for unmetered services and the charges for average actual consumption of metered services. If the charges for metered consumption by a household are below the mandatory payment for this service, then the household is granted a zero subsidy, i.e. the household will receive a notification of granting subsidy without indication of the subsidy amount and will have to pay for actual consumption within the normative. If the charges for metered consumption exceeds the mandatory payment for this service, the HSO will calculate the subsidy within normative consumption and transfer the subsidy to service providers.

CM Decree No. 822 encourages households to use metered water, heat, gas, and electricity economically. If a household renew subsidy for the next period the mandatory percentage of the household total income to be paid for utilities (20% or 15% of the total household income) will be decreased by 1% (but at most 5%) for each 10% of decrease in the total cost of services consumed in the preceding period as compared to the normative value.

Better targeting of Housing Subsidies

In early 2000 housing subsidies were targeted on most needy households by including testing of applicants' property status in the procedure for granting housing subsidies. The means testing procedure is the same as that in the Targeted Social Assistance to Low Income Families Program. (CM Decree No. 211 dated February 2, 2000 "On Amending CM Decrees on the Housing Subsidy and Targeted Social Assistance to Low Income Families Programs").

Obtaining Housing Subsidy Illegally

Many applicants try to obtain housing subsidies illegally. The audit program, which was introduced in early 1998, allows to identify such applicants. Auditors found out that 5% of households enrolled in the HSP during 1999 obtained subsidies illegally which led to overpayment of over UAH 2 million.

Basic reasons for overpaying subsidies are issuance of false income certificates by employers (over 66 percent of all offences) and errors committed by housing subsidy offices staff when calculating subsidies. Besides, audits detected cases when applicants (a) submitted false land plot area and family composition certificates issued by authorized persons of village radas, and (b) understated income from part time employment and in the form of pensions, social

employment and in the form of pensions, social pension etc.¹⁷

1.8 Modifications in the Program of Assistance to Families with Children

1.8.1 New Procedure for Calculating the Amount of the Assistance

Pursuant to the Law "On State Support of Families with Children", amounts of benefits are calculated based on the minimum wage and may be equal to 50%, 100%, 200% or 400% of the minimum wage for different types of benefits. However, recently the actual amount of benefits that is regulated by Decrees of the Cabinet of Ministers does not coincide with calculations under the Law and is not related to the minimum wage. Before 1999, there were used amounts of benefits that had been set back in 1996 (CM Decree No. 832 dated July 26, 1996 "On the Raising of Amounts of State Benefits to Certain Categories of Citizens").

The Cabinet of Ministers put in place a new procedure of calculation of benefit amounts for the second half of 1999 – benefit amounts are calculated in a percentage ratio to sums prescribed by the Law "On State Support of Families with Children" (CM Decree No. 915 dated May 27, 1999 "On Amounts of State Benefits for Families with Children in the Second Half of 1999"). This Decree is prolonged for 2000 on the basis of CM Decree No. 122 dated January 24, 2000). In such case, amounts of benefits are also somewhat raised – by 1.1-2.1 times, depending on the type of benefit. The lowest amount of UAH 7.4 is set for the following types of benefits: child care benefits for workless women, who look after children until their attainment of age 3, child allowances for children under age 16 (students – under age 18), child allowances for single mothers, temporary underage child allowances for underage children whose parents avoid payment of alimonies. The largest amount of benefits is set for lump sum childbirth payments – UAH 74 (see *Appendix 3*).

The average per capita *income, which entitles a family to child care assistance for workless women looking after children aged between 2 and 3 years, cash payments to mothers (fathers), who look after 3 and more children under age 16, allowances for children under age 16 (students – under age 18), allowances for children who are under custody or guardianship), had changed during the analyzed period: as of 1 January 1999 it was UAH 38 per month, as of 1 July 1999 – UAH 41, as of 1 January 2000 – UAH 46.*

¹⁷ *Social Protection*, No. 4, 1999, "Audit of the Housing Subsidy Program"

In 1999, arrears in child allowance payments to families with children rose from UAH 27.6 million to UAH 43.8 million. Such a tendency continued in 2000 – as of May 1, 2000 arrears were UAH 65.3 million.¹⁸

1.8.2 Responsibility for Granting and Distributing Benefits are Transferred from Employers to Social Protection Authorities

Beginning April 1999, responsibility for granting and distributing benefits to employed parents from families with children were transferred from employers (enterprises, institutions, organizations) to social protection authorities at the place of residence of benefit recipients (Law No. 563-XIV of March 25, 1999 “On the Introduction of Amendments to Certain Laws of Ukraine Regarding the Payment of Certain Benefits by Social Protection Authorities”). The number of recipients of such benefits as of the end of 1999 was 2.114 million, and the number of children for whom benefits were granted reached 3.086 million. For the same period in 1998, these figures were respectively 0.994 million and 1.288 million.¹⁹

1.9 Wage and Social Payment Arrears

A decrease in the total amount of wage arrears has been observed for the first time in three years according to the year’s results: as of January 10, 2000, the wage arrears were UAH 6.399 million whereas a year earlier – UAH 6.5 billion (pension benefit arrears are analyzed in Section 2.9 of this Report).

The dominating reason among the objective reasons for arrears remains an economic crisis and, consequently, barter settlements and mutual settlements, a decrease in output and sales, while the excess of employees remains; therefore, as a result, there is a deficit of “live money”. The reason of a subjective nature includes widely spread violations by managers of the labor law in the part relating to the payment of wages.

In the spring of 1999, Ukraine had presidential elections, and the Government attempted, but failed to entirely fulfil one of the campaigning promises given by the President – to repay internal debts by October. The Cabinet of Ministers passed three Orders (in March, May and July of 1999 p.), prescribing:

- Chernobyl Fund, Employment Fund and Pension Fund to direct 100% of available funds and revenues

to pay respectively social benefits and pensions;

- Local State Administrations to direct 100% of available funds and revenues from local budgets to make social payments;
- State Customs Service and the State Property Fund to transfer 100% of available funds under their control to the State Budget.

The way for an employee to receive wages due is to personally bring action in court. This has been done by almost 250 thousands persons, according to Mr. V. Tyotkin, State Chief Labor Inspector. The Labor Inspectorate may only subject a manager or director to administrative liability with imposition of a penalty equal to 5 - 9 untaxable minimum incomes, oftentimes it is UAH 85. In Russia, for example, the amount of similar penalties is within the range of USD 300-1200.

In order to eliminate the arrears, the President charged the Government with preparing a draft Law on the criminal prosecution of directors and managers of enterprise for untimely and incomplete payment of wages and delays in contributions to social funds. Simultaneously, it is assigned to amend and expand normative acts [ministry rules and regulations] that provide for disciplinary and administrative liability of managers and directors.²⁰

¹⁸ *Social Protection for the People of Ukraine in 1999: Statistical Bulletin*. Kyiv, 2000. The State Statistical Committee of Ukraine.

¹⁹ *Social Protection for the People of Ukraine in 1999: Statistical Bulletin*. Kyiv, 2000. The State Statistical Committee of Ukraine.

²⁰ Day, July 27, 1999, “To Eliminate Wage Arrears by October 1 – is not feasible, says the Chief Labor Inspector”; *Uryadovy Courier*, January 5, 2000, “To Put an End to Wage and Pension Arrears”.

2. PENSION REFORM

2.1 Pension Reform

Pension reform was initiated according to the Main Lines of Pension Reform in Ukraine, approved by Presidential Decree No. 291 dated April 13, 1998. It is planned to introduce a three-pillar pension insurance system:

1st pillar (mandatory) – a traditional pay-as-you-go system, out of which pension benefits are funded with current contributions for mandatory pension insurance made by employed persons. Pension benefits are paid out of the Pension Fund, and amounts of such pension benefits depend on the amount of contributions and duration of payment thereof.

2nd pillar (mandatory) – a general mandatory accumulation system. Contributions will gradually rise from 2 to 9% of wages and will be saved and accumulated at individual pension accounts at the Pension Fund. The amount of such savings is expected to increase as a result of investment thereof to be carried out by asset management companies.

3^d pillar (voluntary) – a non-state pension system which is to be established on the basis of additional pension savings. Voluntary contributions by employed persons will be accumulated at non-state pension funds, and the investment of such savings will be carried out by asset management companies.

The three-pillar system was chosen, because maximum social protection is ensured by existence of several sources of financing. This variant has been developed by the Labor Ministry. Another variant is also proposed – to transfer fully to an accumulation system and eliminate pay-as-you-go pensions. The second variant is unacceptable for Ukraine, because: 1) under unstable economic conditions it is impossible to guarantee that pensions will not devalue; 2) if everyone will be accumulating savings for their own retirement, then there will be No. funds to pay pension benefits to the existing 14.5 million retirees.

It is planned to implement the pension reform in three stages:

- 1) By 2001 – personification of pension accounts of the population (establishment of the 1st pillar), which is currently underway;
- 2) Approximately in 2001-2003 – establishment of the non-state pension system (establishment of the 3^d pillar);
- 3) By 2007 – establishment of the 2nd pillar of mandatory pension insurance.²¹

In order to secure the reform legislatively it is necessary to pass the Law “On Mandatory State Pension Insurance” and the Law “On Non-State Pensions”. In 1998, these draft Laws were submitted by the Government to the Supreme Rada, however they were not adopted. These draft Laws were improved by the Inter-Agency Task Force on Pension Reform and in September 2000 submitted to the Supreme Rada.

In “Ukraine: Labor Aspects” magazine, No. 1, 2000, devoted to Pension Reform in Ukraine, the articles of USAID/ PADCO experts are published:

- *The Debate About Pension Reform in Ukraine*
- *Ukrainian Pension System: Historical Aspect*
- *Building a Three Pillar Pension System in Ukraine*
- *Lessons for Ukraine: The Failure of Pension Reform in Kazakhstan*
- *The True Financial Condition of the Pension Fund of Ukraine: 1991-1998*
- *The Pension Fund's Program of Personifying Reporting and Information Systems*
- *How to Create a Non-State Pension System that People Will Trust*
- *Does Ukraine Need a Mandatory Accumulation System?*

2.2 Segregating Sources of Financing Pensions

Segregating sources of financing pensions is an important component of the pension reform. Responsibility for pension benefits which are not typical for the Pension Fund are transferred therefrom to the State Budget according to the schedule for 1999-2001 approved by the Government, to wit: social pensions, state benefits for certain categories of retirees, benefits payable to low income retirees, pensions/supplement payable to certain categories of retirees (in particular, war veterans, civil servants, prosecutors, national deputies, judges, scientists, rehabilitated persons, unemployed persons); child care assistance to persons looking after children until their attainment of age 1.5 (CM Decree No. 111 of January 29, 1999 “On the Separation of Sources of Financing Pensions and Monetary Benefits Provided under Various Pension Programs”).

The main reasons of allocation of financial flows to different pension programs is the untimely and incomplete compensation of the Pension Fund for expenses connected with payments belonging to the State and local budgets.

²¹ *Social Protection*, No. 7, 1999, “Directions of Reformation of the Pension System in Ukraine”; *Business*, August 9, 1999, “We have been Prescribed Pyramidon”.

2.3 Personifying Record keeping within the State Mandatory Pension System

With the purpose to modernize and stabilize the current PAYG system, which is to become the first pillar of the future three pillar pension system, implementation of the personified record keeping system was started in 1999. Under the personified system the Pension Fund will use its database to maintain information on all contributions under the state pension insurance paid by and on behalf of all working individuals. Later this information will be used to grant and calculate pension benefits.

In order to improve the organizational structure, it is planned to transfer responsibility for calculating and distributing pension benefits from social protection authorities to the Pension Fund of Ukraine (Presidential Decree No. 401/98 of May 4, 1998 "On Measures to Introduce Personified Record keeping within the State Mandatory Pension System" and CM Decrees No. 794 of June 4, 1998 and No. 832 of June 8, 1998). In this, social security authorities will retain the function of granting various types of state benefits, in particular benefits payable to low income people.

An experiment in the L'viv oblast has proved the efficiency of combining in one authority the responsibilities for granting and distributing pension benefits, on condition that personified record keeping within the state mandatory pension system is introduced. In 5 raions [districts] of the L'viv oblast, where personified record keeping was introduced, contributions to the Pension Fund increased by 23% and the number of contributors for mandatory state pension insurance rose by 16% for 9 months in comparison with the similar period in 1998. It is planned to introduce personified record keeping at the beginning of 2000 on 25% of Ukrainian territory and to cover the entire country by the end of this year.

Personified record keeping of pension accounts will allow to complete the following tasks:

1. To establish dependence of pension benefits on years of service and wages for the *entire* employment career. This will allow eliminating the pension egalitarianism. It should be noted for comparison purposes that pursuant to the presently effective procedure a person may choose wages to be used for the calculation of pension benefits either for the last 24 months of service before retirement or for any 5 years out of 10 years of uninterrupted service.
2. To legalize earnings of working persons – they will be interested in employers' timely payment of insurance contributions in *full*, because the amount of a pension will depend on it in the future. Before the introduction of personified record keeping, employees did not care whether they received legal or "shadow economy"

wages. Currently, about 40% of persons work in the shadow economy.

3. To control the authenticity of original data on amounts of earnings, insurance contributions, years of contribution payments, working conditions provided by employers. This will allow eliminating widely spread practices of some entrepreneurs to hide earnings.
4. To simplify procedures of calculation or recalculation of pension benefits – there will be no need any more to keep employee labor books and collect by retirees paper certificates on wages and service history.
5. Personified record keeping is on one of the main instruments of the accumulation system.²²

The aforementioned advantages are effective together with the use of computers and automated calculation of pension benefits. The Pension Fund with the assistance of PADCO has developed a program "ARM-Employer" for automated compilation of reports from the personified records of pension contributions. This program significantly alleviates the work of accountants at enterprises, as it ensures the preparation of all 5 forms of reports which need to be annually submitted to the Pension Fund. The program "ARM-Employer" may be obtained free of charge at divisions of the Pension Fund or downloaded from the Internet at:

www.padco.kiev.ua/apm_p/apmsupp.htm.

2.4 Activities of Non-State Pension Funds

Within the 3^d pillar of the future pension system, voluntary insurance will be accomplished through non-state pension funds. In order to ensure proper regulation of their activities it is necessary to adopt Laws "On Trust Management of Property", "On Financial Operations", "On the Fund for the Protection of Rights of Citizens – Investors on the Stock Market", "On Non-State Pension Funds". The latter draft Law was submitted in May 1998 to the Supreme Rada, however it was not adopted. This draft Law was improved by the Inter-Agency Task Force on Pension Reform and in September 2000 submitted to the Supreme Rada.

The current legislation does not prohibit pension funds (however, it does not regulate it either). In Ukraine, approximately 100 non-state pension funds are currently registered, but in fact only 20 are operating. Their weak institutional development in comparison with that in other countries is explained in particular by lack of large start-up capital,

²² *Uryadovy Courier*, November 27, 1999, Pension Reform: a Model for the Future; Social Protection, No. 5, 1999, Personified Recordkeeping for the State Pension Insurance System; *Business*, November 1, 1999, "AM-Pirized Personified Recordkeeping"; *Halitski Contracty*, No. 22, 1999, "You have Lived up to Retirement Age – have to go Personified".

particular by lack of large start-up capital, confidence by contributors. Acting pension funds mostly do not rely in their activities on large "parent" entities, i.e. they are not corporate funds.

Experts define a number of potential advantages of non-state pension funds over arrangements for the placement of funds, for example, in banks and securities, namely:

1. Allocation of risk. A pension fund may allocate accumulated financial resources among different financial institutions and under different deposit terms.
2. It is more profitable to place money in pension funds almost in all countries, because a bank is a "natural" intermediary, it takes a larger part of return from investments. The Pension Fund is an "insignificant" intermediary, and therefore placing money in non-state pension funds is more attractive from the standpoint of obtaining profit.
3. Organizations of a non-state pension fund type have a possibility to influence, to a large extent, activities of those enterprises in which they have made investments.
4. Imposition of the personal income tax on savings upon attainment of retirement age.
5. Possibilities to bestow, bequeath and sell pension shareholdings, upon taxing such pension shareholdings.

In addition, relevant international and Ukrainian experience regarding the organization of non-state pension fund activities is available so that non-state pension funds are not transformed into "trusts"²³.

The Experiment of "KyivMiskBud" on Encouraging Housing Construction with Involvement of Assets in Pension Accounts

An experiment in housing construction, which was initiated pursuant to Presidential Decree No. 735/99 of June 27, 1999 "On the Conduct of the Experiment in Housing Construction on the Basis of Holding Company "KyivMiskBud" and Law No. 1674-III of April 20, 2000 under the same title, is broadly publicized in mass media. However, the pension-related part of the experiment – activities of a non-state pension fund established by Company "KyivMiskBud" and Arkada Bank – brings about concerns and objections by numerous pension experts, because of violation of rules on reliable investments of pension assets, which are applied in the USA, Latin America and Europe.

In this experiment attracted pension deposits of individuals are directed for extending long-term credits for housing construction under mortgage arrangements. Thus, the main investment principle – diversi-

fication of investments is violated, which increases risks of profit loss. According to international experience, investments in one branch, one type of assets and even one region are risky. An insignificant percentage of pension assets is invested in housing construction (for example, only 9% in Chile). This is preconditioned by the fact that even in developed countries the area of construction and the value of real estate sustain periodic downward circles that may last for up to 10 years.

In the opinion of Mr. V. Sushkevych, Chairman of the Committee of the Supreme Rada on Affairs of Retirees, Veterans and Disabled Persons, KyivMiskBud and Arkada Bank infringe on the main investment principles and violate effective law. Mr. I. Sahan', Minister of Labor and Social Policy, believes that the experiment program is exclusively purpose-based, i.e. of a housing investment nature, and lacks features which are typical for a regular non-state pension fund. In addition, there is no law regulating activities of non-state pension funds, nor is there a special state agency which would audit placement of pension contributions.²⁴

2.5 Failure of People's Deputies to Specify the Retirement Age in the Constitution of Ukraine

In the process of pension reform it is planned to raise retirement age in order to ensure sufficiency of financial resources of the pension system. In order to forestall such amendment of the law, the Supreme Rada decided to entrench retirement age in the existing Constitution (55 years for women and 60 for men) and approved a relevant draft Law to that effect. However, the Constitutional Court declared this draft Law to be unconstitutional and such that was in violation of Article 157 of the Constitution of Ukraine. As noted in the opinion of the Constitutional Court, the proposed amendments, in fact, restrict the right of citizens to social protection in the old age because, in their literal sense, they actually deprive (apparently, against the intention of the authors of the draft Law) women over age 55 and men over age 60 of the right to social protection. It is stressed that the right of citizens to social protection does not depend on their attainment of retirement age (Opinion No. 2-B/99 of the Constitutional Court of Ukraine of June 2, 1999, passed as a result of proceedings initiated upon submission by the Supreme Rada of Ukraine to obtain a conclusion as to the consistency of the Law of Ukraine "On the Introduction of Amendments to Article 46 of the Constitution of Ukraine" with the requirements of Articles 157 and 158 of the Constitu-

²³ *Business*, December 6, 1999, "Do you Want to Retire?"; *Uryadovy Courier*, June 19, 1999, "Is there a Necessity to Further Develop Pension Funds?"

²⁴ *Zerkalo Nedeli*, November 20, 1999, "Is there a Necessity in Ukraine to Speed up "Cloning" of Non-State Pension Funds?"; *Social Protection*, No. 5, 2000, "Study of Pension-Related Experience of Countries in Latin America"; *Ukraine: Labor Aspects*, No. 3, 2000, "Reform of the Pay-As-You-Go Pension System in Ukraine".

quirements of Articles 157 and 158 of the Constitution of Ukraine (Case No. 1-20/99 involving the amendment of Article 46 of the Constitution of Ukraine).

2.6 Raising the Minimum Pension to UAH 24.90

On March 18 1999, the Supreme Rada passed a law introducing amendments to the Law "On Pensions", pursuant to which old age pensions are set in the amount equal to the value of the variable value of the minimum subsistence level, and as of 1 July 1999 the minimum pension is UAH 55. The main lobbyists of this draft Law were leftist factions of the Parliament.

President L. Kuchma put a veto on this draft Law, because it had been passed without sufficient financial and economic justification and specification of sources of covering additional expenses amounting to UAH 10.9 billion per year. It is impossible to find such additional money in the budget of the Pension Fund, because revenues of the Fund in 1999 totaled to UAH 13 billion. In addition, it is provided by effective law that the minimum old age pension is to be not lower than the minimum subsistence level (Law No. 307/97-BP of June 4, 1997 "On the Introduction of Amendments to the Law of Ukraine "On Pensions").

The veto of the President was not overcome. The Supreme Rada passed this Law for two times, however the President would veto it every time, and the Law was never signed. The later and unsuccessful attempt to overcome the President's veto in respect of this law was taken on June 22, 2000.

Advocating the adoption of the Law, the Supreme Rada proposed to undertake a number of measures to ensure financing for an increase in pension benefits, in particular: introduction of payment of contributions for state mandatory pension insurance by persons employed in the shadow economy; use of additional funds from a rise of output and revenue that will be received as a result of payment of wage arrears and others (SR Decree No. 1152-XIV of October 12, 1999). However, these proposals were named a populist response to the veto of the President.

On 28 June 1999, the President signed a Decree "On the Raise of the Minimum Pension" pursuant to the Transitional Provisions of the Constitution, and an analogous Law was approved on July 15, 1999, the draft of which had been submitted by the President to the Supreme Rada. Pursuant to this Law, the minimum amount of old age pensions was raised as of 1 September 1999 from UAH 16.62 to UAH 24.9, except for recipients of social pensions. In this, the amount of the lowest pension benefit was raised from UAH 41 to 46. It is provided that retirees, who receive pension benefits (taking into account bonuses,

increases, monthly compensatory payments and additional pension benefits) lower than UAH 46, will be paid special-purpose allowances in the amount of UAH 21.1. Additional expenses connected with the raise of pension benefits will total to UAH 100 million per month.

2.7 Distributing Pension Benefits through Banks

Procedures of paying pensions and cash allowances upon the consent by retirees and allowance recipients through their current bank accounts are approved by CM Decree No. 1596 of August 30, 1999, in implementation of Presidential Decree No. 734 dated July 4, 1998. The Cabinet of Ministers has appointed 7 banks, which may pay pensions to retirees. Banks will open bank account.

Distributing pensions and cash allowances through banks has the following advantages:

- For the Pension Fund – lower expenses related to delivery of pension benefits.
- For retirees – a possibility to receive pensions on any day of the month (upon the deposit of money into current bank accounts) during business hours of the bank. Under the traditional pension receipt procedure, pensions may be received in post offices only on designated days of the month.

2.8 Payment of Contributions under the State Mandatory Pension Insurance

New Contribution Rates

Because of large pension arrears the number of objects/operations subject to contributions to the Pension Fund was increased. Today they include:

- 1) 5% of value of sold jewelry made of gold (except for wedding rings), platinum and precious stones;
- 2) 1% of value of sales and purchases of foreign exchange;
- 3) 3% of price of a car to be acquired;
- 4) 5% of price of produced and imported tobacco goods;
- 5) 1% of value of transactions of sale and purchase of real estate;
- 6) 6% of value of cellular mobile communications.

The first three charges mentioned above were introduced on November 10, 1998 for the period up to the adoption by the Supreme Rada of a decision to fully pay the pension arrears (Law No. 208-XIV dated October 22, 1998), the last three types of charge have to be paid from August 19, 1999 till January 1, 2001 (Law No. 967-XIV dated July 15, 1999).

New List of Compensations Subject to Contributions to the Pension Fund

Earlier, contributions under the state mandatory pension insurance were imposed onto actual expenses on labor remuneration, irrespective of their taxation with the personal income tax. Pursuant to Law No. 539-XIV of March 23, 1999, the base of taxation subject to such contributions is decreased by the amount of payments, which belong to the labor remuneration fund, but are not included in the aggregate taxable income. In particular, sums of financial support in the amount of 12 minimum wages per year were exempted from taxation, and as a result revenues of the Pension Fund decreased by UAH 620 million per year.²⁵

2.9 Pension Arrears

Arrears of pensions and cash allowances decreased during 1999: at the beginning of the year it was UAH 2013.3 million, as of January 1, 2000 – UAH 1358.6 million. The amount of arrears reached its maximum in March – UAH 2401.7 million. The main reason underlying such arrears is considerable sums due the Pension Fund, which has been in particular caused by:

- Payment of wages in kind, and directly from proceeds of enterprises;
- Restructuring of arrears and cancellation of penalties for agricultural producers and enterprises under the jurisdiction of the Ministry of Coal Mining and the Ministry of Industrial Policy in the amount of UAH 3.4 billion during 1998 and in mid 1999;
- Non-receipt of considerable funds from the levied fixed agricultural tax.²⁶

In order to pay the arrears, the Government undertook untraditional measures in addition to ensuring the payment of contributions for state mandatory pension insurance. Through such measures, the arrears amounting to UAH 756.4 million were covered during the first half of 1999, including such measures as:

- Provision of due pensions in kind to retirees (upon their consent), for example, with sugar – UAH 255.3 million worth. (The Procedure of Payment of Pension Arrears through the Provision to Retirees at their Wish of Goods (Services) Made as Contributions for State Mandatory Pension Insurance is approved by Order No. 108/182/137, dated August 05, 1999, enacted by the Pension Fund, Labor Ministry, Ministry of

Finance, and registered with the Ministry of Justice November 29, 1999, under No. 821/4114);

- Sale of assets, property and property rights of enterprises which are debtors – UAH 113.2 million worth. (The Procedure of Transfer and Sale of Goods (Services), Property and Property Rights for Contributions for Mandatory State Social Insurance through the Specialized State Enterprise of the Pension Fund of Ukraine, approved by Order No. 142/226/144/530, dated November 5, 1998, enacted by the Pension Fund, Ministry of Finance, Ministry of Economy, State Tax Administration, and registered with the Ministry of Justice December 2, 1998, under No. 776/3216);
- Settlements via promissory notes – UAH 49.7 million worth. (The Procedure of Payment of Mandatory State Pension Insurance Debts of Enterprises through Promissory Notes, approved by CM Decree No. 75 dated January 24, 1998);
- Introduction of additional rates of the charge (on transactions for the sale-purchase of foreign exchange, jewelry, alienation of automobiles) – UAH 276.6 million worth;
- Mutual settlements for the consumption by retirees of gas in the amount of UAH 54.5 million and electricity in the amount of UAH 7.1 million. (Presidential Decree No. 492 dated May 11, 1999 “On Additional Measures to Pay Debts of the Population for Housing and Utility Services” and applicable CM Decree No. 993 dated June 8, 1999).²⁷

Due to a delay lasting for many months in the payment of pension benefits, many retirees from rural locations try to change addresses officially entered in their passports [*propyska*] to addresses of residence of their relatives in big cities and oblast centers in order to timely receive pension benefits. Representatives of local self-government believe that it threatens to undermine the pension system. In order to rectify the situation, the following measures have been introduced:

- In Rivne – “new urban” retirees must obtain a temporary entry in passport records in one of the residential management offices in order to receive pension benefits in the city.
- In Simferopol – retirees are offered to arrange for receipt of their pension benefits through banks, for which purpose one should first obtain an identification code at the Tax Administration.
- In Cherkasy – claims are filed against those retirees who reside in villages and receive their

²⁵ *Business*, January 24, 2000, “How to Replenish the Pension Fund”.

²⁶ *Uryadovy Courier*, October 13, 1999, “Government Day in Parliament”.

²⁷ *Social Protection for the People of Ukraine in 1999: Statistical Bulletin*. Kyiv, 2000. The State Statistical Committee of Ukraine; *Uryadovy Courier*, July 27, 1999, “Pension Affairs”.

pension benefits in the city (residents without the propyska do not pay for water, heating, gas).²⁸

²⁸ *Day*, April 16, 1999, "Flying in a Flock for the Pension"; June 2, 1999, "For Pensions ... to Town"; *Kievskie Vedomosti*, October 2, 1999, "Invasion of the Capital by Retirees".

**APPENDIX 1. STATE SOCIAL ASSISTANCE IN UKRAINE
(excluding State assistance to families with children)**

#	<i>Type of assistance, regulations it is granted under, and duration</i>	<i>Entitled individuals/families</i>	<i>Eligibility criteria</i>	<i>Benefit amount/rate</i>	<i>Source of funds</i>	<i>Proposed amendment</i>
1.	Targeted cash benefit to incapable-of-work individuals with minimum incomes CMU (Cabinet of Ministers of Ukraine) Decree #1686 dated Nov. 11, 2000 (for a period of duration of the pension at an amount of less than 55 Hrn)	Incapable-of-work individuals	<u>Based on pension amount</u> When the monthly pension amount, including increases, raises and supplementary pension, is below 55 Hrn	A difference between 55 Hrn. and the pension amount but not more than 25 Hrn, and for the recipients of an old-age social pension, not more than 16.70 Hrn	The Pension Fund (the funds from which the pension is paid)	It shall be changed for targeted social assistance pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000.
2.	State cash benefit to certain categories of pensioners 1. CMU Decree #1951 dated Dec. 10, 1998 2. Procedure for granting and paying state cash benefit to certain categories of pensioners (approved by joint order of the Ministry of Labor and Social Policy, the Ministry of Finance and the Pension Fund #61/102/4306 dated Apr. 6, 1999; registered with the Ministry of Justice on May 14, 1999, under #309/3602) (6 months)	Lone non-working individuals who have reached the retirement age or have been recognized invalids of groups I or II, and families composed of such individuals	<u>Based on per capita total family income</u> When the per capita monthly average family income over last 3 months is below 53.50 Hrn	A difference between 53.50 Hrn and the amount of per capita monthly average family income but not more than 16.70 Hrn	The Pension Fund subject to subsequent reimbursement from the State Budget	It shall be changed for targeted social assistance pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000.
3.	Supplementary monthly living allowance CMU Resolution #1952 dated Dec. 10, 1998	Low-income, incapable-of-work individuals who receive a pension	<u>Subject to a decision of commissions formed by the Executive Committees of Raion or City Radas</u> Incapacity to work; pension	Depending on the local budget capacity up to 23.50 Hrn	Local budget	It shall be changed for targeted social assistance pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000.

#	Type of assistance, regulations it is granted under, and duration	Entitled individuals/families	Eligibility criteria	Benefit amount/rate	Source of funds	Proposed amendment
4.	<p>Targeted social assistance to low-income families</p> <p>1. CMU Resolution #238 dated Feb. 22, 1999 (as amended by CMU Resolution #211 dated Feb. 2, 2000)</p> <p>2. Methodology for calculation of aggregate family income for all types of social assistance (approved by joint order of the Ministry of Labor and Social Policy, the Ministry of Finance, the Ministry of Economy, the State Committee for Family and Youth and the State Committee for Statistics #102/154/64/61/204 dated June 18, 1999; registered with the Ministry of Justice on July 16, 1999, under #470/3763)</p> <p>(6 months, and when the family includes employed individuals, 3 months)</p>	<p>Family composed of incapable-of-work individuals as well as non-working working-age individuals (a) looking after children within a period subject to be reckoned in the length of service; or (b) having three or more children under 16 years and looking after them; or (c) taking care of a group-I invalid, or a handicapped child, or a person who has attained the age of 80 years; or (d) registered as unemployed with the State Employment Service with expired unemployment benefit and assistance</p>	<p><u>Based on aggregate family income</u></p> <p>When the monthly average family income is below the amount of aggregate income entitling to social assistance (46 Hrn., starting Dec. 1, 2000 - 55 Hrn)</p>	<p>A difference between the adjusted aggregate income entitling to social assistance (46 Hrn., starting Dec. 1, 2000 - 55 Hrn) and the monthly average family income</p>	<p>Local budget</p>	<p>Assistance shall be granted pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000</p>
5.	<p>Subsidy to compensate for expenditures on housing, utilities, liquefied gas, and liquid and solid domestic stove fuel (housing subsidy)</p> <p>1. CMU Resolution #848 dated Sept. 22, 1997 (as amended by CMU resolution #211 dated Feb. 02, 2000)</p> <p>2. CMU Resolution #1156 dated July 27, 1998 (as amended by CMU resolution #211 dated Feb. 02, 2000)</p> <p>3. Technique for calculation of aggregate family income for all types of social assistance (approved by joint order of the Ministry of Labor and Social Policy, the Ministry of Finance, the Ministry of Economy, the State Committee for Family and Youth and the State Committee for Statistics #102/154/64/61/204 dated June 18, 1999; registered with the Ministry of Justice on July 16, 1999, under #470/3763)</p> <p>(6 months; one year for liquefied gas, and liquid and solid domestic stove fuel)</p>	<p>Individuals residing in residential premises of the housing stock irrespective of its form of ownership and make use of public utilities, liquefied gas, or liquid or solid domestic stove fuel</p>	<p><u>Based on aggregate family income</u></p> <p>When the amount of payment for the housing, utilities, liquefied gas, and liquid or solid domestic stove fuel, within the norms of consumption, exceeds the percentage of obligatory payment as set by the Cabinet of Ministers (20 percent of monthly average aggregate family income; 15 percent when those registered and actually living in the residential premises are only pensioners and other incapable-of-work individuals, or there are under-age children, invalids of Group I and II among those registered, and whose per capita monthly average aggregate income does not exceed the minimum consumption level (118.3 Hrn))</p>	<p>A difference between the amount of payment for housing, utilities, etc. within the norms of consumption and the percentage of obligatory payment</p>	<p>Local budget</p>	

#	Type of assistance, regulations it is granted under, and duration	Entitled individuals/families	Eligibility criteria	Benefit amount/rate	Source of funds	Proposed amendment
6.	<p>Monthly compensation pays</p> <p>CMU Resolution #832 dated July 26, 1996</p> <p>(for a period of taking care of a group-I invalid or an old person who has attained the age of 80 years)</p>	<p>Non-working able-to-work individual</p>	<p><u>Income is not taken into account</u></p> <p>Taking care of a group-I invalid or an old person who has attained the age of 80 years</p>	<p>4.80 Hrn</p> <p>5.22 Hrn when adjusted for indexation</p>	<p>The funds from which the pension is paid</p>	<p>It shall be changed for targeted social assistance pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000.</p>
7.	<p>Unemployment benefit</p> <p>1. Law of Ukraine "On Employment of Population"</p> <p>2. Regulations on procedure for registration, re-registration and record-keeping of job seekers and unemployed persons, and payment of unemployment benefit (approved by CMU resolution #578 dated April 27, 1998)</p> <p>3. CMU Resolution #1650 dated Nov. 3, 2000 "On Increase in the Benefit Amount for Account of the State Employment Fund"</p> <p>(Art. 28(3) of the Law: from the 8th day of individual's registration with the employment service until placement at work but not more than for 360 calendar days during 2 years; for individuals of preretirement age, up to 720 calendar days; and for those wishing to resume labor activity after a long (more than 6 months) break and for first-time job seekers, not more than 180 calendar days)</p>	<p>Not employed (non-working) individuals recognized as unemployed according to established procedure (Art. 28(2) of the Law)</p>	<p><u>Income is not taken into account</u></p> <p>When recognized as unemployed according to established procedure and registered with the State Employment Service as a job seeker (Art. 28 of the Law)</p>	<p>Art. 29 of the Law:</p> <p>(a) When the applicant worked at least 26 calendar weeks during 12 months preceding unemployment, at least 50 percent of average wage as per the last employment but not more than last-month average wage in national economy formed in given oblast, and not less than the statutory minimum wage (according to CMU Resolution #1650 dated Nov. 3, 2000, at least 30 Hrn and at most the average wage in national economy formed in given oblast);</p> <p>(b) For the rest of cases, including job seekers for the first time or after a long break in employment, not less than the statutory minimum wage</p> <p>(30 Hrn according to CMU Resolution #1650 dated Nov. 3, 2000)</p>	<p>The State Employment Fund</p>	<p>Starting from January 1, 2001 unemployment benefits shall be defined as percentage of average wage (income) of insured individuals depending on covered period (Art. 23 of the Law "On Mandatory State Social Unemployment Insurance" dated March 2, 2000)</p>
8.	<p>Unemployment assistance</p> <p>1. Law of Ukraine "On Employment of Population"</p> <p>2. Regulations on provision of unemployment assistance, approved by CMU Resolution #578 dated April 27, 1998</p> <p>3. CMU Resolution #1650 dated Nov. 3, 2000 "On Increase in the Benefit Amount for Account of the State Employment Fund"</p> <p>(Art. 31 of the Law: from the next day on expiry of unemployment benefit for 180 calendar days)</p>	<p>Unemployed persons with expired eligibility for unemployment benefit</p>	<p><u>Based on aggregate family income</u></p> <p>When unemployment benefit expires.</p> <p>When per capita monthly average aggregate family income does not exceed the statutory non-taxable minimum income (Art. 31 of the Law)</p>	<p>Art. 31 of the Law: up to 75 percent of the statutory minimum wage</p> <p>(22,50 Hrn according to CMU Resolution #1650 dated Nov. 3, 2000)</p>	<p>The State Employment Fund</p>	<p>Starting from January 1, 2001 assistance shall be provided when per capita monthly average aggregate family income does not exceed the statutory subsistence level at a rate of 75 percent of the subsistence level (Art. 28 of the Law "On Mandatory State Social Unemployment Insurance" dated March 2, 2000)</p>

#	Type of assistance, regulations it is granted under, and duration	Entitled individuals/families	Eligibility criteria	Benefit amount/rate	Source of funds	Proposed amendment
9.	<p>Lump Sum Unemployment Assistance</p> <p>1. Law of Ukraine "On Employment of Population"</p> <p>2. Regulations on provision of unemployment assistance (approved by CMU Resolution #578 dated April 27, 1998)</p> <p>3. CMU Resolution #1650 dated Nov. 3, 2000 "On Increase in the Benefit Amount for Account of the State Employment Fund" (lump sum)</p>	<p>(a) Each member of unemployed's family dependent of the unemployed</p> <p>(b) Unemployed persons with expired eligibility for unemployment benefit and unemployment assistance</p>	<p><u>Income is not taken into account</u></p> <p>Being dependent of the unemployed person</p> <p>Expiry of unemployment benefit and unemployment assistance</p> <p>(Art. 31 of the Law)</p>	<p>Art. 31 of the Law: 50 percent of statutory minimum wage</p> <p>(15 Hrn according to CMU Resolution #1650 dated Nov. 3, 2000)</p>		<p>Starting from January 1, 2001 assistance shall be provided at a rate of 75 percent of the subsistence level (Art. 28 of the Law "On Mandatory State Social Unemployment Insurance" dated March 2, 2000)</p>
10.	<p>Funeral allowance</p> <p>1. CMU Resolution #837 dated July 26, 1996</p> <p>2. Procedure for payment of funeral allowance approved by joint order of the Ministry of Social Protection, the Ministry of Finance, the Ministry of Labor, the Ministry of Economy, the State Committee for Housing and Public Utilities, the Social Insurance Fund and the Pension Fund #193/107/61/88/08-14-627/44 dated Nov. 2, 1994 (as amended by order #148/232/88/08-14-759/123 dated Oct. 29, 1996)</p> <p>3. Technique for calculation of aggregate family income for all types of social assistance (approved by joint order of the Ministry of Labor and Social Policy, the Ministry of Finance, the Ministry of Economy, the State Committee for Family and Youth and the State Committee for Statistics #102/154/64/61/204 dated June 18, 1999; registered with the Ministry of Justice on July 16, 1999, under #470/3763)</p>	<p>Individuals who have carried out a funeral</p>	<p><u>Income is not taken into account</u></p> <p>Death</p>	<p>(a) 150 Hrn in case of death of a person who was in labor relations, a person who lost job due to changes in production and job procedures, a person who was not in labor relations but paid insurance contributions, and a number of other categories of persons</p> <p>(b) Two-month pension in case of death of a pensioner who was in receipt of a pension under the Law "On Pensions" but not less than 150 Hrn</p> <p>Three-month pension in case of death of a pensioner who was in receipt of a pension under the Law "On Pensions for Servicemen, and Command staff and other Ranks of the Interior Bodies" but not less than 150 Hrn</p> <p>150 Hrn in case of death of an unemployed person</p>	<p>The Social Insurance Fund</p> <p>The Pension Fund</p> <p>The State Budget</p> <p>The State Employment Fund</p>	

#	Type of assistance, regulations it is granted under, and duration	Entitled individuals/families	Eligibility criteria	Benefit amount/rate	Source of funds	Proposed amendment
11.	Supplementary funeral allowance 1. CMU Resolution #837 dated July 26, 1996 2. Procedure for payment of funeral allowance approved by joint order of the Ministry of Social Protection, the Ministry of Finance, the Ministry of Labor, the Ministry of Economy, the State Committee for Housing and Public Utilities, the Social Insurance Fund and the Pension Fund #193/107/61/88/08-14-627/44 dated Nov. 2, 1994 (as amended by order #148/232/88/08/-14-759/123 dated Oct. 29, 1996) 3. Technique for calculation of aggregate family income for all types of social assistance (approved by joint order of the Ministry of Labor and Social Policy, the Ministry of Finance, the Ministry of Economy, the State Committee for Family and Youth and the State Committee for Statistics #102/154/64/61/204 dated June 18, 1999; registered with the Ministry of Justice on July 16, 1999, under #470/3763)	Family of the deceased or a person who carried out the funeral	Based on aggregate family <u>income</u> When per capita monthly average aggregate family income over preceding 6 months is below 48 Hrn	90 Hrn	The same as for the basic funeral allowance	
12.	Lump-sum benefit Regulations of local governments	Persons who have got in difficult circumstances of life	Difficult circumstances of life	Depending on the circumstances, the level of pension, etc., at the discretion of local governments	Local budget and off-budget funds	
13.	Social pensions (In fact, it is social assistance to incapable-of-work individuals ineligible for labor-related pension) Law of Ukraine "On Pensions"	Non-working individuals: group-I invalids, including invalids from childhood; group-II invalids, including invalids from childhood; group-III invalids; individuals who have reached 60 years (males) or 55 years (females) survivor children of deceased breadwinner who was ineligible for a labor-related pension; handicapped children under 16 years	<u>Income is not taken into account</u> Ineligibility for labor-related pension	Beginning September 1, 1999, calculation of social pensions is based on the rated minimum old age pension which is 18.28 Hrn (18.28 Hrn = 16.62 Hrn × 1.1, where 16.62 Hrn is the rated minimum old age pension as of August 1, 1996, and 1.1 is a factor to adjust to the increase in minimum old age pension effective September 1, 1999). 200 percent of minimum old age pension (now – 36,56 Hrn.): group-I invalids, and mothers given a title of "Mother-Hero" 100 percent of minimum old age pension (18,28 Hrn.): group-II invalids, handicapped children under 16 years, survivor children as well as one on the persons who looks after the deceased breadwinner's children under 8 years and does not work 50 percent of minimum old age pen-	The Pension Fund	It shall be changed for targeted social assistance pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000. Pensions to handicapped children under 16 and invalids from childhood shall be granted under the Law of Ukraine "On State Social Assistance to Invalids from Childhood and Handicapped Children" # 2109-III dated November 16, 2000.

#	Type of assistance, regulations it is granted under, and duration	Entitled individuals/families	Eligibility criteria	Benefit amount/rate	Source of funds	Proposed amendment
				<p>sion (9,14 Hrn.): group-III invalids, individuals who have reached 60 years (males) or 55 years (females) and have not become eligible for a labor-related pension on valid reasons</p> <p>30 percent of minimum old age pension (5,48 Hrn.): individuals who have reached 60 years (males) or 55 years (females) and have not become eligible for a labor-related pension without valid reasons</p>		
14.	<p>Supplementary allowance to non-working pensioners and non-working invalids for support unable-to-work family members (In fact, it is social assistance) (Art. 21, 33 of the Law "On Pensions")</p>	<p>1. Non-working pensioners 2. Non-working invalids</p>	<p><u>Income is not taken into account</u> 1. Support of unable-to-work pensioner's family members (Art. 37, 38, 40, 41 of the Law "On Pensions"). 2. Support of unable-to-work invalid's family members (Art. 37, 40, 41 of the Law "On Pensions").</p>	<p>Supplement to old age benefit or disability benefit, including the minimum benefit, it is granted to each unable-to-work family member, it equals to social pension benefit envisaged for a corresponding category of the unable-to work individuals.</p> <p>Calculation of the supplement is based on the rated minimum old age pension which is 16.62 Hrn as of August 1, 1996</p>	The pension Fund of Ukraine	<p>It shall be changed for targeted social assistance pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000.</p> <p>Supplement for children shall be changed for pensions for children under 16 and invalids from childhood granted under the Law of Ukraine "On State Social Assistance to Invalids from Childhood and Handicapped Children" # 2109-III dated November 16, 2000.</p>
15.	<p>Supplement to pension benefits to invalids and single pensioners for taking care of them (In fact, it is social assistance) (Art. 21, 33 of the Law "On Pensions")</p>	<p>Single pensioners requiring constant care, based on medical certificate. Group-I invalids, single Group-II invalids requiring constant care or who have attained retirement age and single Group-III invalids who have attained retirement age.</p>	<p><u>Income is not taken into account</u> For single pensioners – medical certificate on the necessity of care For group-I invalids – pension receiving; For group-II invalids – single status; retirement age or medical certificate on the necessity of care. For group-III invalids – single status; retirement age.</p>	<p>Supplement for care to old age benefit or disability benefit, including the minimum benefit, it equals to social pension benefit-</p> <p>50% of minimum old age pension (8.31 Hrn. today) Calculation of the supplement is based on the rated minimum old age pension which is 16.62 Hrn as of August 1, 1996</p>	The pension Fund of Ukraine	<p>It shall be changed for targeted social assistance pursuant to Law of Ukraine "On State Social Assistance to Low Income Families" #1768-III dated June 1, 2000.</p>

**APPENDIX 2. STATE ASSISTANCE TO FAMILIES WITH CHILDREN
IN ACCORDANCE WITH THE LAW OF UKRAINE
"ON STATE ASSISTANCE TO FAMILIES WITH CHILDREN"**

Law Chapter	Kind of Assistance	Basis, Law Article	Amount of Assistance under the Law, Article of the Law	Amount of Assistance under CM Decree No. 915 dated May 27, 1999, effective July 1, 1999, calculated as % of the amount specified by the Law (Hrn.) (**)	Effective Period, Law Article	Bodies Responsible for Granting and Distributing Assistance	Sources of financing (***)
1	2	3	4	5	6	7	8
1	Maternity and birth allowance	working, doctor's certificate, Ar. 12	100% wages (scholarship), Ar. 11	regardless of the length of service	70+56 (70) days, Ar. 14	Primary employer (Education Institution) Social protection bodies	Resources of Fund of social insurance
	- to women registered as unemployed for a period exceeding 10 months	non-working, additionally a certificate from the State Employment Center	1 min. wages, Ar. 11	25% of min. wages 18.50 Hrn.			
2	One-time birth allowance (per each child)	birth certificate issued by the civilian registry office, Ar. 18	4 min. wages, Ar. 17	25% of 4 min. wages 74.00 Hrn.	no later than 6 month after birth, Ar. 20	Social protection bodies	Resources of Fund of social insurance
	Additional one-time birth allowance (per each child)	additionally a certificate from the medical institution	2 min. wages, Ar. 17	25% of 2 min. wages 37.00 Hrn.			
3	Monthly child care allowance till the child is three years old to:						
A	Working women; full-time students; women dismissed because of enterprise liquidation; women registered as unemployed;	order to allocate a partially paid leave, Ar. 24	1 min. wages, regardless of the length of service, Ar. 23	until the day the child is 1.5 years old – 30% of min. wages 22.20 Hrn. with a child between 1.5 and 3 – 25% of min. wages 18.50 Hrn.	until the day the child is 3 years old, Ar. 26	Social protection bodies	Resources of local Budgets (****)
B	Non-working	certificate on the fact that woman does not work with a child under 2, Ar. 30; additional certificate on the average monthly income per family member with a child between 2 and 3 years old, Ar. 29 (*)	50% min. wages, Ar. 29	20% of 50% min. wages 7.40 Hrn.	until the child is under 2, with the certificate on income with a child between 2 and 3, Ar. 29		
4	Child care allowance for children under 16 (pupils under 18):						
	a) 3 children under 16 (pupils under 18) b) 4 or more children under 16 (pupils under 18)	certificate on the average monthly income per family member, Ar. 36 (*)	1 min. wages, Ar. 35 2 min. wages, Ar. 35	25% of min. wages 18.50 Hrn. 20% of 2 min. wages 29.60 Hrn.	from the month the third child is 3 years old until the first child is 16 years old, Ar. 38	Social protection bodies	Resources of local Budgets
5	Invalid child care allowance till the child is 16 years old	non-working, medical conclusion, Ar. 42	1 min. wages, Ar. 41	35% of min. wages 25.90 Hrn.	until the month when a child is 16 years old, Ar. 44	Social protection bodies	Resources of local Budgets
6	Sick child care allowance	working, doctor's certificate, Ar. 46	depending on the length of service, but not less than 1 min. wages, Ar. 47	not less than 74.00 Hrn.	not more than 14 calendar days, Ar. 50	Primary employer (Education Institution)	Resources of Fund of social insurance
7	Monthly child care allowance for children under 16 (pupils under 18) (per each child)	certificate on the average monthly income per family member, Ar. 53 (*)	50% min. wages, Ar. 53	20% of 50% min. wages 7.40 Hrn.	from the month of birth till the month when a child is 16 (18) years old, Ar. 56	Social protection bodies	Resources of local Budgets

1	2	3	4	5	6	7	8
8	Child care allowance to single mothers for children under 16 (pupils under 18) (per each child)						
	a) to single mothers and widows/widowers - former orphans	certificate on the absence of father, on studies at the boarding school, Ar. 60	1 min. wages, Ar. 59	20% of min. wages 14.80 Hrn.	from the month of birth till the month when a child is 16 (18) years old, Ar. 62	Social protection bodies	Resources of local Budgets
	b) other categories of single mothers and widows/widowers who do not receive survivor's pensions or social pension		50% of min. wages, Ar. 59	20% of 50% min. wages 7.40 rph.			
9	Allowance for draft servicemen children (per each child)	application of the military commissariat, Ar. 66	1 min. wages, Ar. 65	15% of min. wages 11.10 Hrn.	during the period of military service, Ar. 68	Social protection bodies	Transfers of State Budget to Pension Fund
10	Allowance for children under guardianship (per each child)	if pensions and benefits do not exceed 2 min. wages, Ar. 72 (*)	2 min. wages, Ar. 71	20% of 2 min. wages 29.60 Hrn.	from the month of applying till the month when a child is 16 (18) years old, Ar. 74	Local state administrations and executive committees are responsible for granting and education institutions are responsible for distribution	Resources of local Budgets
11	Temporary allowance for children under age, whose parents do not pay alimony or can't be forced to pay / To people who do not receive alimony awarded by court's decision or if the amount of alimony received is less than the established minimum amount (per each child)	court's decision or other state bodies' decisions	50% min. wages, / min. amount of alimony = 0.5 of non-taxed minimum of income, Ar. 76	20% of 50% min. wages 7.40 Hrn.	from the month of applying till the month when a child is 18 years old, Ar. 80	Social protection bodies	Resources of local Budgets

Notes:

* Granted with the account of income: from 1.01.2000 - if average monthly per capita income for the preceding 6 months does not exceed 46 Hrn. (CM Decree No. 122 dated January 24, 2000); in accordance with the Law - 3 minimum wages for the preceding quarter. Exclusive of allowance for children under guardianship, granted with the account of income per each child.

** Double amount of allowance is granted to families having children between 7 and 16 years old (pupils - under 18), that live on the radioactively contaminated territories, according to the Law "On the Status and Social Protection of Citizens, Who Suffered as a Result of Chornobyl Catastrophe", Ar. 31.

*** According to Regulations on Granting and Distributing State Assistance to Families with Children approved by the Ministry of Labor, Ministry of Social Protection, Ministry of Education, and Ministry of Finance, No. 04-800 dated March 11, 1993, and registered with the Ministry of Justice under No.10 on March 19, 1993.

**** Before January 1, 2000 (before Order dated October 27, 1999, registered with the Ministry of Justice under #798/4091 on November 19, 1999, was adopted) allowance to working women for children under three was financed from the Pension Fund with further reimbursement of these expenditures from local budgets.

Example of Calculation

- 1) The amount of the one time birth allowance is four minimum wages (as specified by the Law);
- 2) The amount of the assistance, according to CM Decree No. 915 dated May 27, 1999, effective July 1, 1999, will be 25 percent of four minimum wages: $0.25 \times 4 \times 74 = 74$ Hrn.

APPENDIX 3.

MINIMUM CONSUMPTION LEVEL VALUE AND SOCIAL BENEFITS ACCORDING TO NORMATIVE ACTS OF UKRAINE IN 1991-2000

(krb.; since 09.02.96. – hrn.)

Effective date	Minimum consumption level value	Minimum wages	Minimum old age pension	Targeted cash assistance to unable to work citizens with minimum incomes			State cash assistance to single people, invalids of Group I and II		Normative acts (# in the list)
				Maximum social benefit to pension recipients	Maximum social benefit to pension recipients of social old age pensions	Monthly pension benefit with supplements for allocating social benefit *	Maximum social benefit	Total average per capita monthly income for allocating social benefit **	
<i>Krb.</i>									
Before		70	70						1
01.10.91			***						
01.10.91		185	185						2
01.12.91		400							3, 4
01.05.92		900	800						5
01.11.92		2 300	2 300						6
01.12.92				1 150		3 450			7
01.01.93	22 100	4 600	4 600						8, 9
01.04.93				4 140					10
01.05.93				6 915		11 515			11
01.06.93		6 900	13 800	8 300					12,13
01.09.93	69 700	20 000	40 000	29 700					14, 15
01.12.93	197 000	60 000	120 000	77 000					16, 17
01.10.94				370 000		780 000			18
01.12.94				448 000		940 000			19
01.01.95				525 000		1 100 000			20
01.06.95				195 000		2 100 000			21
01.10.95	4 800 000					2 600 000			22, 23
01.01.96	6 810 000			1 800 000	1 350 000	3 300 000	1 500 000	4 800 000	24,25,26
01.03.96		1 500 000	1 500 000						27
01.08.96			1 662 000	2 020 000	1 500 000	3 700 000			28, 29
<i>Hrn.</i>									
02.09.96	68,10	15	16,62	20,20	15	37	15	48	30
01.01.97	70,90								31
01.01.98	73,70	45							32
01.07.98		55							33, 34
01.12.98				22,50	16,70	41	16,70	53,50	35, 36
01.01.99	90,70	74							37
01.07.99	118,30								38
01.09.99			24,90	21,10	16,70	46			39,40
22.06.00		90							41
01.07.00		118							41
01.12.00			30	25	16,70	55			42
01.04.01			34	24	16,70	58			42

* Cash assistance to unable-to work citizens with minimum incomes is allocated if their *monthly pension benefit with the account of supplements, increments and additional pension benefits* does not exceed the value, fixed by the Cabinet of Ministers. This value is also minimum old age pension benefit for people with full length of service with the account of targeted cash assistance, excluding indexing under the increase of consumer price index. Before 01.01.96, *total average per capita monthly income* was used for determining eligibility for this assistance.

** State cash assistance to single people, Invalids of Group I and II and families composed of such individuals is allocated if their per capita monthly average total income does not exceed the value established by the Cabinet of Ministers. This value is also minimum benefit for categories of pensioners mentioned with the account of targeted cash assistance, excluding indexing under the increase of consumer price index. Effective 06.01.2000, average monthly family income to define eligibility for this assistance shall be indexed.

*** Minimum old age benefit equaled 100% of minimum wages (Law of the USSR, dated 05.15.90, № 1481-1 "On Pensions in the USSR").

List of Normative Acts

1. Decree of the CC of CPSS, USSR Council of Ministers and All-Union Central Council of Trade Unions date 12.12.72 . № 842 "On Raising Minimum Wages of Workers and Employees Engaged in National Economy and Simultaneous Increase of Wage Rates and Salaries of Workers Engaged in National Economy Who Receive Average Wage"
2. Law of Ukraine No. 1280-12 dated July 3, 1991 "On Raising Social Guarantees to the Population"
3. Presidential Decree dated January 09, 1992 "On Raising Minimum Wages";
4. SR Decree dated January 04, 1992 "On Social Protection of Population and Domestic Market"
5. SR Decree No. 2301-12 dated April 29, 1992 "On Raising Social Guarantees to the Population"
6. SR Decree No. 2779-12 dated November 16, 1992 "On Raising Minimum Wages and Pension"
7. CM Decree No. 691 dated December 09, 1992
8. CM Decree No. 19-92 dated December 29, 1992 "On Raising Minimum Wages and Pension"
9. CM Decree No. 396 dated June 02, 1993
10. CM Decree No. 276 dated April 19, 1993
11. CM Decree No. 467 dated June 22, 1993
12. SR Decree No. 3243-12 dated June 1, 1993 "On Raising Minimum Wages and Old Age Pension"
13. Regulation on Procedure for Allocating and Paying Monthly Targeted Assistance to Unable-to-Work Citizens with Minimum Incomes, validated by Order of Ministry of Social Protection, Ministry of Labor and Ministry of Finance, dated 06.25 93, 84/41/13-306, registered with the Ministry of Justice 07.07.93 № 82
14. SR Decree No. 3415-12 dated August 27, 1993 "On Raising Minimum Wages and Old Age Pension"
15. CM Decree No. 675 dated August 30, 1993
16. SR Decree No. 3653-12 dated November 25, 1993 "On Raising Minimum Wages and Old Age Pension"
17. CM Decree No. 976 dated December 02, 1993
18. CM Decree No. 724 dated October 20, 1994
19. CM Decree No. 868 dated December 26, 1994
20. CM Decree No. 42 dated January 20, 1995
21. CM Decree No. 436 dated June 20, 1995
22. SR Decree No. 374/95-BP dated October 12, 1995 "On Minimum Consumption Level value"
23. CM Decree No. 825 dated October 16, 1995
24. SR Decree No. 105/96-BP dated March 25, 1996 "On Minimum Consumption Level value"
25. CM Decree No. 33 dated January 10, 1996
26. CM Decree No. 19 dated January 9, 1996
27. SR Decree No.49/96-BP dated February 20, 1996 "On a Procedure for Enacting Articles 10, 33, 34 of the Law of Ukraine "On Labor Remuneration" and Establishing Minimum Old Age Pension"
28. CM Decree No. 831 dated July 26, 1996
29. CM Decree No. 833 dated July 26, 1996
30. Presidential Decree No. 762/96 dated August 25, 1996 "On Monetary Reform in Ukraine"
31. SR Decree No. 421/96-BP dated October 16, 1996 "On Minimum Consumption Level value"
32. Law of Ukraine No. 780/97-BP dated December 24, 1997 "On Establishing Minimum Consumption Level and Minimum Wages for 1998"
33. Presidential Decree No. 669/98 dated June 23, 1998 "On Establishing New Minimum Wages"
34. Law of Ukraine No. 49-14 dated July 22, 1998
35. CM Decree No. 1952 dated December 10, 1998
36. CM Decree No. 1951 dated December 10, 1998
37. Law of Ukraine No. 366-14 dated December 25, 1998
38. Law of Ukraine No. 1047-14 dated September 15, 1999 "On Amendments to Law "On Establishing Minimum Consumption Level and Minimum Wage for 1999"
39. Law of Ukraine No. 979-14 dated July 15, 1999 "On Raising the Minimum Pensions"
40. CM Decree No. 1527 dated August 19, 1999
41. Law of Ukraine 1766-III dated June 1, 2000 "On Establishing Minimum Wages for 2000"
42. CM Decree No. 1686 dated November 10, 2000

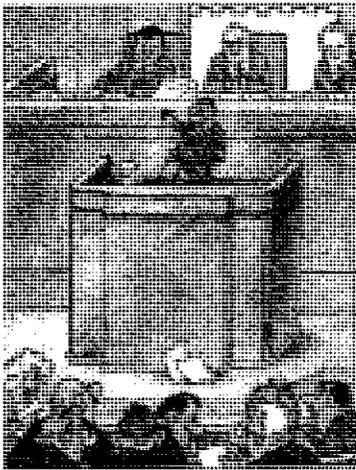
In the following pages, we provide some drawings on social problems and pensions published in magazines and newspapers in 1999-2000.



- Father, what is wages?..
- How do I happen to know...
Voice of Ukraine, 23.03.99.



- Thank you...
- Don't mention it... (voice from Cashier's Office)
Perets №6, 1999



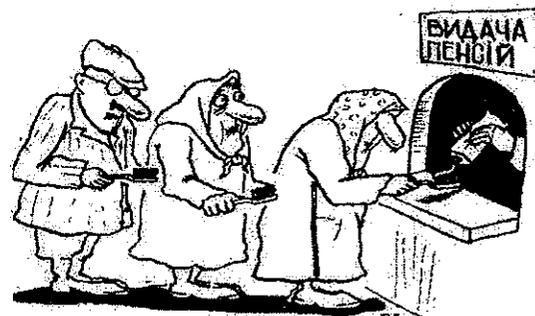
- I thank our Government for the minimum wages. It is quite sufficient for me.
Perets №2, 1999



- They're laughing at such wages in the West and you are crying...
Voice of Ukraine, 2.12.99.



- I live on my wages only.
Perets №5, 1999



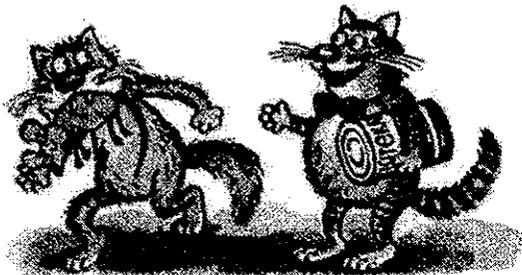
Pension benefits payment
Perets №8, 1999



- What does it look like?
- Like pension benefit rise...
Voice of Ukraine, 6.07.99.



Rotten Company
Business, 10.01.2000.



- When did you begin to catch mice?
- When my boss retired...
Perets №3, 1999



- Here are your pension benefits, and grants, and humanitarian aid...
Perets №7, 1999



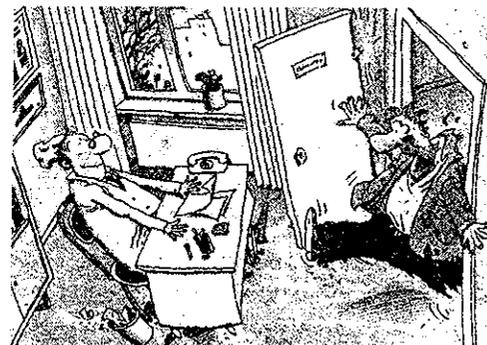
- And this person with me – from the social protection department
Voice of Ukraine, 13.01.99.



- We've lived to the time when even cockroaches disappeared!
Perets №3, 1999



- Which standard of living should be?
- At least once a week...
Voice of Ukraine, 8.06.99.



- Doctor, prices have bit me.
Perets №2, 2000



- If the plant votes for me, then your manager will pay wages for the previous year to everybody!

Perets №10, 1999



- But then no delay of wages, no increase of prices!

Perets №10, 1999



- The other day the old man Petro received his pension benefit at last and we celebrated daughter's wedding...

Perets №4, 1999



- What is last wish?
- To receive my wages at last...

Perets №5, 1999



- They paid wages for the previous year and he went crazy in celebration.

Perets №11, 1999



- Work! Work, Sisyphus!
- We demand permanent work!
- We demand stable employment!
- At the ancient Greeks knew how to employ people.

Perets №12, 1999



- I'm not able to see how the people are suffering. I'll, probably, go to Hawaii to rest.
Perets №3, 1999



- Tell the workers that there will be no wages – I'm naked myself...
Kievskie Vedomosti, 13.10.99.



- There is no money for pension benefits!!!
- Darling, don't worry, you are at home...
Voice of Ukraine, 30.11.99.



- We would be able to feed the people, of course, but we're afraid they will ask more...
Perets №3, 1999



- I have tested my anti-crisis on them.
Perets №5, 1999



- And here we have gray economy rails...
Business, 10.01.2000



- Way out of crisis
Perets №5, 1999

1996-97 reports in this series are:

- | | |
|-------------------|--|
| No.1 (Mar. 1996) | Expenditures on Housing and Communal Services in Ukraine: 1994-1996 |
| No.2 (Mar. 1996) | Report on Changes in Normative Acts of Ukraine on Social Protection :
November 1995 - February 1996 |
| No.3 (Apr. 1996) | Drawing the Poverty Line in Ukraine |
| No.4 (Apr. 1996) | Report on Ukraine's Housing Subsidy Program |
| No.5 (Apr. 1996) | Review of the Status of the Housing Subsidy Program in Ukraine: January-February, 1996 |
| No.6 (Apr. 1996) | How to Simplify the Housing Subsidy System: Adopting a Standard Space Normative for
Calculating Housing Subsidies |
| No.7 (May 1996) | Changes in Normative Acts of Ukraine on Social Protection: February - May, 1996 |
| No.8 (May 1996) | How to Create an Audit System for the Housing Subsidy Program in Ukraine |
| No.9 (May 1996) | Auditing Family Income Certificates for Housing Subsidy Applicants |
| No.10 (June 1996) | Survey of Housing and Communal Services Indebtedness in Ukraine:
the First Quarter, 1996 |
| No.11 (June 1996) | The Feasibility of Enrolling Pensioners and Invalids Automatically in the Housing Subsidy
Program: Interim Report |
| No.12 (July 1996) | Housing-Communal Services Indebtedness in the Kharkiv Oblast: I-II quarters of 1996 |
| No.13 (Sep. 1996) | How to Eliminate Fraud in the Housing Subsidy Program |
| No.14 (Sep. 1996) | Survey of Rural Pensioners Not Enrolled in the Housing Subsidy Program in Fastivsky
Raion, Kyiv Oblast |
| No.15 (Jan. 1997) | Housing and Communal Services Indebtedness in Kharkiv and L'viv Oblasts |
| No.16 (Jan. 1997) | Attitudes Toward and Voting on Social Protection Issues Among Deputies in the Supreme
Rada |
| No.17 (Feb. 1997) | Proposals for Targeting Social Assistance |
| No.18 (Feb. 1997) | Ways to Improve the Payments System for Housing and Communal Services |
| No.19 (Mar. 1997) | Why Ukrainians are Paying More for Housing |
| No.20 (Mar. 1997) | Report on Experiment Using Subsidy Normative as Basis for Calculating Housing
Subsidies |
| No.21 (Mar. 1997) | Changes in Normative Acts of Ukraine on Social Protection: May-December, 1996 |
| No.22 (May 1997) | The Numbers Game: Why No One Knows How Many Families Are Receiving Housing
Subsidy |
| No.23 (Oct. 1997) | Indebtedness for Housing and Communal Services in Kharkiv and L'viv Oblasts, and the
City of Lutsk (August 1996 - May 1997) |
| No.24 (Dec. 1997) | Changes in Normative Acts of Ukraine on Social Protection: January-June, 1997 |

POLICY REPORTS

ON TARGETED SOCIAL ASSISTANCE IN UKRAINE

These reports are prepared by PADCO international under USAID sponsorship as part of its work on social sector restructuring. They describe the status of current programs of targeted social assistance in Ukraine and analyze legal, fiscal, and economic issues related to alternative policies aimed at targeting government assistance to low income families.

1998-2000 reports in this series are:

- | | | |
|---------------|--------------|--|
| No. 25 | (Aug. 1998) | Changes in Normative Acts of Ukraine on Social Protection: July 1997 - March 1998 |
| No. 26 | (Sept. 1998) | Indebtedness for Housing and Communal Services in 1996-1998 |
| No. 27 | (Oct. 1998) | Poverty Among Households Receiving Targeted Social Assistance |
| No. 28 | (Jan. 1999) | Indebtedness for Housing and Communal Services: January 1 - October 1, 1998 |
| No. 29 | (Febr. 1999) | A Guaranteed Minimum Income Program in Ukraine: Its Design and Implementation |
| No. 30 | (Apr. 1999) | Indebtedness for Housing and Communal Services in 1997-98 |
| No. 31 | (May 1999) | How Ukraine Should Target Social Assistance |
| No. 32 | (June 1999) | Changes in Normative Acts of Ukraine on Social Protection: April 1998 – January 1999 |
| No. 33 | (Nov. 1999) | Indebtedness for Housing and Communal Services in the First Half of 1999 |
| No. 34 | (Dec. 1999) | How to Encourage Low-Income Households to Conserve Gas |
| No. 35 | (Apr. 2000) | Indebtedness for Housing and Communal Services in 1999 |

Reports issued in 1996-97 are listed inside this cover

Copies of all reports may be obtained from PADCO International, Kyiv
Tel.: (380 44) 463-7615/16/18 Fax: (380 44) 463-7614
E-mail: rvaughan@padco.kiev.ua

