



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Current mechanisms of social assistance for low-income families in Ukraine. Recommendations on improvement of the system of social assistance for consumers of housing and communal services

Anton Levytskyi,
Sr. Social Assistance Specialist

October 14, 2011, Kyiv



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

There is a complicated system of assistance for consumers of housing and communal services in Ukraine. It includes:

- A system of cross-subsidization: higher tariffs for other categories of consumers.
- A system of benefits granted for payment of housing and communal services for some categories of consumers.
- A program of housing subsidies for low-income consumers.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



A system of benefits granted for payment of housing and communal services in Ukraine:

- There are about 140 kinds of benefits, compensations and guarantees in Ukraine.
- Current legislation of Ukraine that includes 58 laws and 120 other regulations govern delivery of benefits and subsidies.
- The most common benefits are the benefits granted for payment of housing and communal services, a payment for the use of fuel, reimbursement of urban transportation costs.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

A system of benefits granted for payment of housing and communal services in Ukraine

- Benefits for payment of housing and communal services are delivered to over 22% of Ukraine's population; with Children of War – over 4 million of recipients, and Veterans of War – about 2,3 million of recipients, as the largest categories of recipients;
- The current system of benefits is of low targeting accuracy when there is no link between the right to benefits and poverty rate of potential recipients;
- 90,2% of recipients of benefits are wealthy people (based on a living wage criteria);
- Benefits do not provide adequate protection for low-income households. Out of recipients of subsidies, from 46% to 54% of households receive benefits for reimbursement of their expenditures for housing and communal services.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Number of households which receive benefits for payment of housing and communal services – out of recipients of subsidies

	All households – recipients of subsidies		Households of only disabled people		Households with children	
Vinnytsia	7564	46,2%	6694	64,1%	437	12,8%
Ivano-Frankivsk	3707	46,4%	3167	65,0%	285	14,1%
Pavlograd	4187	54,1%	3840	69,0%	192	14,8%
Korosten	1 289	53,5%	1 225	65,1%	41	9,6%



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Assessment of the system of benefits granted for payment of housing and communal services

- Benefits for payment of housing and communal services are delivered to a big number of recipients, when economic conditions and needs in social assistance of persons entitled to benefits are not taken into consideration.
- Only consumers of specific services may be recipients of benefits. The cost of benefits depend on the total area: the bigger total area and the better living conditions of recipients of benefits, the higher costs of delivered benefits.
- Standard consumption of housing and communal services, based on which benefits are delivered, are established differently in different regulations. There are categories of recipients of benefits who receive benefits not based on standard consumption.
- Benefits and subsidies granted for payment of housing and communal services do not cover costs of capital overhaul of buildings and apartments.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Subsidies granted for payment of housing and communal services

- The program of housing subsidies ensures targeted housing assistance delivered for partial reimbursement of costs of housing and communal services, liquefied gas and solid fuel to households with low incomes.
- With increasing cost of services, even with small raise in prices for energy carriers in Ukraine, low-income households practically do not “feel” increased bills for consumed services due to the program of subsidies.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Number of recipients. Cost of subsidies delivered to population

Year	Number of families – recipients of subsidies	Number of families who are recipients of subsidies for housing and communal services (December)	Annual subsidies for housing and communal services („000 UAH)
1997	7 312 620	3 625 182	1 356 557,1
1998	5 464 076	3 423 358	1 312 426,8
1999	4 952 532	3 141 929	1 250 560,7
...			
2007	2 120 423	1 164 837	869 428,5
2008	1 424 592	1 003 686	715 224,6
2009	1 249 287	868 900	836 115,0
2010	1 767 146	1 391 624	1 117 407,9



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**

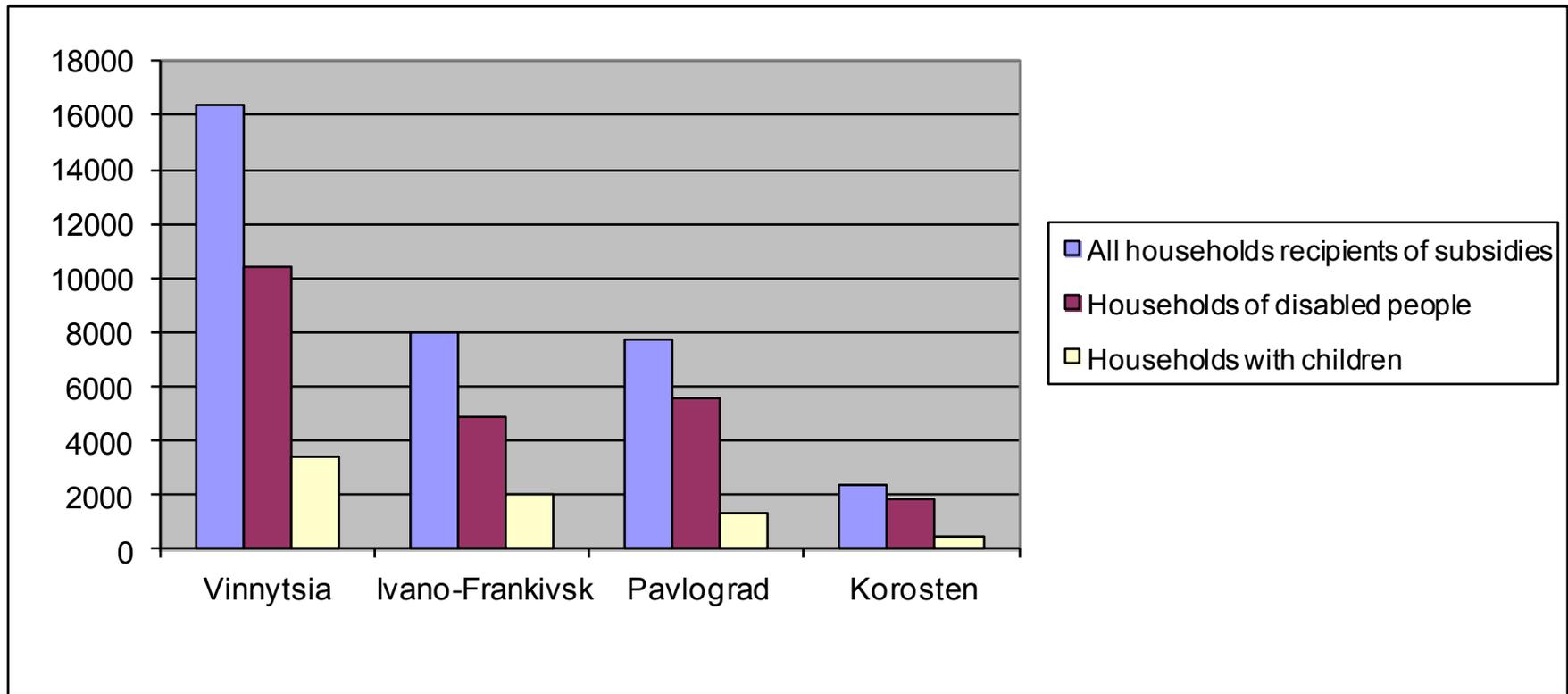


ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES

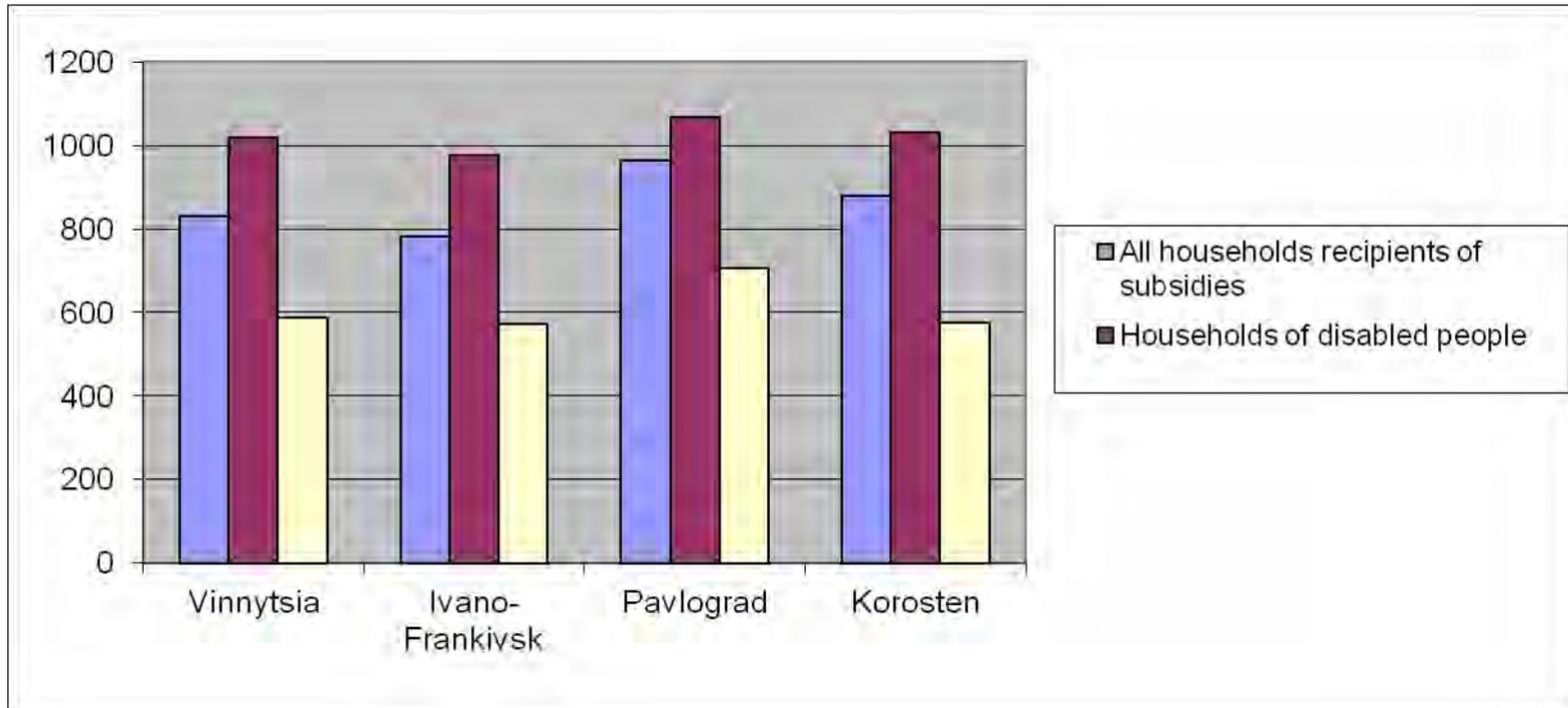


PROGRAMME
FUNDED BY THE EU

Recipients of subsidies (households) of different social groups



Average monthly income of households – recipients of subsidies – per a person (UAH)





Delivery of subsidies based on 10% mandatory share (number of households)

	All households recipients of subsidies		Households of disabled people		Households with children	
	number	% to total number	number	% to total number	number	% to total number
Vinnytsia	11 214	68,5%	10 259	98,3%	1 201	35,1%
Ivano-Frankivsk	5 408	67,7%	4 777	97,9%	727	36,0%
Pavlograd	5 724	74,0%	5 497	98,8%	369	28,4%
Korosten	1 925	79,9%	1 809	96,2%	145	34,0%



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Assessment of the program of housing subsidies

- The structure of the system of social assistance shifted toward programs focusing on assistance to some categories of citizens through the programs based on income verification.
- According to the World Bank, only 23%-24% payments under the program of housing subsidies reach households from the poorest quintile.
- The program of housing subsidies provides for a strong system under which data on property status and income of households is obtained and verified, with responsibility for inadequate information established.
- The program of housing subsidies consists of an effective mechanism of stimulating efficient end use consumption and installation of meters.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Breakdown of recipients of subsidies based on joint income per person

	All households recipients of subsidies	Households of disabled people	Households with children
- Up to 50% of living wage	3 018	202	2 068
- From 50% to 75% of living wage	3 494	378	2 400
- From 75% to 100% of living wage	10 425	8 148	1 487
- From 100% to 150% of living wage	13 528	10 833	1 026
- From 150% to 200% of living wage	2 837	2 173	149
- From 200% to 250% of living wage	1 089	924	33
- Over 250% of living wage	108	100	0
Total	34 499	22 758	7 163



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Services provided to recipients of subsidies

Service	Vinnytsia	Ivano-Frankivsk	Pavlograd	Korosten
Rent (housing maintenance)	14 314	7 288	5 817	2 047
Heating	16 350	7 978	7 619	2 368
Hot water supply	8 382	4 787	2	0
Cold water supply	14 897	7 547	6 497	2 153
Natural gas (stoves)	14 822	7 780	7 530	2 326
Electric energy	16 060	7 969	7 701	2 388
Domestic waste disposal	14 064	7 469	6 360	218



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Average cost of services per a household as of December 2010 (UAH)

Service	Vinnytsia	Ivano-Frankivsk	Pavlograd	Korosten
Total, including:	363,62	418,03	397,04	418,03
- Rent (housing maintenance)	62,71	63,96	63,05	63,96
- Heating	226,68	279,71	285,03	279,71
- Hot water supply	54,72	27,6	34,50	27,60
- Cold water supply	17,64	36,48	28,45	36,48
- Natural gas (for stoves)	18,11	22,89	15,02	22,89
- Electric energy	22,16	14,73	14,60	14,73
- Domestic waste disposal	6,51	6,19	5,98	6,19
- Wastewater	3,88	39,19	37,78	39,19 ¹⁵



Meters installed – households recipients of subsidies (%)

	Ivano-Frankivsk	Vinnytsia	Korosten	Pavlograd
Natural gas for household purposes	12,6%	13,2%	43,0%	5,0%
Natural gas for heating	97,1%	95,6%	100,0%	99,9%
Hot water supply	98,0%	66,0%	0,0%	0,0%
Cold water supply	92,5%	68,5%	38,1%	89,3%
Electric energy	100,0%	100,0%	100,0%	100,0%
Supply of heat for heating purposes	0,1%	0,1%	0,0%	0,0%



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Program of economic reforms for 2010–2014

“Wealthy society, competitive economy, effective state”

Starting from 2011 transition toward targeted social assistance shall take place:

- strengthen targeting accuracy of social assistance;
- increase effectiveness of management decisions in the system of social assistance for population;
- introduce incentives for economically responsible behavior of recipients of social assistance.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Reform of the system of social assistance for consumers of housing and communal services shall aim at:

- establishment of a unified targeted mechanism of social assistance focused on delivery of assistance to those who really need it;
- ensuring effective social assistance within reform of housing and municipal economy of Ukraine.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Priority tasks of reform of benefits and housing subsidies

- increasing targeting accuracy and efficiency of subsidies granted for payment of housing and communal services;
- introduction of unified consumption standards for delivery of benefits and payment for housing and communal services.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



Increasing targeting accuracy of social assistance for consumers of housing and communal services is possible through the following measures:

- Establishing legislation-based restriction of a right to assistance for wealthy people (determining a threshold income to have a subsidy or benefits granted);
- Implementation of social norms of consumption based on which subsidies or benefits will be granted;
- Gradual refusal from benefits for payment of housing and communal services with simultaneous improvement of the program of housing subsidies.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Recommendations on housing subsidies reform.

Stage 1

Efficient measures aimed at significant increase in targeting accuracy and effectiveness of the program of housing subsidies:

- to establish two living wages as joint income per person as a condition for becoming a recipient of the program of housing subsidies;
- to establish a single preferential rate of a mandatory payment while granting subsidies to all socially unprotected categories of citizens;
- a subsidy shall be granted (with a preferential rate of a mandatory payment) if joint income per a person does not exceed a living wage.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Recommendations on housing subsidies reform. Stage 2

- introduction of social standards while establishing norms of consumption of services for which subsidies are granted;
- granting subsidies in cash;
- expanding housing subsidies to cover costs of repairing living spaces and energy efficiency improvements.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Energy conservation, energy efficiency and social assistance for consumers

- While introducing relevant amendments to current laws, it is possible to use current programs of social assistance for consumers of housing and communal services for implementation of energy efficiency measures;
- National and local programs of social assistance shall become a source of financing targeted social assistance for capital overhaul and energy efficiency improvements;
- Mechanisms of delivery of such assistance shall be tested by pilot projects at the local level.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Tasks of reform of benefits

- Simple replacement of benefits by subsidies will have a negative social response and is practically impossible at present;
- It is necessary to gradually reform the system of benefits, by establishing limits to income of people entitled to benefits;
- Benefits granted for some categories of citizens, first of all, to Veterans of Great Patriotic War, shall be preserved as they presently are;
- Exceptional benefits granted to Heroes of Ukraine shall be revised;
- Introduction of targeted assistance will entail a problem related to submission of all necessary documents to confirm the right to assistance.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Recommendations on reform of benefits. Stage 1

- Introduction of standards of consumption of housing and communal services for which benefits are granted, including benefits to citizens who have performed great services for the homeland;
- Professional benefits, which are financed from the “social” budget, shall be granted to help with payment for housing and communal services based on the joint income (per person) of a family of person entitled to a benefit.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Recommendations on reform of benefits. Stage 2

- Implementation of a principle according to which a person entitled to a benefit may choose a subsidy instead of benefits;
- All benefits, which are financed from the “social” budget, shall be granted to help with payment for housing and communal services based on the joint income (per person) of a family of a person entitled to a benefit.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Recommendations on reform of benefits. Stage 3

- Granting benefits in cash based on a money equivalent of a minimum cost of a set of services for which benefits are granted.



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL HEATING
REFORM IN UKRAINE**



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Procedure of targeted delivery of benefits

- Benefits are granted if joint income per one person does not exceed two living wages;
- Benefits are granted for duration of one year (heating season) for which a written application and income declaration are required. All other data is requested by social protection bodies from other relevant organizations. It is also necessary to simplify the procedure of filling the application and income declaration out;
- After validity period of a benefit expires, one has to submit an application and income declaration again for the next period;
- Benefits with not fixed validity period could be granted to families of non-working pensioners.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Reform of benefits shall be considered and consistent, supported by a nation-wide information campaign, and with consideration of social response that limitation of benefits may cause.

- People shall understand that the Government, by limiting benefits to more wealthy citizens, wants to keep granting benefits to the needy.
- It is also important to develop a simple and clear system of targeted benefits.
- The previous experience of the program of benefits criticized for a complicated procedure (a big number of documents to be collected) shall be also taken into account.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Reform of the system of social assistance for consumers based on the proposals, in the short-term perspective, will:

- establish an effective and socially fair targeted system of social assistance for low-income citizens;
- simplify delivery of social assistance for consumers of housing and communal services both for social assistance authorities, for population, and municipal service providers;
- secure efficient use of budget financing;
- establish an efficient mechanism of rapid feedback to changes in social and economic situation in the area of housing and communal services;
- create market incentives for energy efficiency.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL HEATING
REFORM IN UKRAINE



ENERGY COOPERATION BETWEEN THE EU, THE LITTORAL STATES OF THE BLACK & CASPIAN SEAS AND THEIR NEIGHBOURING COUNTRIES



PROGRAMME
FUNDED BY THE EU

Gradual reform of the system of benefits may significantly increase efficiency of the system of social assistance and at the same time reduce the cost of social assistance programs due to the increased targeting accuracy.

The proposed changes allow for increasing targeting accuracy of the program of housing subsidies, eliminate unfair restrictions for some categories of low-income citizens, first of all, households with children.