Summary

In Ukraine overall maternity and child support is dominated by Universal Child Birth Grant (UCBG), which constituted 44 per cent of all total expenditure on social protection for children and families in 2018. The UCBG was first introduced in Ukraine in 1993 as a universal benefit for families with children, soon becoming the largest social assistance program in terms of expenditure (reaching 1.25 per cent of GDP in 2014). However, to reduce unprecedented fiscal pressures in 2014 the Government has discontinued and reduced a number of social programmes.

Thus, the Child Birth Grant has been unified at the rate of 41,280 UAH regardless of the number of children (currently around 1,500 USD): the amount for the first child has been increased from 30,960 UAH (1,169 USD) to 41,280 UAH (1,558 USD), whereas benefit for the second and third child has been reduced from 61,920 UAH (2,337 USD) and 123,840 UAH (4,675 USD) respectively to 41,280 UAH (1,558 USD).

The UCBG has a significant poverty reduction effect on beneficiaries. As a result of the transfer, poverty was reduced by 7.6 percentage points from 2016-2017. The Grant is also very effective in reaching those in poverty, even in comparison with some means-tested programmes: 61.4 percent of benefit recipients lived in households whose income was below the actual subsistence minimum (UAH 2,941 (111 USD) per person). This is a result of the fact that UCBG, by its nature is focused on families with small children, which are more likely to be poor than the average family in Ukraine. It also relates to some of the imperfections of targeting.

In spring of 2018, with the assistance of UNICEF, the Government adopted a new package of universal and quasi-universal programmes for children, which goes against a general trend of fiscal consolidation. The package includes a ‘baby-box’ - a universal in-kind benefit for all newborns; reimbursement of childcare costs for young parents and financial incentives for municipalities, which obtain a status of ‘Child and Youth Friendly Municipality’.

Background and Context of Ukraine’s quasi-universal child benefit

Ukraine – a middle-income country and a home to over 40 million people, out of which over 7 million are children - gained independence in 1990. The last two decades were marked by two revolutions, slow economic growth, governance challenges and...
In 2014-2015 the country suffered from multiple shocks, including the conflict in the East, deteriorating terms of trade and political turmoil. Poverty has increased, pushing many vulnerable people below the poverty line. As a response, the Government launched several much-needed reforms. The economic situation showed signs of recovery from the crisis: for the third consecutive year, the dynamics of real GDP growth was maintained (3.3 per cent in 2018). However, the poverty level remains high.

Ukraine’s social protection system is a combination of welfare programs inherited from the Soviet Union and a large number of benefits introduced after independence, which are predominantly categorical. This created a complex welfare system (there are over 130 distinct categories), fragmented and poorly adapted to current needs. Despite relatively high levels of government spending on social assistance (4.9 per cent of GDP)\(^3\), its performance in reducing poverty and protecting the vulnerable, measured by coverage of the poorest and adequacy of benefits, is limited.

Children in Ukraine account for 18 per cent of the population, however, they account for 45.3 per cent of the poor\(^4\), and as is typical globally are vastly over-represented in the numbers of the poor. Until 2014, overall maternity and child benefits, dominated by a Universal Child Birth Grant, absorbed the largest share of social assistance expenditures. The UCBG was introduced in 1993, and the financing dedicated to it has significantly increased over time reaching 1.25 per cent of GDP in 2014.

In 2014-2016 the Government of Ukraine implemented several major reforms and emergency measures in the social assistance sector. At first, to reduce fiscal pressures, the Government adopted measures to reduce the benefit level of several social assistance programmes and introduced a means-tested component to others. The amount of the UCBG has been unified at the rate of UAH 41,280 (USD 1,558)\(^5\) for all children. Previously it has been increasing for each subsequent child (please see Table 1). There is no cap on the number of eligible children in the family. The shift towards means-tested programmes has, however, been plagued by inadequate targeting performance. This is because income, expenditure and wealth in Ukraine are too often in-formal, non-monetized and not well-documented. Simultaneously, there were expansionary measures too: a means-tested housing and utilities subsidy programme, introduced to mitigate a sharp increase in utility prices, has been significantly expanded and became the largest social protection program (accounting for 2.3 per cent of GDP in 2017). This occurred even though an IMF memorandum never recommended this. An overall lack of clear policy objectives of all these combined measures perhaps had misleading objectives, generating misconceptions that an increase in the value of the UCBG would increase fertility rates.

**Benefit Description**

All parents or designated caregivers, regardless of whether they are Ukrainians or foreigners, who are permanent residents living in Ukraine, have the right to receive Universal Child Birth Grant. The benefit does not depend on the financial status of the parents/caregivers.

<table>
<thead>
<tr>
<th>Universal Child Birth Grant</th>
<th>December 2013 - June 2014</th>
<th>Since July 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>First child</td>
<td>UAH 30,960 (USD 1,169)</td>
<td>UAH 41,280 (USD 1,558)</td>
</tr>
<tr>
<td>Second child</td>
<td>UAH 61,920 (USD 2,337)</td>
<td>UAH 41,280 (USD 1,558)</td>
</tr>
<tr>
<td>Third and each subsequent child</td>
<td>UAH 123,840 (USD 4,675)</td>
<td>UAH 41,280 (USD 1,558)</td>
</tr>
</tbody>
</table>

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3. Excluding pensions and including social programmes for unemployed.
4. Absolute poverty below actual subsistence minimum (UAH 2941 per person, 2017)
5. 26.49 UAH per 1 USD, official exchange rate as of May 2, 2019, National Bank of Ukraine [https://bank.gov.ua/control/en/currency?period=daily – accessed on 02.05.2019]
The grant of 41,280 UAH is split into a one-time lump sum payment of 10,320 UAH, paid at birth. And the rest of the benefit is paid at 860 UAH each month for 36 consecutive months/ three years in accordance with the procedure established by the Cabinet of Ministers of Ukraine. To receive the grant, one of the parents (caregivers) should apply to the social protection authority in their place of residence or they can apply online. The benefit is paid by bank transfer.

The Child Birth Grant is financed from the general state budget. In 2018 the Government spent 18.3 billion UAH on Child Birth Grant, which equates to 0.5 per cent of GDP.

Impact evaluations of the UCB

The National Academy of Sciences\(^8\) conducts an evaluation of social programmes on an annual basis. The reported results for 2017 suggest the following:

- The Child Birth Grant has a significant poverty reduction effect on beneficiaries\(^9\). As a result of the transfer poverty\(^10\) was reduced by 7.6 percentage points from 2016-2017. The actual share of the poor among beneficiaries was 64.3 per cent, which would have increased to 71.9 per cent in the absence of the transfer.
- The Child Birth Grant has relatively good targeting performance in comparison with some means-tested programmes: 61.4 per cent of benefit recipients lived in households whose income was below the actual subsistence minimum (UAH 2,941 (111 USD) per person).

Monitoring the implementation of the quasi UCB

<table>
<thead>
<tr>
<th>Universal Child Birth Grant</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>The average number of monthly beneficiaries(^6)</td>
<td>1,433,863</td>
<td>1,560,886</td>
<td>1,313,217</td>
</tr>
<tr>
<td>Number of newborn children to whom the benefit has been granted</td>
<td>422,602 (397,039 children were born in Ukraine 2016)</td>
<td>382,703 (363,987 children were born in Ukraine 2017)</td>
<td>342,089</td>
</tr>
<tr>
<td>Total expenditure, annual, UAH(^7)</td>
<td>21,197,803,114</td>
<td>21,795,317,814</td>
<td>18,309,994,353</td>
</tr>
<tr>
<td>Total expenditure, as percentage of GDP</td>
<td>0.89%</td>
<td>0.73%</td>
<td>0.51%</td>
</tr>
</tbody>
</table>

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6. Indicator is calculated by dividing the total number of transfers paid during the year by 12 months.
7. Source: Ministry of Finance, total expenditure, General Budget.
9. Among households, where at least one member received a transfer.
10. Poverty by absolute criteria, as adult equivalent income below actual subsistence minimum (UAH 2,941 per person, 2017)
Current Developments

Being the second-largest social assistance programs, the Universal Child Birth Grant has always been at the focus of political debate. During current presidential and upcoming parliamentary elections, the programme is being particularly actively discussed in media. Given its size and significance, several political parties promised to increase Child Birth Benefit as part of their social reform packages.

Since its inception, the grant amount has increased. However, in 2014 there was a reduction for the first time for the second, third and subsequent child, as well as a freeze of the amount in nominal terms since then. In October 2018, twelve MPs appealed to the Constitutional Court against the decision to reduce the UCBG benefits for the second, third and subsequent child as unconstitutional.

The Court has made an order that the Parliament is free to regulate social payments for children and families, as they are not guaranteed by the Constitution. This order covers the UCBG and other types of assistance. It has helped legitimize the reduction in the Child Birth Grant of 2014 and any subsequent changes.

In spring of 2018, with the assistance of UNICEF, the Government adopted a new package of programmes to support children and families, which includes:

1. A ‘baby-box’ – a universal in-kind benefit for all newborns: Since September 1st every newborn (nearly 400000 per year) in Ukraine receive a baby box that contains a layette consisting of all the essentials and hygiene provision as well as a comprehensive set of educational materials on responsible parenting, vaccination and other ECD aspects. The baby box represents a substantial in-kind transfer costing approximately USD$180. Of great significance, is the fact that 54% of respondents reported/showed a deepening of their knowledge of child vaccinations, with a 3% increase in the number of parents stating a more positive attitude towards the rationale for vaccinations as a result of the information UNICEF provided in the materials included in the ‘baby box’.

2. The reimbursement of childcare costs for young parents: The costs for all families and/or caregivers, who officially employ nannies (approximately 100,000 families) is partially reimbursed through a tax deduction scheme.

3. Financial incentives for municipalities, which obtain a status of ‘Child and Youth Friendly Municipality’: All 160 big and small municipalities expressed a willingness to participate in this initiative. Those municipalities in Ukraine, who attain a status/accreditation of ‘Child and Youth Friendly Municipality’ provided by UNICEF Gon the basis of global UNICEF methodology, receive an additional 3% of income tax generated in their territory to use for children towards the implementation of their Action Plans.

The first two policies are universal in nature – benefits are granted irrespective of the status and wealth of a family, whereas the third policy is more discretional and provides a possibility for municipalities to obtain a status regardless of size, budget revenues and location.

On the 31st of October 2019, UNICEF Ukraine submitted an official statement expressing concerns about a new draft Law ‘On Amendments to the certain legal acts of Ukraine’ published by the Ministry of Social Policy. In particular, the amendments related to the article 10 of the Law “On the State Assistance to the Families with Children’, which proposed to introduce an income-tested dimension to the UCBG and transform it into a targeted programme paid only to families whose per capita income is below 15% of the benefit, while simultaneously raising the benefit amount. If approved Ukraine risked losing its flagship universal programme for newborns and young children, leaving hundreds of thousands of families without much needed social support (due to the low-income threshold).

While UNICEF recognised rationale of the Government of Ukraine to increase the effectiveness of its social protection programme, the draft bill would have been a problematic step for several reasons: (i) the good performance of the UCBG in Ukraine; (ii) the likelihood of high exclusion errors that invariably typify targeted programmes; (iii) the importance of investments during the most critical first thousand days of child’s life. UNICEF expressed its concern

11. See https://childfriendlycities.org/
12. The decision has been approved by the Cabinet of Ministers and is currently subject to approval by the Parliament
in an official statement pointing out all the reasons why this was a problematic amendment. On the 1st of November 2019, the Ministry of Social Policy decided not to propose changes to the UCBG for the 2020 State Budget and keep it as a universal programme with benefits remaining at the current level. The programme remains one of the most politically sensitive social programmes, and an increase in UCBG’s amount is part of various political parties’ manifestos.

Lessons learned

The UCBG Ukraine is a programme with a long history, which has exhibited a significant poverty reduction effect, high coverage of the target group, and it recognizes the work that parents do in upbringing children. It also preserves the dignity of recipients. Moreover, given its universal nature, its lower administrative costs compared to programmes with a means-tested component are well recognized. One other big picture policy objective is the need for enhanced partnerships with the IFIs too on Ukraine’s social protection system.

Trends suggest that the country is aiming to improve targeting. However, reaching this goal only through the introduction of a means-tested component to categorical programmes may be problematic at the moment. On the one hand, the Guaranteed Minimum Income – the programme of last resort, performs well in terms of targeting, but it has cumbersome means testing eligibility requirements. And thus, is plagued by large exclusion errors; coverage of the poorest is only 4.6 per cent. On the other hand, the largest social assistance programme – the Housing and Utility Subsidy programme, another means-tested programme, has significant coverage, but its targeting accuracy is poor, even compared to the UCB. This evidence suggests that improved targeting through means-tested programmes in the context of the low quality of official data and the large informal economy in Ukraine (32 per cent of GDP is based on informal work) can be currently only achieved for small programmes with complex welfare testing and verification procedures. However, as a programme increases its coverage/size, the advantages offered by means-testing are reduced. Therefore, universal or quasi-universal programmes could be a mechanism to support the most vulnerable groups in Ukraine, at least before robust means-testing procedures are put in place. One of such programmes is UCBG, a programme aimed to support families which children, which according to the State Statistics Committee are one of most the vulnerable groups in Ukraine, especially households with three or more children.

The introduction of a package of new quasi-universal programmes for children in 2018, which goes against general trend of fiscal consolidation, became possible due to the following factors: political-economy of the momentum; combination of advocacy with tailored technical support from UNICEF on public finance for children (stimulation and costing) and thereby demonstrating feasibility and impact; and strategic alliances. Financing of some programmes in the package still requires further approval by the Parliament and further success will be highly dependable on the quality of implementation.

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This country profile was written by Nataliya Borodchuck of the UNICEF Ukraine country office and Ian Orton. It builds on presentations and discussions at the International Conference on Universal Child Benefits in February 2019 hosted by UNICEF, ILO and ODI and is an output of a larger project on universal child benefits lead by UNICEF and ODI.