

Housing subsidies in Ukraine

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Context and presentation of challenge

1994: housing and communal services sector reforms:

- decentralization of the sector management from state to communities level;
- decreasing of state financing and subsidising of the sector,
- liberalization of services' costs and
- full cost covering by consumer introduced

Reforms resulted in fast increasing of the services tariffs and creation affordability problems for poor families

Policy measures adopted

The Cabinet of Ministers of Ukraine approved Decree # 848 of 21.10.1995:

- Regulation on the appointment and granting subsidies to reimburse costs of communal services
- Programme of housing subsidies and privileges has been introduced with allocation of subventions from the National Budget
- Obligatory part of a payment for services was set up no more than 20 % (15 % for pensioners) from the cumulative income of a family, since 2010 changed by 15 % (10%).
- Constant development of rules for subsidies appointment, methods of the household income assessment, and procedures of control of the reliability of household data related to subsidies

Assessment of results achieved

- Subsidies are addressing social protection of lower-income families
- Have decreased social conflicts in a society under permanently increasing tariffs on communal services
- In 2001 the monthly average number of the families receiving housing subsidies was 2.3 mill. (14.1 % of total numbers of families in Ukraine), with average annual sum of subsidies was 536 UA H per family (about \$ 100).
- By 1 Jan 2011 housing subsidies were received by 1,373,500 families – 8% of total HHs of Ukraine, 60% more than in 2010 (868,900 families)

Lessons Learned

Mechanism of subsidies needs improvement:

- Should depend on social status of the family and territorial specifics, and should not be based on actual consumption;
- Simplification of the procedure of subsidy appointment, addressing subsidies should be provided based on direct (income declaration) and indirect methods of a assessment of financial state of a family, development of institute of the social inspector is needed;
- Subsidies should be given in the monetary form and be integrated into joint system of addressing social aid for the poor families;
- The mechanism of subsidies provision should stimulate to resource saving consumption.

Under fast tariff increases and low salary growth/lack of family income the subsidy cannot become an effective economic instrument of social protection.