

“Money follows the child” in Ukraine: new brand, old ways

Definition

There are two alternative ways to allocate resources to fund services for children:

Money follows the provider		Money follows the client (the child)	
<p>The state agency, which acts simultaneously as a purchaser of services for the child and as a representative of the system of service provision, allocates available funds among already existing providers.</p> <p>In that sense, money is “following” these providers: allocation is based on already existing providers or already existing types of services.</p> <p>In other words, it is also “input-based”, since the government allocates funds between already known set of possible “inputs”.</p>		<p>The role of the purchaser and the role of the provider of services are clearly divided. The government (funding authority) is the purchaser, but the role of provider is fully transferred to service providing organisations who compete with each other to receive a contract for public funds.</p> <p>The state authority, as a “purchaser”, acts fully in the interest of the client (the child), and not in the interest of any provider. This state “purchaser” evaluates the needs of the child, investigates the best service options (e.g. care options) and purchases them on the market. This is why this mechanism is known as “money following the client”, or, because of the clear distinction between the two roles, as a more commonly known “purchaser-provider” or “social commissioning” model.</p>	
Benefits:	Simple and convenient; was used in Western countries for a long time	Benefits:	Interests of the child are more efficiently protected because providers have to constantly improve services to win their contracts
Problems:	No incentives for providers to improve services or propose alternative services because they receive funds without competition and only for existing/defined service types.	Problems:	Requires fundamental institutional reforms whose essence is to separate the roles of purchasers and providers; to establish competitions in contracting out services for children; and to liberalise the market of service providers.

Ukraine’s pilot project called “Money follows the child”

- **Represents a benefit scheme for family-type orphanages and fostering.** The programme was designed (in 2006) as a set of cash transfers to respective service providers (family-type orphanages and foster families), calculated on per child basis. In 2007, this programme was extended on an experimental pilot-basis (in Kyivska oblast) to include children without parental care place in the regular orphanages in this oblast. Overall size of the programme continuously increased over 2004-2010, both in absolute terms and as a percent of total social assistance related cash transfers (see [TABLE 1](#)).
- **Ukraine’s “Money follows the child” programme represents a regular categorical social assistance benefit and is not based on “money follows the client” funding principle.** In terms of its impact on social service funding system, it is structured as a classical “Money follows the provider” principle, since the money is allocated based on the type of provider (in this case, foster families and family-type orphanages), rather than through a competitive process of selection of an optimal type of care and most cost-efficient provider for a child.
- **The programme is administered from local budgets but funded from the central budget as a regular social benefit scheme.** “Money follows the child” scheme in Ukraine is administered from local budgets but covered by transfers from the central government. The programme is funded as a regular social benefit scheme: via an earmarked subvention from the central budget (approach not changed by the new Budget Code).

TABLE 1. EARMARKED TRANSFER FROM THE STATE BUDGET TO LOCAL BUDGETS ON CASH BENEFITS BASED ON “MONEY FOLLOWS THE CHILD” SCHEME (UAH MLN)

	2004	2005	2006	2007	2008	2009	2010
Cash transfers based on “Money Follow the Child” scheme (national programme)	n/a	n/a	6,122	56,961	109,112	156,048	237,590
Cash transfers based on “Money Follow the Child” scheme (Kyivska oblast pilot)			n/a	10,681	17,276	n/a	n/a
Cash transfers based on “Money Follow the Child” scheme total (as % of total cash transfers)	n/a	n/a	0.1%	0.4%	0.7%	0.7%	0.8%

Source: State Treasury of Ukraine