

Сприяння реформі соціальних послуг в Україні
Facilitating Reform of Social Services in Ukraine

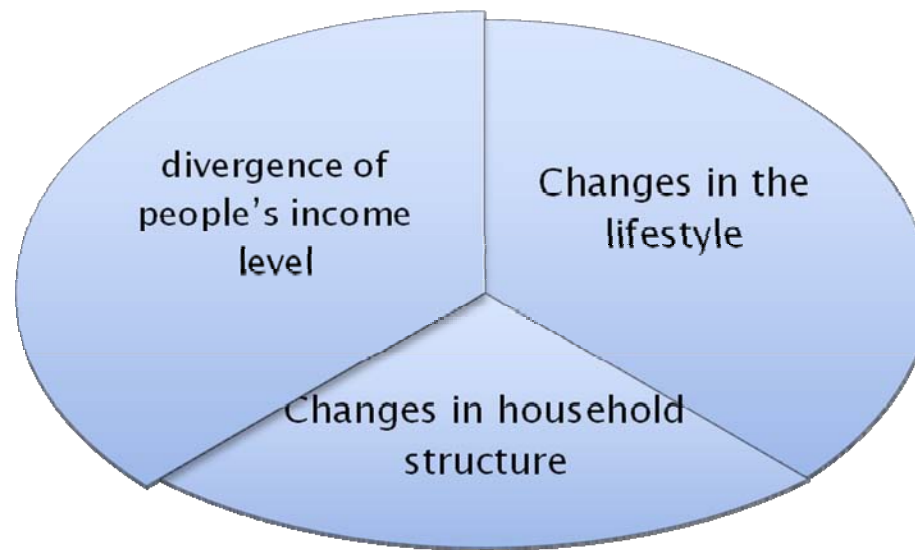
Long run demographic and financial forecasts

In the context of social services reform

Round table presentation
Kyiv, 24th of April, 2007

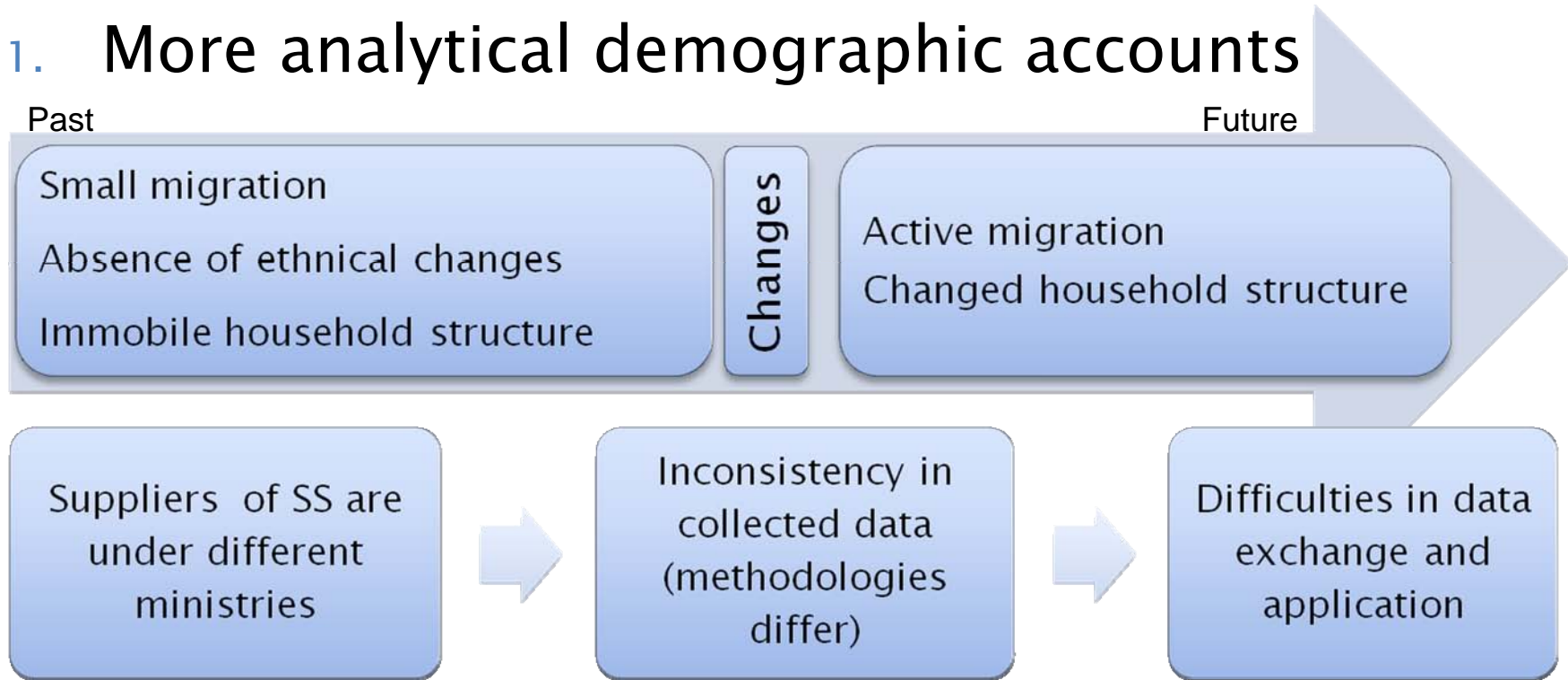
New demographic trends require new approaches to social policy...

- ▶ Fertility rates – below replacement level
 - ▶ Mortality rates – the highest in Europe
 - ▶ Negative migration balance
- + Transformational changes in society



New approaches and policy instruments include more analytical tools...

1. More analytical demographic accounts



2. Stronger emphasis on analysis of trends

3. Shift to multiple-scenario analysis

Demographic and financial forecast. The steps needed

1. Defining the subject of analysis
2. Demographic forecast
 - Projection of actual number of users for each service
3. Financial forecast
 - Estimation of public expenditures per one user of the different types of services
 - Calculation of the total predictive expenditures on each type of service
4. Macroeconomic forecast
5. Comparison of the SS expenditures with the macroeconomic indicators

Defining the subject of analysis

MoH

Baby homes, 5,4
thou. residents

MoES

Children homes,
6,7thou. residents

Residential schools
for orphans,
12,6thou. residents

Special residential
schools,
49,7thou. residents

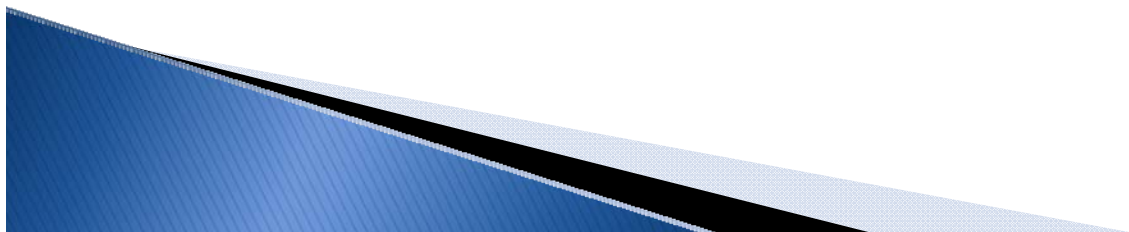
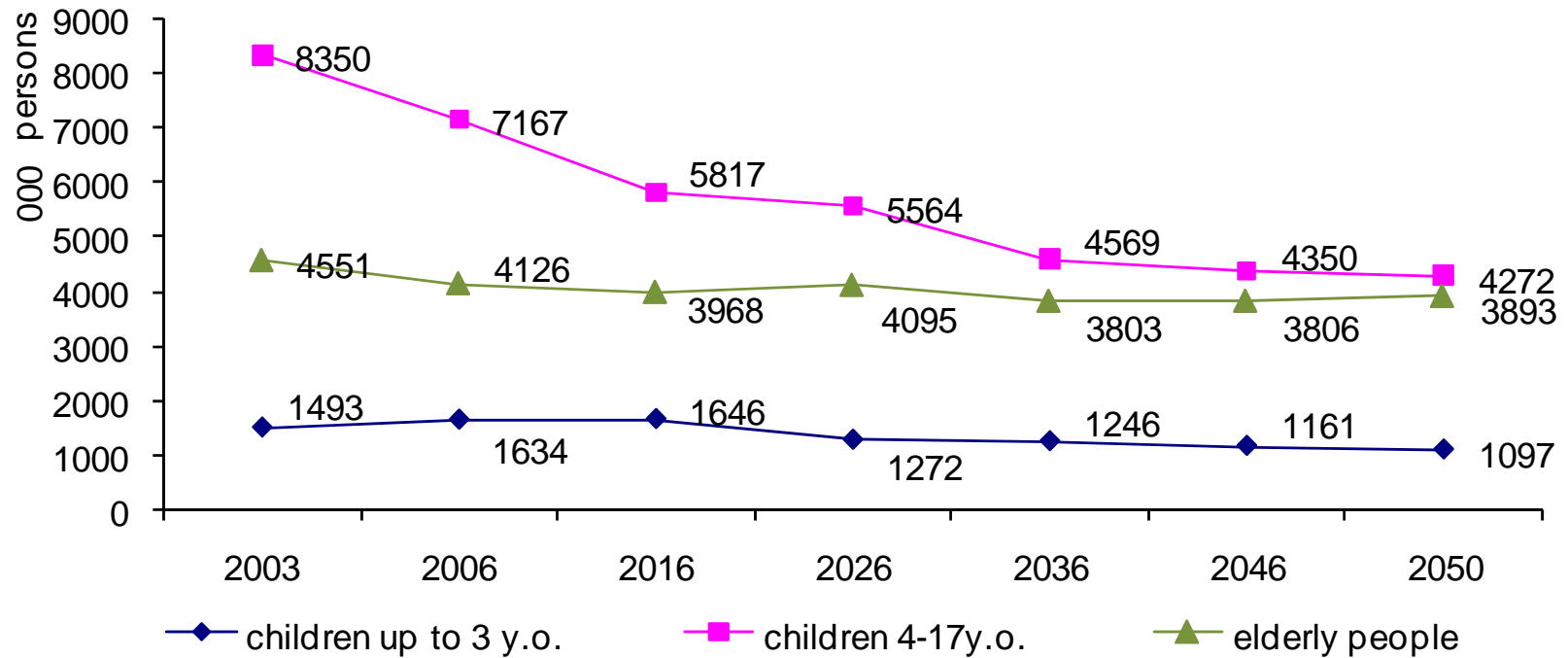
MoLSP

Residential homes
for elderly and
disabled people,
45,6thou. residents

Children's homes
for handicapped,
7,7thou. residents

Demographic forecast

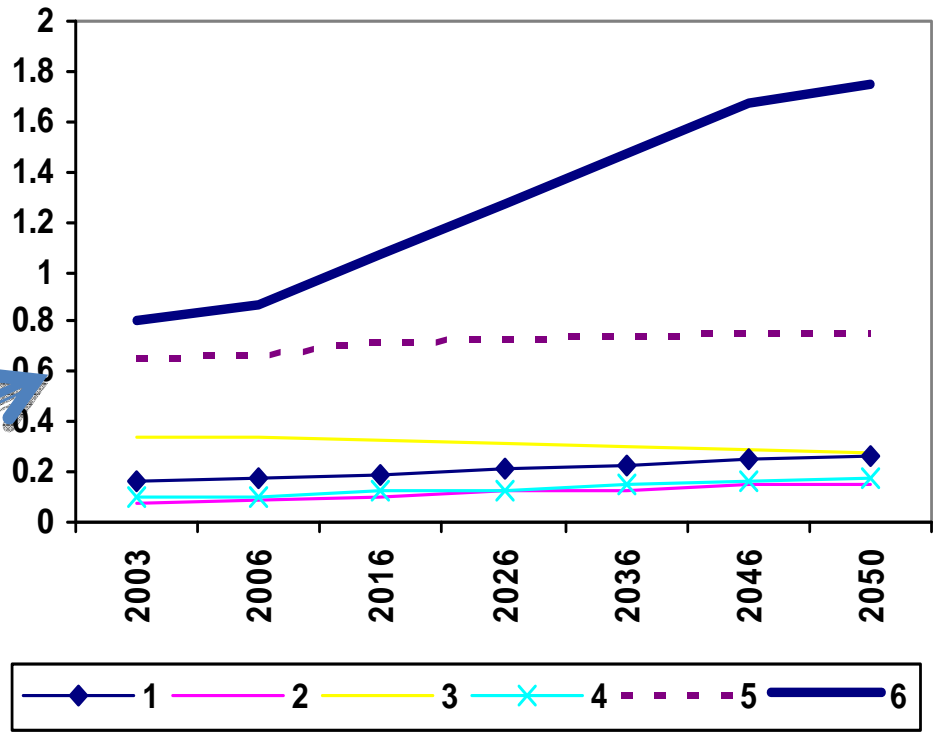
Size of each demographic group



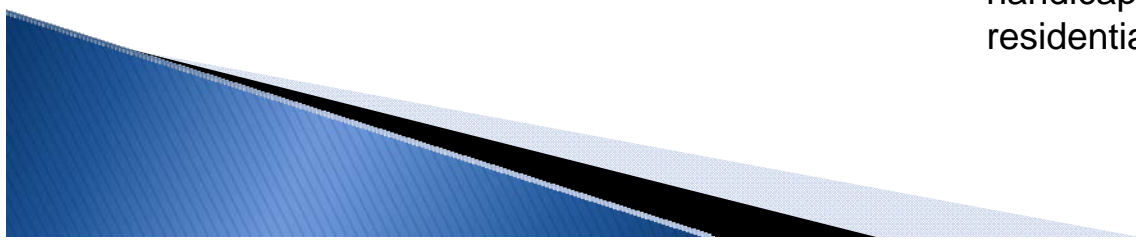
Demographic forecast

Rate of coverage projection

1. Defining past trends
 - Key finding- increase in rate of coverage
2. Coverage rate projection (based on past trends)
3. Projection of actual number of users for each service
4. Fine-tune initial forecasts based on additional factors behind future rates of coverage

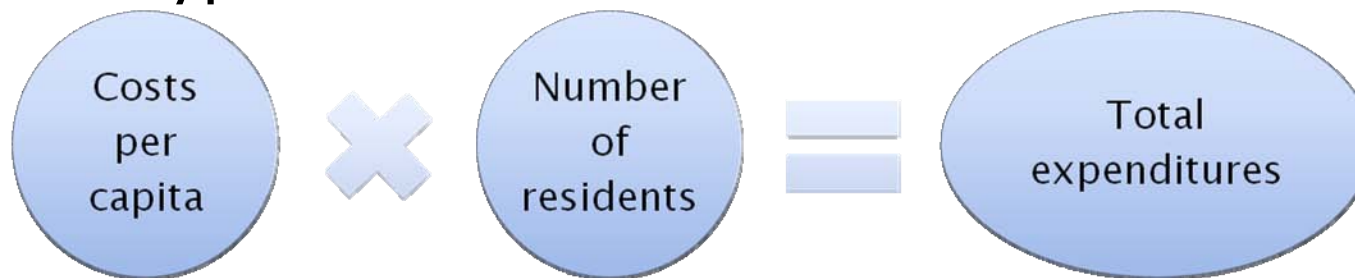


1 - residential schools for orphans; 2 – children’s homes; 3 – baby homes; 4 – Children’s homes for handicapped; 5 – special residential schools; 6 – residential institutions for adults



Financial forecast

- ▶ Estimation of public expenditures per one user of the different types of services
 - Fragmented financing structures
 - Partial participation of users in financing of the services
- ▶ Calculation of the total predictive expenditures on each type of service



Macroeconomic forecast

	2006	2007	2008	2009	2012	2015
GDP growth	107.0	104-103*	106-103	105-103	105 -102	105-102
CPI	111.4	110-112*	109-111	108-110	106-109	105-109
Nominal GDP, UAH bn.	512.5	586-591*	674-676	764-766	1059-1083	1399-1510

*Optimistic - pessimistic

Increase in nominal GDP in 2015 (compared to 2006)

- in 2,7 times (under optimistic scenario)
- in 2,95 times (under pessimistic scenario)

Comparison of the SS expenditures with the macroeconomic indicators (as of 2015)

	Optimistic macroeconomic scenario	Pessimistic macroeconomic scenario
Unchanged coverage rate	Total expenditures on SS will increase to UAH 1,5 bln., or in 2,1 times (GDP- in 2,73 times)	Total expenditures on SS will increase to UAH 2bln., or in 2,9 times (GDP- in 2,95 times)
Increased coverage rate	Total expenditures on SS will increase to UAH 1,7bln., or in 2,5 times (GDP- in 2,73 times)	Total expenditures on SS will increase to UAH 2,2bln., or in 3,2 times (GDP- in 2,95 times)

Conclusion

- ▶ Population aging together with the changes in social structure of the society may have negative impact on social services provision in Ukraine
- ▶ To address these challenges, decision-makers will require new tools to understand the changing demographic picture
- ▶ One of these tools is long run forecasts based on detailed demographic data and analysis of trends
- ▶ The above example of forecasts has shown that under inappropriate macroeconomic and social situation in 2015, Ukraine could face the problem with social services financing, and thus, the reform of the latter has to be started today