

## Financing of basic social services and child protection services

This report presents the results of a research project commissioned by the Hungarian National Institute for Child and Social Policies, within the framework of the SROP 5.4.1-12 Modernisation Project. Our goal was to provide an overview of the alternative financing mechanisms of basic social services and child protection services, to summarise the international evidence and findings from Hungary, and to identify the most pertinent lessons from the financing of related public services.

In the first phase of our research project we drew up the analytical framework that helped to identify the key issues of the provision of public services and how they relate to the financing of public services.<sup>1</sup> This framework was a typology of different social services based on their economic characteristics, including: (i) whether the outcomes and quality of services are readily measurable; (b) the service is a public good, in particular, it provides positive externalities and can be considered a merit good; (c) if there are asymmetric information and principal-agent problems related to the provision and consumption of the service; (d) if the service is related to the accountability and responsibility of the local government, or if it is important for the median voter; (e) the cost structure of the service – are fixed costs significant. With this framework in hand, we reviewed the international practices of financing basic social and childcare services.

The second step of our research was the analysis of the practice of financing in Hungary. As financing mechanisms are closely related to the institutional setup and regulatory framework, we also reviewed these two elements of the public service system. During our investigation, we did a secondary analysis of the Hungarian literature, we obtained and analysed secondary data, and we conducted interviews with experts. In the third step of our research project, we looked at the financing mechanisms of related public services, with a special attention to the questions of financing integrated service delivery.

As a result of our analysis, we identified thirteen different issues in the financing of basic social and child services in Hungary, and provided some policy suggestions as to how to remedy these. We ranked these policy solutions using three criteria: (a) the time needed for implementation; (b) the timeframe over which they are expected to yield results; (c) the political costs and risks.

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<sup>11</sup> Based mainly on Reddy, S. - Vandemoortele, J. 1996. User Financing of Basic Social Services: A review of theoretical arguments and empirical evidence. UNICEF Staff Working Paper Series, New York.