

Management of Social Services

WEEK 15: FINANCING SOCIAL SERVICES

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Recap – previous week

Technology in Social Service Management and Provision

A world of Case studies;

- The leapfroggers: Solving acute problems with innovation
- The architects : Building the seamless state

*Fig. 1. Technology in Social Services –
Gamma app*



General Recap

1. Health
2. Education
3. Housing
4. Water and sanitation



5. Infrastructure

- Transport
- Communication
- Energy / electricity

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Technology in Social service management

This Week

Financing Social Services

Fig. 2. Financing Social Services – Gamma app



This Week

Financing Social Services: A Multi-Source Analysis

We have explored what services to deliver—education, health, housing, water and sanitation, and infrastructure, —and how technology can transform their delivery.

Now, we address the most fundamental question: Who pays for it all? The architecture of social service financing directly determines their reach, equity, and quality.



Diversification as Resilience

A modern, resilient social service system relies on a diversified portfolio of funding sources. Over-reliance on any single source creates vulnerability—whether to economic shocks, political shifts, or donor priorities.

Funding sources can be analysed along two critical axes: their **origin** (public, private, or international) and their **mechanism** (taxes, contributions, out-of-pocket payments, loans). Understanding this matrix is essential for designing sustainable financing strategies.

Origin

Public, Private, International

Mechanism

Taxes, Fees, Contributions, Loans



Public Domestic Resources: The Foundation of Equity

1

General Tax Revenues

Mechanism: Income, corporate, and VAT taxes pooled into national budgets. Source of most universal services in Uganda (UPE/USE education, public health centres, UNRA roads).

Strengths: Progressive redistribution, broad societal cost-sharing, predictable when tax administration is effective.

Challenges: Tax increases politically unpopular; weak tax systems in developing countries limit revenue; competes with defence and debt servicing.

Earmarked & Sin Taxes

Mechanism: Taxes on tobacco, alcohol, fuel legally dedicated to specific sectors. Uganda's Road Fund exemplifies this model through fuel levies.

Strengths: Politically palatable ("you smoke, you pay for health"), predictable funding streams, discourages harmful consumption.

Challenges: Regressive impact on the poor; revenue fluctuates with consumption patterns.

User Financing : The Equity Dilemma



Fig. 3. Financing Social Services – Gamma app

Out-of-Pocket Payments

Direct payments by individuals at point of service use remain extremely common, especially in health and secondary education. Uganda's NSDS 2021 documented payments for school development funds, lunch fees, and private health clinics.

Critical Problem: Highly regressive, creating barriers for the poor and leading to catastrophic health expenditure.

Immediate revenue for providers cannot justify the profound inequity and exclusion this mechanism creates.



Co-payments & Insurance Premiums

Structured schemes like Ghana's NHIS aim to share costs and reduce moral hazard whilst generating revenue. However, without robust subsidies, these remain exclusionary for the very poor and administratively complex to manage effectively.

Private Sector Engagement: Innovation and Risk



Corporate Social Responsibility & PPPs

Private entities finance or manage social infrastructure—Umeme's energy concession in Uganda, Bridge International Academies in education, pharmaceutical donations.

Promise: Private capital, expertise, efficiency, and innovation.

Peril: Profit motives may compromise equity; complex contracts require strong government regulation; risk of "cherry-picking" profitable services whilst abandoning unprofitable areas.



NGOs & Foundations

Organisations like the Aga Khan Development Network, BRAC, and Gates Foundation provide grants, deliver services directly, and pilot innovative models, often filling critical gaps in state provision.

Strengths: Flexible, innovative, targets marginalized groups.

Weaknesses: Project-based rather than sustainable; can create parallel systems that weaken state capacity; accountability structures often unclear.

International Resources: Essential but Precarious

Official Development Assistance (ODA) from bilateral agencies like USAID and DFID, and multilateral institutions like the World Bank and IMF, remains crucial for low-income countries and capital-intensive projects.

The Indispensable Role

- Essential for filling large funding gaps in infrastructure and service delivery
- Brings technical expertise and international knowledge transfer
- Examples: World Bank funding for Uganda's energy sector, EU budget support programmes

The Vulnerability

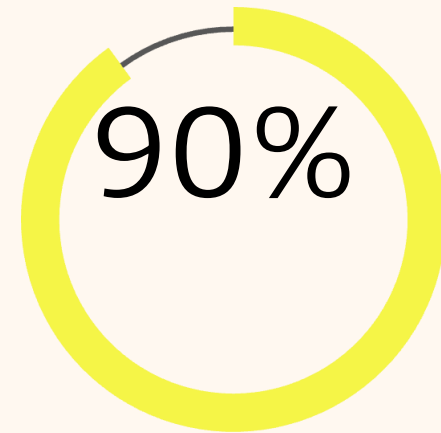
- Volatile and unpredictable, subject to donor political cycles
- May not align with national priorities or ownership
- Creates high debt burdens when loans are poorly managed or when terms shift

Fig. 4. Financing Social Services – Gamma app

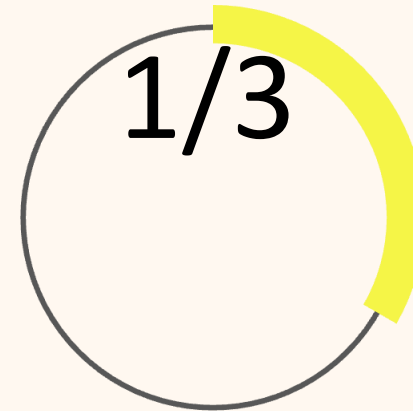


Community-Based Financing: Local Solutions, Limited Scale

Rwanda's Mutuelles de Santé
achieved remarkable community
health insurance enrollment

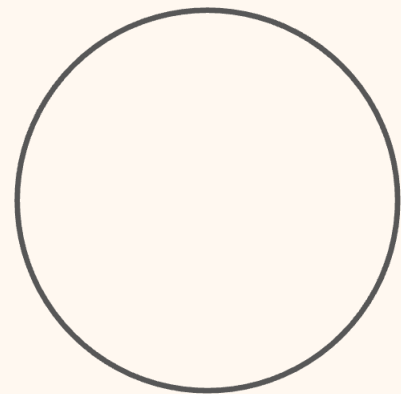


Coverage Rate



Risk Pool Size

Typical proportion of community
members participating in Ugandan
SACCOs for agricultural inputs



Community-Based Health Insurance (CBHI), Savings and Credit Cooperatives (SACCOs), and rotating savings groups represent localized risk-pooling mechanisms. These foster community ownership and solidarity whilst improving access at the grassroots level.

However, their fundamental limitation lies in scale:

very small risk pools remain financially fragile and possess limited capacity to cover catastrophic costs or systemic shocks. They work best as complements to, rather than substitutes for, national systems.

The Funding Mix in Practice

Low-Income Nations (Uganda, Malawi)

Heavy reliance on out-of-pocket payments and international aid, with a slowly growing but still limited tax base. High vulnerability to external shocks and donor priorities.

Middle-Income Nations (Kenya, Ghana)

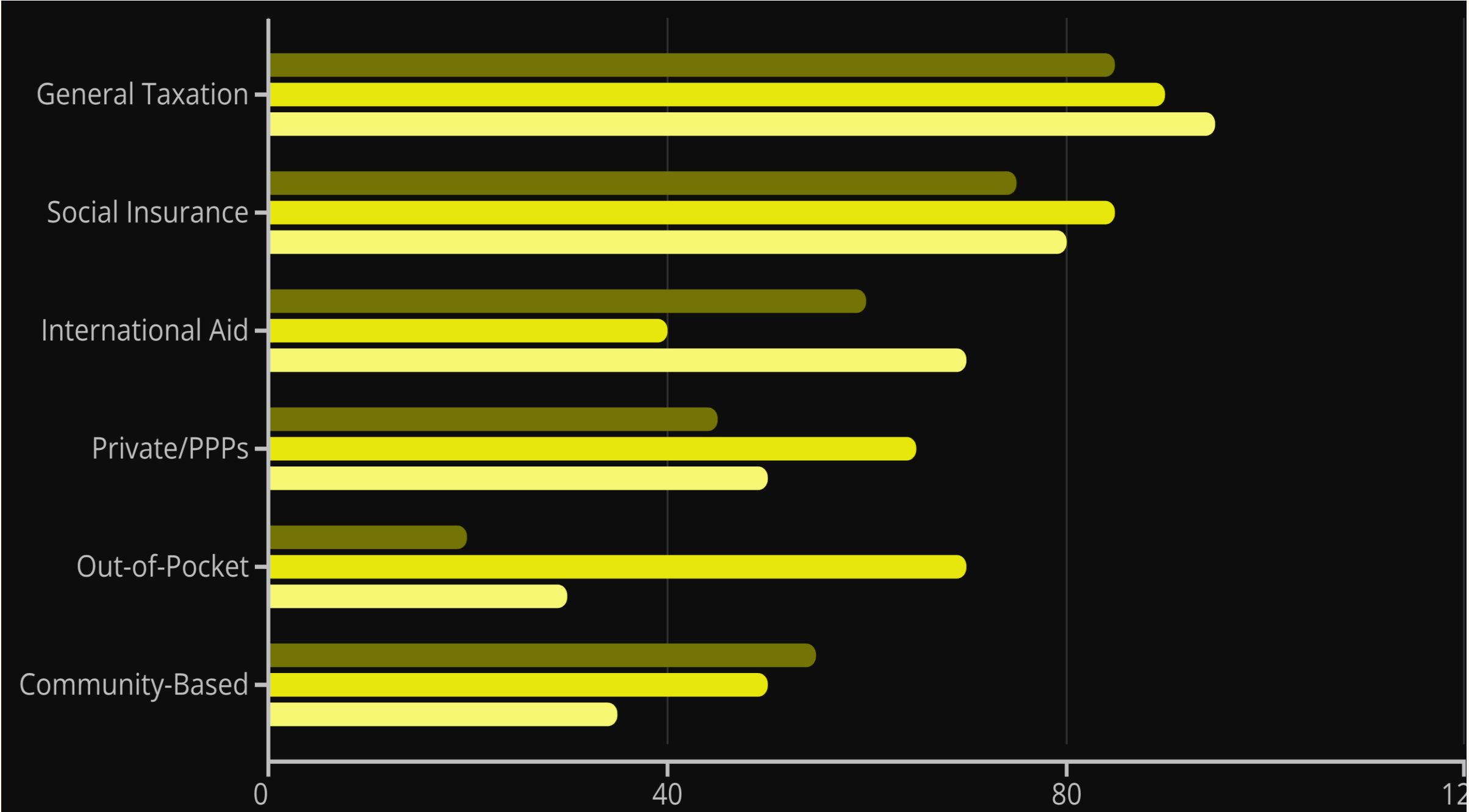
A mixed model combining taxes, rising insurance schemes (such as Ghana's NHIS), and significant private/OOP finance. Transitioning towards greater public financing but still marked by inequity.

High-Income Nations (UK, Denmark)

Primarily general taxation providing comprehensive universal services. Strong tax administration and political consensus on social solidarity enable equitable, efficient systems.

Comparative Analysis: Strengths and Vulnerabilities

This comparative framework illustrates why diversification matters: no single source excels across all dimensions. The art of financing policy lies in constructing a portfolio that maximizes equity and sustainability whilst ensuring universal coverage.



Equity Score



Sustainability Score



Coverage Potential



Financing as a Moral and Economic Choice

The choice of financing mechanisms transcends technical economic decision-making. It represents a profound moral statement about a society's values regarding equity, solidarity, and the proper role of the state in protecting its citizens.

Building a just and effective social service system requires more than sound policies and innovative technology. It demands a courageous and intelligent approach to financing—one that deliberately moves away from exclusionary out-of-pocket payments towards pooled, pre-paid systems.



"Such systems must protect every citizen, especially the most vulnerable, in their time of need. This is not merely aspirational rhetoric—it is the foundation of sustainable development and social cohesion."



Fig. 5. Financing Social Services – Gamma app

Social Services Financing: Challenges and Opportunities

Navigating the complex landscape of funding, innovation, and sustainable impact in an era of growing needs

Fig. 6. Financing Social Services – Gamma app



The Funding Crisis: A Growing Gap Amid Rising Needs

\$1.7B

Flat Funding Since 2001

Social Services Block Grant

allocation remains stagnant despite

soaring demand across

communities

3.3%

GDP Gap for Universal
Protection

Annual financing shortfall in low-

and middle-income countries to

achieve universal social protection

50%+

Low-Income Country Deficit

For the world's poorest nations,
the financing gap exceeds half of

their entire GDP

Public health funding has been slashed by over one-third since 2002, placing unprecedented pressure on social services to fill widening gaps in community support and wellbeing.

High competition for Limited Funds

Overwhelming competition for scarce resources that rarely match the scale of community needs

Fig. 7. Financing Social Services – Gamma app



Fierce Competition, Complex Requirements

Social service organizations face intense competition daily across funding landscapes.



Smaller Nonprofits Struggle

Complex, stringent grant processes create barriers for organisations with limited administrative capacity



Scarce Tailored Opportunities

Few funding sources address the unique needs of community-based organisations



Data-Driven Proposals Win

Standout applications backed by measurable impact evidence secure competitive advantage

Financial Alignment Challenges in cross sector partnerships

Limited & Competitive Funding

Scarce resources create tension rather than collaboration between potential partners seeking the same pools of money

Fragmented State Delivery

Health and social services operate in silos with separate budgets, priorities, and accountability structures



Fig. 8. Financing Social Services – Gamma app

Financial Alignment Challenges in cross sector partnerships

Cultural Divides Across Sectors

Different organisational languages, timelines, and success metrics hinder effective partnership formation

Unclear Evidence of Impact

Difficulty demonstrating return on investment undermines confidence in collaborative approaches



Opportunities: Innovative Financing

Models Transforming Social Services

Social Impact Bonds

Pay-for-Success contracts link funding directly to measurable outcomes, attracting private capital willing to share both risk and reward in achieving social goals

Impact Investing

Capital flows to social enterprises delivering both financial returns and positive social impact, creating sustainable funding beyond traditional grants

Social Innovation Funds

Multi-year grants support rigorous programme evaluation and scaling of proven interventions, building an evidence base for what works

Fig. 9. Financing Social Services – Gamma app



Opportunities: Revenue Diversification



Strategic Corporate Partnerships

Collaborations including sponsorships, cause marketing campaigns, and employee engagement programmes create mutual value and sustainable funding relationships



Creative Fundraising Events

Auctions, walkathons, concerts, and community gatherings simultaneously raise funds and awareness whilst strengthening stakeholder connections

Individual Donor Engagement



Compelling storytelling and targeted campaigns build loyal donor bases, with recurring giving programmes providing predictable revenue streams

Megatrends Shaping Future Social Protection Financing



Fig. 10. Financing Social Services – Gamma app

The OECD emphasises the urgent need for anticipatory, flexible financing mechanisms capable of sustaining social protection systems amidst these profound global shifts.



Demographic Shifts

Ageing populations and changing family structures demand adaptive funding models responsive to evolving needs



Labour Market Transformation

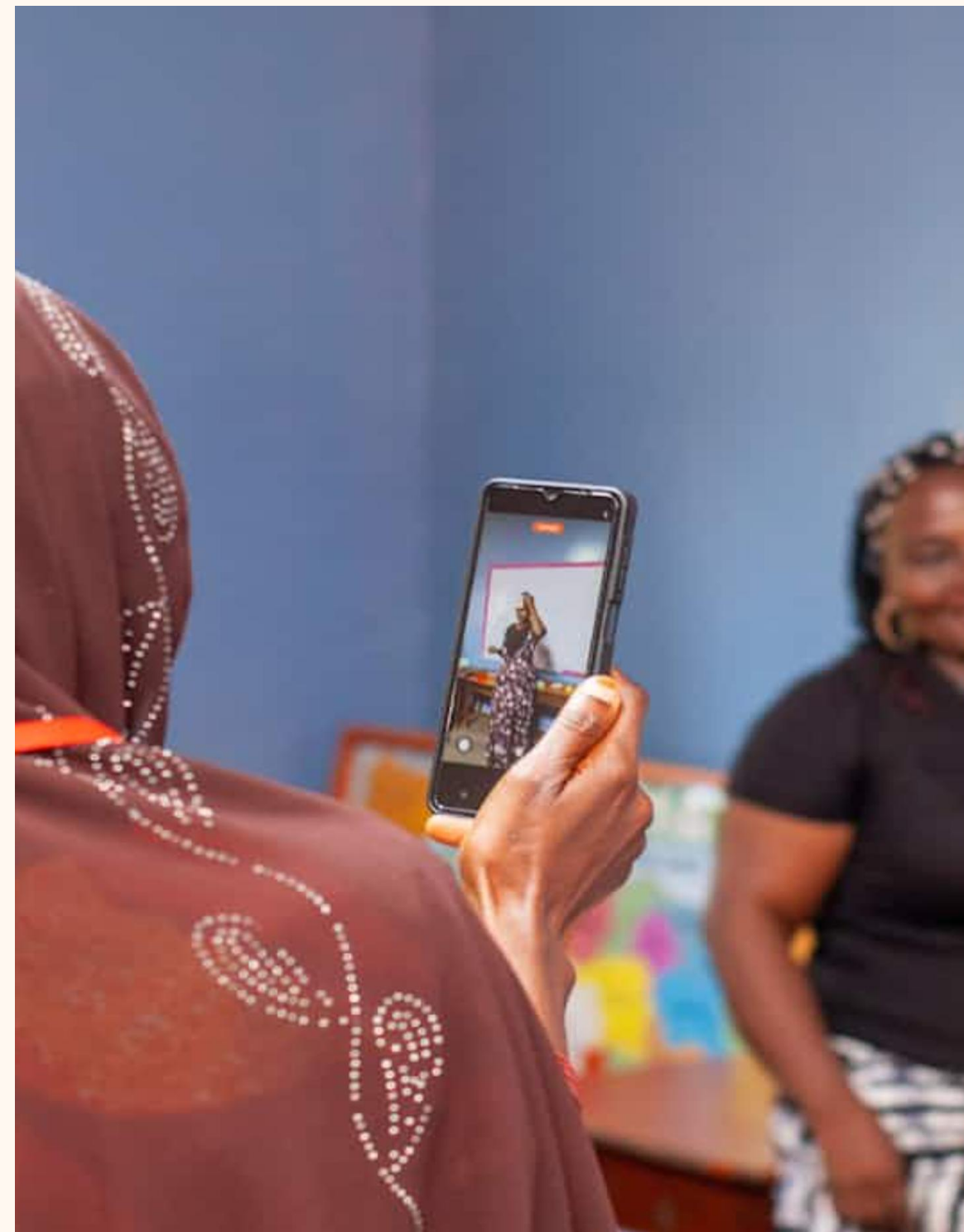
Technological advances reshape work, requiring social protection systems to address gig economy realities



Rising Health Costs

Non-communicable diseases now cause 70% of global deaths, dramatically increasing social service burdens

Case Study: Pathways Community HUB Model



01

Certified Partnerships

Formal structures demonstrating improved financial sustainability through rigorous certification processes

02

Cross-Sector Collaboration

Breaking down silos between health, social services, and community organizations around shared objectives

03

Accountability & Shared Goals

Emphasis on measurable outcomes leads to better health and social results for vulnerable populations

Fig. 11. Financing Social Services – Gamma app

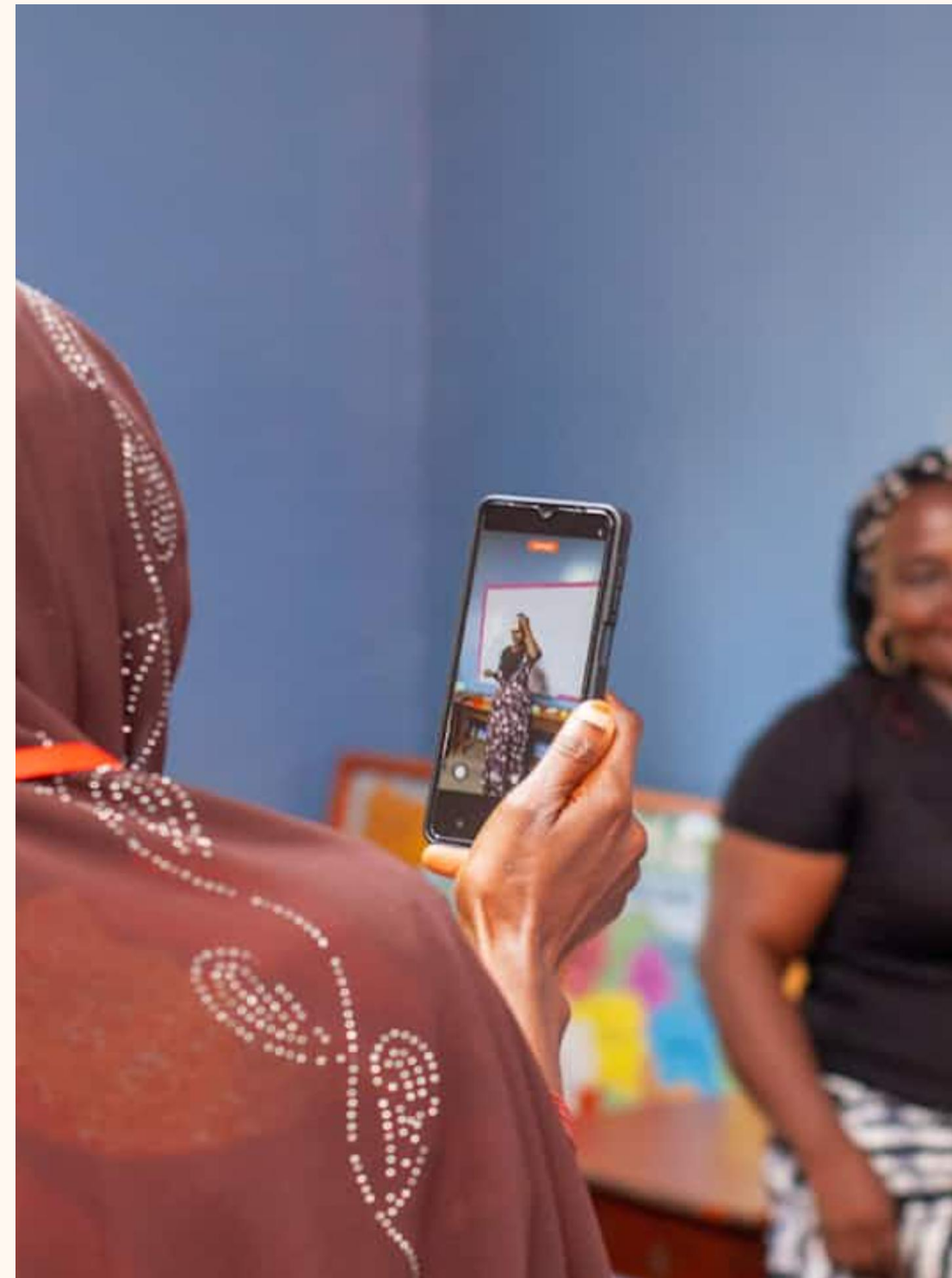
Case Study: Pathways Community HUB Model

04

Replicable Framework

Model offers proven approach for aligning funding streams and demonstrating impact at scale

The Pathways Community HUB model demonstrates that intentional design around financial alignment, data-driven accountability, and collaborative governance can create sustainable funding ecosystems that deliver measurable improvements in community wellbeing.



Conclusion

The unstable status quo in social service financing feeds a glaring funding gap; traditional funding models are unable to meet escalating community needs. But there is hope in harnessing opportunities to close this gap.

Therefore, innovative financing and diversified revenue streams are no longer optional, but essential for organizational survival and mission success.

In addition, cross-sector partnerships, data-driven proposals, and new public-private arrangements can unlock previously inaccessible capital and create shared value for all stakeholders.

With these, it is possible to construct social service ecosystems that meet growing community needs, adapt to megatrends, and drive lasting, measurable impact for vulnerable populations.

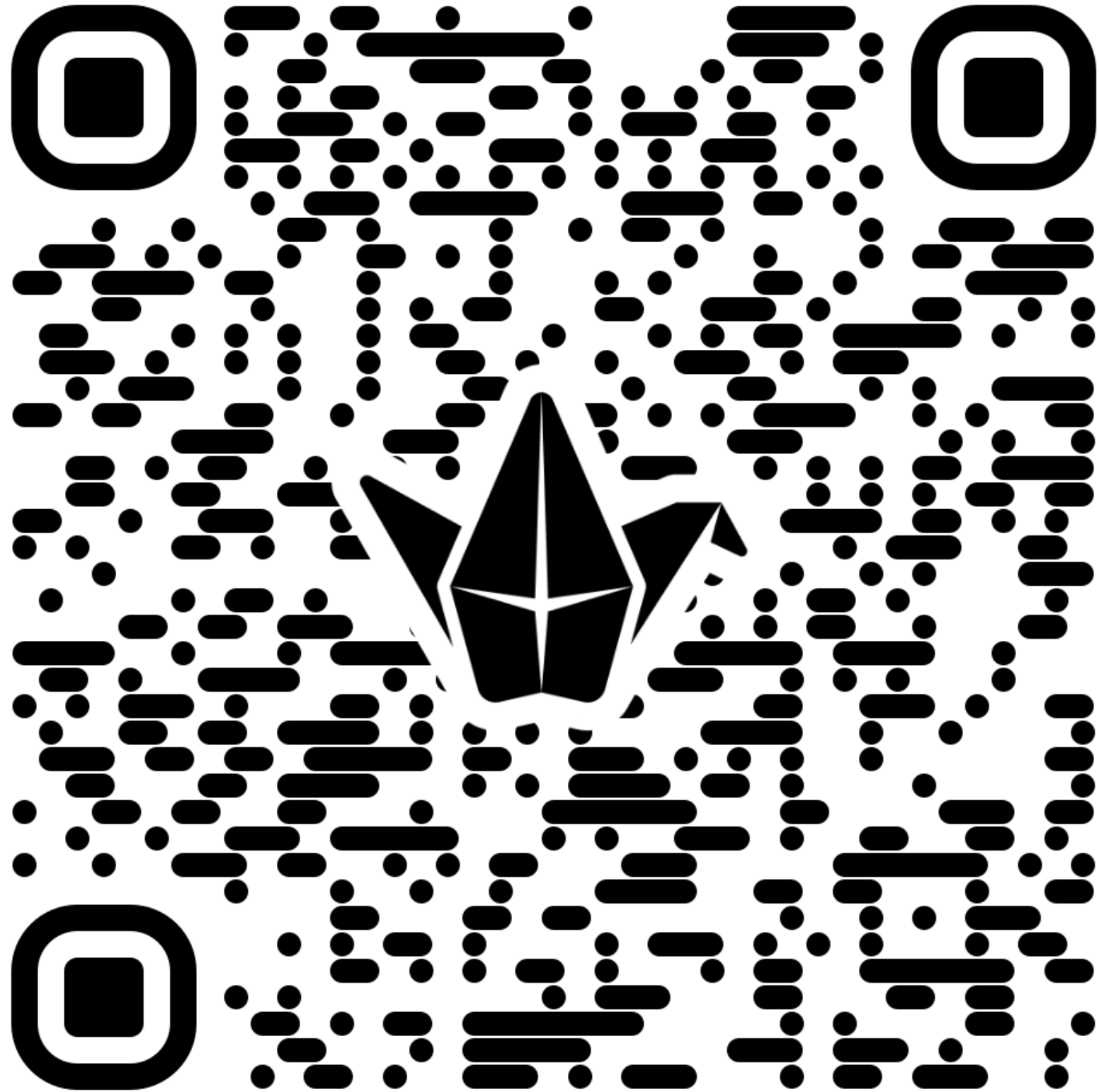
The opportunity hence is clear; embrace innovation, diversify funding, demonstrate impact, and build the resilient social service systems our communities deserve.

Fig. 12. Financing Social Services – Gamma app

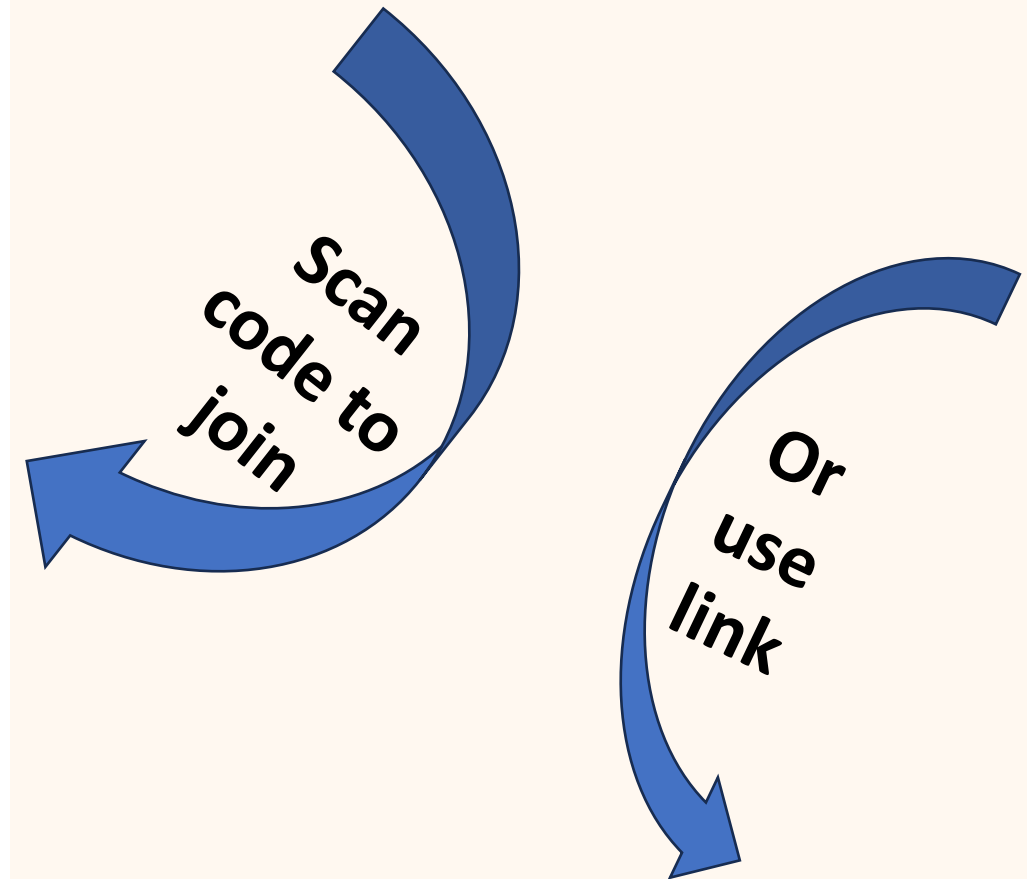


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THE END!!

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