

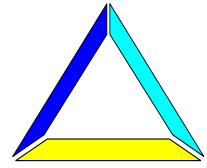


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AgPP 2

Policy Paper No. 2

Fiscal Support to Agriculture in Ukraine

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LIST OF ABBREVIATIONS

AMS	AGGREGATE MEASURE OF SUPPORT
BN	BILLION
CMU	CABINET OF MINISTERS OF UKRAINE
CPI	CONSUMER PRICE INDEX
EPT	ENTERPRISE PROFITS TAX
FAT	FIXED AGRICULTURAL TAX
GDP	GROSS DOMESTIC PRODUCT
IMF	INTERNATIONAL MONETARY FUND
KMT	THOUSAND METRIC TONS
M	MILLION
MAP	MINISTRY OF AGRICULTURAL POLICIES
ME	MINISTRY OF ECONOMY
MF	MINISTRY OF FINANCE
MT	METRIC TON
NBU	NATIONAL BANK OF UKRAINE
PIT	PERSONAL INCOME TAX
SEZ	SPECIAL ECONOMIC ZONES
TPD	TERRITORY OF PRIORITY DEVELOPMENT
TAFS	TOTAL AGRICULTURAL FISCAL SUPPORT
TABE	TOTAL AGRICULTURAL BUDGET EXPENDITURES
UAH	UKRAINIAN HRYVNIA
URAA	URUGUAY ROUND AGREEMENT ON AGRICULTURE
VAT	VALUE ADDED TAX
WB	WORLD BANK
WTO	WORLD TRADE ORGANIZATION
IER	INSTITUTE FOR ECONOMIC RESEARCH AND POLICY CONSULTING

EXECUTIVE SUMMARY

Ukrainian agriculture enjoys a significant fiscal support¹ from the state coming in a form of Budget expenditures and Tax expenditures². As Table I.1 shows the total fiscal support to agriculture and rural areas grew almost threefold over the last four years, fluctuating around 2% of Ukraine's GDP. Although in absolute values Ukraine spends a tiny fraction of that, for example, EU or USA does, however, in terms of GDP fraction it already spends a lot, e.g. in EU this ratio equaled 0.65%, in USA – 0.73% (see Zorya³ (2005)). Moreover, we argue that Total fiscal support to agriculture (TAFS) documented in table I.1 represent only the lower bound estimate since benefits (mainly tax benefits) from Free Economic Zones and Territories of Priority Development were not included in these estimates (due to the lack of relevant data).

Table I.1

Total Fiscal Support to Agriculture in Ukraine, UAH m

	2002	2003	2004	2005*	2006**
Budget expenditures	1,473.1	2,827.8	3,250.5	4,379.1	6,678.5
Tax expenditures	3,349.7	3,424.6	3,563.7	3,493.7	5,769.9
Other Fiscal Support	13.1	318.0	184.8	214.5	Na
Total fiscal support to agriculture (TAFS)	4,835.9	6,570.3	6,999.0	8,087.3	12,448.4
Share of TAFS in GDP	2.1%	2.5%	2.0%	1.9%	2.4%
Ratio of tax proceeds from agriculture to TAFS	34.6%	19.6%	23.6%	Na	Na
Ratio of tax proceeds from agro-food sector to TAFS	120.5%	87.6%	87.9%	Na	Na

Source: IER databank and estimates; Notes: * - proj.; ** - planned; Na – not available

Huge tax privileges compared to other sectors and exceeding even budget expenditures, seem should have compensated the lack of funds in a budget. As table I.1 shows tax expenditures has not been less than UAH 3 bn annually over the last several years, whereas industrial enterprises of automobile, airplane and ship construction, space, and metallurgical sectors received only UAH 0.9 bn altogether of tax expenditures over 2001-2003. A bulk share of Ukrainian tax expenditures is excluded from WTO domestic support reduction commitments, meaning the absence of external leverage to eliminate them. Since agrarian lobby is considerably strong in Ukraine, it is very likely that tax privileges for agriculture will persist in the future. On the contrary, as Table I.1 shows, agriculture contributes much less to the budget than it gets from it⁴, thus creating a tax burden bias in Ukrainian economy. Fiscal support, from an economic point of view, should leverage Government policies to increase productivity and competitiveness of the agriculture and food value chain. If the efficiency of fiscal support is neglected and dominated by the influence of particular lobby groups in specific sub-sectors, the impact of fiscal support can become negative. Relying much on different production subsidies Government implicitly ignores efficiency and productivity as an objective for agricultural policy. Instead, government pursues the goal of food self-sufficiency⁵ by increasing output using high subsidies, import tariffs and non-tariff barriers.

¹ However, the total support to agriculture has been much higher in Ukraine, since significant non-fiscal measures benefit domestic agricultural producers as well. High import tariffs protect domestic producers from foreign competitors. Also, there are other than tariffs measures being often nontransparent and distortive for production and trade. For example, sugar quota and privileged inputs supply to agricultural producers might serve as an illustration of such measures.

² Tax Expenditures include tax privileges, tax arrears, and tax write-offs

³ Zorya, S. (2005): Reforming Agricultural Support. In: Meyers, W., et al (eds): Refocusing Agricultural and Rural Development Policies in Ukraine: action Plan for the Road Ahead. Washington, DC: USAID. p. 18 <www.dec.org/pdf_docs/PNADD.pdf>

⁴ Moreover, tax proceeds from the whole agro-food sector are also not sufficient to cover fiscal expenditures on agriculture.

⁵ Very often Ukrainian policy makers understand food security as food self-sufficiency, thus arguing in favour of increasing production but neglecting efficiency and competitiveness.

Implicitly policymakers try to sustain existing farm structures and procedures of granting aid and tax privileges to producers. Fiscal support is designed so as to stimulate large agricultural producers, for whom it is much easier to get financial assistance from the budget than for private farmers, for example. Finally, agricultural policy makers implicitly rely on agricultural producers in providing social services in rural areas and their development, thus delaying structural reforms in the sector.

BUDGET EXPENDITURES ON AGRICULTURE AND RURAL DEVELOPMENT

In this section we consider State Budget spendings⁶ on agriculture and rural development. Table 1.1 lists the whole set of budget spendings grouped into MAP expenditures and Other Ministries' expenditures, since a bulk share of expenditures is delegated to MAP. Then we grouped MAP expenditures into several subgroups as it is documented in the Law of Ukraine "On the State Budget of Ukraine" (e.g. "Financial support of livestock and crop production") or according to some relevant criteria (e.g. "Education and training"). Then these subgroups are grouped according to their effect on production and trade, i.e. distortional or non-distortional. Such a division generally mimics WTO classification of state domestic support measures thereby falling into two broad categories: "amber box" and "green box" measures. "Production subsidies" group in this report corresponds to the "amber box" measures, while other two groups (i.e. "Growth enhancing" and "Other measures") correspond (with some exceptions) to the "green box" measures. Other Ministries' measures are classified as Growth-Enhancing, thus falling into the green box according to WTO classification.

As Table 1.1 shows that the total agricultural budget expenditures (TABE) grew from UAH 1.47 bn in 2002 to the planned UAH 6.68 bn for 2006. At the same time the share of TABE in total budget expenditures has been growing (although not steadily) from 3.3% to 4.9% over 2002-2006. If we compare the dynamics of both types of expenditures to 2002 benchmark then total budget expenditures grew by 3.1 times in 2006, whereas TABE grew by 4.5 times over the same period. The ratio of tax proceeds from agriculture to TABE shows that the agriculture sector received almost two times more from the budget than contributed to it, which together with significant tax expenditures creates an imbalanced tax burden on Ukrainian economy, thus potentially decreasing whole economy competitiveness.

We observe that MAP expenditures have been prevailing in total budget expenditures, accounting for more than 90%. It is worth mentioning that although this figure is a bit lower for 2005 and 2006, however, these are planned figures, whereas table 1.1 reports executed figures for 2002-2004. Such a low fraction of Other Ministries' expenditures in TABE reflects probably an implicit assumption of the Government that MAP must be responsible for, in addition to agricultural policy, the whole range of rural development issues, such as social situation in rural areas, rural infrastructure, health, education, etc. However, this should primarily be the task of other Ministries.

⁶ Allocated via different ministries, e.g. Ministry of Agricultural Policy (MAP), Ministry of Finance, State Committee for Land Resources etc.

Table 1.1

Public Expenditures on Agriculture, UAH m

	2002	2003	2004*	2005	2006**
MAP programs (in % of TABE):	95.7%	91.4%	91.1%	90.4%	78.3%
Production subsidies (in % of TABE):	22.1%	21.4%	32.8%	34.89%	38.40%
Financial support of livestock and crop production:	73.9	236.2	421.0	689.5	1,992.5
<i>Slaughter premiums per kg with minimum weight threshold</i>	Na	174.0	338.0	553.5	745.0
Support to horticulture, viticulture, and hops	111.2	151.3	109.1	175.0	227.7
Partial compensation of interest rates for credits	119.6	74.8	141.5	350.0	260.0
Financing of sowing winter and spring grain crops	Abs	Abs	247.9	Abs	Abs
Financial support of rural farms	4.5	13.4	1.1	27.3	28.0
Fertilizer subsidies	Abs	40.0	109.6	Abs	0.0
Partial compensation of costs of agricultural machinery	15.7	18.3	36.2	270.0	32.0
Milk processing	Abs	Abs	Abs	10.0	4.0
Growth-Enhancing measures⁷ (in % of TABE):	65.0%	47.0%	51.6%	54.5%	53.3%
Rural Development	8.7	42.4	24.3	23.1	24.4
Research and Development	161.5	66.5	77.9	143.1	154.5
Education and training	382.9	490.8	619.8	913.5	1,041.7
Public stockholdings	19.2	13.5	50.0	25.9	10.0
Pest and disease control	4.9	7.0	9.9	20.0	30.0
Food safety and quality control	297.5	370.0	471.0	585.0	704.0
Extension and Advisory Services	1.8	6.3	8.6	8.1	10.0
Insurance costs compensation	0.0	0.0	0.0	54.0	10.0
Land Resources	0.2	5.6	10.4	15.0	5.0
Selection programs:					
<i>Livestock</i>	13.9	76.6	112.8	124.0	110.0
<i>Crops</i>	11.7	41.7	42.8	103.3	104.7
<i>Fish</i>	0.3	1.3	2.0	6.5	6.8
Other measures:					0.0
Natural disaster relief	2.3	695.3	67.3	20.0	25.0
Environment Protection	29.2	44.6	61.1	81.8	109.6
Others:	150.4	189.2	336.6	315.6	340.1
<i>Administrative costs</i>	7.9	50.8	59.2	80.3	101.2
Other Ministries' programs (in % of TABE):	4.3%	8.6%	8.9%	9.6%	21.7%
Rural Development	2.4	86.5	104.3	170.3	1,075.3
Education and training	47.7	71.6	102.9	121.0	103.7
Selection programs	1.3	13.0	11.5	12.3	13.9
Land Reform	3.5	35.7	28.2	62.7	154.7
Total agricultural budget expenditures (TABE)	1,473.1	2,827.8	3,250.5	4,379.1	6,678.5
Share of TABE in total public expenditures	3.3%	5.0%	4.1%	3.7%	4.9%
Share of public expenditures on agriculture in total GDP	0.7%	1.1%	0.9%	1.0%	1.3%
Ratio of tax proceeds from agriculture to TABE	113.5%	45.5%	50.8%	Na	Na
Ratio of tax proceeds from agro-food sector to TABE	395.6%	203.5%	189.2%	Na	Na

Source: IER estimates based on State Treasury Report on the State Budget Execution 2000, 2001, 2002, 2003, 2004 and Laws of Ukraine "On State Budget" (2005 and 2006 years); Notes: * - numbers for 2000-2004 period are actual budget expenditures; ** - numbers for 2005 and 2006 are planned budget expenditures; Abs - program is absent; Na - data not available;

⁷ Estimates of the Growth-Enhancing measures as % of TABE include Other Ministries' Programs as well.

Table 1.2

Execution level of selected budget programs for agriculture and rural development, %

	2000	2001	2002	2003	2004
Production subsidies:					
	87.86	45.86	62.90	99.03	98.03
Financial support of livestock and crop production					
Support to horticulture, viticulture, and hops	131.52	91.85	79.89	97.30	77.92
Partial compensation of interest rates for credits	28.53	46.40	79.63	99.71	74.39
Financial support of rural farms	100.00	50.17	37.61	99.49	8.70
Growth-Enhancing measures:					
Rural Development	-	-	21.56	99.92	97.32
Research and Development	-	-	74.11	87.12	85.08
Education and training	-	-	88.49	93.03	93.37
Public stockholdings	-	100.00	46.79	45.13	71.43
Pest and disease control	89.27	40.61	60.38	99.99	98.77
Food safety and quality control	100.47	75.44	86.00	93.91	93.00
Extension and Advisory Services	-	-	67.54	85.44	93.40
Land Resources	95.17	79.25	3.33	99.29	86.35
Selection programs:					
<i>Livestock</i>	64.68	67.04	23.71	99.72	91.00
<i>Crops</i>	51.55	65.67	39.52	99.71	80.80
<i>Fish</i>	95.34	47.63	26.15	100.00	70.29
Other measures:					
Natural disaster relief	99.98	76.51	34.09	97.42	96.14
Environment Protection	-	-	65.51	99.24	92.39

Source: IER estimates based on State Treasury Report on the State Budget Execution 2000, 2001, 2002, 2003, 2004 and Laws of Ukraine "On State Budget" (2000-2004 years)

Analyzing planning and execution TABE over several years, one would definitely observe some important facts, revealing problems with budget expenditure planning. The existence of a particular program in a state agenda is not sustainable and lacks continuity. This reveals that Ukrainian government and MAP in particular do not have a long-term strategy for use of the budget funds on agricultural and rural development. Which reflects that Ukraine does not have any officially adopted strategy of agriculture and rural development yet. Budget programs are often underfinanced (especially in 2000-2002, see Table 1.2) and not uniformly distributed over the whole year, providing only around 5% of TABE in the first quartile, but over 50% in the last (e.g. 39% of TABE in December). This lacks of strategy and erratic expenditures pattern makes long-term investment planning for agricultural enterprises in the sector very difficult and increases entrepreneurial risks.

The structure of TABE, which mimics WTO classification of domestic support measures, has not changed significantly over the last five years, being increasingly in favour of production subsidies. As Table 1.1 shows, Production Subsidies (or amber box measures) grew from 22.1% to almost 39% of TABE. On the other hand Growth-Enhancing measures (being part of green box measures) consumes around 50% of TABE. "Production subsidies" measures aim at supporting either production of particular agricultural produce (meat, milk, grain etc) or subsidizing the costs of commercial credits, fertilizers, machinery etc⁸. The reason for this is that policy makers implicitly (perhaps inherently) follow planned economy principles, targeting gross output goals instead of efficiency and productivity increases, believing in production subsidies as a tool for that. Also, preserving budget expenditures structure implicitly aims at sustaining existing farm structures and procedures (often nontransparent) of granting aid to specific producers with high risk of corruption. Budget as well as total fiscal support is mostly accessible to large agricultural producers, for which it is much easier to get financial assistance from the budget than for private farmers, for example. In this manner, policy makers are stimulating large-scale agricultural production, which is not fair relative to private farms and small enterprises. There are no equal opportunities for getting budget funds for large and small farms.

Production subsidies fall into the amber box, thus subject to reduction according to WTO classification. In fact, AMS (Aggregate measure of support) has been a hot topic during WTO accession negotiations for Ukraine. It has not agreed about its bound AMS yet. But according to preliminary results there are two options. Ukraine expects USD1.14 bn bound AMS (based on 1994-1996 reference period), whereas USA and Australia's offer is much stricter, i.e. USD 265 m (based on 2000-2002 reference period). On the other hand production subsidies total USD287 m in 2005 and are planned of USD499 m in 2006. It is worth mentioning that Production subsidies constitute only a fraction of Ukraine's amber box measures. For example, there are subsidies to animal producers paid from the value added tax received by food processing enterprises (from selling dairy and meat products) that also fall into that box measures. So, if Ukraine draws a favourable scenario (USD1.14 bn of AMS) it will have no problems with WTO requirements regarding domestic support measures to agriculture; on the other hand (in a case of USD 265 m of AMS) Ukraine accedes the level of bound AMS already, which will endanger Ukraine's accession to WTO.

A large share of Growth-Enhancing measures (or green box measures) in TABE generally speaking is a good sign. Growth-Enhancing measures here treated as such that potentially might increase economic productivity, efficiency (e.g. research, education, training, land resources, rural development and disease control). However, the effectiveness of these programs has been questionable (see Zorya (2005) for details). For example, as table 1.1 shows a significant amount of budget funds has been increasingly spent on education, training, research and development (e.g. more than UAH 1 bn in 2006). However, at present a bulk share of domestic institutions fail to produce agricultural research up to international standards. The quality of education and knowledge that students receive in agricultural higher education institutions lags far behind

⁸ See Appendix for more detailed program description

international standards. On the other hand Extension and Advisory services and Rural Development definitely are paid much less attention than required. It is encouraging that the Government plans a significant increase on Rural Development spending (more than UAH 1 bn in 2006).

Appendix: Description of Public Agricultural Expenditures

Financial support of livestock and crop production

The program encompasses a broad range of measures⁹: slaughter premiums per young head (cattle, pigs, and poultry) with minimum weight threshold; subsidies for meat cattle breeding development; cattle identification and registration; subsidies per head of sheep dam and young sheep above a year; subsidies for beekeeping, silkworm breeding, hop, flax and hemp production (mostly partial compensation of production costs); partial compensation of costs of electricity consumed by agricultural producers for crops watering; subsidies for sold to dairy enterprises ecologically pure milk for producing childfood nutrition. However, a bulk of budget funds has been used for slaughter premiums, i.e. producers selling young cattle, pigs, and poultry of above-average weight are entitled to receive additional payments per kg.¹⁰

Support to horticulture, viticulture, and hop growing

The government provides eligible farms with funds for purchasing inputs, and equipment. The MAP determines the list of eligible farms on a competitive basis.¹¹ This program utilizes funds collected from the special duty for horticulture, viticulture and hop growing development according to the following proportion: 70% goes to viticulture development, 30% to horticulture and hop growing development¹².

The partial interest rate compensation program

In the beginning of 2001, the government started a program of partial compensation of interest rates of commercial bank loans for agricultural producers. The Law¹³ states that the compensation should not be less than 50 of the NBU refinance rate. Agricultural enterprises can receive a compensation of short-term credits obtained in national or foreign currencies for covering production costs (e.g. purchases of fuel, feed, spare parts, fertilizers, pests, insurance payments etc) as well as of long-term credits obtained in national or foreign currencies for financing costs on purchasing fixed capital.

⁹ Accounting Chamber of Ukraine (2005a): On results of audit of funds use allocated from the State Budget of Ukraine for financial support of livestock and crop production in 2003-2004 years and in the 1st quartile of 2005. <www.ac-rada.gov.ua>

¹⁰ Regulation of the MAP and MF # 114/239 as of 31 March 2004

¹¹ Regulation of MAP and MF #178/346 as of May 25 2004; Regulation of MAP # 238 as of June 30 2004

¹² Law of Ukraine # 587-XIV "On duty for horticulture, viticulture, and hop growing development" as of 09 April 1999.

¹³ Article 12, Law of Ukraine "On Stimulation of Agricultural Development for 2001-2004" as of 18 January 2001

Table 1.2**Partial Interest Rate Compensation, %**

	2002	2003	2004	2005
Interest Rates Compensated by the Government:				
Short-term credits:				
- In UAH	10-7	10-7	8	10
- In USD	7-5	7-5	6	7
Long-term credits:				
- In UAH	10-7	10-7	14-12	14-12
- In USD	5-4	7-5	9-8	9-8
Rates, eligible for compensation	Up to 21-18	Up to 21-18	Up to 19-18	Up to 21-20
NBU refinance rate	9.0	7.0	8.7	9
Interest rate of commercial banks	25	20.2	17.9	16

Source: The Laws on "State Budget of Ukraine" 2002-2005, Regulation of MAP and MF # 212/427 as of 02 July 2003, Regulation of CMU # 34 as of 15 January 2005, etc, Bulletin of NBU.

Financial support for rural farms

This is a microcrediting program, according to which farmers eligible for this competitive program may get financial assistance from the state budget via the Ukrainian State Fund for compensating interests on commercial banks loans if they spend the funds provided exclusively for production or processing of self-produced agricultural goods¹⁴. In general this constitutes a subsidization of input costs.¹⁵

Financing of sowing winter and spring grain crops

This program partially compensates costs of agricultural enterprises for sowing of winter and spring grain crops. The cost compensation is done proportionally to the area of sown land. The decision on the eligibility of compensation under this program and the total proportion of the sowing area to be considered is taken by a special commission.¹⁶

Fertilizers subsidies

The government partially subsidized the price of domestically produced fertilizers to farmers. Agricultural producers receive reimbursements from the state budget of around 40% of the fertilizer costs¹⁷. Additionally the government fixed wholesale prices on fertilizers for agriculture producers under this program lower than market prices. Thus producers of fertilizers subsidized agriculture producers at the expense of their own forgone revenues.

Partial compensation of costs of agricultural machinery

Under this scheme the government compensates 30% of the price of domestically produced equipment purchased by agricultural producers and enterprises of food and food processing industry according to the list and prices recommended by the Interdepartmental Expert Council.¹⁸

¹⁴ Accounting Chamber of Ukraine (2002): On results of audit of funds use allocated from the State Budget of Ukraine for state support of rural farms over 1998-2001 years. www.ac-rada.gov.ua; and Accounting Chamber of Ukraine (2005b): On results of audit of funds use allocated from the State Budget of Ukraine on implementation of the special state programs for agricultural producers support in 2004. www.ac-rada.gov.ua

¹⁵ Regulation of MAP and MF # 162/426/181 as of 17 June 2002

¹⁶ Regulation of CMU # 96 as of 30 January 2004

¹⁷ Own calculations based on the Resolution # 1046 of the CMU as of 12/08/2004 and on the Order of the Ministry of Industrial Policy # 18 as of 20/01/2004

¹⁸ Regulation of CMU # 959 as of 28 July 2004; Accounting Chamber of Ukraine (2003): On results of audit of funds use allocated from the State Budget of Ukraine for financing measures related to compensation of debts for domestic agricultural machinery, partial compensation of domestic machinery designing and development costs and support to domestic machine-building industry for agriculture. <www.ac-rada.gov.ua>

The MAP selects eligible agricultural producers on a competitive basis based on applications submitted.

Milk processing

According to this program, dairies eligible for this competitive program may get financial assistance from the state budget via MAP if they spend the funds provided exclusively for covering costs related to dairy's reconstruction and technical development as well as on modern technology adoption¹⁹.

Rural Development

Expenditures on rural development in this classification includes following several state programs, managed by MAP and other ministries: state privileged crediting of individual rural builders; restructuring and development of public utilities in rural areas; development of physical training and sports among rural population; investments in health-care institutions, gas supply networks, roads, seaports, development of financial services in rural areas, etc.

Research and Development programs

Budget expenditures on research and development include more than 10 state programs documented in the State Budget, which transfer public funds on exploratory development and applied research, scientific works of state and inter-sectoral programs, general basic research by scientific institutions and research related to particular products.

Education and Training

Expenditures on education and training services in Ukraine include expenditures for the maintenance of higher schools of the 1st, 2nd, 3rd and 4th accreditation level, and graduate schools of the 2nd and 3rd accreditation levels (academies, institutes, re-training centers etc.). Also, these expenditures include expenses for retraining, improving or raising skills, privileged state credits for human resource development etc.

Selection in livestock and crop production

Government funds are allocated for programs on selection in crop and livestock production as well as selection in fishery. Eligible for this program farmers and institutions can receive partial or full cost compensation for purchased or sold genetic resources, as well as for overhead expenses in selection²⁰

Public stockholdings

Budget funds are foreseen for purchasing and storing of various crop seeds (grain, peas, sunflower, sugar beet, corn etc) to satisfy the demand of regions that do not produce these seeds or in a case of damaged seed sowings due to unfavorable climatic conditions.²¹ Also, according to Ukrainian legislation²², some state agencies are responsible for buying up agricultural produce into the public stockholding (e.g. Agrarian Fund, JSC "Khlib Ukrainy", and State Reserve Committee). However their activities primarily aimed at price stabilization on a market via intervention or pledge purchases.

¹⁹ Regulation of CMU # 1125 as of 30 November 2005.

²⁰ Accounting Chamber of Ukraine (2005b): On results of audit of funds use allocated from the State Budget of Ukraine on implementation of the special state programs for agricultural producers support in 2004. Accounting Chamber of Ukraine (2001): On results of audit of funds use allocated from the State Budget of Ukraine to the Ministry of agricultural policy for antiepidemiological measures and state programs of selection in livestock and crop production in 2000. www.ac-rada.gov.ua; Regulation of MAP # 123 as of 14 May 2001; Law of Ukraine "On the State program of selection livestock-breeding", #1517-15 as of February 19, 2004; Regulation of MAP and MF # 94/23/210 as of 22 March 2004;

²¹ Regulation of MAP and MF # 12/71 as of 23 January 2003

²² Law of Ukraine "On Stimulation of Agricultural Development for 2001-2004" as of 18 January 2001; Law of Ukraine #1877-IV "On State support of agriculture of Ukraine" as of 24 June 2004.

Pest and disease control

This program documents precautionary measures against spreading, localization and liquidation of infectious animal disease, quarantine and especially dangerous pests and their funding from the State Budget²³.

Extension and advisory services

Extension and advisory services are mostly neglected in Ukraine, thus being poorly represented by public programs in this classification, e.g. state exhibitions etc.

Food safety and quality control

This program includes general inspection services and related to particular products for health, safety and standardization purposes, antiepidemic measures in particular. Government spending on inspection services includes expenditures on the maintenance of state veterinary institutions, state seed inspections, and state bread inspections.

Land resources

Expenditures on land reform include expenditures on implementing the new land law, implementation of land registration procedures, cadastral examinations, determination of soil quality and agrochemical land certification.

Natural disasters relief measures

This group of payments encompasses payments to producers in disadvantaged regions,²⁴ to farms that suffered from unfavorable climatic condition in 2003,²⁵ for relief from natural disasters²⁶ etc.

Environmental protection

Spending on environment protection is precisely determined within the framework of the state programs, e.g. protection and effective use of forest and water resources etc.

Others

The subgroup "others" includes all other budget expenditures not listed above (including administrative costs of the MAP).

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Kyiv, January 2006

²³ Law of Ukraine # 180 "On crop protection" as of 14 October 1998; Regulation of CMU # 181 as of 13 February 1999;

²⁴ Regulation of MAP and MF # 60/138 as of 27 February 2002

²⁵ Regulation of CMU # 410 as of 31 March 2003

²⁶ Regulation of CMU # 923 as of 19 June 2003