

NATIONAL REPORT

Promoting productive capacity and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving Millennium Development Goals

In September 2000, Ukraine together with 189 Member States of the United Nations signed the UN Millennium Declaration setting up the global Millennium Development Goals (hereinafter - Goals) to be achieved by the year 2015. Those Goals, having been adjusted at the national level, have become guiding development objectives for Ukraine and have been inherently included into the large number of governmental strategic documents.

The main macroeconomic achievements:

In 2010-2011, Ukraine's economy has shown an upward trend due to the implementation of Programme of economic reforms 2010-2014 initiated by the President of Ukraine, as well as carrying out a pragmatic governmental policy aimed at stabilizing the post crisis economy and large-scale social and economic reforms introduction.

In 2010-2011 GDP of Ukraine grew by 9.5%, recovering more than a half of the crisis fall. In particular, the rate of real GDP growth in 2010 amounted to 4.1%, which almost doubles the relevant rates of the EU-27 countries (2%), and reached 5.2% mark in 2011. A positive dynamics has been record due to increasing industry, agriculture and construction output.

The pace of industrial development in Ukraine during 2010-2011 (19.7%) rated as one the highest among the CIS countries (Russia - 13.3%, Kazakhstan - 13.9%, Belarus - 21.4%). A particular emphasis should be made on a significant increase in output of products with high value added: vehicles and equipment - doubling the previous amounts; electrical, electronic and optical equipment - by 42.5%, machinery and equipment - by 36.2%. In general, the rate of mechanical engineering production is increased in 1.6 times, while exports of machinery, equipment, vehicles and devices - by 72.6%.

Favorable external economic conditions created in 2010 - the first half of 2011 greatly fostered the development of export-oriented industries. As a result, in years the total growth of steel industry amounted to 122.2%, while chemical and petrochemical industry grew in 140.1%.

The growth in domestic demand also contributed to the rapid augment of production in the spheres oriented on the domestic market development. In particular, the output of light industry in 2010-2011 increased by 17.3%.

The increase in domestic industrial production ensured the implementation of complex reforms in the regulatory and investment spheres. This is particularly focused on easing the tax and regulatory burden on business, promote modernization of production and investments in real sector development, improving the business climate in Ukraine, support

for small and medium business enterprises, simplifying procedures for obtaining permits to conduct business, start and exit the business and more.

Greater state support to the agricultural sector on the background of favorable international economic situation fostered the growth of rate of agricultural production by 18.1% in 2010-2011, which is 16.0% higher than a pre-crisis level recorded in 2008. Initiating the land reform in Ukraine is aimed at promoting the investment in the agricultural sector as well as reducing the tax burden on business.

During the 2011-2014 a tax rate are expected to decrease from 25 to 16% (in 2012 - 21%), while the VAT rate - from 20 to 17%.

Fulfillment of the UN Millennium Development Goals should be based on the sustainable economic development, which in its turn requires the involvement and mobilization of relevant investment resources. In 2010-2011, the investment component of GDP (gross fixed capital) increased by 14.4%. In particular, in 2010 the real growth of gross fixed investment accounted 3.9 % (as compared with 2009), while in 2011 the very growth made up 10.1% (as compared with 2010). This envisages a gradual recovery from investment recession in the light of general stability enhancement and economic growth.

Overall, the positive dynamics of growth of investments in 2010-2011 contributed to:

the doubled growth of the budget capital spending, largely due to the organizing and hosting by Ukraine the 2012 UEFA European Football Championship Final;

the rehabilitation of a domestic production and, consequently, increase the enterprises own capital;

the increase of the foreign capital inflow in 1.5 times while the country's credit rating has been improving;

Furthermore, the positive dynamics of investment in 2011 has been fostered by the gradual resumption of lending while the financial and economic situation in the country is stabilizing, the level of bank deposits is growing and the consumer prices are being retained on a rather low level.

At the end of 2011 the lending to non-financial corporations has been increased by 7.1 percent (year-over-year) as compared with the fall by 3.6 per cent at the end of 2010.

The macro-financial stability facilitated the reduction of the excess of expenses over receipts in the system of public finance. This was the result of a significant increase of revenues due to the growth of GDP, population's incomes, profits of the corporate sector and trading volume, as well as innovations in within the taxation system, solving the problems of VAT refund accumulated in previous years, introduction of procedures of automatic reimbursement of VAT and intensifying the control against the cases of tax evasion. Subsequently the budget deficit reduction in 2011 reached the 1.8% of GDP (in 2009 - 3.9%).

Prudent debt policy contributed to the reduction of public and publicly guaranteed debt of GDP from 39.9% in 2010 to 35.9% in 2011, the same concerns the state debt - from 29.9% to 27.1%.

Government implements measures in order to ensure effective regional policy. In particular, legislative initiatives on the creation of State Regional Development Fund have been introduced. Fund's resources will be focused on investment projects and measures that have significant social importance provided by the strategic and tactical plans of regional development.

The effective state policy should as well address the important energy security issues, contribute to the harmonization of national legislation in concordance with the EU standards, establishment of modern approaches of energy production and efficiency, enhance the implementation of measures improving the efficient use of energy, promote dialogue between representatives of energy and environmental protection sector.

In order to implement the Rio+20 principles Ukraine is establishing proper conditions for ensuring quality control of energy resources and their timely delivery in accordance with agreements and contracts with other countries, as well as planning of low-carbon energy development of the country.

The preservation of this positive economic dynamics ensured by the growth of domestic demand and output of production serves as basis for the implementation of social reforms, enhancing welfare and achieving the progress in the UN Millennium Development Goals realization. In the framework of social policy modernization strategy the Government of Ukraine has continued to introduce the reforms as regards the functioning of social services and enhancing the target social assistance provision.

Employment development

Due to the improvement of the general economic climate in 2011 the employment level of the population aged 15-70 years increased significantly and almost reached before-

In 2011 men employment rate increased to 64.4 per cent (compared to 63.1 per cent in 2010), especially a significant increase relates to men aged 25-

solution of this problem, involvement of all social dialogue actors to ensure social protection of workers employed under such conditions.

Real wages in 2011 increased by 8.7 per cent, and by 14.9 per cent during four months of 2012. The most significant growth of nominal wages in 2011 (compared to 2010) was recorded in forestry (by 28.7 per cent), construction (by 28.3 per cent) in the extraction of coal, lignite and peat production and other non-metallic mineral products (26.2 per cent), agriculture (by 25.9 per cent), trade (24.8 per cent), manufacture of machinery and equipment (by 22.9 per cent), chemical industry (22.5 per cent), manufacture of coke, refined petroleum (11.9 per cent). However, in the sphere of education and health care average wages increased by 10.2 - 9.0 per cent, compared to 2010.

The amount of unpaid wages during 2011 declined by almost 20 per cent and as of 1 January, 2012, totaled UAH 977.4 million. The problem of full debt compound is complicated by the fact that more than half (55.4 per cent) of its amount falls within both bankrupt and ceased operations enterprises. Reduction of arrears of wages is a result of increased economic activity of enterprises and improvement of financial discipline.

The new edition of Law of Ukraine "On employment" adoption aims to improve both the situation at the national labor market and investment climate in the country, as well as ~~The 50 ongoing legislative acts to create jobs.~~

persons aged 45 years (insurance period more than 15 years) are eligible to receive a single "voucher" to vocational training;

training of the unemployed will be exercised on employer's demand for a specific workplace or with a view to provide person's self-employment;

a mechanism of professional qualification verification obtained through informal learning is also planned to be put into effect.

Herewith, business entities activities that provide mediation services in employment is proposed to be brought into line with the European standards, the issue of hiring employees by such institutions for another employer is being settled.

The 2012 state's employment policy activation provides creation of new and temporary posts in the service sector associated with the need to infrastructure facilities service. In 2012 direct and indirect impact on the labor market situation of Ukraine will be a distinctive feature due to co-hosting by Ukraine the 2012 UEFA European Football Championship. First of all, this will relate to the increase of employment in tourism, trade, transportation and advertising. In general, the state's labor market situation improvement, economic activity promotion, combined with its targeted support increase, accelerated growth of the minimum state guarantees will further reduce the poverty of the population of Ukraine.

Poverty Reduction

In recent years there have been noticed improvements in poverty reduction, measured by different criteria. Today we can talk about new trends that show the benefit of the general advancement of the needy people: all monetary scales (both absolute and relative) of the poverty rate continue to decline. This situation is the simultaneous decline in relative and absolute poverty observed for the first time of studied period (since 1999). And if the reduction of relative poverty could occur by changing the redistributive mechanisms of the crisis, the improvement of absolute poverty trend indicates poor approximation of income to guarantee the state level.

Thus, the level of absolute poverty (living below the subsistence level) decreased

of pension reform, social insurance, social security, healthcare, social support for young people, families and protection children's rights.

The Programme will promote the welfare of citizens, reducing poverty and solving social problems.

To ensure consistent implementation of state social policy to improve the living standards, the President of Ukraine presented his "new social initiatives." These social initiatives aimed to improve the mechanisms for income redistribution, neutralize poverty gap, promote the strengthening of the middle class, and create an effective system of protection against social risks.

New social initiatives are structured according to the four main areas.

The first direction – is restoring public trust to the state policy aimed to improve people's lives, restore the fundamental principle of social justice, removing the maximum of benefits from those who do not need them.

The second direction – is complete transformation of approaches to pay salaries, taxes and social insurance (by introducing mechanisms for the distribution of economic performance, hampering further social and economic polarization of society that will increase the income of the working population and the welfare of its most vulnerable layers; one of the ways to achieve these goals is an introducing of the tax on wealth).

The third direction is a deep modernization of the sphere of social security. It provides a transition from non-systematic payments to the providing targeted assistance and social services that meet the needs of concrete person and family. Direction taken by Ukraine to achieve European standards means a transition from creation opportunities instead of dealing with the consequences.

Promotion of social inclusion of people with disabilities is thus foreseen: settlement of environment and jobs, providing access to the public institutions of education, culture, commerce and more.

The fourth direction is to promote effective employment and job creation. The task of job creation is the meaning of realization of the national strategy of large-scale modernization. New jobs will assure a new quality of economic growth that should include higher productivity and increase revenues to the pension system. Created new jobs will assure in its turn a strategy of regional (sub-national) development of Ukraine, they will also inserted into the system of regional cohesion and will contribute to improve depressive regions of the country.

An initiative to improve social standards is targeted at the most vulnerable population layers and will be presented May 1, 2012. Increasing of payments will be made for those population groups who need an immediate support, like pensioners, disabled since childhood, Second World War, families with children, employees who are injured during work and so on.

