The satisfaction in special needs of the regions is one of the main conditions for successful fiscal decentralization. The coal industry and the coal mines were such particular need for the occupied now Donbass region. After Ukraine gained independence in 1991 the coal industry had exhausted and the former coal mining methods leaded to greatly overstated cost of coal compared with coal sales prices.

So the government had decided apply three ways of solving the problem to avoid creating the potential depressive region and reduce future public expenditures:

1. Restructure and modernize the perspective mines, the remediless mines will close.
2. Carry out the privatization of profitable mines to step up their work.
3. Allocate producer subsidies for compensating the difference between the cost of production and selling coal.

However, the restructuring had carried out unsatisfactorily, because the President and the government spent the first tranches of the World Bank loan for covering budget deficit instead restructuring the coal industry in 1996-1999. So the World bank stopped lending. Therefore, in after years the most part of the coal mines just had closed, many cities in the Donbass region left without the main source of revenue, and their inhabitants lost their jobs. The threat high unemployment is typical for the Donbass region, especially in the small towns set near the former coal mines.

The substantial privatization of the coal mines had occurred only in the 2000s. The
concession agreements with regards to the coal mines had been using more often prior to that. The tenants and the owners of the coal mines had been displaying big losses in the coal mines activity reports for getting more and more producer subsidies from central budget for compensation the low selling price of mined brown coal. The Figure 1 shows the dynamics of these producer subsidies. It should be noted the reduction of the coal mines number and simultaneously increasing of public expenditures on their maintenance recently until period of the Donbass occupation.

![Figure 1. EXPENDITURES AT PRODUCER SUBSIDIES FOR THE COAL MINES, % of GDP](image1)

The central budget expenses at supporting the coal industry fell sharply since 2014. Ukraine have able controlled only 35 of the 95 remaining coal mines during last year.

Figure 2 detailed the amount of central budget expenditures for the coal industry by the context of budget programs. Such detailisation of

Видатки державного бюджету на підтримку вугільної промисловості різко скоротилися починачи із 2014 року. Держава Україна у 2015 році могла контролювати лише 35 із тих 95-ти своїх шахт, що залишилися.
the state budget expenditures became possible in 2002 after the implementation of a performance budgeting in Ukraine.

На рис. 2 показані видатки державного бюджету на вугільну промисловість, згруповані за змістом бюджетних програм.

Tака деталізація стала можливою після запровадження програмно-цільового методу бюджетування у 2002 році, функціональна класифікація не дає змоги виокремити і проаналізувати ці видатки так детально.

Отже, під час політики фіскальної децентралізації уряд повинен особливо увагу приділити уникненню ситуацій неефективної залежності регіону від видатків центрального бюджету.

Перелік використаних джерел:

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