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**MUNICIPAL FINANCE STRENGTHENING
INITIATIVE (MFSI-II) ROLL-OUT**

**BUDGET MONITORING:
ANALYSIS OF BUDGET EXECUTION
IN JANUARY-JUNE 2012**

BUDGET MONITORING:

Analysis of Budget Execution
in January-June 2012

This publication is prepared by the Institute for Budgetary and Socio-Economic Research (IBSER) as part of the Municipal Finance Strengthening Initiative Project Roll-out (MFSI-II) implemented with support of the American people provided through the United States Agency for International Development (USAID).

**BUDGET MONITORING:
ANALYSIS OF BUDGET EXECUTION BOOK SERIES**

The series is published by the Institute for Budgetary and Socio-Economic Research (IBSER) as part of the Municipal Finance Strengthening Initiative Project Roll-out (MFSI-II) implemented with support of the American people provided through the United States Agency for International Development (USAID).

The main goal of the project is improving the effectiveness and transparency of using the budget funds via implementation of the Performance Program Budgeting method of formation and execution of local budgets, as well as assisting the cities in implementing an efficient system for monitoring their energy expenditures.

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**Budget Monitoring:
Analysis of Budget Execution in January-June 2012**

This publication has been prepared and arranged by the following IBSER experts:

I.F.Shcherbyna, Director General

V.V.Zubenko, Deputy Director General/Director of PPB and Training Programs

A.Yu.Rudyk, Director, Department of Tax Policy and Monitoring

I.V.Samchynska, Director, Department of Financial Policy

T.A.Shapoval, Director, Department of Budgeting Methodology

A.I.Korniyenko, Deputy Director, Department of PPB and Trainings Programs

O.I.Churkina, Deputy Director, Department of Financial Policy

M.S.Svyeshnikova, Banking Consultant

A.V.Hryn', Senior Economy Consultant

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EXECUTIVE SUMMARY

Presented herein is *Budget Monitoring: Analysis of Budget Execution*, a periodical publication prepared by the Institute for Budgetary and Socio-Economic Research (IBSER) as part of the implementation of the Municipal Finance Strengthening Initiative Project Roll-out (MFSI-II) supported by the United States Agency for International Development (USAID).

The Monitoring materials are based on official reports of the State Treasury Service of Ukraine, information of the State Statistics Service of Ukraine, and data of the Ministry of Finance of Ukraine, Ministry of Economic Development and Trade of Ukraine, and the Budget Committee of the Verkhovna Rada of Ukraine, as well as on data from other official sources.

As usual, the publication provides a brief review of changes in the legislative framework and describes key macroeconomic indicators. A detailed analysis is provided of the results of the execution of the consolidated, State and local budgets, which enables one to determine the impact of the fiscal decisions made. Special focus is put on evaluating the performance of local budgets, as they are the key financial mechanism for providing social services and guarantees to the populace.

As in the first quarter of this year, **the macroeconomic situation** in January through June as a whole was characterized by slower economic growth under the influence of low external demand. This occurred against a background of reduced consumer inflation, which rose 0.1% compared to 5.9% last year, and 15.5% in the pre-crisis period of 2008.

Real GDP growth amounted to 3.0% versus 3.9% last year. Metallurgical industry output decreased only marginally (by 1.5%). However, as this export-oriented industry accounts for nearly 20.0% of all sales of goods, this has reflected on the worsening of the aggregate industry figures.

In April through June 2012, the consumer and producer price indices grew at the slowest rate in the last five years. Due to this, real wages grew at a faster pace than last year – by 15.6% (by 8.1% in 2011). Also, retail trade turnover increased by 16.9%, which illustrates the continued recovery of domestic consumer demand.

The amount of personal deposits with banks grew, (national currency deposits were 1.7 times greater than foreign-currency deposits), as well as corporate deposits in general. At the same time, corporate deposits in the national currency decreased. The total lending decreased by a marginal 3.7%, mainly thanks to financial corporations, where crediting amounts increased by 41.4%.

The Ukrainian hryvnya remained relatively stable against the U.S. dollar, and the exchange rate was maintained at UAH 7.99 to USD 1.00. Following a gradual decline in the value of the national currency against the euro in February-April against January, the exchange rate decreased again in May-June¹. The official exchange rate of the hryvnya against the euro amounted to UAH 10.36 to EUR1.00 on average in the period under review.

The actual intake of **consolidated and State budget revenues** was characterized by a slower growth of key tax revenues in the first half of 2012 compared to last year. Also, growth rates fell the most for the enterprise profit tax, which grew 11.9% in the period under review against 50.4% in the first half of 2011, and VAT with 13.6% vs. 27.9%.

This notwithstanding, consolidated budget revenues increased by 17.4% to UAH 208.8bn. State budget revenues (without intergovernmental transfers) were up 17.5% and reached UAH 162.3bn.

¹ www.bank.gov.ua

Structural changes occurred due to the slowing in the growth rate of the enterprise profit tax and value-added tax in the structure of budget revenues, as the shares of these taxes decreased by 0.7ppt and 1.1ppt, respectively. The proportions of the remaining tax sources changed only marginally.

The level of revenue from the enterprise profit tax was influenced by the lowering of the tax rate by 2ppt, from 23% to 21%. Also, private sector companies remain the main payers of this tax, having contributed nearly 2/3 of the total amount remitted to the budget.

The execution of the annual VAT collection plan shows that the amounts of budget refunds have stabilized, and that the level of refunds has started to depend on the change in monthly revenues from domestic VAT. At the same time, the revenue plan for this tax was executed at a rather low 41.5%, which augurs a difficult situation with fulfilling the annual plan.

Revenue grew the most in the first half of 2012 for taxes on foreign trade and external transactions, which were up UAH 1.5bn or 31.4% year-on-year. This growth mainly resulted from smuggling control efforts, as growth in the foreign trade volume in the first half of 2012 compared to the same period of last year was insufficient to explain such a growth in revenues from this category of taxes.

Another set of excise tax rate hikes in 2012 was the main driver behind the increase in revenues from this tax. In particular, taxes on alcohol, tobacco products, and motor fuel rose by 8.9%. This has yielded a 22.8% or UAH 3.3bn growth of revenues from this source compared to last year.

The revenues of local budgets increased by 16.3% and reached UAH 96.0bn. The share of intergovernmental transfers in the overall structure of local budget revenues remained virtually at last year's level and amounted to 51.6% vs. 51.8% in the first half of 2011.

At the same time, some increase of tax revenues is noted in the revenue structure, which is mainly due to higher revenues from personal income tax and the fee for the special use of natural resources.

Also, the revenues of local development budgets increased to UAH 4.8bn or by 8.3%. These revenues have benefited from the inclusion of the single tax, which amounted to 40.0% of all development budget revenues.

The payment for land remains an important source of revenues for local budgets (UAH 5.9bn). This payment trended upward even during the financial and economic crisis thanks to rate increases. For some years before 2011, these funds were the main stable revenue sources in the structure of fees for the special use of natural resources. Since 2011 and into the first half of 2012, however, charges for the special use of water and fees for the use of subsoil resources have proven a stable source of revenue for local budgets. This growth was caused by the expansion of the number of payers and the raising of the tax rates according to the Tax Code.

The level of execution of **consolidated budget expenditures** decreased slightly (by 0.2ppt) compared to January-June 2011 and amounted to 43.9%.

The rate of growth of consolidated budget expenditures increased by nearly 6.0ppt and amounted to 15.6% year-on-year. This year, however, they exceeded the GDP growth rate, which decreased substantially compared to last year. Therefore, the share of consolidated budget expenditures in GDP increased to 33.4% or by 1.1ppt.

A trend continues of increasing the share of local budget expenditures in the expenditures of the consolidated budget. It grew by 1.6ppt this year against the 2011 figure and amounted to 45.4%, which is its highest share since 2005.

State budget expenditures totaled UAH 168.1bn, which amounts to 42.1% of the annual target.

The best-funded expenditures were those for transport (27.3% of the annual plan, which is 9.3ppt more than last year), intergovernmental transfers (23.8%), education and social protection and social security (23.6% each). As usual, the lowest levels of funding were noted in expenditures for housing and communal services. In the first half of this year, spending for these purposes totaled UAH 53.8mn or 7.4% of the annual plan.

The top State policy priorities in the context of increasing State budget expenditures compared to last year (60.2% of the total increase) included intergovernmental transfers (30.7% of all increases); public order, security, and judiciary (8.2%); social protection of other categories of the populace and the road network (7.3% each); and higher education (6.8%).

Local budget expenditures grew by 18.9% and totaled UAH 99.0bn. The level of execution approved by local councils amounted to 47.9% of the annual plan. As usual, the majority of local budget expenditures were allocated for society and culture. At the same time, expenditures increased for economic activity (by 31.4%) and decreased for the housing and communal services sector (by 7.0%) in the first half of 2012.

The monthly trend of local budget expenditures was similar to last year's. However, rather substantial year-on-year increases in the amounts of local budget expenditures were recorded in February and March 2012.

In the economic structure of expenditures, those for payroll with taxes grew by 0.8ppt to 49.2% in the first half of 2012. As usual, this is the largest of all local budget expenditures. Also, the expenditures for the payment of communal services and energy increased by 32.6%. This was a 0.9ppt increase, which raised their share of all local budget expenditures to 8.6%. Capital expenditures of local budgets increased by UAH 902.7mn or by 20.5% to UAH 5.3bn.

The State budget deficit totaled UAH 6.7bn, which amounts to 26.7% of the ceiling set by the Law on the 2012 State Budget of Ukraine. The State budget deficit decreased by UAH 4.2bn or by 38.8% year-on-year.

State budget borrowing totaled UAH 50.3bn (51.5% of the annual plan). Internal borrowing accounted for UAH 48.7bn and external borrowing, UAH 1.6bn. **State debt repayment** totaled UAH 32.9bn, which amounts to 49.9% of the annual plan, including UAH 18.5bn in repayments of internal debt, or 53.4% of the annual plan, and external debt of UAH 14.4bn or 46.1%. The excess of borrowing over repayment more than halved compared to last year. This occurred due to a 15.4% decrease in State budget borrowing, with a simultaneous 48.1% increase in the expenditures allocated for State debt repayment.

According to the State Treasury Service, **the amount of loans for covering the temporary cash flow gaps of local budgets** at the expense of the unified treasury account totaled UAH 24.8bn, which is 73.3% more year-on-year. The repayment of these loans totaled UAH 19.4bn compared to UAH 11.4bn in the first half of last year.

The proceeds from the privatization of State property decreased by 53.5% against last year and totaled UAH 5.1bn or 50.9% of the annual plan. The funds came mainly from the sale of blocks of shares of six Ukrainian electric power and heat generation companies, namely PAT Zakhidenergo, PAT Donetskoblenenergo, PAT EK Chernivtsioblenergo, PAT Vinnytsyaoblenergo, PAT Zakarpattiaoblenergo, and PAT Dniproenergo.

The balance of budget funds totaled UAH 48.5bn at the end of June 2012, having increased by UAH 9.5bn since the beginning of the year. This balance was 18.9% lower compared to the same period of last year.

SECTION 1. REVIEW OF NORMATIVE-LEGAL FRAMEWORK ON BUDGET FOR APRIL-AUGUST 2012

1.1. STATE BUDGET REVENUES

LAW OF UKRAINE OF 5 JULY 2012, NO. 5091

The Law of Ukraine “On Amending Section XX ‘Transitional Provisions’ of the Tax Code of Ukraine Regarding Special Features of Taxation for Software Industry Entities» dated 5 July 2012, No. 5091 provides preferences of a fiscal nature to stimulate the growth of software product development in Ukraine.

Among other things, the Law creates a VAT exemption and reduces the profit tax rate to 5% on deliveries of software products. Notably, to claim the above preferences, an economic agent will have to meet the following criteria: the share of income from economic activities in the IT sector must account for not less than 70% of income from all types of economic activities in sale of goods (provision of services); the original value of capital assets and/or intangible assets should exceed the amount of 50 minimum wages set by law as of 1 January of the reporting year; the absence of any tax debts, etc.

To claim the benefits, the economic agent will have to submit the appropriate application to the State Tax Service office.

As the Law provides preferences for paying income tax and VAT only, these preferences will mainly benefit large IT companies.

The Law was enacted as of 3 August 2012.

LAW OF UKRAINE OF 30 JULY 2012, NO. 5193

The Law of Ukraine “On Ratification of the Agreement on a Free-Trade Zone» dated 30 July 2012, No. 5193 established Ukraine’s joining a free-trade zone with the Republic of Azerbaijan, Republic of Armenia, Republic of Belarus, Republic of Kazakhstan, Kyrgyz Republic, Republic of Moldova, Russian Federation, Republic of Tajikistan, Turkmenistan, and Republic of Uzbekistan.

The Agreement lifts duties and other equivalent fees on exports of goods intended for the customs territory of another party of the Agreement. At the same time, Annex 1 to the Agreement contains a number of exceptions, such as oil and gas, which are the main Ukrainian imports from Russia.

As CIS member-countries account for 40% of Ukraine’s foreign trade, implementation of the Agreement should have a positive impact on the Ukrainian economy. Thus, according to estimates from the Cabinet of Ministers GDP is expected to grow by 2.5% or about UAH 37.5bn, and the additional growth of State budget revenues could reach about UAH 9.4bn per year.

The Agreement came into force as of 23 September 2012.

1.2. STATE BUDGET EXPENDITURES AND THE BUDGET PROCESS

DECREE OF THE CABINET OF MINISTERS OF UKRAINE OF 5 APRIL 2012, NO. 318

The Decree of the Cabinet of Ministers dated 5 April 2012, No. 318 approved the Forecast of the State Budget of Ukraine for the Years 2013-2014.

The Forecast introduces an effective mechanism for managing the budget process as a component of the public finance management system, establishing interrelations between the State's strategic development objectives and budget capacity in the medium term, and ensuring the transparency, predictability, and consistency of the budget policy.

The forecast includes projected figures for the consolidated and State budgets by key types of revenue, financing, expenditures, and crediting, State debt and State-guaranteed debt, interrelations between the State and local budgets, as well as by the budget programs that ensure the implementation of multiyear investment programs and projects.

The Forecast estimates the share of redistribution of the Gross Domestic Product via the consolidated budget at 29.3% in 2013 and 28.2% in 2014.

The share of local budget revenues in the total amount of consolidated budget revenues is expected to grow year-on-year from 1.4ppt in 2013 to 1.7ppt in 2014.

LAW OF UKRAINE OF 12 APRIL 2012, NO. 4647

The Law of Ukraine dated 12 April 2012, No. 4647 "On Amending the Law of Ukraine 'On the State Budget of Ukraine for the Year 2012'" introduced a State budget subvention to local budgets for repaying the debt in the difference in tariffs for the thermal energy and services of centralized water supply and sewerage produced, transported, and supplied to the populace arising due to the mismatch between the actual cost of the energy and services and the end-user tariffs approved by central government bodies or local governments. The law also determined the sources of its financing.

This State budget subvention shall be remitted to local budgets according to the procedure established by the Cabinet of Ministers.

ORDER OF THE MINISTRY OF FINANCE OF UKRAINE OF 6 JUNE 2012, NO. 687

The Order of the Ministry of Finance dated 6 June 2012, No. 687 approved the Instruction on Preparing Budget Requests.

The Instruction prescribes the mechanism for calculating the indicators of the draft State budget of Ukraine for the two budget periods following the planning period, and sets out the procedures for compiling, considering, and analyzing budget requests.

A budget request shall be prepared for the planning and two subsequent budget periods, taking into account the organizational, financial, and other restrictions communicated by the Ministry of Finance to key spending units on an annual basis.

In particular, when formulating indicators for the planning budget period, the expenditures ceilings or credit provision of the General Fund of the State budget must always be taken into account, and for the two budget periods following the planning period, the forecast indicators of the amounts of expenditures or credit provision of the General Fund of the State budget must be taken into account.

**ORDER OF
THE MINISTRY
OF FINANCE OF
UKRAINE OF
21 JUNE 2012,
NO. 754**

The Order of the Ministry of Finance dated 21 June 2012, No. 754 amended the Instruction for Applying the Economic Classification of Budget Expenditures approved by Order of the Ministry of Finance dated 12 March 2012, No. 333.

In particular, a new version of the Instruction is presented. It shall come into effect as of 1 January 2013, simultaneously with a new economic classification (in the wording of the Ministry of Finance Order of 26 December 2011, No. 1738).

1.3. LOCAL BUDGETS AND INTERBUDGETARY RELATIONS

**ORDERS OF
THE MINISTRY
OF FINANCE OF
UKRAINE DATED
19 APRIL 2012,
NO. 484 AND
DATED 17 JULY
2012, NO. 846**

The Orders of the Ministry of Finance dated 19 April 2012, No. 484, and dated 17 July 2012, No. 846 approved Amendments to the Budget Classification (approved by Order of the Ministry of Finance of 14 January 2011, No.11).

The amendments are made in connection with the adoption of the Laws of Ukraine “On Amending the Law of Ukraine ‘On the State Budget of Ukraine for the Year 2012’” of 12 April 2012, No. 4647, and of 8 June 2012, No. 4961, respectively.

In particular, modifications were made to the Classification of Budget Revenues and the Provisional Classification of Expenditures and Crediting of Local Budgets: new revenue codes have been added (including those for additional grants and subventions), and some classification codes have been presented in a new wording.

**DECREE OF
THE CABINET OF
MINISTERS OF
UKRAINE OF
14 MAY 2012,
NO. 541**

The Decree of the Cabinet of Ministers dated 14 May 2012, No. 541 approved the Procedure of Providing Local Guarantees. The Procedure stipulates that local guarantees shall be provided based on a decision of the Verkhovna Rada of the Autonomous Republic of Crimea or relevant city council. A description is provided of the information that such a decision must contain.

Before signing a decision on providing a local guarantee, the relevant local finance department and the borrower shall enter into an agreement on the repayment of the debt before the Autonomous Republic of Crimea or city’s territorial community for the performance of guarantee obligations.

The procedures were set out for the Ministry of Finance to issue a decision on agreeing to the amount and conditions of providing a local guarantee or issuing a motivated rejection, as well as the deadlines for making such a decision.

It should be noted that according to the current legislation, the agreement by the Ministry of Finance of the amount and conditions of providing a local guarantee is not a State guarantee of the borrower's performance of its obligations related to the provision of the local guarantee or a confirmation of its creditworthiness.

**ORDER OF
THE MINISTRY
OF FINANCE OF
UKRAINE OF
1 JUNE 2012,
NO. 686**

The Order of the Ministry of Finance dated 1 June 2012, No. 668 "On Amending the Order of the Ministry of Finance of Ukraine of 2 March 2012, No. 309" amended the Procedure of Registration and Accounting of the Budget Obligations of Spending Units and Recipients of Budget Funds with Offices of the State Treasury Service of Ukraine.

It is set out specifically that special conditions for the registering and accounting of the budget obligations of spending units of local governments shall be applied when taking on budget obligations under all current expenditures.

It should be noted that the previous version of the Procedure only required this for certain codes of the economic classification of expenditures: 1111 *Payroll*, 1120 *Taxes on Payroll*, 1134 *Payment for Services* (Except Communal Services) with regard to communications services, 1161 *Payment for Heat Supply*, 1162 *Payment for Water Supply and Sewerage*, 1163 *Payment for Electric Power*, 1164 *Payment for Natural Gas*, and 1165 *Payment for Other Communal Services*.

**LAW OF UKRAINE
OF 5 JUNE 2012,
NO. 4875**

The Law of Ukraine dated 5 June 2012, No. 5875 "On Amending Certain Legislative Acts of Ukraine Regarding the Recommended Lists of Structural Units of Local State Administrations" amended the Budget Code of Ukraine, Laws of Ukraine "On Local Self-Government in Ukraine," "On Local State Administrations," and "On the Cabinet of Ministers of Ukraine."

The law's provisions ensure the practical implementation of local State administrations' structural optimization. A Standard Regulation of structural units of a local State Administration and the Recommended List of its structural units shall be approved by the Cabinet of Ministers of Ukraine.

**ORDER OF
THE MINISTRY
OF FINANCE OF
UKRAINE OF
23 AUGUST 2012,
NO. 938**

The Order of the Ministry of Finance dated 23 August 2012, No. 938 approved a new Procedure of Treasury Servicing of Local Budgets.

Accordingly, this has invalidated the Order of the State Treasury of Ukraine dated 4 November 2002, No. 205 "On Approving the Procedure of Treasury Servicing of Local Budgets." Also cancelled is the Order of the Ministry of Finance dated 14 May 2010, No. 263 "On Approving the Procedure of Compiling, Approving, and Submitting the Network of Spending Units of Local Budget Funds of All Levels and Main Requirements Thereto."

The approved Procedure regulates organizational relations between the bodies of the State Treasury Service of Ukraine, financial bodies and/or the Verkhovna Rada of the Autonomous Republic of Crimea, oblast, district, city, city district, rural, and settlement councils or their executive bodies, or the city, settlement, village mayors (where no relevant bodies have been established), taxpayers, spending units of budget funds, and recipients of budget funds in the process of treasury servicing of local budgets by bodies of the Treasury.

The Procedure sets out the supervisory powers of Treasury bodies when applying the Performance Program Budgeting method in the budget process. In particular, it is stipulated that when using the Performance Program Budgeting method in the budget process, the Treasury bodies shall control the correspondence between the budget obligations undertaken and the budget program passport. In addition, where there is no budget program passport approved according to the established order, no payment order for transfer of funds shall be accepted for execution.

SECTION 2. ANALYSIS OF MACROECONOMIC INDICATORS IN JANUARY-JUNE 2012

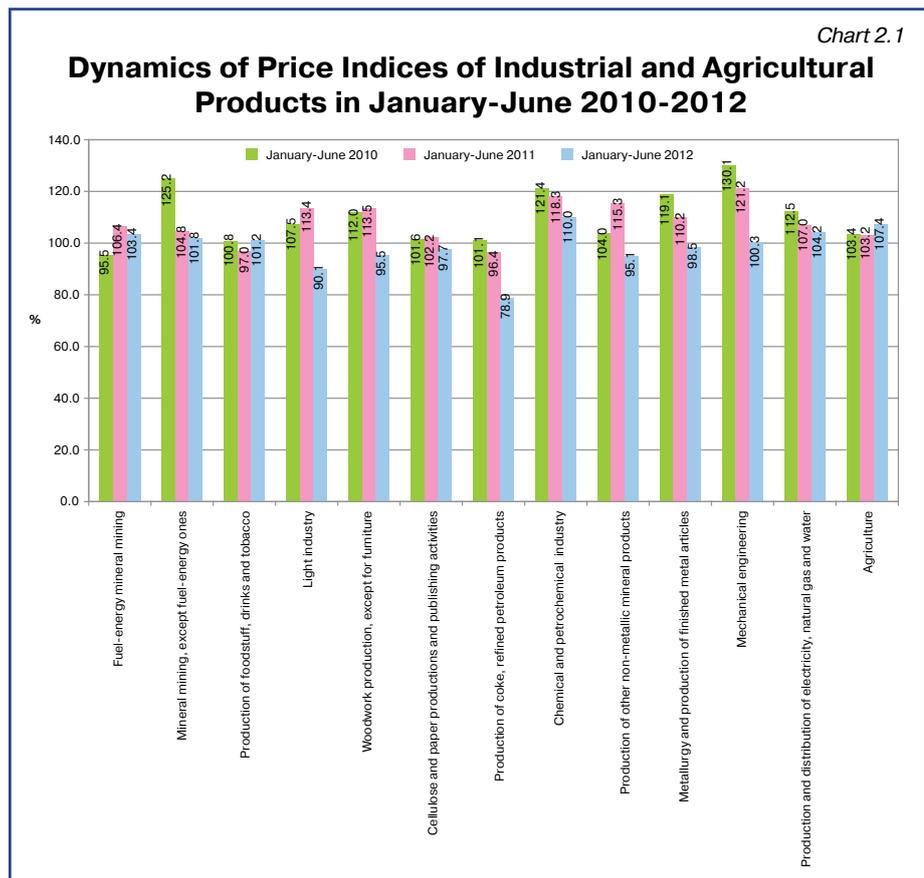
GDP

Nominal GDP totaled UAH 297.0bn, which is UAH 33.4bn or 12.7% more than last year. This growth is 9.1ppt below the 2011 figure and is the lowest in the period of 2009-2012.

The largest shares of gross added value are generated by the sale and service of cars and home appliances (15.6%), taxes on foodstuffs (14.9%), the processing industry (14.5%), and transport and telecommunications activities (10.3%). Agriculture, game preserves, and forestry only provide 4.2%.

Real GDP growth amounted to 3.0% (in constant 2007 prices)² compared to 3.9% last year, and 6.2% in the pre-crisis year 2008.

The price dynamics for industrial and agricultural products is shown in Chart 2.1.



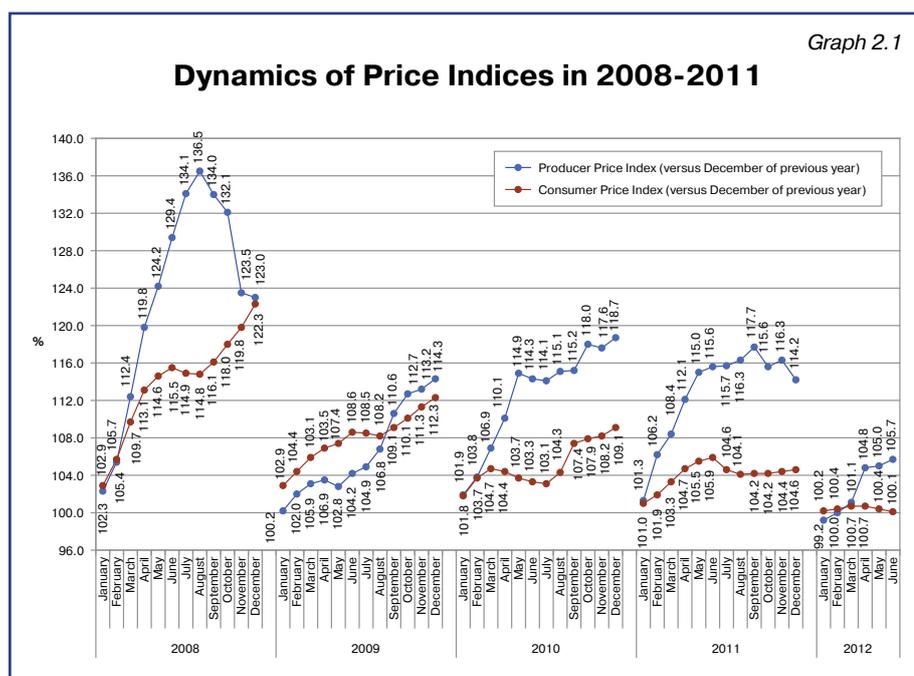
When making a year-on-year comparison of the economy's performance in January-June 2012, note should be made of a decline in industrial output last year for two key industries: the production of food, beverages, and tobacco, and the production of coke and petroleum products. This year, the number of such

industries increased to six. As the result, overall processing industry output decreased mostly due to a light industry decline of nearly 10.0%.

The highest rates of decline in industrial product output were in the production of coke, petroleum products (78.9%) and production of leather, leather goods, and other materials (79.9%), as well as the production of machines and equipment (92.6%). On the whole, the falling trend in the production of coke and petroleum products that emerged in 2009, continues.

CONSUMER PRICE INDICES

The January-June Consumer Price Indices (CPI) increased at the slowest pace in the last five years (see Graph 2.1). As in 2011, according to the statistics, there was some lowering of prices for milk, cheese, and eggs; oil and fat; home appliances; audio equipment and photographic cameras. This list also includes the prices of bread and bakery products; sugar; garments and footwear; transport vehicles, and telecommunications services.



The prices of housing, utilities, and energy showed only a minor increase of an average 0.7%, though this indicator rose 7.2% last year.

PERSONAL INCOME AND SPENDING

Due to the low level of inflation, the growth in real wages was greater year-on-year, rising 15.6% or 7.5ppt more in January through June (see Table 2.1). Retail trade turnover increased accordingly: by 16.0% (which is 0.8ppt more than last year's figure) and reached UAH 355.6bn. This could testify to a continued recovery of domestic consumer demand. However, the greatest driver of the above change was hosting the European Football Championship finals (Euro 2012) in June.

Table 2.1

Nominal and Real Wages by Region of Ukraine in January-June 2010-2012

Name of administrative-territorial unit	Average monthly pay (per one full-time employee), UAH			Nominal wages growth rate, %		Index of real wages (against respective period of last year), %		
	2010	2011	2012	2011 / 2010	2012 / 2011	2010	2011	2012
Autonomous Republic of Crimea	1 866.0	2 158.0	2 521.0	115.6	116.8	107.3	104.2	116.8
Vinnitsya Oblast	1 655.0	1 941.0	2 325.0	117.3	119.8	110.1	110.1	119.7
Volyn Oblast	1 576.0	1 877.0	2 231.0	119.1	118.9	112.7	109.7	118.8
Dnipropetrovsk Oblast	2 234.0	2 670.0	3 048.0	119.5	114.2	111.7	108.8	113.3
Donetsk Oblast	2 386.0	2 925.0	3 384.0	122.6	115.7	110.3	111.1	113.8
Zhytomyr Oblast	1 669.0	1 970.0	2 271.0	118.0	115.3	109.7	107.7	115.3
Zakarpattia Oblast	1 719.0	1 949.0	2 245.0	113.4	115.2	108.4	105.5	114.8
Zaporizhzhya Oblast	2 045.0	2 469.0	2 840.0	120.7	115.0	107.4	109.5	114.0
Ivano-Frankivsk Oblast	1 815.0	2 118.0	2 463.0	116.7	116.3	110.0	107.9	116.7
Kyiv Oblast	2 143.0	2 592.0	3 035.0	121.0	117.1	106.7	112.7	115.6
Kirovohrad Oblast	1 713.0	1 980.0	2 326.0	115.6	117.5	111.2	106.1	117.5
Luhansk Oblast	2 121.0	2 590.0	2 965.0	122.1	114.5	111.4	109.7	112.7
Lviv Oblast	1 822.0	2 124.0	2 479.0	116.6	116.7	106.8	106.5	114.6
Mykolaiv Oblast	2 023.0	2 326.0	2 717.0	115.0	116.8	107.3	104.0	116.9
Odesa Oblast	1 943.0	2 269.0	2 618.0	116.8	115.4	107.5	105.4	114.4
Poltava Oblast	1 966.0	2 331.0	2 729.0	118.6	117.1	112.1	108.6	116.7
Rivne Oblast	1 832.0	2 084.0	2 487.0	113.8	119.3	112.9	104.4	119.9
Sumy Oblast	1 758.0	2 062.0	2 396.0	117.3	116.2	107.4	108.2	115.4
Ternopil Oblast	1 551.0	1 767.0	2 109.0	113.9	119.4	109.6	104.2	118.7
Kharkiv Oblast	1 941.0	2 267.0	2 633.0	116.8	116.1	106.7	107.5	114.8
Kherson Oblast	1 631.0	1 861.0	2 184.0	114.1	117.4	106.5	103.1	116.8
Khmelnyskyi Oblast	1 675.0	1 949.0	2 316.0	116.4	118.8	110.3	106.4	117.5
Cherkasy Oblast	1 751.0	2 028.0	2 414.0	115.8	119.0	112.0	107.6	117.4
Chernivtsi Oblast	1 665.0	1 865.0	2 223.0	112.0	119.2	111.0	104.0	119.8
Chernihiv Oblast	1 609.0	1 872.0	2 216.0	116.3	118.4	109.3	105.1	119.0
City of Kyiv	3 249.0	3 797.0	4 452.0	116.9	117.3	103.4	105.4	114.5
City of Sevastopol	2 047.0	2 358.0	2 780.0	115.2	117.9	105.3	102.3	114.6
Ukraine	2 108.0	2 494.0	2 917.0	118.3	117.0	108.6	108.1	115.6

PRODUCER PRICE INDICES

The situation regarding the **Producer Price Index (PPI)** is similar to that of CPI (see Graph 2.1). Year-to-date, producer prices increased by 5.7% vs. 29.4% in the pre-crisis year of 2008, and 15.6% last year.

The largest drop in prices was noted in the extraction of minerals (except fuel and energy minerals) – by 12.4%. At the same time, PPI increased the most (by 33.0%) for this group in 2011. Still, PPI in the metals and finished metal products industry remained nearly unchanged and only amounted to 2.0% compared to 12.6% last year, and 56.5% in the pre-crisis period of 2008. This, among other things, is linked to a decline in demand for metals on the global market.

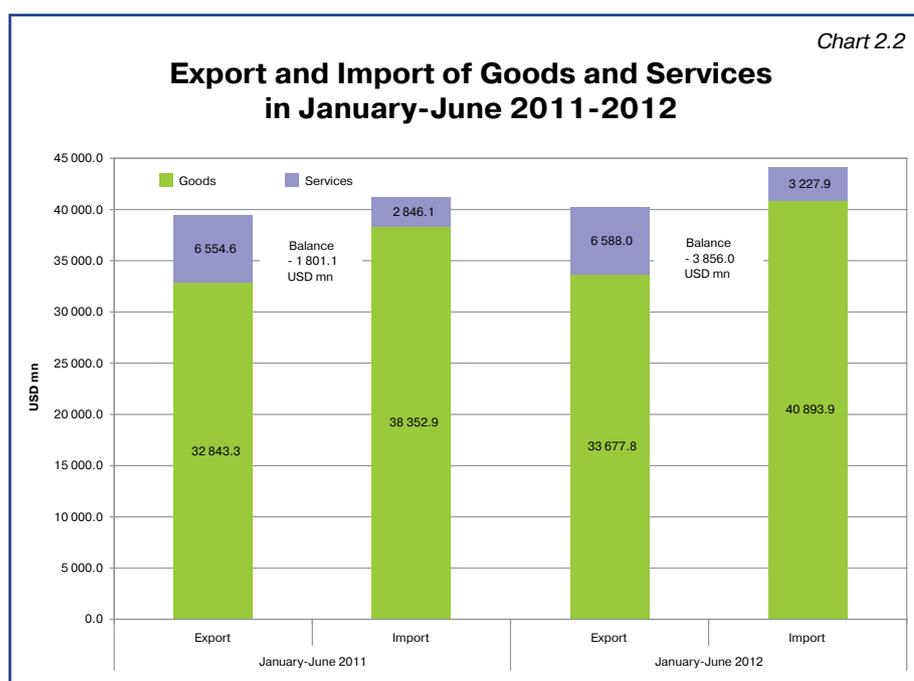
FOREIGN TRADE

The **export of ferrous metals** decreased by 5.8%, though this category had the largest share of total exports at 24.8% in January-June 2012. Incidentally, this is the lowest level in recent years. To compare, export of ferrous metals increased by 31.7% last year,

by 55.6% in 2010, and by 57.0% in 2008. The share of these metals in total exports averaged 32.7% in these periods. The post-crisis year 2009 was the exception from this trend, when the export of ferrous metals decreased by 62.7%. Even so, given the general fall in exports in 2009, the share of these metals was 1.8ppt greater than in 2012.

The negative foreign trade balance of Ukraine increased 2.1 times year-on-year (see Chart 2.2) and reached -\$3.9bn. At the same time, this indicator improved by nearly halving compared to the pre-crisis year 2008. This is explained by the positive fact that exports have grown by 5.3% compared to 2008, while imports have decreased by 2.9%.

Among other factors, the above was achieved thanks to a significant boost in the export of grains: 2.1 times compared to last year, and 3.1 times compared to 2008. Thanks to this growth, the share of exports of this product increased by 4.8ppt compared to 2011 and by 6.2ppt compared to 2008, and amounted to 9.3% of the total export of goods.

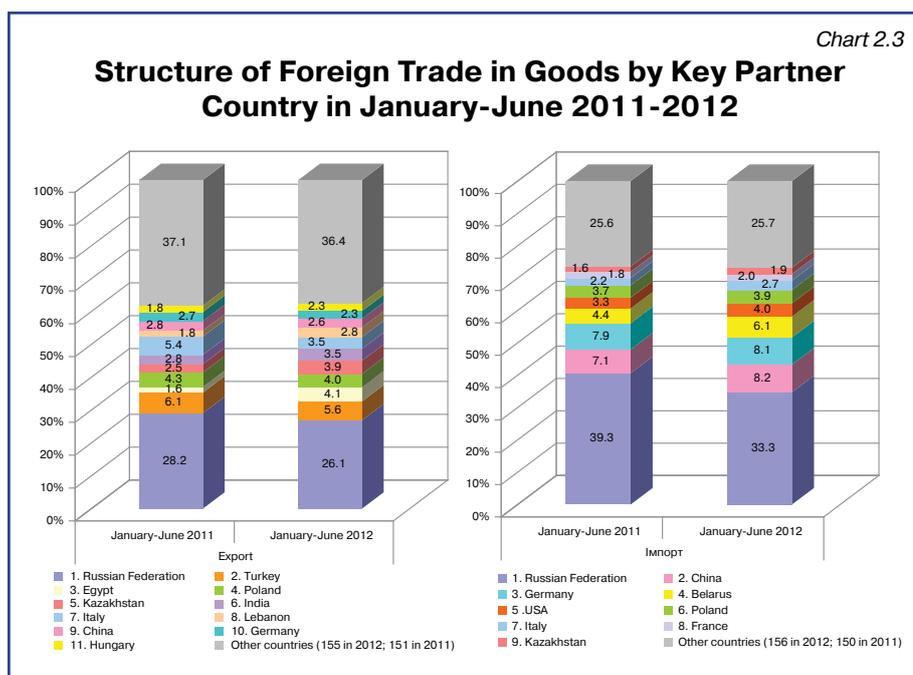


On the whole, the export of Ukrainian goods increased by 2.7% against the respective 2011 figure and totaled \$33.7bn. The factor of exports' coverage of imports worsened somewhat. It amounted to 0.824 against 0.856 last year. The share of base metals and products decreased by 4.1ppt and amounted to 30.3% of total exports. This is approximately the same as the agricultural produce and machine-building and chemical products.

The import of goods into Ukraine totaled \$40.9bn, which is 6.6% more than the respective figure of last year (see Chart 2.2). As before, the main groups of imported goods included energy

resources, machines and equipment, transport vehicles, chemicals, plastics, and rubber. They accounted for nearly three-fourths of total imports.

The Russian Federation (26.1%), Turkey (5.6%), Egypt (4.1%), Poland (4.0%), and Kazakhstan (3.9%) were the main recipients of Ukrainian products (see Chart 2.3). The shares of trade with Egypt and Kazakhstan grew significantly against last year, while the share of trade with Italy decreased substantially.



On the whole, as seen from Chart 2.3, the twelve key countries importing Ukrainian goods, have increased their consumption levels faster compared to other countries, the number of which increased by four.

There are 11 main suppliers of goods to Ukraine, and they accounted for 74.3% of all imports. At the same time, the 12 main countries that received Ukraine's exports account for 63.6% of total exports. In general, three countries account for nearly half of imports. The Russian Federation accounts for 33.3%, even though its share decreased by 6.0ppt compared to last year. This was influenced, in particular, by a reduction in imports of mineral fuels, including gas, by 22.4%. China accounted for 8.2% and Germany, 8.1%.

SECTION 3. ANALYSIS OF BUDGET INDICATORS IN JANUARY-JUNE 2012

3.1. INTAKE OF REVENUES OF CONSOLIDATED AND STATE BUDGETS IN JANUARY-JUNE 2012

CONSOLIDATED AND STATE BUDGET REVENUES The actual intake of consolidated budget revenues totaled UAH 208.8bn in January-June 2012, which is UAH 31.0bn or 17.4% more year-on-year (see Table 3.1.1).

Table 3.1.1

Consolidated, State, and Local Budget Revenues in January-June 2009-2012

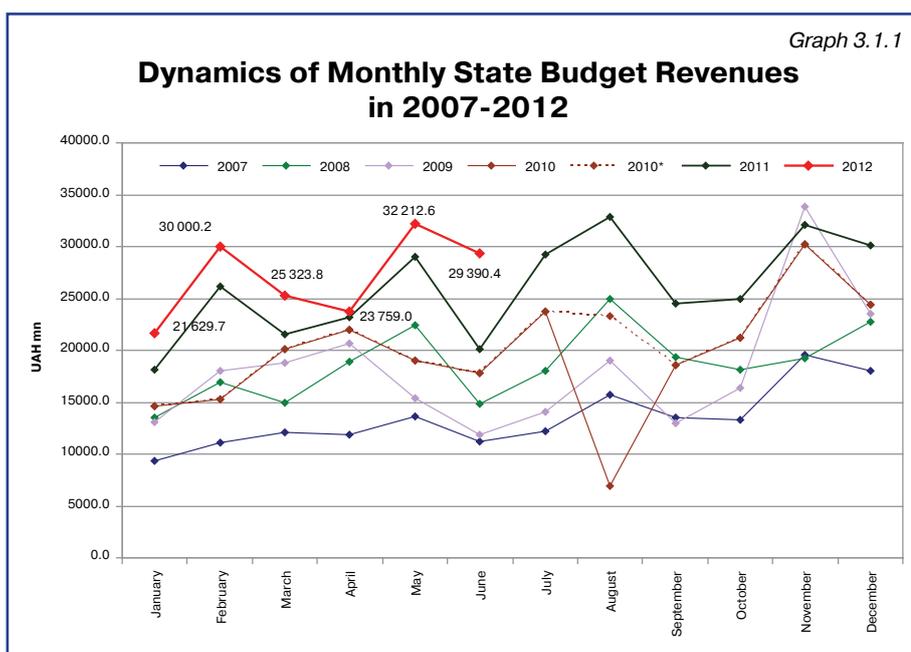
Indicators	2009	2010	2011	2012	2012 vs. 2011	
					Absolute growth, UAH bn	Growth rate, %
Consolidated budget, UAH bn, including:	131.1	145.3	177.9	208.8	31.0	17.4
General Fund	96.9	117.6	152.7	178.7	26.0	17.0
Special Fund	34.2	27.7	25.2	30.1	5.0	19.9
State budget (without intergovernmental transfers), UAH bn, including:	97.7	108.9	138.1	162.3	24.2	17.5
<i>share in the consolidated budget revenues, %</i>	<i>74.5</i>	<i>74.9</i>	<i>77.7</i>	<i>77.7</i>	<i>x</i>	<i>x</i>
General Fund	68.6	86.8	119.7	140.7	21.0	17.5
Special Fund	29.1	22.1	18.4	21.6	3.2	17.4
Local budgets (without intergovernmental transfers), UAH bn, including:	33.4	36.4	39.8	46.5	6.7	16.8
<i>share in the consolidated budget revenues, %</i>	<i>25.5</i>	<i>25.1</i>	<i>22.3</i>	<i>22.3</i>	<i>x</i>	<i>x</i>
General Fund	28.3	30.8	33.0	38.0	5.0	15.1
Special Fund	5.1	5.6	6.8	8.5	1.7	25.0

The actual intake of State budget revenues with intergovernmental transfers totaled UAH 162.9bn, which is UAH 23.6bn or 16.9% more year-on-year.

The actual intake of State budget revenues without intergovernmental transfers totaled UAH 162.3bn, which is UAH 24.2bn or 17.5% more than the respective indicator of last year.

Worth mentioning as a special feature of budget execution in the first half of 2012 is a slowing-down of growth in the key tax revenues compared to last year. In particular, the revenues from the enterprise profit tax increased by 11.9% against 50.4% in the first half of 2011, and those from VAT rose by 13.6% against 27.9%.

The dynamics of monthly State budget revenues in the reporting period is presented in Graph 3.1.1. The revenue peaks in February and May are explained by the deadlines for paying the enterprise profit tax falling on these months.



STRUCTURE OF THE CONSOLIDATED AND STATE BUDGET REVENUES

The share of tax revenues in the overall structure of consolidated budget revenues decreased by 2.0ppt year-on-year due to declines in the share of: value-added tax by 1.1ppt, enterprise profit tax by 0.7ppt, personal income tax by 0.3ppt, and rent and fees for fuel and energy resources by 1.2ppt. The shares of the remaining tax sources experienced only minor changes.

The share of non-tax revenues of the consolidated budget increased by 2.2ppt and amounted to 14.9%. The crediting to the budget of the revenue from the surplus of the gross income over expenditures of the National Bank of Ukraine, which totaled UAH 4.5bn, was the main driver behind this increase in the share of non-tax revenues.

The share of tax revenues in the total structure of State budget revenues decreased by 2.8ppt in the first half of 2012 compared to the same period of 2011. Changes in the structure of State budget revenues are generally similar to the changes in the structure of consolidated budget revenues.

The structure of consolidated and State budget revenues is summarized in Table 3.1.2.

Table 3.1.2

Structure of Consolidated and State Budget Revenues in January-June 2010-2012

(%)

Revenues	Consolidated budget			State budget		
	2010	2011	2012	2010	2011	2012
Tax revenues, including:	77.3	86.4	84.4	69.3	86.8	84.0
– personal income tax	15.9	15.6	15.3	–	–	2.0
– enterprise profit tax	11.8	14.4	13.7	14.5	18.5	17.6
– fee for special use of natural resources, including:	4.1	3.9	4.0	1.2	0.6	0.7
– payment for land	3.1	2.9	2.8	–	–	–
– value-added tax	32.1	33.5	32.4	41.0	43.1	41.7
– excise tax	8.9	8.4	8.8	8.9	10.5	11.0

Revenues	Consolidated budget			State budget		
	2010	2011	2012	2010	2011	2012
– taxes on foreign trade and external transactions	2.5	2.7	3.0	3.3	3.4	3.8
– rent and fees for fuel and energy resources	0.0	6.0	4.8	0.0	7.7	6.2
– other tax revenues	2.0	1.9	2.4	0.4	3.0	1.0
Non-tax revenues, including:	20.6	12.7	14.9	29.9	12.9	15.7
– income from property and business activity	9.3	3.1	5.8	10.8	3.9	7.3
– administrative charges and fees, income from noncommercial and incidental sale	0.9	1.2	1.6	0.8	0.8	1.6
– own revenues of budgetary institutions	7.1	6.8	6.1	10.9	6.3	5.2
– other non-tax revenues	3.3	1.6	1.4	7.4	1.9	1.6
Income from capital transactions	1.1	0.5	0.5	0.4	0.1	0.1
Targeted funds	0.9	0.3	0.2	0.4	0.1	0.1
Other revenues	0.1	0.1	0.0	0.0	0.1	0.1

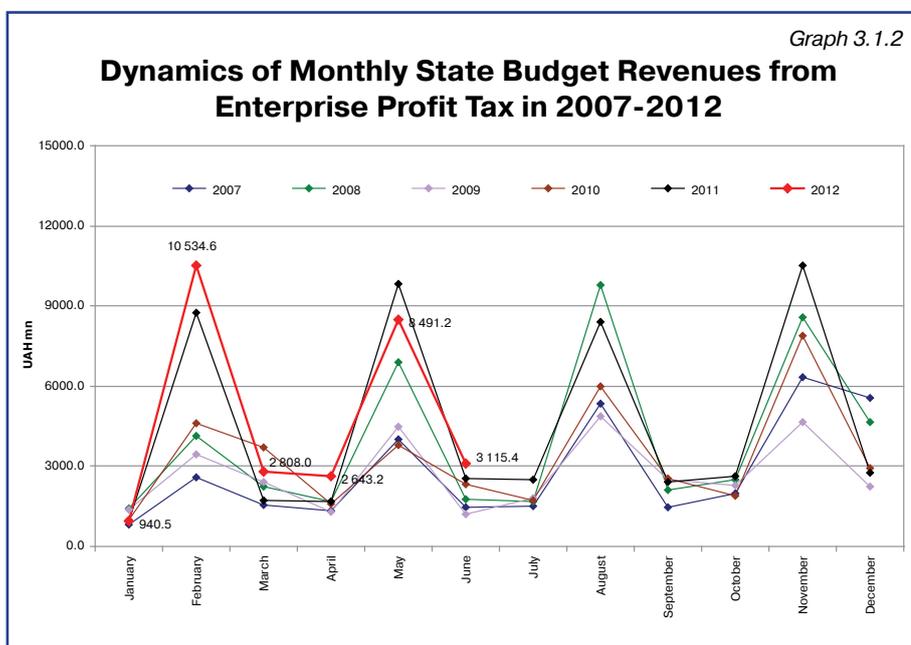
TAX REVENUES OF STATE BUDGET

The State budget received UAH 136.3bn in **tax revenues**, which is UAH 16.5bn or 13.8% more than last year.

ENTERPRISE PROFIT TAX

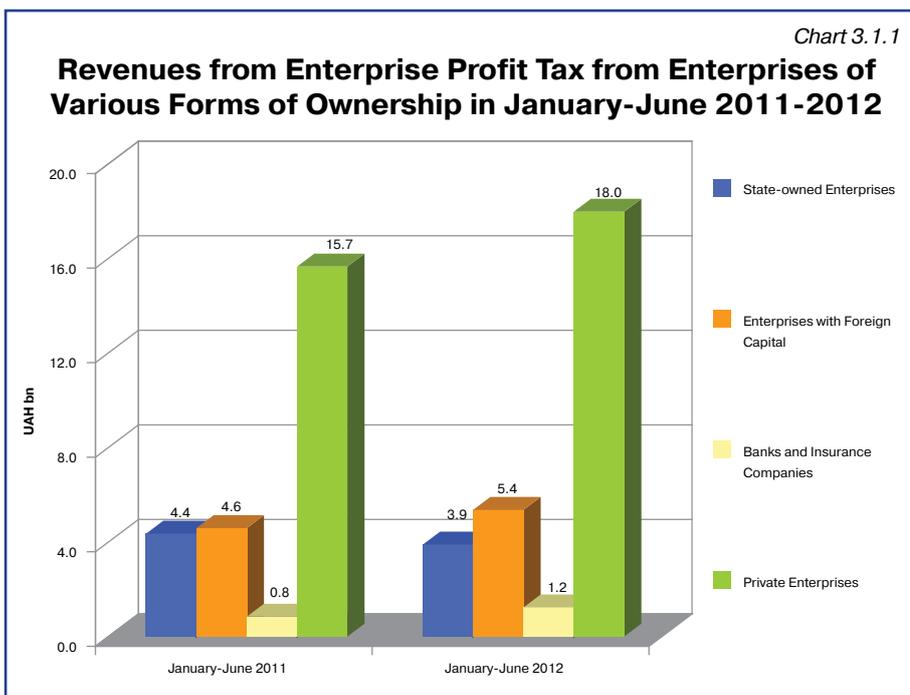
The State budget received UAH 28.5bn in **enterprise profit tax** in the reporting period, which is UAH 3.0bn or 11.9% more year-on-year. This amounts to 49.3% of the annual revenue plan for this tax (as amended).

The monthly dynamics of revenues from this tax in general follows the trends of previous years with revenue peaks in February and May. This is explained by the deadlines for making annual payments of this tax falling on these months (see Graph 3.1.2).



The enterprise profit tax increased in the first half of 2012 thanks to greater receipts of this tax paid by private sector entities by UAH 2.3bn or by 14.8%. At the same time, the revenues from this tax from the public sector decreased by UAH 0.5bn.

This information is summarized in Chart 3.1.1.

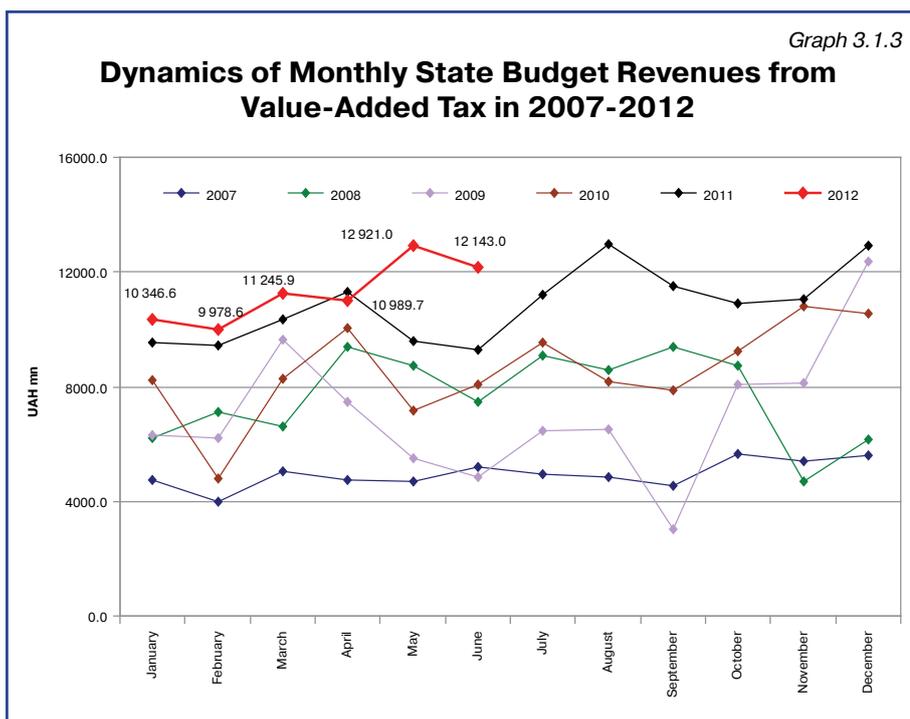


VALUE-ADDED TAX

The State budget received UAH 67.6bn in **value-added tax** in January-June 2012, which is UAH 8.1bn or 13.6% more year-on-year. The revenue from the value-added tax amounted to 41.5% of the annual plan.

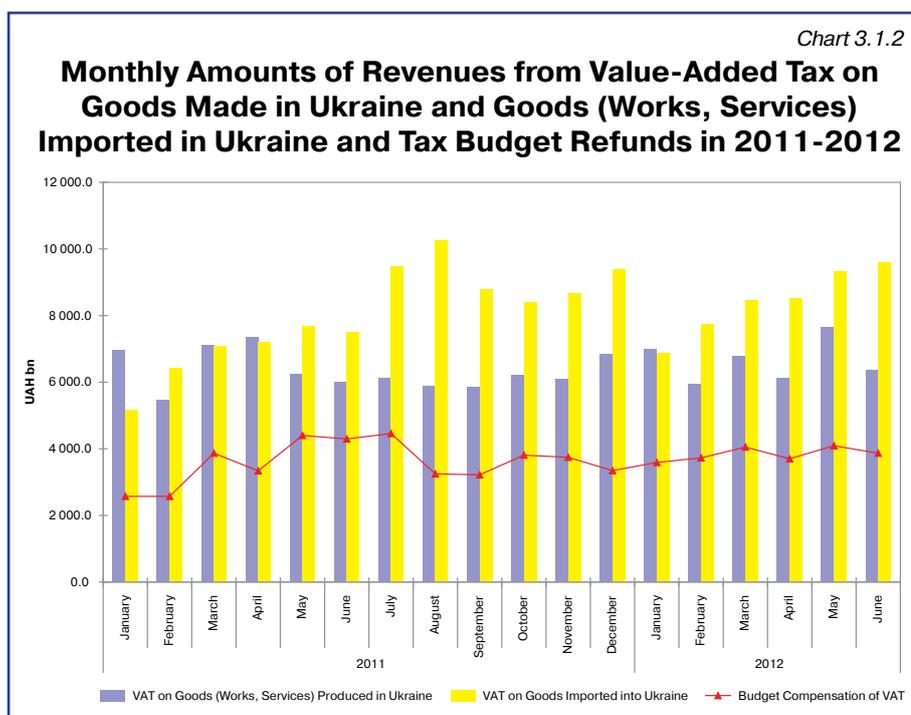
In particular, 43.6% of the target for the value-added tax on goods imported in Ukraine was reached (42.7% in the first half of 2011), and 42.3% of the plan on value-added tax on goods made in Ukraine was met (51.4% in the first half of 2011).

The monthly dynamics of revenue from value-added tax is summarized in Graph 3.1.3.



In the period under review, UAH 23.0bn was refunded from the budget, which is UAH 2.1bn or 17.1% more year-on-year.

Unlike previous years, the amounts of monthly VAT budget refunds stabilized at UAH 3.6bn to UAH 4.1bn. Starting in February, a trend began in that changes in the monthly refund amounts corresponded to changes in internal VAT revenues (see Chart 3.1.2).



TAXES ON FOREIGN TRADE AND EXTERNAL TRANSACTIONS

The State budget received UAH 6.2bn in **taxes on foreign trade and external transactions** in January-June 2012. This is UAH 1.5bn or 31.4% more than in the respective period of last year, and is the highest growth figure among all tax revenues.

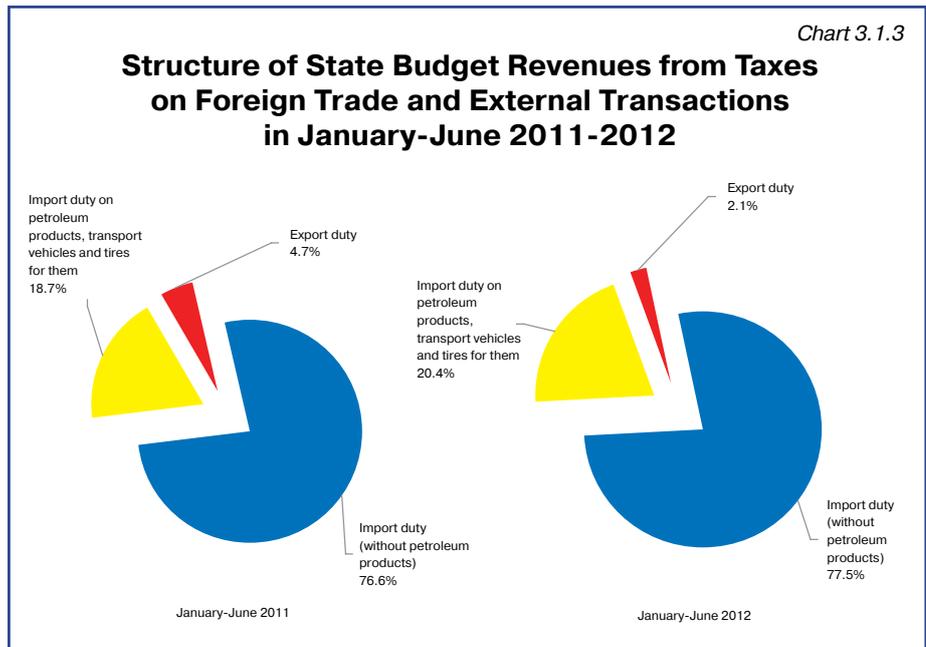
The growth in revenues from taxes on foreign trade resulted from increased smuggling control in February and March of this year, as the volume of foreign trade in the first half of 2012 grew insignificantly year-on-year (imports increased by 6.6%, and exports by 2.7%).

The revenues from taxes on foreign trade and external transactions reached 50.2% of the annual plan during six months of the year. However, the insignificant growth in export and import transactions could lead to a shortfall in the annual plan.

Compared to the same period of last year, the structure of taxes on international trade experienced some changes, viz.:

- the share of revenues from export duty decreased by 2.6ppt;
- the share of revenues from import duty (without petroleum products) decreased by 0.9ppt;
- the share of duty on petroleum products, transport vehicles and tires for them increased by 1.7ppt.

This information is summarized in Chart 3.1.3.

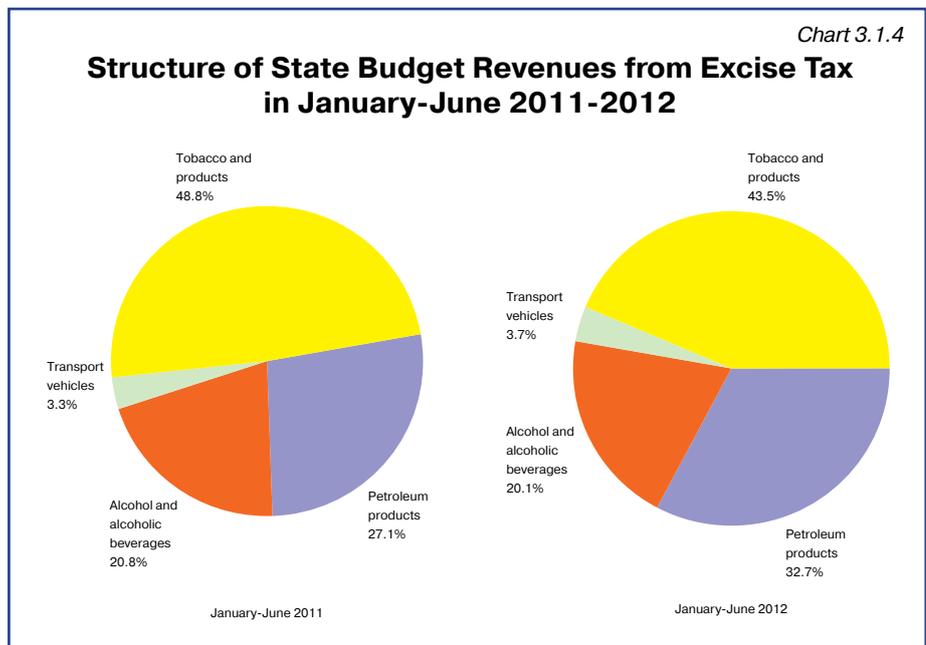


EXCISE TAX

The State budget revenue from the **excise tax** totaled UAH 17.8bn, which is UAH 3.3bn or 22.8% more year-on-year. This equals 42.7% of the annual plan.

The share of revenues from the excise tax on goods made in Ukraine amounted to 74.4% of total excise tax revenues versus 78.7% in 2011.

The structure of excise tax revenues is shown in Chart 3.1.4.



Revenue from the excise tax on petroleum products was the main driver of growth. This revenue increased by UAH 1.9bn in the first half of 2012 or by 48.4% year-on-year. Also, revenues increased from the excise taxes on tobacco and alcohol by UAH 0.7bn and UAH 0.6bn, respectively. This is explained by another rise in excise

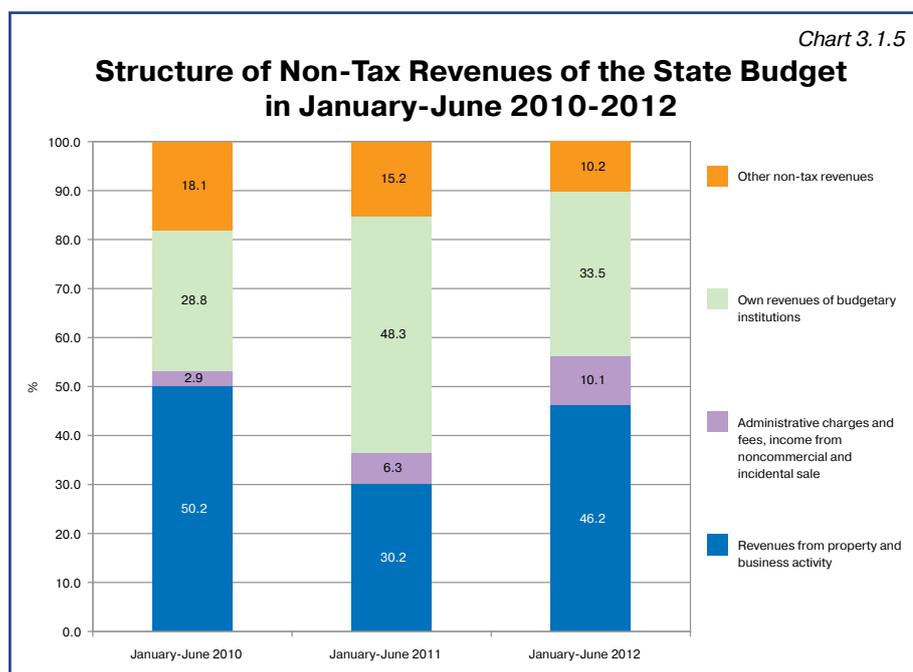
tax rates as of 1 January of this year. In particular, the excise tax rate on ethyl alcohol increased by UAH 3.75 or to UAH 45.87 per 1 liter of 100% alcohol. The excise tax on natural and sparkling wines increased by 19-28 kopecks or to UAH 2.14 – UAH 2.33 per liter. The taxation of non-filter-tipped cigarettes was increased by UAH 3.83 to UAH 46.86 per 1000, and that of filter-tipped cigarettes by UAH 8.56 or to UAH 104.77 per 1000. In general, the excise tax rates on alcohol, tobacco products, and motor fuel increased by 8.9% in 2012.

NON-TAX REVENUES

The amount of **non-tax revenues** totaled UAH 25.5bn, which is UAH 7.7bn or 42.9% more year-on-year. This amount equals 46.2% of the annual target.

The structure of non-tax revenues of the State budget experienced some changes. For instance, there was a significant decline in the shares of non-tax revenues such as own revenues of budgetary institutions (by 14.8ppt) and other non-tax revenues (by 5.0ppt). At the same time, the share of revenues from property and business activity increased (by 16.0ppt), and the share of administrative charges and fees increased by (3.8ppt).

The structure of non-tax revenues is presented in Chart 3.1.5.



INCOME FROM PROPERTY AND BUSINESS ACTIVITY

The State budget received UAH 11.8bn as **income from property and business activity**, which is UAH 6.4bn or more than double the respective figure of last year. The revenues from this source amounted to 40.8% of the annual plan.

The payment by the National Bank of Ukraine of UAH 7.9bn of its 2011 profits, which the NBU remitted to the State budget pursuant to Article 5.1 of the Law of Ukraine “On the National Bank of

Ukraine” was the main factor of increased revenues from property and business activity. All in all, according to the provisions of this Article, NBU will have to transfer UAH 9.6bn in 2012.

OWN REVENUES OF BUDGETARY INSTITUTIONS

The amount of **own revenues of budgetary institutions** totaled UAH 8.6bn, which is the same amount that the State budget received in the first half of 2011.

This amount is 51.0% of the annual plan, versus 37.2% last year.

OTHER NON-TAX REVENUES

The State budget received UAH 2.6bn in **other non-tax revenues**, which is UAH 0.1bn or 4.1% less year-on-year.

The revenues from this source amounted to 37.6% of the annual plan, compared to 39.0% in the same period of 2011.

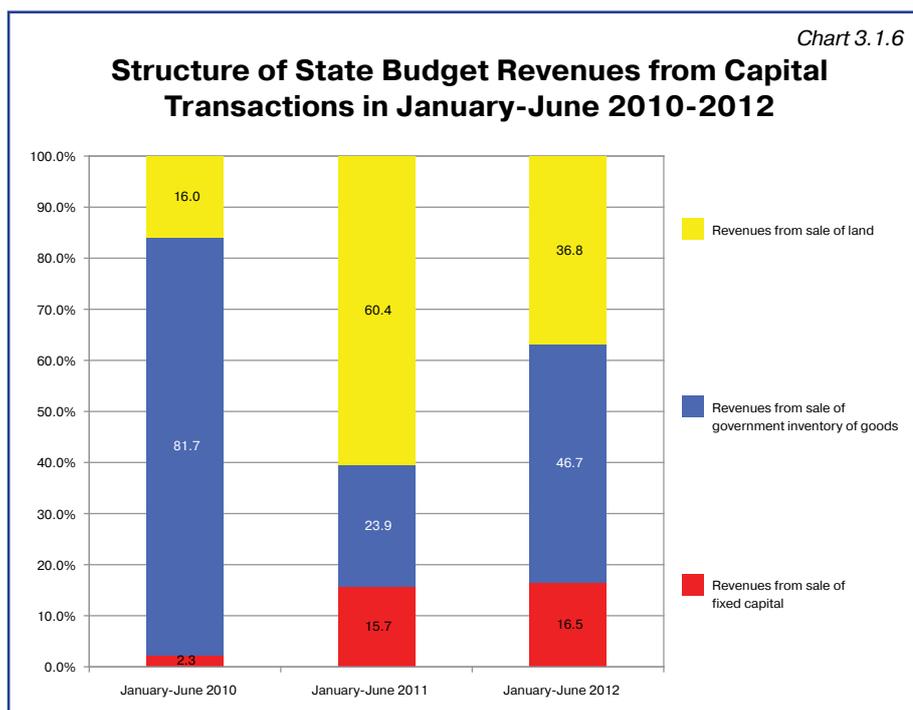
REVENUES FROM CAPITAL TRANSACTIONS

Unlike in 2011 and Q1 2012, when **revenues from capital transactions** declined, revenues from these sources stabilized in the second quarter. Thus, the State budget received UAH 152.5mn in January-June, which is 25.5% more than in 2011.

The revenue from the sale of the State inventory of goods increased 2.5 times in the first half of 2012: from UAH 29.0mn to UAH 71.2mn. At the same time, revenue from the sale of land fell by UAH 17.2mn or by 23.5%.

Accordingly, changes occurred in the structure of revenues from capital transactions: the share of revenue from the sale of the State inventory of goods increased by 22.8ppt, whereas the share of revenue from the sale of land decreased by 23.6ppt.

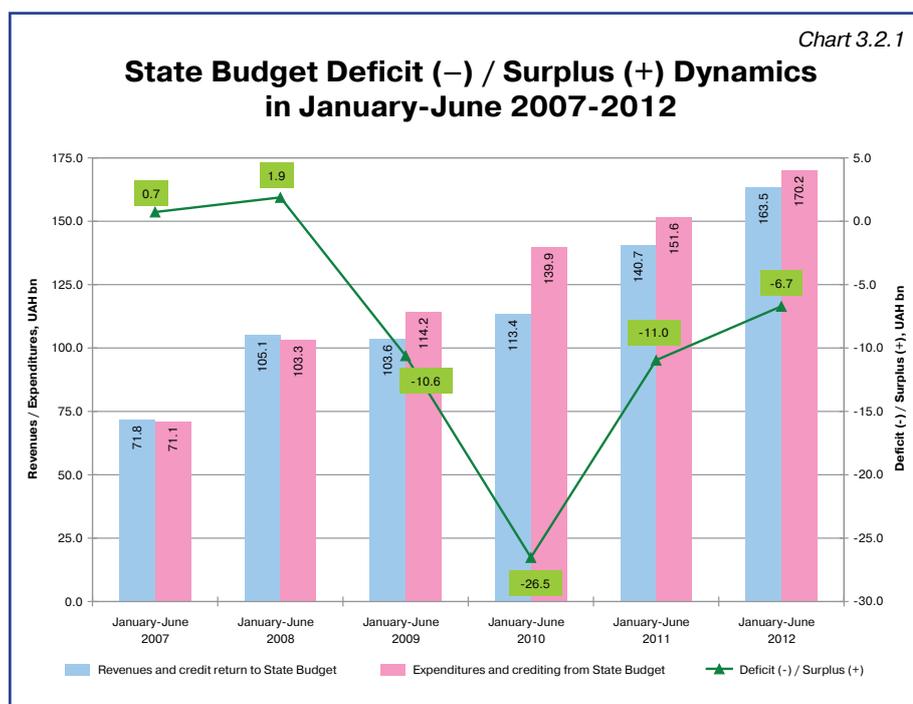
The information on the intake of revenues from capital transactions is summarized in Chart 3.1.6.



3.2. FINANCING OF THE STATE BUDGET AND STATE DEBT IN JANUARY-JUNE 2012

FINANCING OF BUDGET DEFICIT

The State budget deficit totaled UAH 6.7bn in the period under review (see Chart 3.2.1) or 26.7% of the ceiling established by the Law on the State Budget of Ukraine for the Year 2012.



The budget's General Fund deficit totaled UAH 4.7bn or 22.0% of the annual plan, and the Special Fund deficit totaled UAH 2.0bn or 52.6%.

Financing of the State budget for debt transactions totaled UAH 17.5bn, which amounts to 53.6% of the annual plan (see Table 3.2.1). This indicator decreased by UAH 19.8bn or by 53.2% compared to last year. The debt incurred totaled UAH 50.3bn or 51.1% of the annual plan, including 79.9% of the internal borrowing plan and 4.4% of the external borrowing plan. Internal borrowing amounts to 96.8% of total borrowing.

Table 3.2.1

State Budget Financing Indicators in January-June 2008-2012

Indicators	Years	2008	2009	2010	2011	2012		
						Annual plan	Actual	Execution, %
General financing, UAH bn, including:		-1.9	10.6	26.5	11.0	28.1	6.7	23.9
<i>General Fund</i>		1.5	14.1	25.3	9.0	21.2	4.7	22.0
<i>Special Fund</i>		-3.4	-3.5	1.2	2.0	6.9	2.0	29.7
Financing for debt transactions, UAH bn		-0.2	17.8	33.4	37.3	32.6	17.5	53.6
Borrowing, UAH bn, including:		2.1	21.9	46.1	59.5	98.5	50.3	51.1

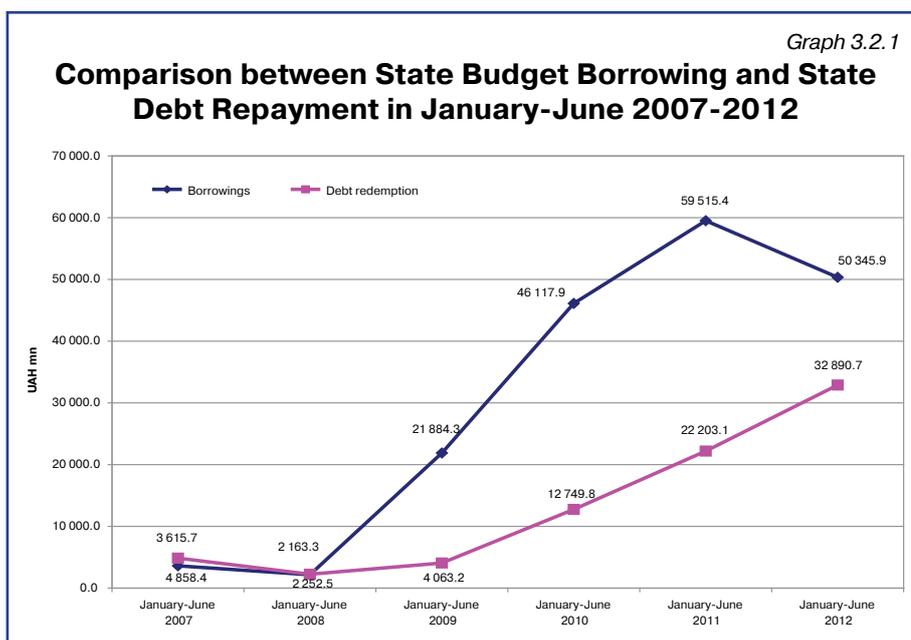
Indicators	Years	2008	2009	2010	2011	2012		
						Annual plan	Actual	Execution, %
– internal borrowing		0.4	9.4	29.9	35.4	61.0	48.7	79.9
<i>share, %</i>		20.0	43.0	64.9	59.4	61.9	96.8	156.3
– external borrowing		1.7	12.5	16.2	24.1	37.5	1.6	4.4
<i>share, %</i>		80.0	57.0	35.1	40.6	38.1	3.2	8.5
Repayment, UAH bn, including:		-2.3	-4.1	-12.7	-22.2	-65.9	-32.9	49.9
– internal obligations		-0.9	-2.0	-10.5	-15.1	-34.7	-18.5	53.4
<i>share, %</i>		41.4	48.4	82.7	67.9	52.6	56.2	106.9
– external obligations		-1.3	-2.1	-2.2	-7.1	-31.2	-14.4	46.1
<i>share, %</i>		58.6	51.6	17.3	32.1	47.4	43.8	92.3
Proceeds from privatization of State property, UAH bn		0.3	0.5	0.2	11.0	10.0	5.1	50.9
Financing for active transactions, UAH bn		-2.0	-7.7	-7.1	-37.3	-14.5	-15.8	109.5

The amount of State budget borrowing decreased by 15.4% compared to the first half of 2011.

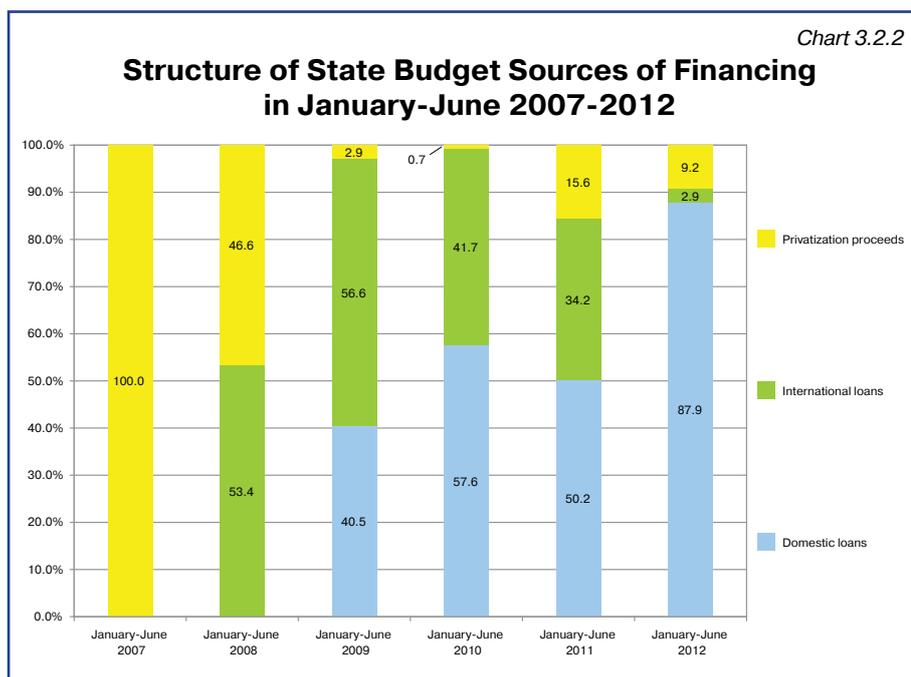
Out of the UAH 50.3bn of borrowing, UAH 1.6bn was borrowed on external markets, and UAH 48.7bn was borrowed on the internal market. The General Fund of the State budget received UAH 48.7bn, including the issue of internal government bonds totaling UAH 6.0bn for replenishing the authorized capital of NJSC Naftogaz of Ukraine.

The funds received from international economic development organizations for the financing of joint projects totaled UAH 1.6bn or 31.8% of the planned annual amount. These proceeds are UAH 147.3mn or 9.9% greater than in the first half of 2011.

Debt repayment totaled UAH 32.9bn, which is 48.1% more than last year's figure (see Graph 3.2.1). This amount equals 49.9% of the annual plan, which is 15.3ppt more year-on-year. The repayment of internal debt totaled UAH 18.5bn or 53.4% of the annual plan, and external debt repayment totaled UAH 14.4bn or 46.1%.



The structure of the sources of financing changed in January-June 2012 compared to previous years (see Chart 3.2.2).



Thus, internal borrowing accounts for the major share of sources in the period under review.

STATE DEBT REPAYMENT AND SERVICING EXPENSES

State debt servicing expenditures totaled UAH 11.6bn or 39.1% of the annual plan, which is 5.4ppt less year-on-year (see Table 3.2.2).

The aggregate expenditures for State debt repayment and servicing totaled UAH 44.5bn or 21.9% of all State budget expenditures.

Table 3.2.2

Budget Expenditures for Repayment and Servicing of State Debt in January-June 2010-2012

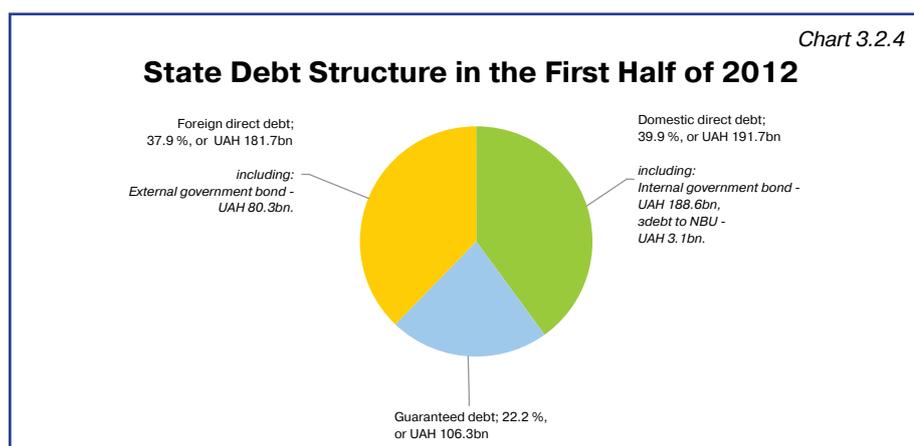
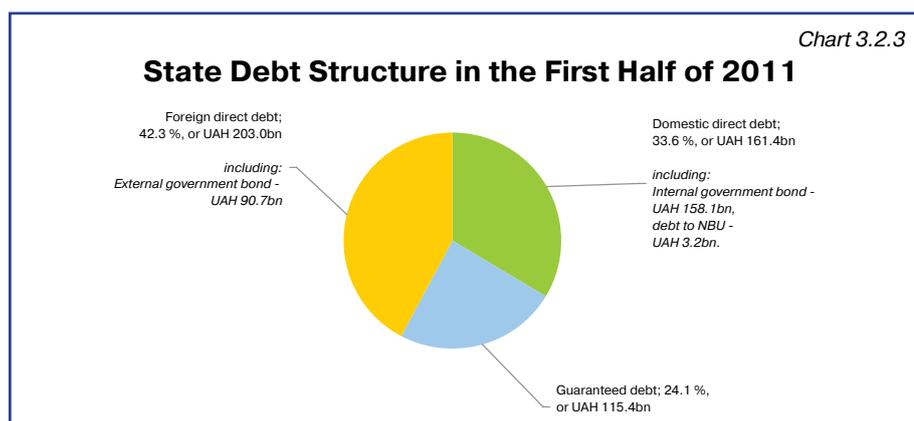
Indicators	2010			2011			2012		
	Annual plan, UAH bn	Actual, UAH bn	Execution, %	Annual plan, UAH bn	Actual, UAH bn	Execution, %	Annual plan, UAH bn	Actual, UAH bn	Execution, %
STATE DEBT PAYMENTS TOTAL, including:	38.0	19.4	51.1	93.3	36.0	38.6	95.5	44.5	46.5
internal debt	27.3	15.4	56.4	60.5	25.6	42.3	...	...	...
external debt	10.7	4.0	37.4	32.8	10.4	31.8	...	...	...
State debt repayment expenditures, including:	23.8	12.7	53.4	62.2	22.2	35.7	65.9	32.9	49.9
internal debt	17.1	10.5	61.4	37.5	15.1	40.2	34.7	18.5	53.4
external debt	6.7	2.2	32.8	24.7	7.1	28.8	31.2	14.4	46.1
State debt servicing expenditures, including:	14.2	6.7	47.2	31.1	13.8	44.5	29.6	11.6	39.1
internal debt	10.2	4.9	48.0	23.0	10.5	45.7	...	...	...
external debt	4.0	1.8	45.0	8.1	3.3	41.2	...	...	...

Indicators	2010			2011			2012		
	Annual plan, UAH bn	Actual, UAH bn	Execution, %	Annual plan, UAH bn	Actual, UAH bn	Execution, %	Annual plan, UAH bn	Actual, UAH bn	Execution, %
BUDGET EXPENDITURES, total (expenditures, provision of credits, repayment of State debt)	353.2	152.6	43.2	408.9	173.8	42.5	477.2	203.1	42.6
Percentage of State debt payments in budget expenditures, %	10.8	12.7	x	22.8	20.7	x	20.0	21.9	x

STATE AND STATE-GUARANTEED DEBT

At the end of the first half of 2012, the **State and State-guaranteed debt of Ukraine** totaled UAH 479.8bn, of which the State and State guaranteed external debt amounts to 57.5% (UAH 276.0bn) of the total and internal debt amounts to 42.5% (UAH 203.8bn).

The **state debt of Ukraine** totaled UAH 373.4bn or 77.8% of the aggregate State and State-guaranteed debt. The internal State debt had the largest share in the State debt structure at 51.3% or UAH 191.7bn. External State debt amounted to 48.7% or UAH 181.7bn (see Chart 3.2.3 and Chart 3.2.4).



The State-guaranteed debt totaled UAH 106.3bn or 22.2% of the total State and State-guaranteed debt in the first half of 2012. As before, the guaranteed external debt had the largest share, 19.7%, which totaled UAH 94.3bn. The guaranteed internal debt totaled UAH 12.0bn or 2.5% of the total State and State-guaranteed debt.

3.3. ANALYSIS OF EXPENDITURES AND CREDITING OF THE CONSOLIDATED AND STATE BUDGETS IN JANUARY-JUNE 2012

CONSOLIDATED BUDGET

The actual expenditures of the consolidated budget of Ukraine totaled UAH 216.9bn, which amounts to 43.9% of the annual plan, including General Fund expenditures of UAH 187.1bn or 45.0% and Special Fund expenditures of UAH 29.8bn or 38.1% (see Table 3.3.1).

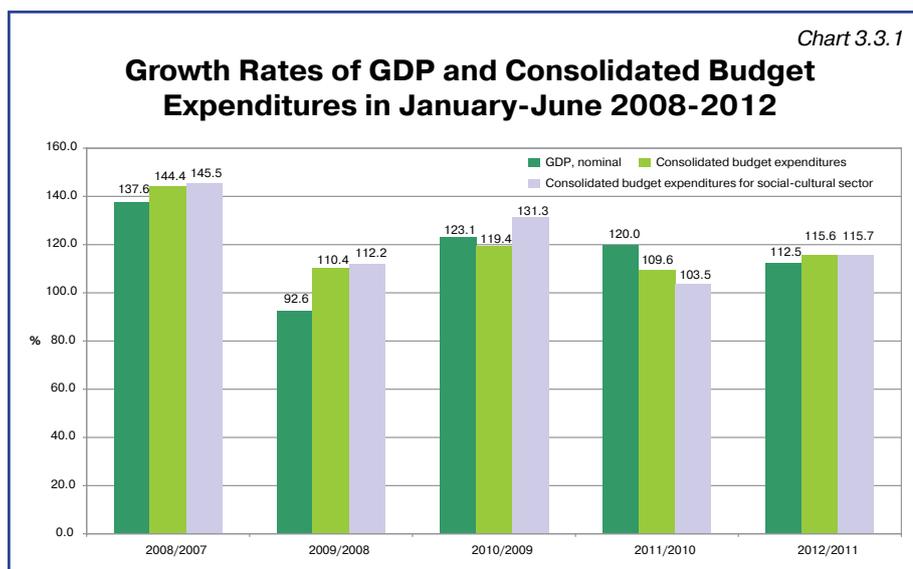
As seen from the table below, the listed level of actual consolidated budget expenditures is somewhat lower (by 0.2ppt) than last year's indicator. The main factor behind this is a 1.3ppt lower execution of General Fund expenditures.

Table 3.3.1

Expenditures of the Consolidated, State, and Local Budgets in January-June 2010-2012

Indicators	2010			2011			2012		
	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %
Consolidated budget, including:	399 547.3	171 155.0	42.8	425 083.7	187 594.7	44.1	494 369.0	216 923.7	43.9
– General Fund	306 632.0	143 134.5	46.7	351 508.6	162 711.8	46.3	416 115.9	187 147.6	45.0
– Special Fund	92 915.3	28 020.5	30.2	73 575.1	24 882.9	33.8	78 253.1	29 776.1	38.1
State budget (without intergovernmental transfers), including:	245 110.4	104 606.8	42.7	249 298.5	105 554.0	42.3	288 911.6	118 501.9	41.0
– General Fund	170 723.1	82 436.4	48.3	203 353.0	88 607.5	43.6	238 910.6	97 880.2	41.0
– Special Fund	74 387.3	22 170.4	29.8	45 945.5	16 946.5	36.9	50 001.0	20 621.7	41.2
Local budget (without intergovernmental transfers), including:	154 436.9	66 548.1	43.1	175 785.2	82 040.7	46.7	205 457.4	98 421.8	47.9
– General Fund	135 908.9	60 698.1	44.7	148 155.7	74 104.3	50.0	177 205.3	89 267.4	50.4
– Special Fund	18 528.0	5 850.0	31.6	27 629.5	7 936.4	28.7	28 252.1	9 154.4	32.4
State budget (with intergovernmental transfers), including:	322 666.5	139 511.7	43.2	343 187.4	148 364.0	43.2	398 994.8	168 054.3	42.1
– General Fund	244 487.2	115 396.6	47.2	291 402.3	130 142.0	44.7	342 004.7	146 326.6	42.8
– Special Fund	78 179.3	24 115.1	30.8	51 785.1	18 222.0	35.2	56 990.1	21 727.7	38.1
Intergovernmental transfers total	77 556.1	34904.8	45.0	93 888.9	42 810.0	45.6	110 083.2	49 552.4	45.0

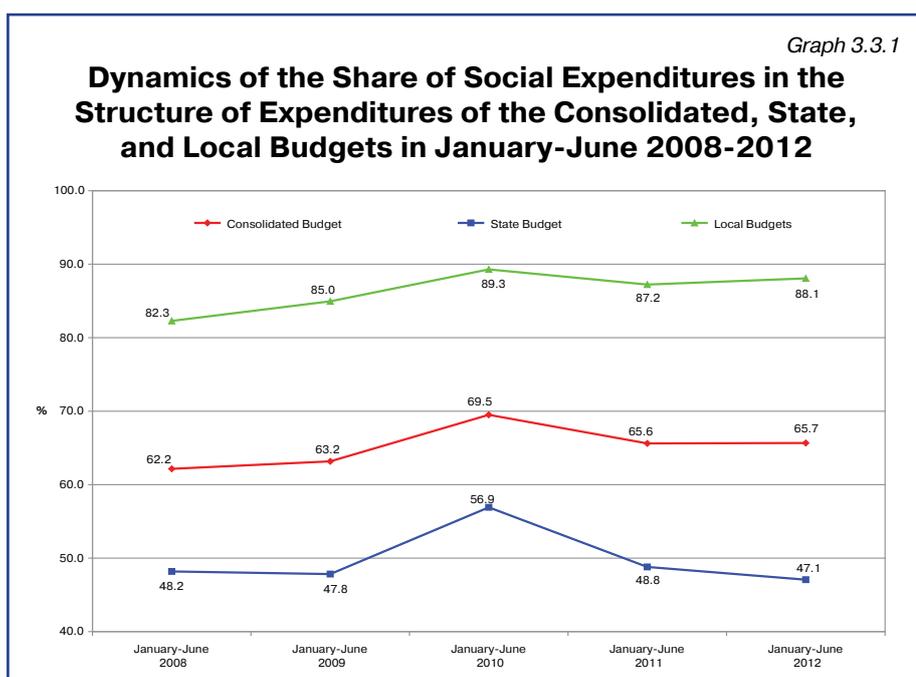
The consolidated budget expenditures growth rate increased by 6.0ppt compared to last year's figure and amounted to 15.6% (see Chart 3.3.1). Also, in the first half of 2012, it exceeded the GDP growth rate, which for objective reasons decreased significantly against last year (for more detail see Section 2 *Analysis of Macroeconomic Indicators in January-June 2012*). Thus, the growth rate of expenditures is 3.1ppt greater than GDP growth this year.



In view of the above, the share of consolidated budget expenditures in GDP increased and amounted to 33.4% or 0.9ppt more than last year's level.

The social expenditures³ of the consolidated budget totaled UAH 142.5bn. They increased by 15.7% year-on-year, which is 12.3ppt more than last year. The growth rate of these expenditures was virtually the same as the growth rate of the total consolidated budget expenditures. In the first half of last year, social expenditures were growing at a rate 6.1ppt slower compared to all expenditures.

The share of social expenditures increased slightly (by 0.1ppt) against last year's figure and amounted to 65.7% (see Graph 3.3.1).



³ Social expenditures include expenditures for healthcare, education, spiritual and physical development, social protection and social security.

As seen from the graph, the share of such expenditures in local budgets⁴ still remains high (88.1%). This limits the performance of local government functions, primarily those related to the proper maintenance and improvement of the existing infrastructure.

A positive trend over the last two years is the accelerated growth of the local budget expenditures used for financing the major part of expenses for society and culture, compared to the growth rate of State budget expenditures (see Table 3.3.2).

Table 3.3.2

Growth Rates of Certain Expenditures of the Consolidated, State, and Local Budgets in January-June 2010-2012 Compared to Previous Periods (%)

Expenditures by functional classification	2010			2011			2012		
	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets
Expenditures total (without inter-governmental transfers), including expenditures for:	119.4	124.3	112.3	109.6	100.9	123.3	115.6	112.3	120.0
– housing and communal services	55.1	577.6	51.3	151.2	5.9	163.2	94.9	742.9	93.0
– healthcare	114.9	99.3	118.2	112.5	115.3	112.1	119.9	120.5	119.8
– spiritual and physical development	138.0	189.5	114.6	97.8	70.0	118.6	130.3	150.4	121.4
– education	114.6	114.2	114.8	114.7	98.8	123.2	120.2	114.3	122.8
– social protection and social security	152.7	167.9	123.9	93.5	81.4	124.5	109.3	103.0	119.8

At the same time, compared to the pre-crisis period of 2008, expenditures for housing and communal services showed the lowest growth rate. Their amount increased slightly (by UAH 0.4bn), and this cannot be regarded as sufficient for addressing all the pressing issues in this sector.

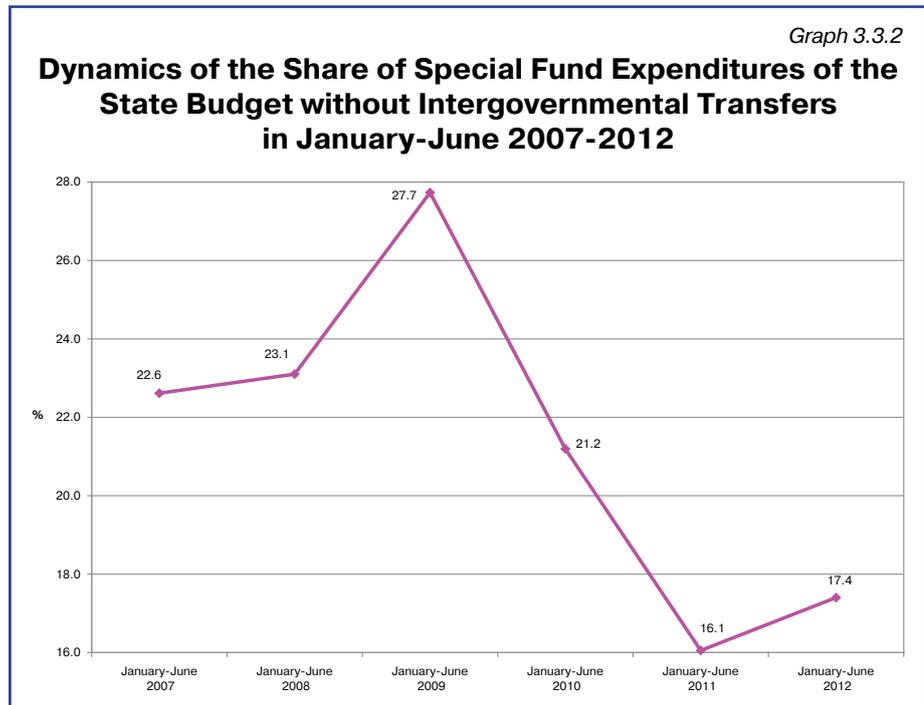
STATE BUDGET

Expenditures of the State budget of Ukraine with intergovernmental transfers totaled UAH 168.1bn, which is 13.3% more than in the first half of 2011. This amount is 42.1% of the annual plan and is 1.1ppt lower than last year's indicator (see Table 3.3.1).

Expenditures of the State budget without intergovernmental transfers totaled UAH 118.5bn, which is 12.9bn or 12.3% more than last year's indicator. The level of execution of the annual plan decreased by 1.3ppt year-on-on and amounted to 41.0%. Expenditures of the General Fund were financed at UAH 97.9bn or 10.5% more and those of the Special Fund at UAH 20.6bn or 21.7% more than last year.

⁴ Local budgets are allocating a significantly greater proportion of expenditures for the social and cultural sphere than the State budget. This is explained by the structure of local budget expenditures as per Budget Code of Ukraine.

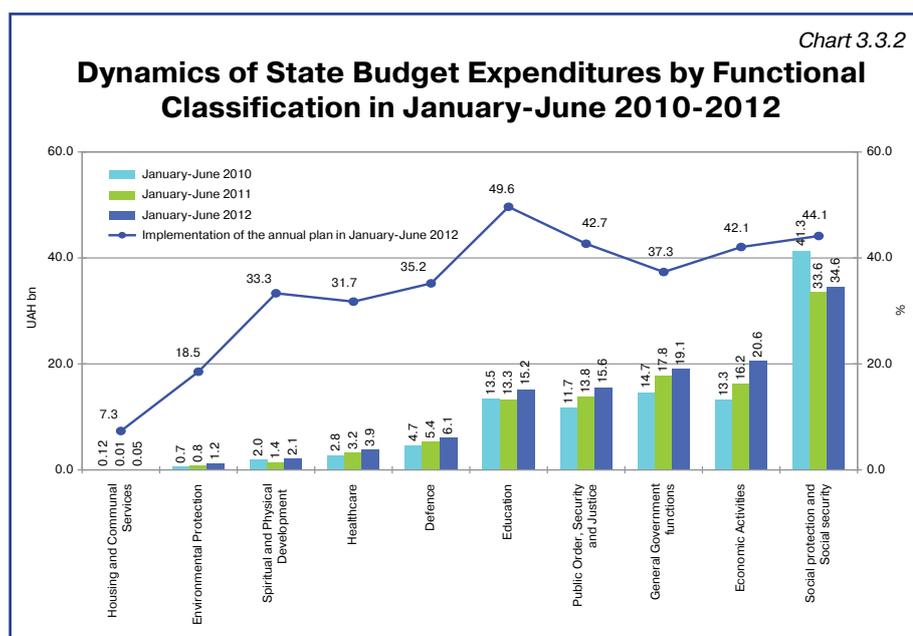
The growth of the share of Special Fund expenditures against last year's figure (see Graph 3.3.2) can be explained by the level of execution of General Fund expenditures planned for January-June decreasing by 4.0ppt and amounting to 89.3%.



It is important to remember that the Special Fund expenditures decreased significantly both in terms of their amount and share of total expenditures. This was linked primarily to no funding being provided in 2011 as compensation to NJSC Naftogaz of Ukraine for the difference between the buying price of imported natural gas and its selling price for the production of heat energy for the populace. UAH 2.9bn had been provided in the first half of 2010, and UAH 3.5bn in the first half of 2009.

EXPENDITURES BY FUNCTIONAL CLASSIFICATION

Throughout the first half of 2012, the best funded categories were the expenditures for education (49.6% of the annual plan), social protection and social security (44.1%), and public order, security, and judiciary (42.7%) (see Chart 3.3.2). As usual, there was hardly any funding provided for expenditures for housing and communal services in the first six months of the year. This year, UAH 53.8mn was spent for these purposes, or 7.3% of the annual plan.



Social expenditures of the State budget totaled UAH 55.8bn, which is UAH 4.3bn or 8.3% more than last year's level. This amounts to 43.8% of the annual plan, which is 5.0ppt less year-on-year.

The structure of expenditures generally retains the trends of previous years (see Table 3.3.3). Thus, intergovernmental transfers account for the largest share (29.5%), with this share tending to grow further.

Table 3.3.3

Expenditures of the State Budget by Functional Classification in January-June 2010-2012

Expenditures by functional classification	2010			2011			2012		
	Plan, UAH mn	Actual, UAH mn	Share actual, %	Plan, UAH mn	Actual, UAH mn	Share actual, %	Plan, UAH mn	Actual, UAH mn	Share actual, %
General government functions, including:	63 654.1	14 653.7	10.5	43 496.9	17 778.6	12.0	51 096.6	19 078.5	11.4
<i>debt servicing</i>	14 202.9	6 730.8	4.8	23 001.5	10 502.9	7.1	29 582.9	11 554.1	6.9
Defense	13 651.0	4 674.5	3.4	14 548.4	5 365.2	3.6	17 444.8	6 140.3	3.7
Public order, security, and judiciary	26 498.4	11 691.4	8.4	32 375.7	13 823.2	9.3	36 600.1	15 620.7	9.3
Environmental protection	2 125.8	662.2	0.5	4 084.0	848.7	0.6	6 488.6	1 201.7	0.7
Housing and communal services	64.0	123.5	0.1	948.7	7.2	0.0	733.5	53.8	0.032
Healthcare	8 134.1	2 784.4	2.0	9 935.7	3 209.5	2.2	12 179.6	3 866.5	2.3
Spiritual and physical development	2 802.4	1 982.3	1.4	3 852.2	1 387.3	0.9	6 260.4	2 086.2	1.2
Education	27 536.6	13 469.7	9.7	27 629.0	13 307.0	9.0	30 631.9	15 207.2	9.0
Social protection and social security, including:	74 044.9	41 302.5	29.6	64 128.8	33 613.1	22.7	78 402.2	34 610.7	20.6
<i>social protection of pensioners</i>	67 770.9	39 415.5	28.3	58 317.2	31 479.8	21.2	64 494.1	30 342.7	18.1
Economic activity, including:	26 599.0	13 262.8	9.5	48 298.9	16 214.1	10.9	49 073.9	20 636.3	12.3
• <i>agriculture, forestry and game-preserves, and fisheries</i>	5 477.2	1 974.5	1.4	10 136.8	2 757.5	1.9	10 225.8	2 952.9	1.8
• <i>fuel and energy complex</i>	7 383.3	5 636.4	4.0	9 211.0	3 714.4	2.5	10 976.4	5 263.2	3.1
• <i>transport</i>	9 619.2	4 373.7	3.1	14 590.1	6 259.2	4.2	14 311.7	7 569.1	4.5
• <i>other expenditures for economic activity</i>	4 119.4	1 278.2	0.9	14 361.0	3 483.0	2.3	13 560.0	4 851.1	2.9
Intergovernmental transfers	77 556.1	34 904.8	25.0	93 888.9	42 810.0	28.9	110 083.2	49 552.4	29.5
Total	322 666.5	139 511.7	100.0	343 187.4	148 364.0	100.0	398 994.8	168 054.3	100.0

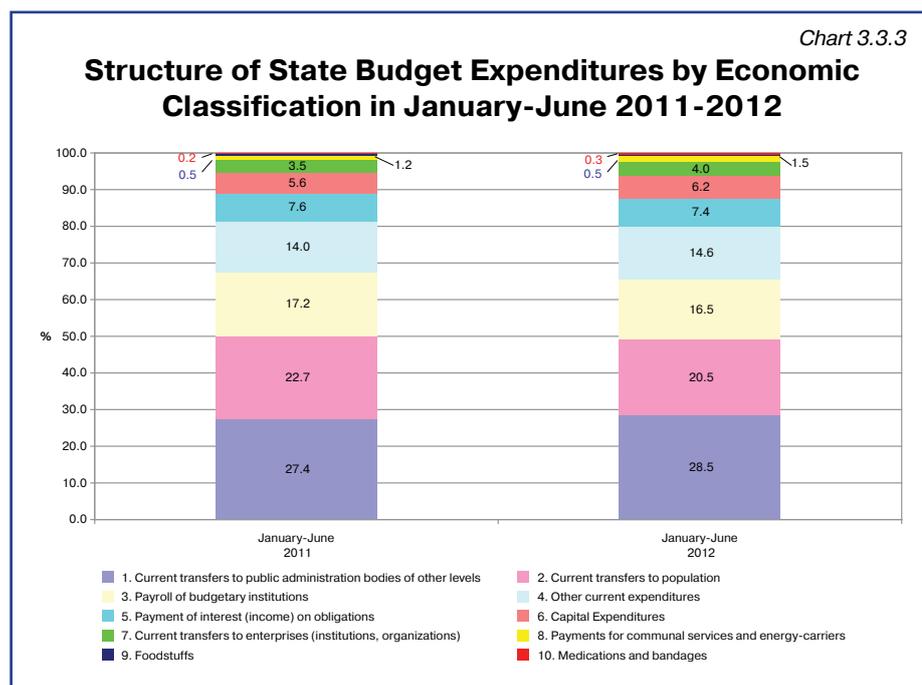
The next largest is the share of expenditures for social protection and social security (20.6%). At the same time, it should be noted that a large portion of intergovernmental transfers is used for the provision of benefits, subsidies, allowances etc., which also involves social protection and social security. A significant percentage of budget funds was allocated for economic activity (12.3%), which is related to the development of the national transport network (4.5% of all expenditures). For instance, the amount spent for these purposes in the first half of this year was double the healthcare expenditures. Major expenditures also include expenditures for general government functions, the share of which amounted to 11.4% due to a debt burden on the budget from debt servicing.

EXPENDITURES BY ECONOMIC CLASSIFICATION

In terms of economic classification, growth is noted for all items except for the expenditures for pensions and allowances, where the decline amounted to nearly UAH 1.0bn.

Of the total expenditure growth (UAH 19.7bn), a significant portion (36.8%) is designated for increased current transfers to government bodies of other levels, 18.9% for other current expenditures, 10.8% for capital expenditures (which, among other things, was related to the completion of preparations for hosting the European 2012 Football Championship finals in Ukraine), and more than 8.0% for the payment of subsidies and current transfers to enterprises.

The abovementioned has led to an increased share expenditures in their total amount (see Chart 3.3.3). At the same time, the share of current expenditures in the overall structure in general decreased by 0.6ppt and amounted to 93.8%.



The share of expenditures for protected items decreased slightly and amounted to 75.2% of all State budget expenditures. This percentage is 1.7ppt less than in 2011, compared to a 2.3ppt drop last year. The current share of these expenditures exceeds that of the pre-crisis year of 2008 by 4.2ppt. This points to an improved situation with State budget revenue generation this year. This situation has made it possible to allocate a greater proportion of budget funds for the State's development and improvement of the material and technological support of budgetary institutions in the first half of the year than in previous years. The execution of expenditures for protected items amounted to 44.7% of the annual plan in the first half of 2012, which is 3.2ppt less year-on-year. The development expenditures were executed by 37.1% compared to 43.8% for consumption expenditures.

EXPENDITURES BY PROGRAM CLASSIFICATION

The execution of State budget programs in January-June 2010-2012 is summarized in Appendix A. In general, there were 620 budget programs approved in the State budget for the year 2012, including 36 for the provision of subventions to local budgets.

Eight budget programs totaling UAH 0.8bn were 100.0% funded in the first half of 2012. A high level of execution is recorded in the following budget programs of key spending units:

- “Development of the network and maintenance of public motor roads, including the construction of highway bridges over the Dnipro River in the cities of Zaporizhzhya and Cherkasy” of the State Automobile Transport Service, funded at 75.4% of the annual plan or UAH 4.3bn;
- «Implementation of the State targeted program on preparation and holding in Ukraine of the European 2012 Football Championship Finals» of the National Agency for Preparation and Holding in Ukraine of the European 2012 Football Championship and Implementation of Infrastructure Projects funded at 74.7% or UAH 2.4bn;
- “The State program for support of coalmining enterprises for partial covering of the production cost of finished marketable coal products” of the Ministry of Energy and Coal Industry of Ukraine funded at 57.6% or UAH 4.5bn;
- “Training of personnel by higher educational institutions of accreditation levels III and IV and providing for the operation of their internship facilities” of the Ministry of Education and Science, Youth and Sport of Ukraine funded at 51.8% or UAH 7.9bn;
- “Ensuring the activities in the area of State security and the operation of bodies of the Security Service of Ukraine” of the Security Service of Ukraine funded at 50.6% or UAH 1.4bn;

The lowest execution levels were for programs from the following key spending units: State Agency for Environmental Investments

of Ukraine – 0.4% of the annual amount of budget appropriations; Central Election Commission – 1.7%; Ministry of Regional Development, Construction, and Housing and Communal Services of Ukraine (including general government expenditures) – 4.3%; and State Agency of Investment and Management of National Projects of Ukraine – 6.1%.

PROVISION OF BUDGET CREDITS / REPAYMENT OF BUDGET CREDITS

The amount of credits provided from the State budget totals UAH 2.2bn or 17.8% of the annual plan, and the amount of repaid credits totals UAH 0.6bn or 4.7% (see Table 3.3.4). The level of execution of the annual plan of credit provision and credit repayment decreased by 17.9ppt and 6.1ppt, respectively, compared to the same period of last year.

Table 3.3.4

Indicators of Budget Credit Provision and Repayment in January-June 2010-2012

Indicators	2010			2011			2012		
	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %
Crediting, including:	1 180,9	-918,4	x	-2 989,1	1 941,3	x	-59,5	1 601,9	x
credit provision	6 860,7	392,7	5,7	9 110,2	3 253,8	35,7	12 276,9	2 184,2	17,8
credit repayment	-5 679,8	-1 311,1	23,1	-12 099,3	-1 312,4	10,8	-12 336,4	-582,3	4,7

Therefore, as in previous years, there still remain risks that the planned amount of credit repayment to the budget, totaling UAH 12.3bn, will not be executed. Analysis shows that credit repayment amounted to about 60.0% of the planned amount in 2010, and only 15.1% in 2011.

The largest **credits** from the State budget in the reviewed period were provided to the motor road sector, energy, and coal industry, in particular:

- UAH 1.1bn to the State Agency of Automobile Roads of Ukraine under the budget program “Development of highways and reform of the road sector”;
- UAH 766.6mn to the Ministry of Agrarian Policy and Food of Ukraine under the budget program “Formation of State intervention fund by the Agrarian Fund, as well as procurements of material and technical resources for the needs of agricultural producers”;
- UAH 121.2mn to the Ministry of Energy and Coal Industry of Ukraine under the budget program “Improving the reliability of electric power supply in Ukraine”;
- UAH 102.0mn to the Ministry of Regional Development, Construction, and Housing and Communal Services of Ukraine under the budget program “Development of municipal infrastructure.”

Credit repayment mainly occurred in the sector of other economic activities and in agriculture.

In terms of budget programs, the largest credit repayments were made by the following key spending units:

- Ministry of Finance of Ukraine (general government expenditures): UAH 340.7mn under the budget program “Repayment of loans provided for financing development projects at the expense of the funds mobilized by the State” and UAH 38.5mn under the program «Repayment of budget funds provided on repayable basis for implementation of certain activities»;
- State Agency for Investments and Management of National Projects of Ukraine: UAH 62.1mn under the budget program “Repayment of credits provided in 2007 from the State budget of Ukraine for implementing innovation and investment projects in economic sectors, primarily those implementing advanced energy saving technologies and technologies for the production of alternative fuels”;
- Ministry of Agrarian Policy and Food of Ukraine: UAH 58.0mn under the program “Repayment of funds provided to the Ministry of Agrarian Policy of Ukraine for the formation of State intervention fund by the Agrarian Fund, as well as for procurement of material and technical resources for the needs of agricultural producers.”

3.4. EXECUTION OF LOCAL BUDGETS IN JANUARY-JUNE 2012

LOCAL BUDGET REVENUES

According to the State Treasury of Ukraine, **the General Fund and Special Fund of local budgets (with intergovernmental transfers)** received UAH 96.0bn in the first half of 2012, which is 16.3% or UAH 13.4bn more year-on-year.

The figure without intergovernmental transfers totaled UAH 46.5bn, which is 16.8% more than in January-June 2011.

This amount equals 48.4% of the annual revenue plan approved by local councils, vs. 47.4% according to last year's data. It equals 50.2% of the 2012 annual estimate from the Ministry of Finance (49.1% in 2011).

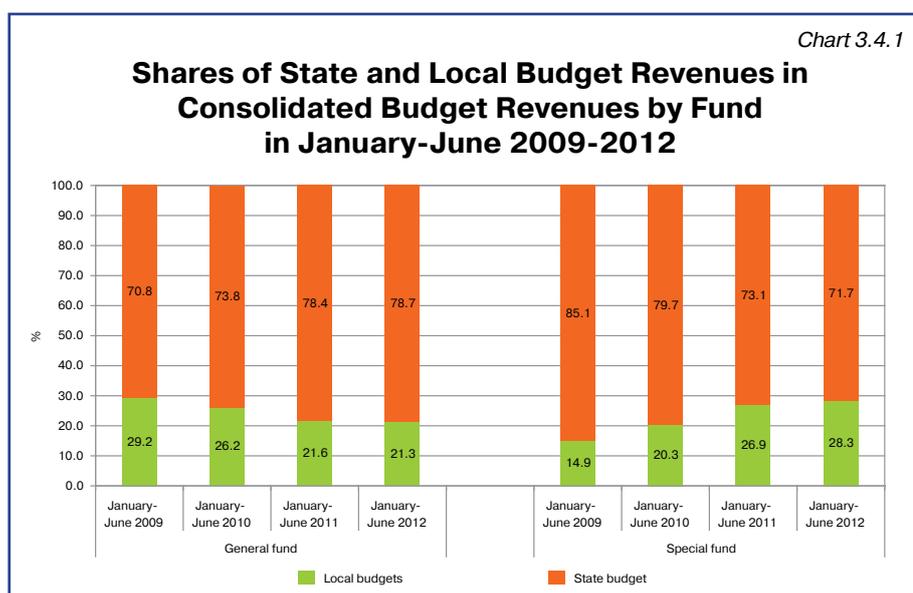
The execution of local budget revenues is summarized in Table 3.4.1.

Table 3.4.1

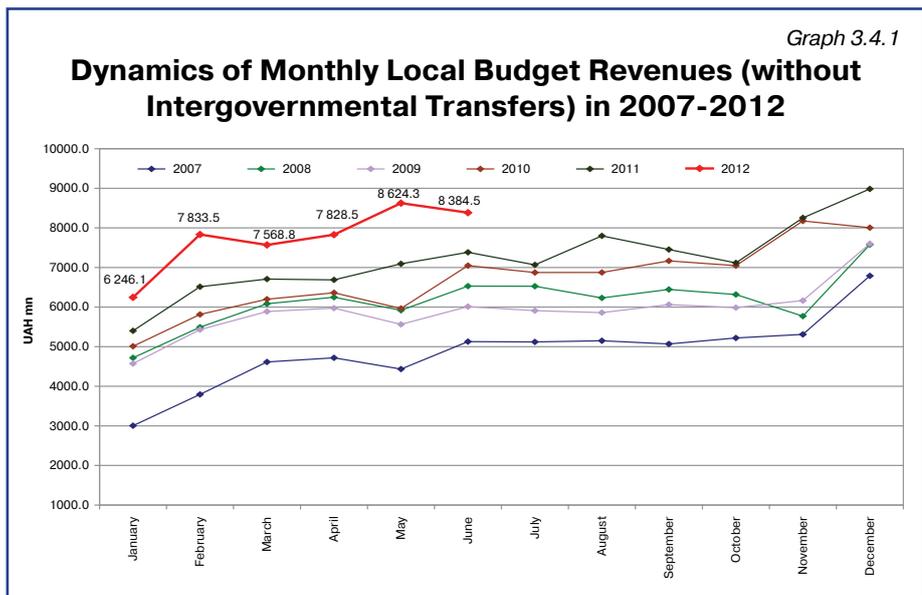
Dynamics of Local Budget Revenues (without Intergovernmental Transfers) in January-June 2010-2012

Revenues	Actual in January-June 2010	Actual in January-June 2011	MFU estimates for 2012	Approved by local councils for 2012	Actual in January-June 2012	Execution of MFU estimates, %	Execution of plans approved by local councils, %
Total, UAH mn, including:	36 398.6	39 786.6	92 566.3	96 100.4	46 485.8	50.2	48.4
– General Fund	30 783.9	33 039.2	80 018.8	82 938.6	37 989.0	47.5	45.8
– Special Fund	5 614.7	6 747.4	12 547.5	13 161.8	8 496.8	67.7	64.6

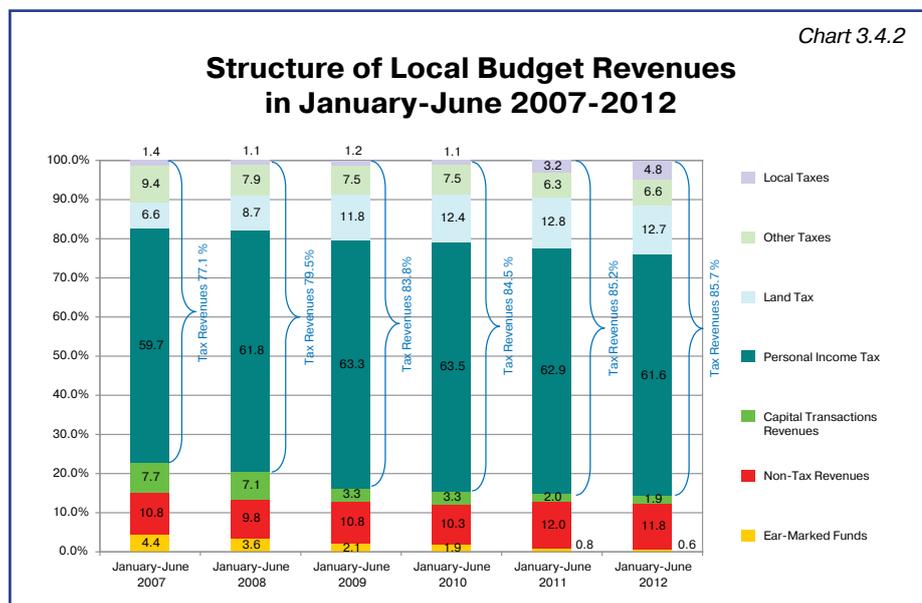
The share of local budget revenues in the consolidated budget amounted to 22.4%, which is nearly the same as last year. Also, the share of General Fund revenues of local budgets in the consolidated budget revenues decreased by 0.3ppt and amounted to 21.3%. The percentage of Special Fund revenues of local budgets increased by 1.4ppt to 28.3% (see Chart 3.4.1).



In general, the dynamics of monthly local budget revenues follows the trends of recent years (see Graph 3.4.1). However, some growth did occur, which is mainly related to increased revenues from the personal income tax and fees for the special use of natural resources. Also, note should be made of the significant growth in revenues from the administration of fees for the special use of water and the fee for the use of subsoil resources, which was observed in February and May. This growth is linked to the deadlines in paying these charges for Q4 and Q1, as well as the increased number of payers and the raising of the tax rates pursuant to the Tax Code.



Growth in the share of tax revenues with a simultaneous decline in revenues from capital transactions and revenues of targeted funds can be noted in the structure of local budget revenues compared to previous years (see Chart 3.4.2).



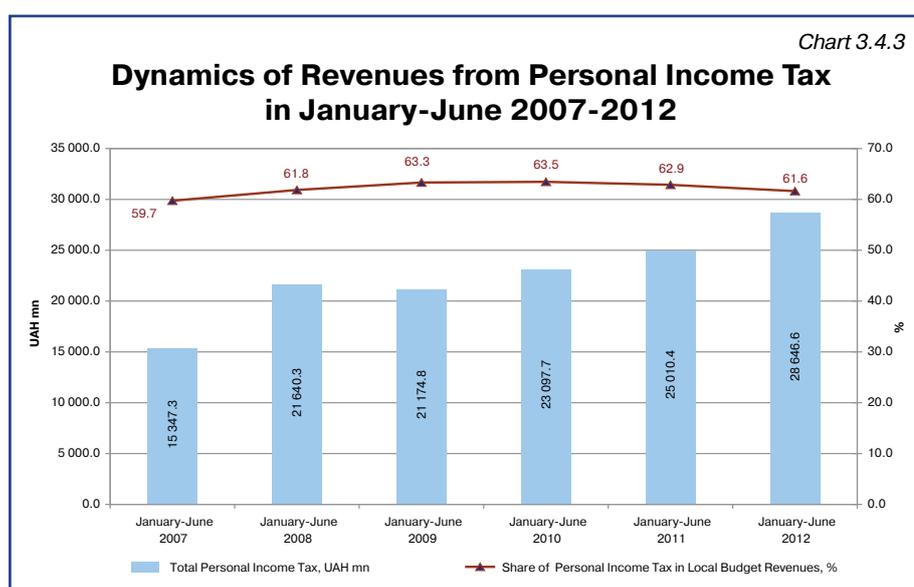
TAX REVENUES

Tax revenues account for 85.7% of local budget revenues without intergovernmental transfers. They total UAH 39.9bn, which is 17.7% more year-on-year. The share of local taxes and fees grew further in the structure of tax revenues, which is mainly due to including the single tax pursuant to the new version of the Budget Code of Ukraine.

PERSONAL INCOME TAX

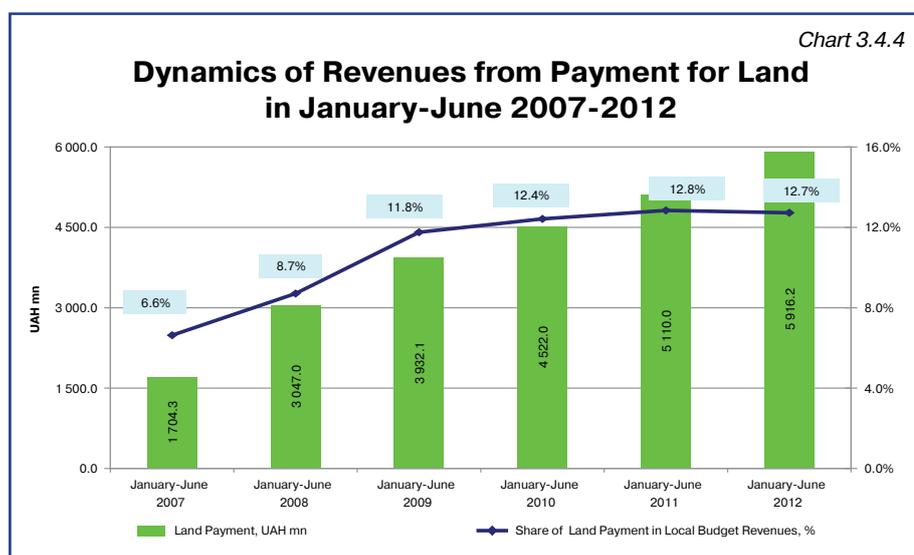
Personal income tax continues to retain its position as the largest source of local budget revenues. The revenue from this source totaled UAH 28.6bn, which is 14.5% more year-on-year.

The dynamics of revenues from personal income tax since 2007 is shown in Chart 3.4.3.

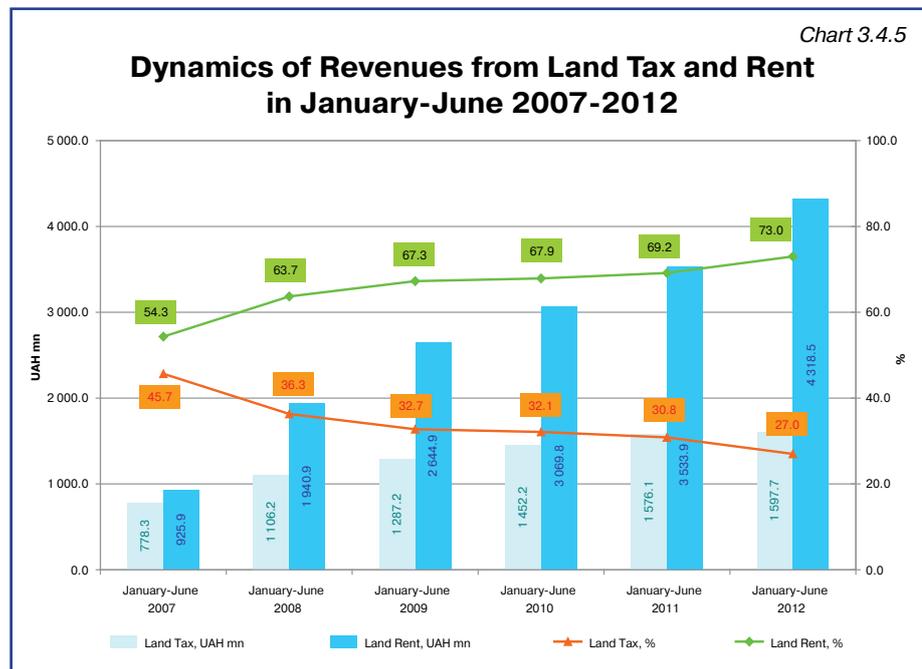


PAYMENT FOR LAND

As usual, **the payment for land** is the second most important source of local budget revenue. This source generated more than UAH 5.9bn, which is 15.8% more year-on-year (see Chart 3.4.4).

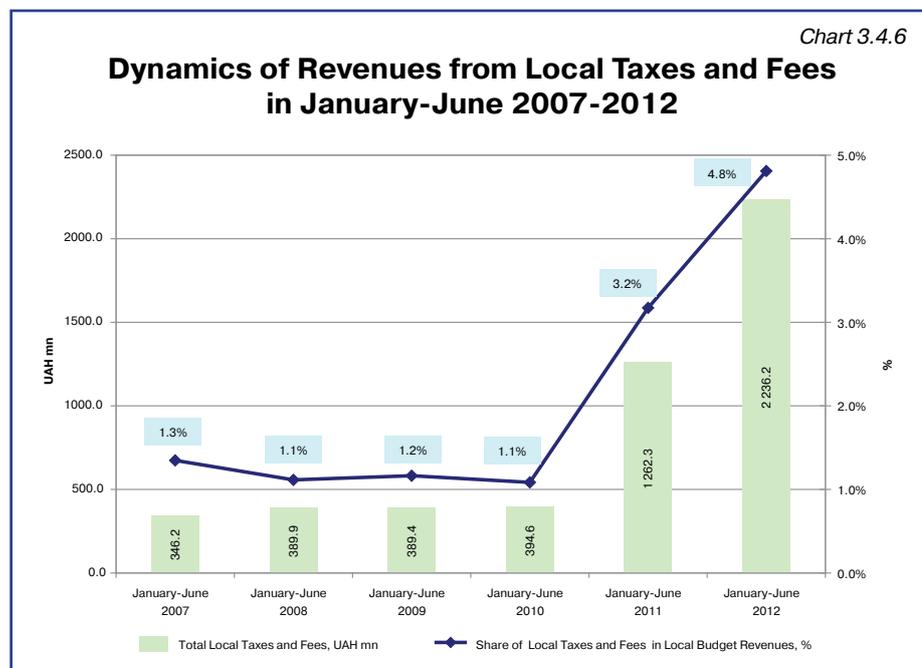


Changes in the structure of the payment for land occur on an annual basis due to the faster growth of rent and slower growth in proceeds from the land tax (see Chart 3.4.5).



LOCAL TAXES AND FEES

Local taxes and fees generated UAH 2.2bn, which is 77.2% more year-on-year. Their share in the structure of local budget revenues increased to 4.8% (see Chart 3.4.6).



This significant growth of revenues from local taxes and fees is related to the adoption of the Tax Code of Ukraine and to changes in their structure. Thus, despite a reduction in the

number of local taxes and fees from 14 to 5, the inclusion of the single tax has led to the increasing in the weight of local taxes and fees in the structure of local budget revenues.

It should also be noted that according to the new version of the Budget Code of Ukraine, some local taxes and fees are credited to the Special Fund of local budgets, viz.: single tax and fee for pursuing trade in petroleum products, liquefied, and compressed gas at stationary, compact, and mobile gas filling stations and points.

SINGLE TAX ON SMALL BUSINESSES

The single tax on small businesses was the most important of all local taxes and fees. It generated UAH 1.9bn, which is nearly double the revenue figure of the first half of 2011 (see Chart 3.4.7).

It should be noted that this growth mainly occurred due to the enactment of the amended Tax Code, which introduced new rules for the administration of this tax, in particular, by changing the payment deadlines and introducing new tax rates.

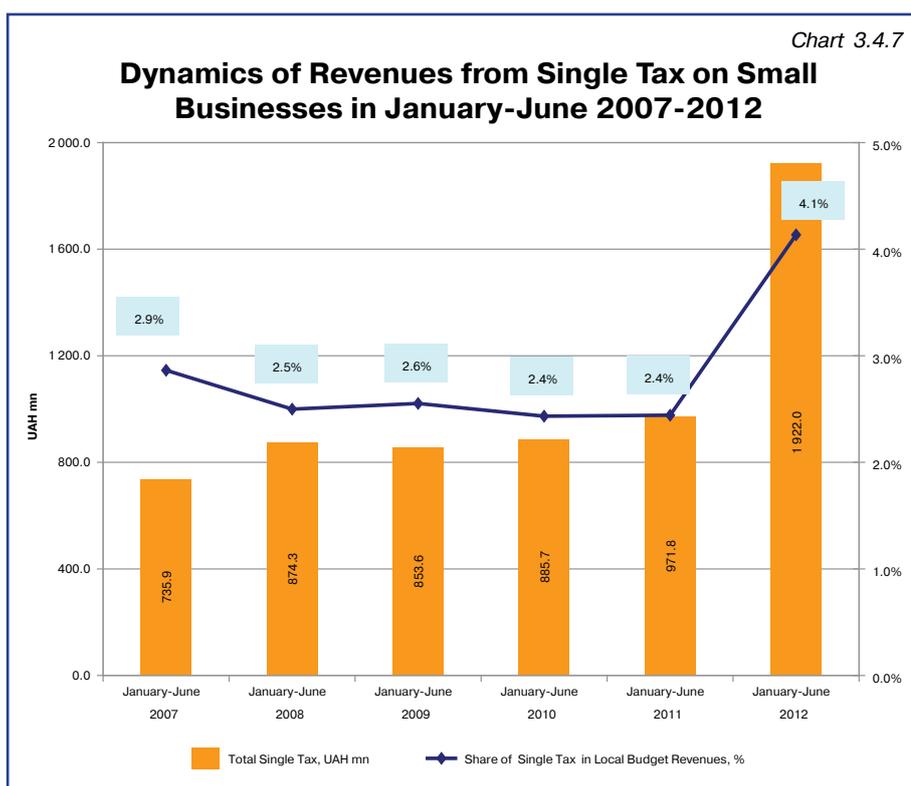
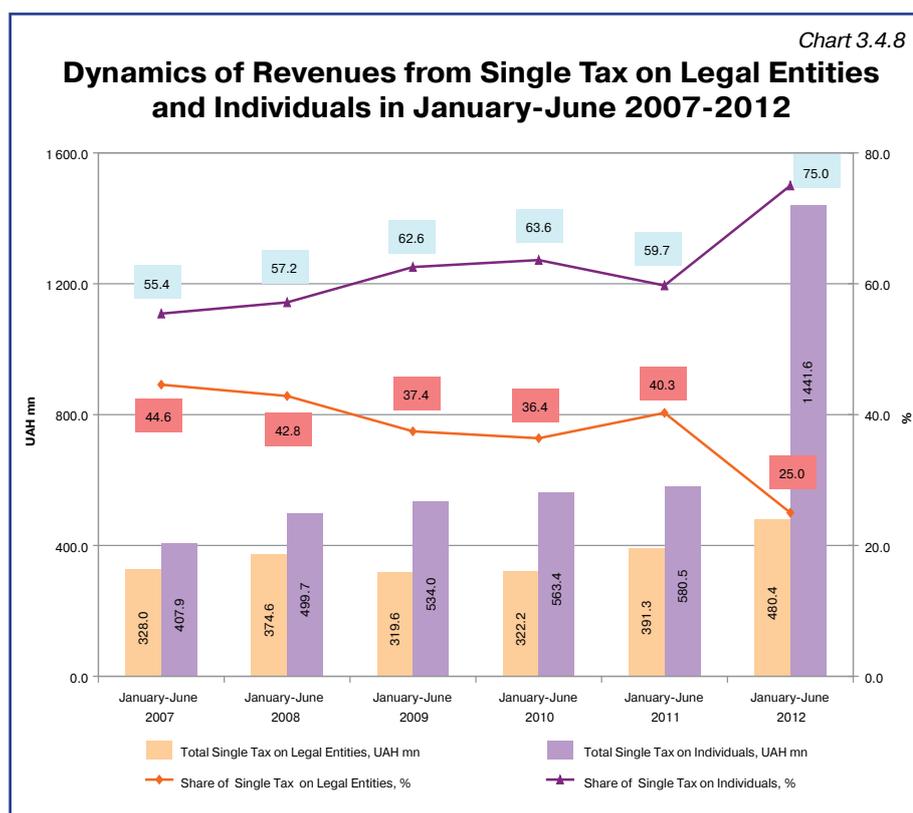


Chart 3.4.8 shows the dynamics of revenues from the single tax on legal entities and individuals. It should be noted that the changes in the administration of this tax have had a rather significant impact on the structure of payers. Thus, the share of the tax on legal entities decreased by 15.3ppt and amounted to 25.0%. Therefore, individuals accounted for 75.0% of this tax paid in January through June 2012.



ENVIRONMENTAL TAX

One of the improvements to the Tax Code of Ukraine was the introduction of a national **environmental tax** to replace the previous charge for polluting the natural environment. This source provided UAH 788.2mn for local budgets, and its share in the structure of local budget revenues amounted to 1.7%.

It should be noted that starting on 1 January 2011, the environmental tax shall be paid by all those using fuel for transport vehicles, including economic agents, citizens of Ukraine, foreign nationals, and persons without citizenship, who are using automobiles. The Tax Code levies the environmental tax via tax agents engaged in wholesale and retail fuel sales.

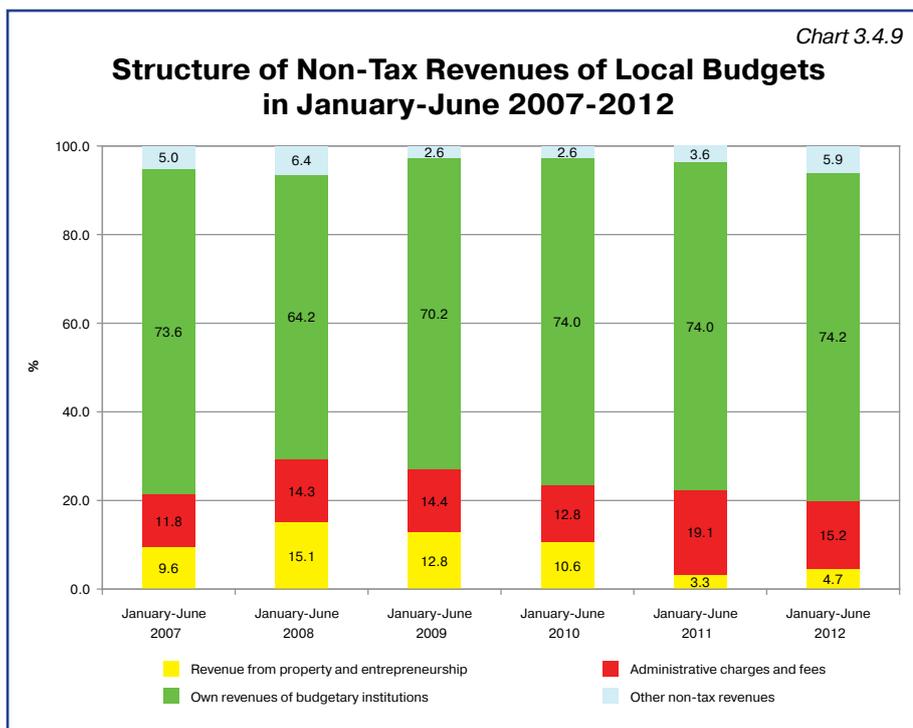
The environmental tax is paid by taxpayers when purchasing fuel and the tax agents selling the fuel retain the tax and then remit it to the budget.

The tax rates depend on the type of fuel and range from UAH 32.67 to UAH 100.19 per ton. It is stipulated that by the end of 2012, this tax shall be charged at 50% of the rate set out by the Tax Code. The charge increases to 75% in 2013, and 100% as of 1 January 2014.

NON-TAX REVENUES

The amount of **non-tax revenues** of local budgets reached nearly UAH 5.5bn, which is almost 15.0% more than the respective figure of 2011.

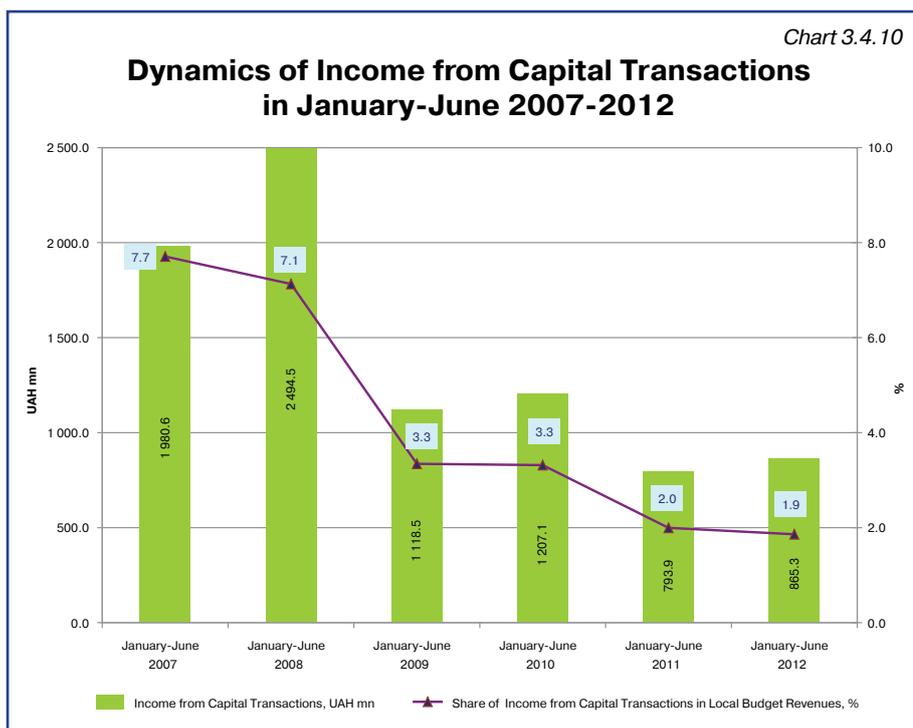
A reduction by 3.9ppt or down to 15.2% is noted in the structure of non-tax revenues for administrative charges and fees, and income from noncommercial economic activity (see Chart 3.4.9).



Typically, **own revenues of budgetary institutions** are the largest item of non-tax revenues for local budgets. They amounted to UAH 4.1bn, which is UAH 539.4mn or 15.3% more year-on-year.

INCOME FROM CAPITAL TRANSACTIONS

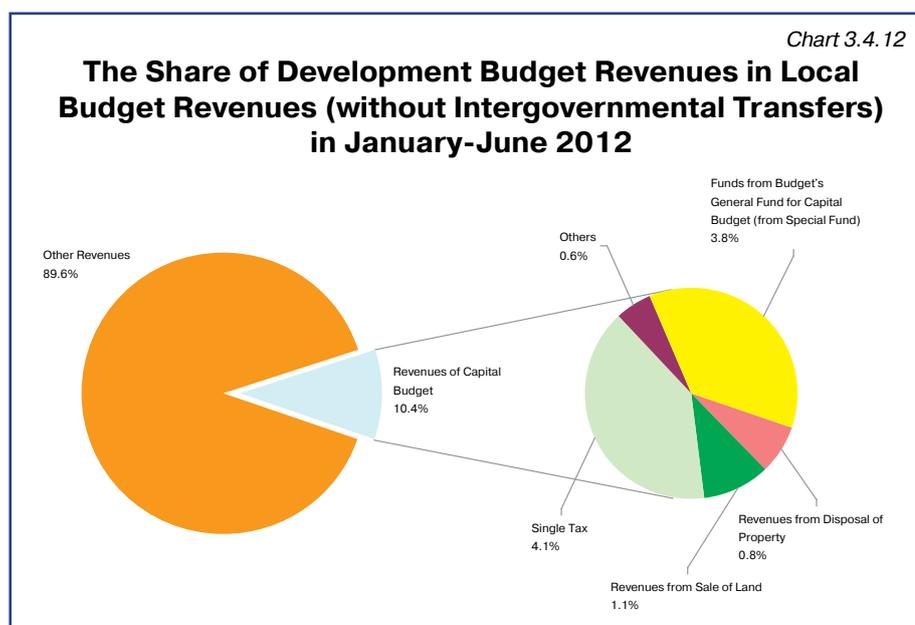
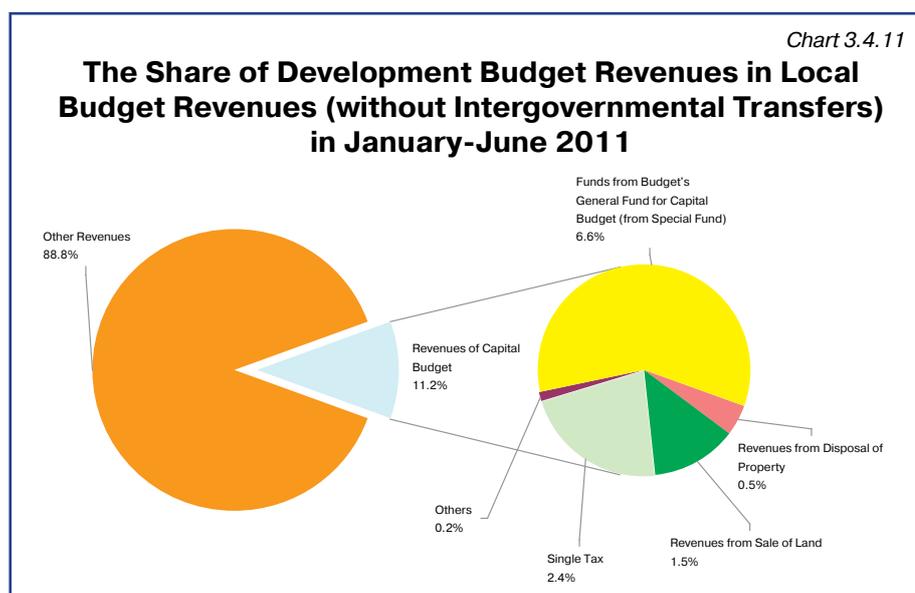
Income **from capital transactions** grew in the first half of 2012. They totaled UAH 865.3mn, which is nearly 9.0% more than in 2011. Also, the share of income from capital transactions in local budget revenues slightly decreased and amounted to 1.9% (see Chart 3.4.10).



The main reason behind this growth in revenues was a 73.1% increase in revenues from the disposal of property owned by the Autonomous Republic of Crimea and municipally-owned property.

DEVELOPMENT BUDGET

The development budget revenues of local budgets (including the funds received from the General Fund of the budget into the development budget) totaled UAH 4.8bn in the first half of 2012, which is only 8.3% more than last year’s amount. The proportion of such revenues in the overall structure of local budget revenues decreased by 10.4%, which is 0.8ppt less year-on-year (see Chart 3.4.11 and Chart 3.4.12).



In accordance with the new version of the Budget Code of Ukraine, the revenue from the administration of the single tax has been credited to the development budget starting 1 January 2011.

It should be noted that this revenue became the key source of revenues (40.0%) for the development budget in the first half of 2012.

Also, since nearly all capital expenditures are now transferred to the development budgets, the second most important source was represented by the funds received from the General Fund of the budget, which totaled nearly UAH 1.8bn or 36.7%.

Other continuing important sources of revenues include revenues from the sale of land (UAH 498.4mn or 10.4%) and revenues from the sale of municipally owned property (UAH 355.9mn or 7.4%).

In addition to the abovementioned revenues, the development budget also includes other types of revenues. The proceeds from those sources amounted to 5.5% of all development budget revenues of local budgets, including:

- dividends/income due on shares (stocks, interests) in business companies, which totaled UAH 12.1mn or 0.3% in January-June 2012;
- income from lending and guarantee issuing transactions, totaling UAH 1.0mn or 0.02%;
- subventions from other budgets for the implementation of investment projects, totaling UAH 96.2mn or 2.0%;
- receipts from shared-cost participation in the development of a locality's infrastructure (enacted as of 1 January 2012), totaling UAH 156.1mn or 3.2%.

LOCAL BUDGET EXPENDITURES

The amount of local budget expenditures (with funds transferred from local budgets to the State budget) totaled UAH 99.0bn, which is 18.9% more year-on-year.

The amounts of local budget expenditures (without funds transferred from local budgets to the State budget) totaled UAH 98.4bn or nearly 20.0% more than in January-June 2011.

These figures equal 50.8% of the 2012 estimates of the Ministry of Finance of Ukraine, including 49.9% for General Fund expenditures and 61.2% for Special Fund expenditures. This also equals 47.9% of the targets approved by local councils for the year 2012.

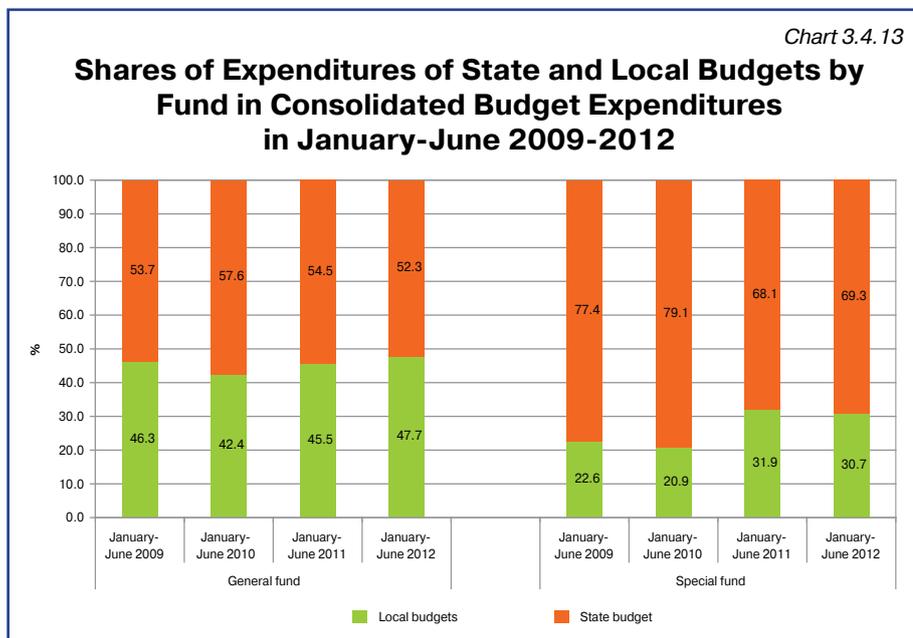
The execution of local budget expenditures is characterized by the data summarized in Table 3.4.2.

Table 3.4.2

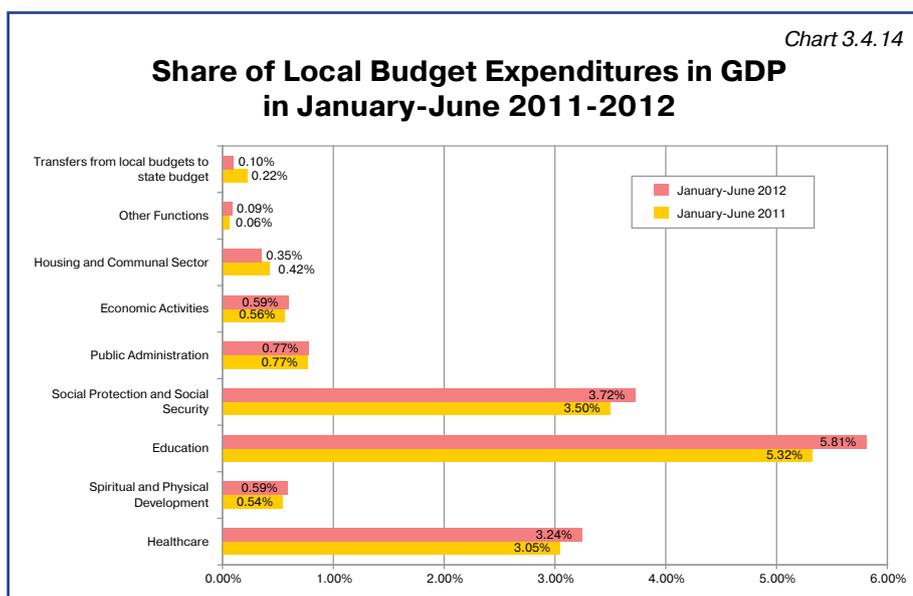
Dynamics of Local Budget Expenditures (without the Funds Transferred from Local Budgets to the State Budget) in January-June 2010-2012

Expenditures	Actual in January-June 2010	Actual in January-June 2011	MFU 2012 estimates	Approved by local councils for 2012	Actual in January-June 2012	Execution of MFU estimates, %	Execution of plans approved by local councils, %
Total, UAH mn, including:	66 549.0	82 040.7	193 702.7	205 457.4	98 421.8	50.8	47.9
– General Fund	60 698.1	74 104.3	178 734.1	177 205.3	89 267.4	49.9	50.4
– Special Fund	5 850.9	7 936.4	14 968.6	28 252.1	9 154.4	61.2	32.4

The share of local budget expenditures in the consolidated budget amounted to 45.4%, which is 1.6ppt more than in 2011. Also, the share of General Fund expenditures increased by 2.2ppt against last year and amounted to 47.7%, and the share of Special Fund expenditures decreased somewhat to 30.7% (see Chart 3.4.13).

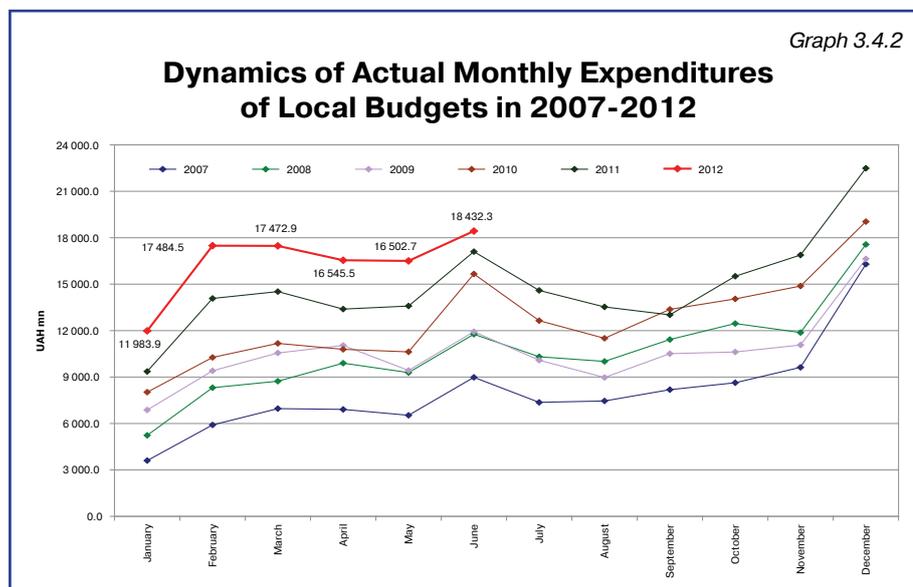


GDP redistribution via local budgets of Ukraine⁵ amounted to 15.27% in the 1st half, which is 0.81ppt more year-on-year. Reductions are observed for transfers to the State budget (by 0.12ppt) and expenditures for the housing and communal services sector (see Chart 3.4.14). The highest growth of this share is noted in expenditures for education and expenditures for social protection and social security (+0.49ppt and +0.22ppt, respectively).



5 Share of local budgets in GDP

The dynamics of local budget expenditures mostly repeated the trends of recent years. At the same time, February and March 2012 showed a rather significant increase in the amounts of local budget expenditures against similar indicators of last year (see Graph 3.4.2). This occurred due to a more than 20% growth in pay for the staff of budgetary institutions, as well as more than a 30% increase in the cost of utilities and energy.



GENERAL FUND AND SPECIAL FUND

The General Fund expenditures of local budgets totaled UAH 89.3bn or 20.5% more year-on-year. This equals 50.4% of the annual targets approved by local councils.

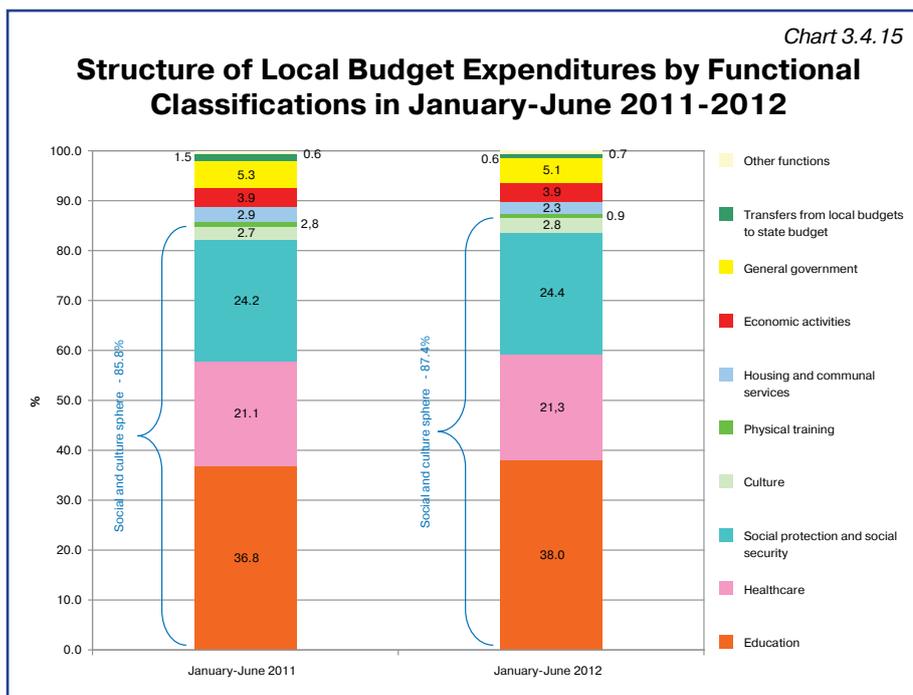
The Special Fund expenditures of local budgets totaled UAH 9.1bn, which is 15.3% more year-on-year. This equals 32.4% of the annual targets approved by local councils, which is 3.7ppt more than the level of January-June 2011.

STRUCTURE OF EXPENDITURES BY FUNCTIONAL CLASSIFICATION

As usual, the majority of local budget expenditures was used for society and culture (education, healthcare, social protection and social security, culture and arts, physical culture and sports). These expenditures combined accounted for 87.4% in the structure of local budget expenditures, which is 1.6ppt more than last year's level (see Chart 3.4.15).

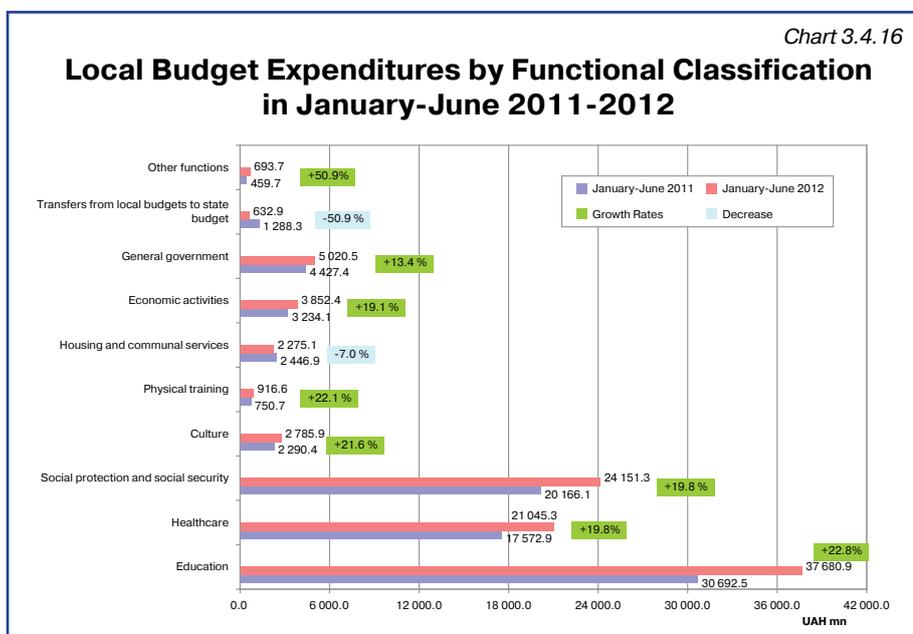
There were practically no changes in the structure of local budget expenditures by functional classification. Therefore, note could only be made of a 1.2ppt increase in the share of expenditures for education, and a 0.6ppt decrease in the share of expenditures for housing and communal services.

In addition, there was a 0.9ppt reduction in the share of the transfers from local budgets to the State budget. These changes are mainly related to a decline in the amount of remittance of these transfers against the plan.



The total expenditures for society and culture increased by 21.1% and totaled UAH 86.6bn.

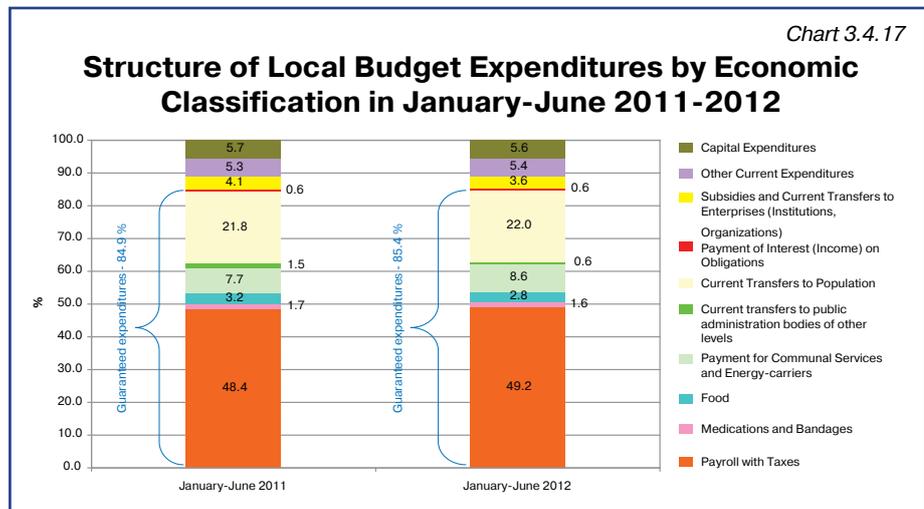
Expenditures for education accounted for the largest share of these at UAH 37.7bn (or 38.0% of all local budget expenditures), followed by expenditures for social protection and social security at UAH 24.2bn (or 24.4%), and expenditures for healthcare at UAH 21.0bn (or 21.3%) (see Chart 3.4.16).



The expenditures for public administration were funded at UAH 5.0bn, which is 13.4% more than in the first half of 2011. Also, their share in the structure of local budget expenditures decreased slightly to 5.1%.

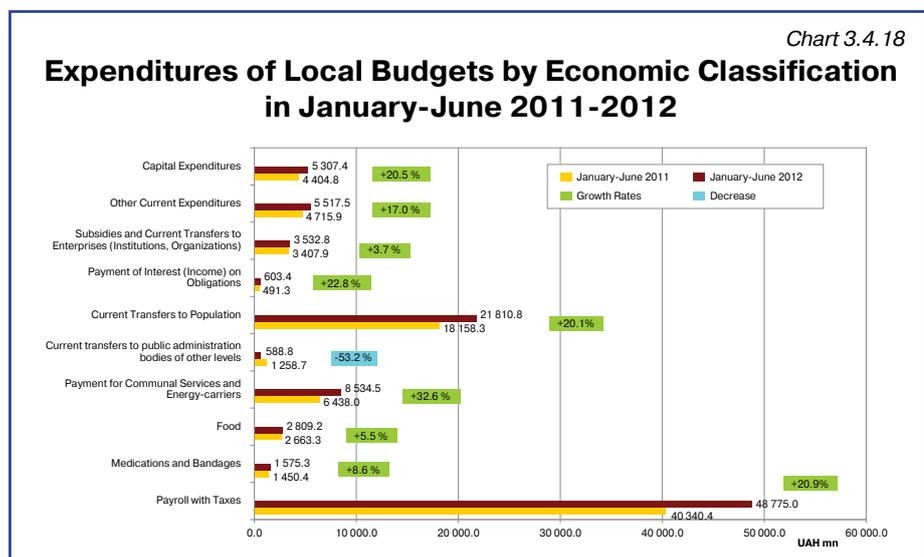
STRUCTURE OF EXPENDITURES BY ECONOMIC CLASSIFICATION

In terms of economic classification, 85.4% of all local budget expenditures were protected items, which was 0.5ppt more year-on-year (see Chart 3.4.17).



A 0.8ppt increase is noted in the structure of local budget expenditures for payroll with taxes, which are usually the largest among local budget expenditures. Payroll with taxes amounted to 49.2% of the total in January-June 2012. Also, expenditures for utilities and energy rose 0.9ppt (up to 8.6%) and there was a 0.9ppt decrease in the share of expenditures for current transfers to government bodies of other levels (down to 0.6%).

In general, the current expenditures of local budgets totaled UAH 93.7bn, which is 18.8% more than in the first half of 2011. Capital expenditures were funded at UAH 5.3bn and their amount increased by UAH 902.7mn or by 20.5% (see Chart 3.4.18). It should also be noted that according to the new version of the Budget Code of Ukraine, nearly all capital expenditures are included in the expenditures of the local government development budget.



INTERGOVERNMENTAL TRANSFERS FROM THE STATE BUDGET TO LOCAL BUDGETS

According to the State Treasury of Ukraine, nearly UAH 50.0bn in **intergovernmental transfers from the State budget to local budgets** were remitted in the first half of 2012, which amounts to 45.0% of the annual plan. Of these, the General Fund of local budgets received 47.0% of the annual plan, and the Special Fund received 15.8% of the planned annual amount.

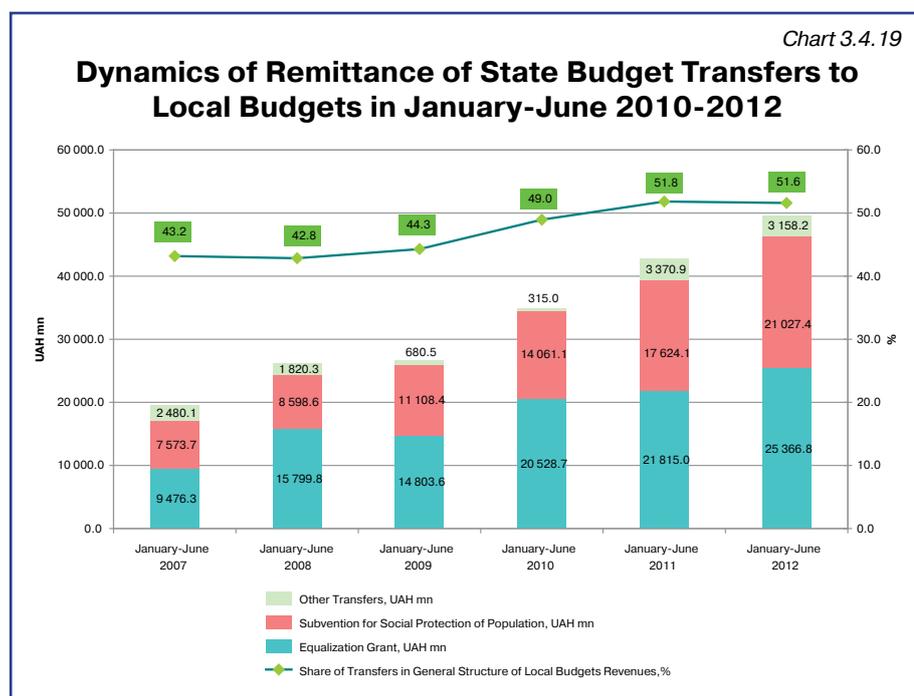
The status of remittance of transfers from the State budget to local budgets is summarized in Table 3.4.3.

Table 3.4.3

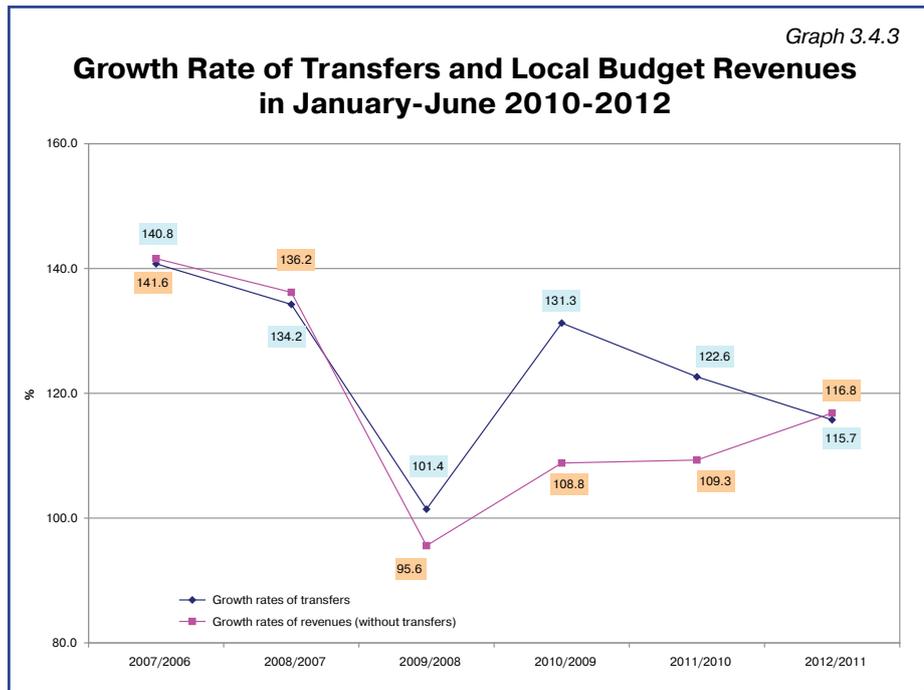
Dynamics of Intergovernmental Transfers from the State Budget to Local Budgets in January-June 2010-2012

Intergovernmental transfers	Actual in January-June 2010	Actual in January-June 2011	Plan for 2012	Actual in January-June 2012	Plan execution, %
Total, UAH mn, including:	34 904.8	42 810.0	110 083.2	49 552.4	45.0
– General Fund	32 960.1	41 534.5	103 094.1	48 446.4	47.0
– Special Fund	1 944.7	1 275.5	6 989.1	1 106.0	15.8

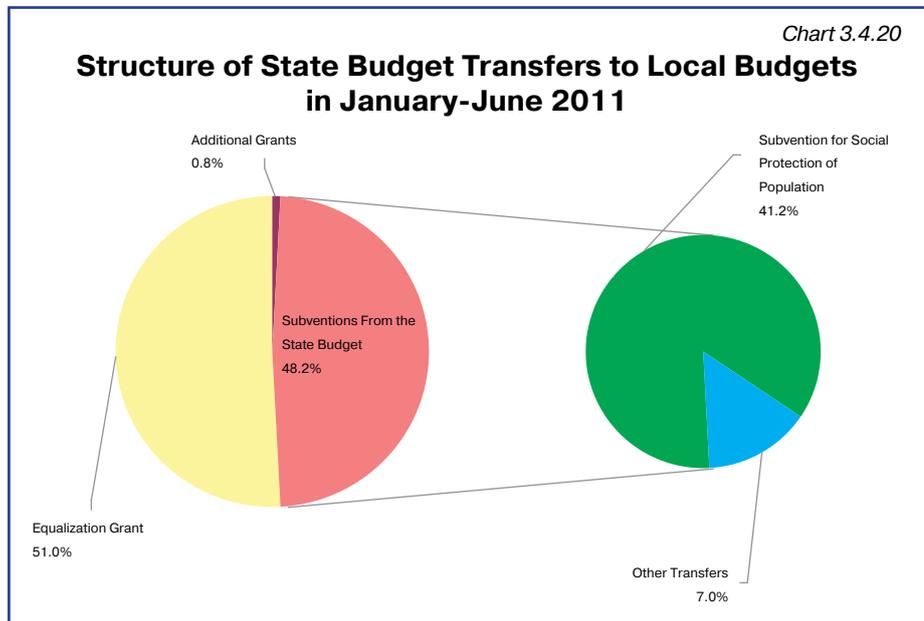
The share of intergovernmental transfers in the structure of local budget revenues amounted to 51.6%, which is 0.2ppt less year-on-year. It should be noted that it was the first decline of this indicator in the last five years (see Chart 3.4.19).

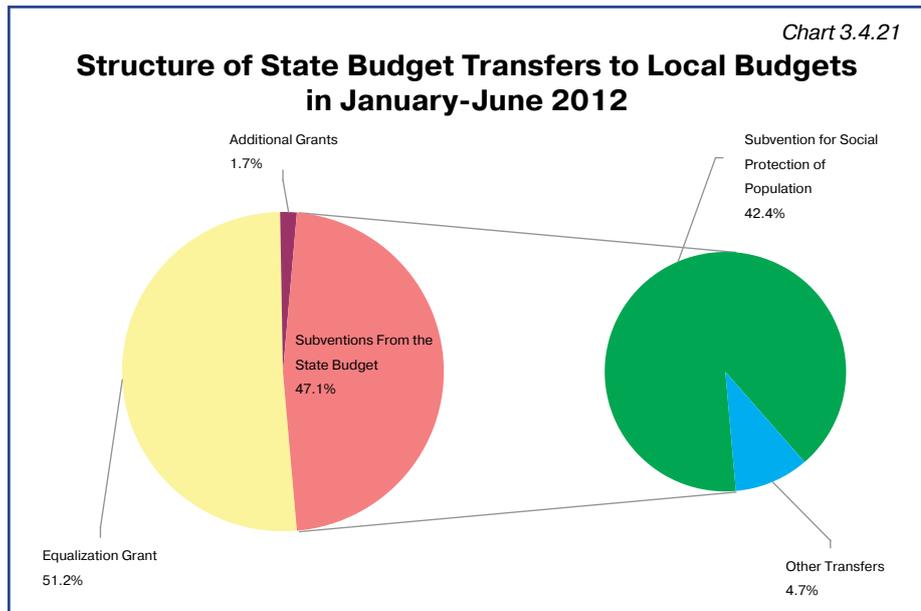


The amount of intergovernmental transfers increased by 15.7% year-on-year. It should be noted that unlike recent years, they grew at a slower pace than local budget revenues (see Graph 3.4.3).



As usual, the equalization grant accounted for the largest share in the structure of transfers at 51.2% (it amounted to 51.0% in January-June 2011). The share of social protection subventions exceeded the level of the first half of 2011 by 1.2ppt and amounted to 42.4% (see Chart 3.4.20 and Chart 3.4.21).

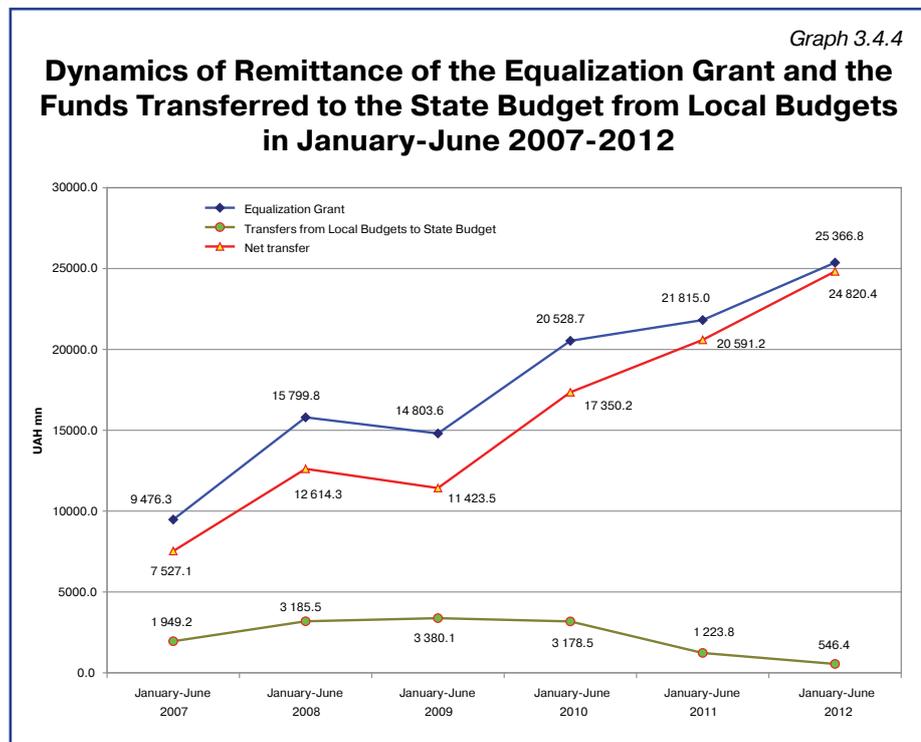




EQUALIZATION GRANT

The equalization grant was remitted at the amount of UAH 25.4bn, which amounts to 49.1% of the annual plan, with the respective amount in January-June 2011 amounting to UAH 21.8bn (50.0% of the annual plan) (see Graph 3.4.4).

At the same time, the amount of funds transferred from local budgets to the State budget decreased by 50.9%. Therefore, the net equalization transfer⁶ totaled more than UAH 24.8bn (see Graph 3.4.4), which is 20.5% more year-on-year.



⁶ The net equalization transfer is the difference between the equalization grant and the amount of funds transferred to the State budget.

OTHER GRANTS

Pursuant to the Law of Ukraine “On Amending the Law of Ukraine ‘On the State Budget of Ukraine for the Year 2012’” dated 12 April 2012, No.4647, the following additional State budget grants are to be remitted to local budgets in 2012:

- for payroll of the staff of budgetary institutions (annual plan totals UAH 1.5bn) – no funding initiated;
- for equalizing the financial sufficiency of local budgets (annual plan totals UAH 1.2bn) - funded at 32.3% of the annual amount;
- for stimulating local governments towards exceeding their annual estimates for enterprise profit tax and excise tax (annual plan totals UAH 1.0bn) – funded at 25.0%;
- for improving the provision of social services to the most vulnerable citizens (annual plan totals UAH 380.9mn) – funded at 14.3%;
- for improving the level of financial support to disabled persons of groups I or II resulting from mental disorders (annual plan totals UAH 131.2mn) – funded at 24.7%;
- for compensation for the loss of revenues of local budgets due to the tax benefits in land tax granted by the State to space research and aircraft building entities (annual plan totals UAH 125.1mn) – funded at 33.3%;
- for compensation of losses caused by the stationing of the Russian Federation’s Black Sea Fleet in the cities of Sevastopol, Feodosiya, and the urban settlement of Hvardiyske, Simferopol district (annual plan totals UAH 119.4mn) – funded at 27.3%;
- for implementing the functions established by the Law of Ukraine “On Approving the Constitution of the Autonomous Republic of Crimea” (annual plan totals UAH 34.1mn) – funded at 27.3%;
- to the Slavutych municipal budget for ensuring the maintenance of the Slavutych city social infrastructure (annual plan totals UAH 10.0mn) – funded at 50.0%;
- to the Donetsk oblast budget for ensuring the operation of the Donetsk *Yunist* Palace of Youth (annual plan totals UAH 3.6mn) – funded at 26.6%.

SUBVENTIONS FOR SOCIAL PROTECTION OF POPULATION

Subventions for the social protection of the populace were remitted at UAH 21.0bn in January-June 2012, including:

- subvention for paying allowances to families with children, low-income households, persons disabled from birth, disabled children, and temporary State allowances to children – Hr 15.6bn or 50.7% of the annual plan;
- subvention for granting benefits and housing subsidies to the populace to pay for electric power, natural gas, heat supply, water supply, and water removal services, housing

rent, removal of solid household waste and liquid sewage – Hr 4.4bn or 59.1% of the annual plan;

- subvention for granting telecommunications benefits, for compensating the loss of part of the income related to the cancellation of the tax on owners of motor vehicles, and compensation for preferential transport fare for certain categories of citizens – Hr 865.1mn or 42.4% of the annual plan;
- subvention for granting benefits and housing subsidies to the populace for purchasing solid and liquid household furnace fuel and liquefied gas – Hr 149.9mn or 20.7% of the annual plan.

OTHER SUBVENTIONS

It should be noted that the Law of Ukraine “On Amending the Law of Ukraine ‘On the State Budget of Ukraine for the Year 2012’” dated 12 April 2012, No. 4647, increased the amount of intergovernmental transfers to local budgets by Hr 9.6bn. Among other things, these amendments introduced 12 types of new transfers that were not originally envisaged for 2012. Therefore, in addition to social subventions, 32 types of other subventions are to be provided to local budgets in 2012 (see Appendix B). In general, they were funded at Hr 12.9bn or 18.1% of the annual plan.

The highest indicators of annual plan implementation were noted for the following subventions;

- for ensuring the operation of the Kyiv City Heart Center Clinical Hospital (annual plan totals UAH 39.0mn) – funded in the full annual amount;
- for repaying accounts payable for the medical equipment purchased in 2011 at the expense of a State budget subvention to local budgets for procuring consumables and medical equipment for healthcare institutions (annual plan totals UAH 4.3mn) – funded in full annual amount;
- to the Donetsk oblast budget for building a PET-CT center, major renovation and reconstruction of hospital buildings and the procurement of high-value medical equipment for the Donetsk Oblast Clinical Territorial Medical Association (annual plan totals UAH 96.0mn) - funded at 51.3%;
- for financing the socioeconomic compensation for the risks to the populace living in the Chernobyl surveillance zone (annual plan totals UAH 152.8mn) – funded at 50.2%;
- to the Sudak city budget for celebrating city’s 1800th anniversary (annual plan totals UAH 30.0mn) – funded at 50.0%.

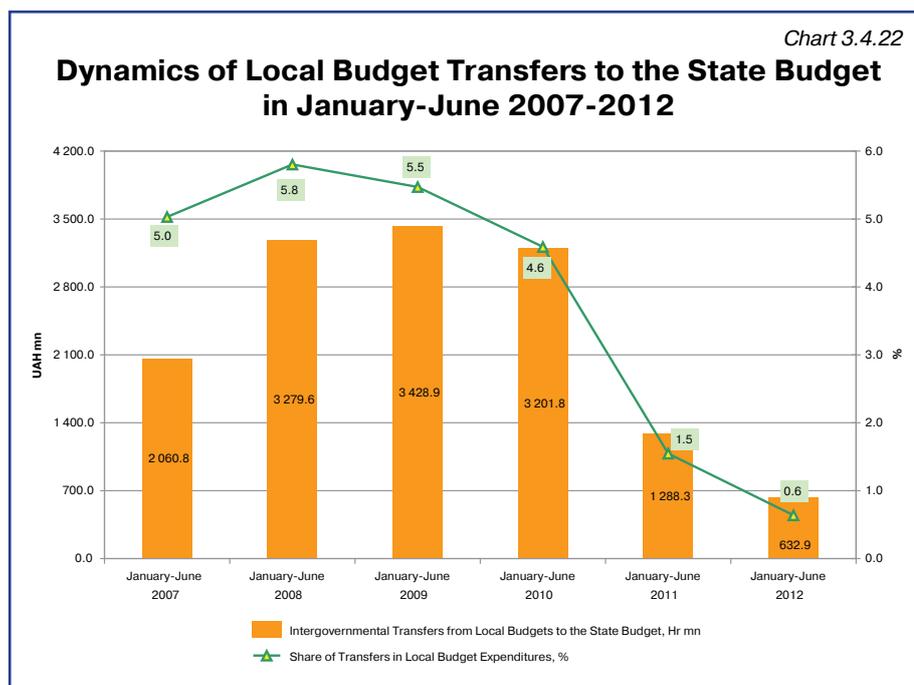
TRANSFERS FROM LOCAL BUDGETS TO THE STATE BUDGET

The State budget of Ukraine received UAH 632.9mn in **inter-governmental transfers from local budgets**, which is 50.9% less year-on-year.

The amount of funds transferred from local budgets to the State budget totaled UAH 546.4mn or 48.0% of the annual target.

In addition, the intergovernmental transfers from local budgets also included subventions for implementation of programs of socio-economic and cultural development of the regions. Such subventions were remitted at the amount of UAH 86.5mn, which is nearly 34.2% more than in the first half of 2011.

In general, the total transfers to the State budget decreased nearly by UAH 655.3mn year-on-year and amounted to 0.6% of all local budget expenditures (see Chart 3.4.22).



Expenditures of the State Budget of Ukraine by Program Classification in January-June 2010-2012

Expenditures by program classification	January-June 2010			January-June 2011			January-June 2012		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Ministry of Internal Affairs of Ukraine	13 858.4	6 382.4	46.1	14 279.7	6 382.4	44.7	14 847.1	6 498.7	43.8
Ministry of Energy and Coal Industry of Ukraine*	8 802.9	3 794.2	43.1	8 819.0	3 794.2	43.0	10 502.3	5 311.0	50.6
Construction of power units, nuclear, pumped-storage, and other power stations, trunk, mountain, and rural power transmission lines, as well as provision of cheaper credits for accumulating stocks of solid fuel for thermal power stations	80.0	0.0	0.0	80.0	0.0	0.0	225.0	133.4	59.3
Restructuring of the coal and peat industry	1 337.3	336.5	25.2	1 337.3	336.5	25.2	1 149.3	378.3	32.9
Mine rescue measures at coal-mining enterprises	384.3	151.1	39.3	384.3	151.1	39.3	417.6	173.6	41.6
State support for coal-mining enterprises intended for partial coverage of production costs, including for providing guarantees towards the repayment of budget loans	5 774.2	3 132.5	54.2	5 774.2	3 132.5	54.3	7 801.8	4 492.1	57.6
Ministry of Economic Development and Trade of Ukraine	347.1	143.6	41.4	371.5	150.7	40.6	3 165.5	610.9	19.3
Ministry of Foreign Affairs of Ukraine	1 109.9	462.7	41.7	1 118.8	462.7	41.4	1 327.5	526.4	39.7
Ministry of Culture of Ukraine**	1 921.7	830.1	43.2	1 962.3	830.1	42.3	2 395.1	1 042.0	43.5
State Forest Resources Agency of Ukraine	751.7	309.3	41.1	797.2	309.3	38.8	660.1	307.2	46.5
Ministry of Defense	13 688.8	5 014.1	36.6	13 874.7	5 014.1	36.1	16 454.4	5 805.7	35.3
Provision for activities of the Armed Forces of Ukraine and training of troops	9 013.1	3 777.8	41.9	9 015.0	3 777.8	41.9	11 926.8	4 657.9	39.1
Training of military specialists at higher educational institutions of accreditation levels I-IV, qualifications upgrade and re-training of military specialists and public servants, initial military training of youth	751.0	356.5	47.5	751.1	356.5	47.5	887.7	403.6	45.5
Development of weapons and military equipment of the Armed Forces of Ukraine	313.5	12.1	3.9	313.7	12.1	3.9	1 481.6	71.7	4.8
Building (acquisition) of service housing for military personnel of the Ukrainian Armed Forces	534.7	47.5	8.9	534.7	47.5	8.9	500.0	100.2	20.0
Ministry of Education and Science, Youth and Sport of Ukraine***	20 047.6	9 834.1	49.1	20 910.4	9 970.6	47.7	24 174.4	11 811.7	48.9
Training of skilled workers at vocational schools	940.8	442.8	47.1	954.8	442.8	46.4	1 201.5	612.5	51.0
Training of specialists at higher educational institutions of accreditation levels I and II	2 743.7	1 298.1	47.3	2 819.0	1 298.1	46.0	3 472.7	1 718.2	49.5
Training of specialists at higher educational institutions of accreditation levels III and IV	11 644.9	6 121.4	52.6	11 956.7	6 121.4	51.2	15 302.5	7 924.1	51.8

Expenditures by program classification	January-June 2010			January-June 2011			January-June 2012		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Ministry of Health of Ukraine	7 548.1	2 622.2	34.7	8 418.4	2 705.3	32.1	10 007.1	3 552.3	35.5
Training and improving the qualifications of medical and pharmaceutical, research and academic personnel at higher educational institutions of accreditation levels III and IV	1 598.9	800.9	50.1	1 608.5	801.0	49.8	1 877.2	998.8	53.2
State Sanitary and Epidemiological Inspection and disinfecting measures	1 749.4	830.5	47.5	1 769.9	830.5	46.9	1 966.0	907.2	46.1
Provision of medical activities of individual State programs and comprehensive activities of programmatic nature	685.4	0.7	0.1	685.4	0.7	0.1	1 902.4	59.2	3.1
Ministry of Ecology and Natural Resources of Ukraine	2 900.2	971.2	33.5	3 194.2	971.2	30.4	4 174.2	1 395.7	33.4
Ministry of Social Policy of Ukraine****	62 771.7	33 556.6	53.5	62 882.4	33 561.9	53.4	70 540.2	33 114.2	46.9
Fund for the Social Protection of Disabled Persons	774.2	165.3	21.4	827.3	165.3	20.0	1 088.4	242.2	46.9
Pension Fund of Ukraine	58 317.2	31 479.8	54.0	58 317.2	31 479.8	54.0	64 494.1	30 342.7	47.0
Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine*****	1 272.3	159.9	12.6	5 899.6	554.1	9.4	8 572.9	367.4	4.3
Drinking Water of Ukraine	400.0	0.0	0.0	400.0	0.0	0.0	206.6	36.7	17.8
Partial compensation of the interest rate on commercial bank credits to young families and single young individuals for construction/reconstruction and purchase of housing	103.3	51.2	49.6	103.3	51.2	49.5	111.0	55.5	50.0
Ministry of Agrarian Policy and Food of Ukraine	10 468.7	3 112.2	29.7	10 740.5	3 112.2	29.0	11 215.3	3 274.0	29.2
Providing financial support to agribusiness companies through cheaper short- and medium-term credits	531.4	66.9	12.6	531.4	66.9	12.6	1 007.4	49.3	4.9
Training the personnel for the agribusiness sector by higher educational institutions of accreditation levels III and IV	1 220.5	540.4	44.3	2 096.4	943.1	45.0	2 866.8	1 309.0	45.7
Activities of pest and disease control of agricultural plants, prevention of spread of pathogenic agents of infectious disease in animals	20.0	4.1	20.5	20.0	4.1	20.7	34.0	12.8	37.8
Budgetary animal husbandry grant and State support for crop production	0.0	0.0	0.0	2 030.0	0.0	0.0	732.0	0.6	0.1
Ministry of Infrastructure of Ukraine*****	2 117.3	1 202.9	56.8	2 292.7	1 202.9	52.5	1 588.3	709.2	44.7
State Agency of Automobile Roads of Ukraine	8 755.0	5 525.5	63.1	13 397.4	6 388.0	47.7	13 066.6	6 988.0	53.5
Development and maintenance of the public motor roads network	4 454.5	3 511.8	78.8	7 063.8	3 511.8	49.7	5 744.4	4 315.1	75.1
Performance of debt obligations under credits received under the guarantee of the Cabinet of Ministers of Ukraine for development of the network of public automobile roads	4 277.7	2 008.5	47.0	4 277.7	2 008.5	47.0	5 095.8	1 660.7	32.6

Expenditures by program classification	January-June 2010			January-June 2011			January-June 2012		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Ministry of Emergency Situations of Ukraine	4 654.2	2 026.3	43.5	4 759.4	2 028.0	42.6	6 151.4	2 424.2	39.4
Ministry of Finance of Ukraine (general government expenditures)	126 359.1	55 958.8	44.3	124 981.8	55 958.8	44.8	151 168.8	65 336.9	43.2
Ministry of Finance	34 492.7	14 626.9	42.4	34 384.9	14 626.9	42.5	46 401.0	17 376.9	37.4
Servicing of internal State debt	14 932.3	7 176.9	48.1	23 001.5	10 502.9	45.7	29 582.9	11 554.1	39.1
Ministry of Finance of Ukraine (general government expenditures), including intergovernmental transfers *****	91 866.4	41 331.9	45.0	90 597.0	41 331.9	45.6	104 767.7	47 960.0	45.8
Equalization grants from the State budget to local budgets and additional grants	46 291.7	22 129.2	47.8	46 291.7	22 129.2	47.8	56 184.4	26 190.1	46.6
State capital expenditures, which are allocated by the Cabinet of Ministers of Ukraine	2 839.6	5.5	0.2	2 037.8	5.5	0.3	11.9	0.0	0.0
Security Service of Ukraine	3 022.3	1 396.2	46.2	3 097.7	1 396.2	45.1	3 458.6	1 728.4	50.0
Other key spending units	47 164.8	15 061.6	31.9	41 389.7	13 571.3	32.8	45 524.9	17 250.7	37.9
Total	337 561.8	148 363.9	44.0	343 187.4	148 364.0	43.2	398 994.8	168 054.3	42.1

According to Edict of the President of Ukraine "On Optimization of the System of Central Executive Power Bodies" dated 9 December 2010, No. 1085/2010:

* Starting in 2011, expenditures of the Ministry of Energy and Coal Industry of Ukraine include the expenditures of the former Ministry of Fuel and Energy of Ukraine and the Ministry of Coal Industry of Ukraine; therefore, the expenditure data of these ministries for 2010 have been adjusted.

** The expenditures for tourism development were excluded from the scope of expenditures of the Ministry of Culture of Ukraine in 2010.

*** Expenditures of the Ministry of Family, Youth, and Sport of Ukraine for 2010 are included into expenditures of the Ministry of Education and Science, Youth, and Sport.

**** Expenditures of the Ministry of Social Policy of Ukraine include expenditures of the Pension Fund of Ukraine.

***** Expenditures of the Ministry of Regional Development, Construction, Housing and Communal Services for 2010 include expenditures of the Ministry of Regional Development and Construction and the Ministry of Ukraine for Housing and Communal Services.

***** Expenditures of the Ministry of Infrastructure of Ukraine for 2010 include the expenditures for tourism development.

***** Expenditures of the Ministry of Finance of Ukraine (general government expenditures) for 2010 exclude expenditures of the Pension Fund.

The Status of Transfer of State Budget Subventions to Local Budgets in January-June 2012

UAH thousand

Description	General Fund		Special Fund		Total	
	Annual plan	Actual	Annual plan	Actual	Annual plan	Actual
Subvention for paying allowances to families with children, low-income families, persons disabled since childhood, disabled children, and for temporary State support for children	30 850 677.3	15 647 165.4	0.0	0.0	30 850 677.3	15 647 165.4
Subvention for providing preferences and housing subsidies to the population as payment for electric power, natural gas, heat, water supply and sewage services, rent, removal of solid and liquid waste	7 388 300.0	4 365 192.4	0.0	0.0	7 388 300.0	4 365 192.4
Subvention for providing preferences in telecommunications services and other preferences stipulated by law (except preferences for providing medicines, prosthetic dentistry, payment for electric power, natural and liquefied gas for household purposes, solid and liquid household fuel, heat, water supply and removal services, rent, removal of solid and liquid household waste) and compensation for preferential fares for certain citizen categories	2 039 640.0	865 144.8	0.0	0.0	2 039 640.0	865 144.8
Subvention for providing preferences and housing subsidies to the population for purchasing solid and liquid household fuel and liquefied gas	724 419.7	149 907.7	0.0	0.0	724 419.7	149 907.7
State budget subvention to Ivano-Frankivsk municipal budget for celebrating the 350th Anniversary of the city of Ivano-Frankivsk	10 000.0	0.0	0.0	0.0	10 000.0	0.0
State budget subventions to local budgets for financing comprehensive pilot projects of implementing the reform of administrative service provision	20 744.8	3 111.6	0.0	0.0	20 744.8	3 111.6
State budget subvention to the Zhovti Vody city budget for implementation of actions intended for the radiation and social protection of the population of Zhovti Vody	13 500.0	6 245.5	0.0	0.0	13 500.0	6 245.5
State budget subvention to the Donetsk'ka oblast budget for building a PET-CT center, capital repair and reconstruction of hospital buildings, and procurement of high-value medical equipment for the Donetsk'ka Oblast Clinical Territorial Medical Association	96 000.0	49 281.9	0.0	0.0	96 000.0	49 281.9
State budget subvention to local budgets for purchasing medical automobile transport and equipment for healthcare institutions	823 500.0	0.0	0.0	0.0	823 500.0	0.0
State budget subventions to local budgets for purchasing medical equipment (mammography, x-ray, and ultrasonic scanners) made in Ukraine	190 500.0	50 589.3	0.0	0.0	190 500.0	50 589.3
State budget subvention to Kyiv city budget for operation of the Kyiv Municipal Heart Center Clinical Hospital	39 000.0	39 000.0	0.0	0.0	39 000.0	39 000.0
State budget subvention to the Slavutych city budget for implementation of actions intended for prevention of accidents and technogeneous catastrophes in the housing and communal services sector of the city of Slavutych	4 500.0	675.0	0.0	0.0	4 500.0	675.0
State budget subvention to local budgets for refunding part of interest rates on the credits obtained for renewal of the bus and trolleybus fleets of the host cities as part of preparations for hosting the 2012 European Football Championship Finals in Ukraine	62 500.0	18 273.7	0.0	0.0	62 500.0	18 273.7

Description	General Fund		Special Fund		Total	
	Annual plan	Actual	Annual plan	Actual	Annual plan	Actual
State budget subvention to local budgets of the Donetsk oblast for preparation of the sports facilities to host the World Track-and-Fields Championship in 2013	33 500.0	11 166.6	0.0	0.0	33 500.0	11 166.6
State budget subvention to local budgets for repaying the accounts payable for the medical equipment purchased in 2011 at the expense of the State budget subvention to local budgets for purchasing consumables and medical equipment for healthcare institutions	4 301.6	4 301.6	0.0	0.0	4 301.6	4 301.6
State budget subvention to local budgets for purchasing medicines for emergency medical aid	323 115.1	85 806.9	0.0	0.0	323 115.1	85 806.9
State budget subvention to the municipal budget of Svitlovodsk, Kirovohrad oblast, for repair of motor road along B.Khmelnytskyi St.	3 000.0	0.0	0.0	0.0	3 000.0	0.0
State budget subvention to local budgets for supporting reform of the healthcare system (purchasing of medical automobile transport and equipment for centers of primary medical/medicosanitary aid) in the Vinnytsya, Dnipropetrovsk, and Donetsk oblasts and the city of Kyiv	327 000.0	86 838.6	0.0	0.0	327 000.0	86 838.6
State budget subvention to the Brovary municipal budgets for building a trolleybus line Brovary-Kyiv	141 000.0	0.0	0.0	0.0	141 000.0	0.0
State budget subvention to the Dnipropetrovsk municipal budget for continuing the construction of motor road in the city of Dnipropetrovsk on the stretch along the Kaidatskyi Shlyakh St. and to the motor road Kyiv-Luhansk-Izvaryne	300 000.0	42 636.0	0.0	0.0	300 000.0	42 636.0
State budget subvention to the city budget for conducting the repair and restoration works of the cultural heritage monuments in the city of Hlukhiv, Sums'ka oblast	5 000.0	0.0	0.0	0.0	5 000.0	0.0
State budget subvention to the Kyiv city budget for conducting conservation and modern museumification, completing the archeological studies of the Starokyivs'ka Hill with remaining foundations of the Church of the Dime within the area of the national archeological monument The Old Kyiv Citadel of 8-10 Centuries with the Church of the Dime Foundations	20 000.0	2 000.0	0.0	0.0	20 000.0	2 000.0
State budget subvention to local budgets for purchasing consumables for healthcare institutions and medicines for inhalation anesthesia	200 000.0	53 112.3	0.0	0.0	200 000.0	53 112.3
State budget subvention to the Kyiv city budget for major repair of block three of the Nashi Dity Children's Protection Center	9 000.0	3 500.0	0.0	0.0	9 000.0	3 500.0
State budget subvention to local budgets for financing the repair of offices of Labor and Social Protection Directorates of city (republican-significant cities in the Autonomous Republic of Crimea and oblast-significant cities), district in the cities of Kyiv and Sevastopol, and district city councils for conducting the activities of joint implementation of the Social Aid System Improvement Project with the World Bank	0.0	0.0	254.7	45.7	254.7	45.7
State budget subvention to local budgets for construction, reconstruction, repair, and maintenance of streets and municipal roads within localities	0.0	0.0	2 213 250.0	1 007 483.0	2 213 250.0	1 007 483.0
State budget subvention to local budgets for implementing the activities of socioeconomic development of individual territories	2 785 801.0	567 703.2	0.0	0.0	2 785 801.0	567 703.2

Description	General Fund		Special Fund		Total	
	Annual plan	Actual	Annual plan	Actual	Annual plan	Actual
State budget subvention to local budgets for the development of socioeconomic sphere of the city of Sevastopol and other localities, where the military units of the Russian Federation's Black Sea Fleet are stationed in the territory of Ukraine	0.0	0.0	47 727.1	21 852.7	47 727.1	21 852.7
State budget subvention to the Shatsk raion budget, Volyn' oblast, for construction and major repair of motor roads Shatsk-Svityaz'-Zalissy-Pulmo-Shatsk	32 000.0	4 527.7	0.0	0.0	32 000.0	4 527.7
State budget subvention to the Chernihiv oblast budget for financing the conservation and restoration works on a complex of architectural monuments at the Hetmans' Capital City National Historical and Cultural Reserve in the city of Baturyn	5 000.0	750.0	0.0	0.0	5 000.0	750.0
State budget subvention to local budgets for financing the activities of socioeconomic compensation of the risks to the populations living in the monitored areas	0.0	0.0	152 798.0	76 628.3	152 798.0	76 628.3
State budget subvention to the Sudak municipal budget for celebrating the 1800th Anniversary of the city of Sudak	30 000.0	15 000.0	0.0	0.0	30 000.0	15 000.0
State budget subvention to local budgets for paying out State social allowances for orphaned children and children left without parental care, cash support to carer parents and foster parents for the provision of social services in family-type children's homes and foster families based on the «money follows the child» principle	381 805.9	175 950.1	0.0	0.0	381 805.9	175 950.1
State budget subvention to local budgets for financing the winning programs of the All-Ukraine Competition of Local Government Development Projects and Programs	26 880.0	954.3	0.0	0.0	26 880.0	954.3
State budget subvention to local budgets for repaying the debt in the difference in tariffs for the heat energy, which was produced, transmitted, and supplied to the population, which debt emerged due to a mismatch between the actual value of the heat energy and the tariffs, which were approved or agreed by the relevant bodies of central or local government	0.0	0.0	4 575 090.9	0.0	4 575 090.9	0.0
State budget subvention to local budgets for holding elections of deputies to the Verkhovna Rada of the Autonomous Republic of Crimea, local councils, and village, settlement, and city mayors	19 000.0	7 423.2	0.0	0.0	19 000.0	7 423.2
Subventions total	46 909 685.4	22 256 257.9	6 989 120.7	1 106 009.7	53 898 806.1	23 362 267.6

