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

**BUDGET MONITORING:
ANALYSIS OF BUDGET EXECUTION
IN JANUARY-JUNE 2013**



BUDGET MONITORING:

Analysis of Budget Execution
in January-June 2013

Budget Monitoring

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 2013

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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)(USAID).

The Monitoring materials are based on official reports of the State Treasury Service of Ukraine, information from the State Statistics Service of Ukraine, and data from the Ministry of Finance of Ukraine, Ministry of Economic Development and Trade of Ukraine, and the Committee on Budget 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 characterizes the key macroeconomic indicators. A detailed analysis is provided of the results of executing the consolidated, State and local budgets, which enables one to determine the impact of the fiscal decisions taken on their status. Special focus is made on evaluating the performance of local budgets as the key financial mechanism for provision of social services and guarantees to the populace.

The macroeconomic situation repeats the trends of previous periods with low economic growth due to a dependence on imported energy resources.

Nominal GDP totaled UAH 653.5bn, which is 1.7% more year-on-year.

Real GDP was down 1.3% (in permanent 2007 prices)¹ compared to 3.0% growth last year, and 6.2% growth in the pre-crisis year of 2008.

Industrial output continued to decline in a number of sectors. Over the last three years, the production of chemical products has fallen the fastest.

The Consumer Price Index (CPI) remained unchanged in January through June 2013 against the same period of last year and amounted to 100.2%.

The Producer Price Index (PPI) did not show any sustainable pattern in the reporting period. Thus, following a drop in February 2013 (by 1.3ppt), PPI grew in March through June 2013 and reached 103.7% in June.

The foreign trade balance of Ukraine was negative, decreasing 4.8 times year-on-year and amounting to -\$0.79bn. At the same time, this indicator improved by nearly two times compared to the pre-crisis year of 2008. This is explained by a positive impact from the 5.3% growth of exports compared to 2008, and a 2.9% reduction of imports.

In the first six months of 2013, **the average nominal monthly wage** per full-time employee amounted to UAH 3,380.0, which is nearly 16% more year-on-year. This is nearly three times the State social standard (the minimum wage and subsistence level of an employable person amounting to UAH 1,147).

Real wages increased by 9.6% (compared to an 8.1% growth in the same period of 2012).

The level of actual intake of **revenues of the consolidated and State budget** in January-June 2013 points to the possibility that the annual revenue target will not be met. The highest probability for failure lies with the value-added tax (our expected plan execution: 87.0% to 90.0%) and taxes on foreign trade and external transactions (our expected plan execution: 89.0% to 91.0%). There are also grounds to project a shortfall in the personal income tax, which is the main source of local budget revenues (our projected level of plan execution: 92.0% to 93.0%).

¹ <http://www.ukrstat.gov.ua/>

Unlike last year, the annual plan could be exceeded for some revenue items. For the State budget, this might involve the enterprise profit tax, which could exceed the plan by 9-10% or by UAH 4-5bn. From among the taxes remitted to local budgets, the single tax on small businesses could bring in revenue at 127-130% over the plan.

The growth of tax revenues significantly slowed over this period. For instance, State budget revenues were 3.7% lower in the first half of this year than last year.

The abovementioned budget revenue characteristics have led to changes in the structure of revenues in both the consolidated and State budget. The most significant development involved a decrease in the share of tax revenues (by 1.9ppt and 2.9ppt, respectively) with a simultaneous increase in the proportion of non-tax revenues (by 1.9ppt and 2.8ppt, accordingly).

The level of execution of **consolidated budget expenditures** increased slightly (by 0.6ppt) compared to January-June 2012 and amounted to 44.5%.

The growth rate of consolidated budget expenditures decreased by 5.4ppt and amounted to 110.2%. This year, however, it exceeded the GDP growth rate, which had decreased substantially compared to last year. Therefore, the share of consolidated budget expenditures in GDP increased up to 36.6% or by 32.ppt.

The share of local budget expenditures in consolidated budget expenditures decreased by 0.4ppt against the 2012 figure and amounted to nearly 45.0%.

The State budget expenditures were executed at UAH 185.4bn or 43.7% of the annual plan.

The best-funded expenditures were those for social protection and social security (49.6% of the annual plan, which is 5.5ppt more than last year), education (47.2%), spiritual and physical development, and intergovernmental transfers (45.4% each). As usual, the lowest levels of funding were expenditures for the housing and communal services sector. The allocation for these purposes totaled UAH 25.4mn or 29.5% of the annual plan in the first six months of the year.

The main priorities of the national policy in the context of the increasing expenditures of the State budget compared to last year (83.8% of the total increase amount) included expenditures for social protection and social security (46.6% of the total increase in expenditures); intergovernmental transfers (20.7%); and general government functions (16.5%), including 15.0% used for debt servicing.

The expenditures of local budgets increased by 16.1% and totaled UAH 114.9bn. The level of execution of the annual plan approved by local councils amounted to 46.5%. As usual, the majority of local budget expenditures are allocated for society and culture (87.4%). At the same time, expenditures increased for social protection and social security (by 14.4%) and decreased for housing and communal services expenditures (by 15.3%) in the first half of 2013.

The monthly trend of local budget expenditures was similar to that of last year. At the same time, a significant spike (by 21.8%) in local budget expenditures occurred in April 2013 compared to last year.

In the economic structure of expenditures, the share of expenditures for payroll with taxes fell by 0.3ppt. Payroll with taxes is commonly the largest of all the local budget expenditures, accounting for 48.9% of the total in the first six months of 2013. Also, the share of expenditures for utilities and energy fell by 1.5ppt (down to 7.1%). The capital expenditures of local budgets were funded at about UAH 6.0bn, with their amount down UAH 661.1mn or 12.5%.

The State budget deficit totaled UAH 22.7bn, which amounts to 44.6% of the ceiling set by the Law on the 2013 State budget of Ukraine. Compared to 2012, the State budget deficit increased by UAH 16.0bn or 3.4 times.

State budget borrowing was incurred at UAH 77.2bn (57.0% of the annual plan). Domestic borrowing totaled UAH 57.5bn and foreign borrowing totaled UAH 19.7bn. **State debt repayments** totaled UAH 35.1bn, which equals 43.3% of the annual plan. This includes UAH 15.4bn or 33.9% of the annual plan for repaying domestic debt, and UAH 19.7bn or 55.3% for repaying foreign debt. The ratio of borrowing to repayment increased 2.5 times year-on-year. This occurred due to a 1.5 times increase in State budget borrowing, with a simultaneous 6.7% decrease in the amount of expenditures allocated for State debt repayment.

According to the State Treasury Service, **the amount of loans for covering the temporary cash gaps of local budgets** at the expense of the Single Treasury Account totaled UAH 30.2bn, which is 5.4% more than in 2012. Repayments on these loans totaled UAH 25.1bn compared to UAH 23.8bn in the first half of last year.

The generation of **revenue from the privatization of State property** totaled UAH 0.2bn or 1.6% of the annual plan. In the same period of last year, such revenues totaled UAH 5.1bn or 50.9% of the annual plan.

The balance of budget funds totaled UAH 37.9bn at the end of June 2013, including an increase of UAH 10.8bn year-to-date. This balance decreased by 21.8% compared to last year.

SECTION 1. REVIEW OF NORMATIVE-LEGAL FRAMEWORK ON BUDGET FOR JUNE-SEPTEMBER 2013

1.1. STATE BUDGET REVENUES

THE LAW OF UKRAINE OF 4 JULY 2013, NO. 391-VII

The Law of Ukraine dated 4 July 2013, No. 391-VII amended the Law of Ukraine “On the State Budget of Ukraine for the Year 2013” by adding Article 22, which authorizes the Cabinet of Ministers of Ukraine to restructure the actual budget debt for designated State budget expenditures accrued as of 1 January 2013, within the amounts set by the Cabinet, by issuing financial Treasury bills with maturity of up to five years and yield of 5%, maximum.

In addition, the bodies responsible for Treasury servicing of budget funds are authorized to issue such instruments to VAT payers who have elected to receive VAT refunds in the form of a Treasury bill.

Reference. According to subparagraph 14.1.176-1 of Article 14 of the Tax Code of Ukraine, a financial Treasury bill is an instrument which is an obligation of the central executive authority responsible for Treasury servicing of budget funds, issued in a non-documentary form with the aim of registering the available debt of the State budget of Ukraine. Refunding VAT by registering/issuing a financial Treasury bill is equivalent to issuing the amount of budget refund to a taxpayer, including automatic refunds, by means of remitting the funds from the budget account into the taxpayer’s checking account. The financial Treasury bill may not be presented before its maturity date.

Thus, the changes to the 2013 State budget grant the authority to restructure two types of debt:

1) the actual budget debt for the expenditures (e.g., investment projects for the Euro 2012 Championship) that had accrued as of 1 January 2013;

2) the current debt in VAT refunds, including automatic refunds.

At the same time, **the legislative draft does not detail any specific amounts of the debt to be restructured.** According to the Government report on implementation of the Law of Ukraine “On the State Budget of Ukraine for the Year 2012” the accounts payable for expenditures of the General Fund of the State budget totaled UAH 4,354.8mn as of 1 January 2013. Therefore, it could be assumed the bills would be issued for this amount. As regards VAT, one could assume that issuance of the budget debt on the tax refund would be the subject matter for discussion between the tax authority and taxpayers, including those who are entitled to receive

this refund automatically (subparagraph 200.18.2, paragraph 200.18, Article 200 of the Tax Code of Ukraine).

Assessment of the impact from implementing the above changes to the State budget.

1) Introducing a mechanism of restructuring budget debt through the issuance of financial Treasury bills will make it possible to ease the burden on the budget expenditures by deferring the current debt by five years.

2) As a result of enacting this provision, one could expect budget indicators to improve in 2013, in particular those related to revenues from the value-added tax. As the “registration/issuance of a financial Treasury bill is equated to paying up the budget refund to the taxpayer, including the automatic refund” (paragraph nine of subparagraph 14.1.176-1, paragraph 14.1, Article 14 of the Tax Code of Ukraine), a refund registered as a bill will continue to be accounted as code 14010200 “Budget refund of the value-added tax with monetary funds”. At the same time, the provision fails to address the problem of budget revenue generation, since such an improvement would overstate the base for calculating budget revenues for next year. The final conclusions regarding the impact of the said changes on the economic situation can be made only after the procedure for registering/issuing financial Treasury bills is approved.

**THE LAW OF
UKRAINE OF
4 JULY 2013,
NO. 403-VII**

The Law of Ukraine dated 4 July 2013, No. 403-VII amended Article 265 of the Tax Code of Ukraine to postpone the introduction of the tax on immovable property other than land and make some modifications to the procedure of assessing and paying this tax.

The key changes are as follows:

- 1) the tax base shall be assessed on **the total residential floor area of all taxable objects** owned by the taxpayer;
- 2) additional rates shall be introduced for the summary taxation of various types of properties, i.e., apartments and houses;
- 3) the tax shall be payable at the taxpayer’s tax address location **rather than at the place of property registration**, except for properties owned by non-residents;
- 4) **the authority of local governments is limited** to setting the tax rates only for apartments with a residential floor area of up to 240 sq m and houses of up to 500 sq m;
- 5) a tax exemption shall be granted for properties owned by religious organizations;
- 6) a tax exemption shall be granted for properties owned by low-income households;
- 7) the tax authorities shall develop a register of payers of the tax on immovable property other than land;
- 8) **the obligation to pay the tax in 2013 is cancelled**.

Assessment of the impact from implementing the above changes.

1) In 2013, local budgets will not receive about UAH 75mn in tax on immovable property, which amounts to 0.03% of the total local budget revenues planned for 2013.

2) The transition from property-specific to summary assessments of the tax base (as envisaged by amendments to Article 265.3) could lead to a reduction of the tax amount payable to local budgets. This could be illustrated by the following examples:

Example 1. The taxpayer owns two apartments with residential floor areas of 70 and 100 sq m.

*With the property-specific assessment of the tax base, this taxpayer would have paid under 2013 conditions (minimum wage of UAH 1,147) a tax on one apartment of his/her choice: $70 \text{ sq m} * \text{UAH } 1,147 * 1\% = \text{UAH } 802.9$*

*With the summary assessment of the tax base, first, the residential floor areas of properties are added together and then subtracted by 120 sq m (Article 265.4.1 item a). In this case, the tax would amount to: $(70 \text{ sq m} + 100 \text{ sq m} - 120 \text{ sq m}) * \text{UAH } 1,147 * 1\% = \text{UAH } 573.5$, which is UAH 229.4 less than in the first case.*

Example 2. The taxpayer owns one apartment and one house with the residential floor areas of 70 and 300 sq m, respectively.

*With the property-specific assessment of the tax base, such taxpayer would have under 2013 conditions (minimum wage of UAH 1,147) a tax on the apartment, and would have used the right of tax reduction to the house: $((70 \text{ sq m} + (300 \text{ sq m} - 250 \text{ sq m})) * \text{UAH } 1,147 * 1\% = \text{UAH } 1,376.4$.*

*With the summary assessment of the tax base, first, the residential floor areas of the properties are added together and then subtracted by 370 sq m (Article 265.4.1 item c). Then, the tax would amount to: $(70 \text{ sq m} + 300 \text{ sq m} - 370 \text{ sq m}) * \text{UAH } 1,147 * 1\% = \text{UAH } 0.0$*

3) The shortfall in revenues from this tax could be even more substantial due to the fact that the tax base continues to be assessed based on the residential floor area rather than the total area, and the residential area indicator could be changed through replanning.

4) The introduction of additional exemptions (for religious organizations and low-income households) would also cause a reduction in the base for tax assessment.

5) Despite the Law's envisaging that the payment of the tax at the taxpayer's tax address location **rather than at the property registration location**, it also introduces the principle of proportional sharing of tax revenues, which is better attuned to the interests of local communities (according to the previous wording of Article 265 of the Tax Code, one community could receive nothing, with another receiving the whole assessed tax amount from one taxpayer).

6) An unquestionable benefit of the Law is a statutory requirement for the operation of a register of payers of tax on immovable property other than land (item 17 of the Transitional Provisions).

Conclusion. The modifications introduced fail to address the systemic weaknesses of the tax on immovable property because:

- 1) they fail to generate significant revenues for local budgets;
- 2) they fail to ensure that the tax is progressive, i.e., the rich pay more;
- 3) they fail to establish a link between the tax paid and the quality of services provided by a local government, as only a small minority of community members would be paying this tax.

Therefore, the time gained by postponing the tax collection until 2014 will need to be used to revise the approaches to its administration, namely through inclusion of all immovable properties in taxation, irrespective of the property owner or user and at minimal rates.

**ORDER OF THE
MINISTRY OF
FINANCE OF
UKRAINE OF
2 SEPTEMBER 2013,
NO. 786**

The Order of the Ministry of Finance dated 2 September 2013, No. 786 amended the budget classification approved by the Order of the Ministry of Finance dated 14 January 2011, No. 11.

The modifications to the budget classification were made pursuant to the Law of Ukraine dated 4 July 2013, No. 422 “On Amending the Tax Code of Ukraine with Regard to the Payment of Ecology Tax for the Recycling of Decommissioned Vehicles and Improvement of Some Tax Norms”.

Among other things, the classification of budget revenues was supplemented with items related to this tax.

1.2. STATE BUDGET EXPENDITURES AND THE BUDGET PROCESS

**DECREE OF THE
CABINET OF
MINISTERS OF
UKRAINE OF 19
JUNE 2013, NO.
465**

The Decree of the Cabinet of Ministers dated 19 June 2013, No. 465 amended the Procedure of forming, considering, approving, and the main requirements for executing the budgets of budgetary institutions approved by the Decree of the Cabinet of Ministers dated 28 February 2002, No. 228.

The amendments stipulate that healthcare institutions that provide secondary (specialized) and emergency medical aid pursuant to the Law of Ukraine “On the Procedure of Conducting Reform of Public Health System in Vinnytsya, Dnipropetrovsk, and Donetsk Oblasts, and the City of Kyiv” shall use the procedures designated for higher educational institutions of accreditation levels I-IV and the research institutions financed at the expense of budget funds, as well as the healthcare institutions that provide primary medical aid in the pilot regions.

The Decree shall come into effect as of 1 January 2014.

**DECREE OF THE
CABINET OF
MINISTERS OF
UKRAINE OF
21 AUGUST 2013,
NO. 592**

The Decree of the Cabinet of Ministers dated 21 August 2013, No. 592 “On Implementing State External Borrowing in 2013” stipulates that State foreign borrowing shall be implemented in 2013 by taking out a loan and sets out the Conditions for its performance. Among other things, it is envisaged to pay interest on the loan principal at 6.5% per annum, and its repayment shall start not later than two years after receiving this loan.

1.3. LOCAL BUDGETS AND INTERBUDGETARY RELATIONS

**DECREE OF THE
CABINET OF
MINISTERS OF
UKRAINE OF
14 AUGUST 2013,
NO. 576**

The Decree of the Cabinet of Ministers dated 14 August 2013, No. 576 amended the Procedure of using the funds of the State Regional Development Fund approved by the Decree of the Cabinet of Ministers dated 4 July 2012, No. 656 “The Issues of the State Regional Development Fund”.

The Procedure had a provision withdrawn, which had forbidden the use of resources of the State Regional Development Fund for financing investment programs/projects whose expenditures are included in the State budget under other budget programs.

SECTION 2. ANALYSIS OF MACROECONOMIC INDICATORS IN JANUARY-JUNE 2013

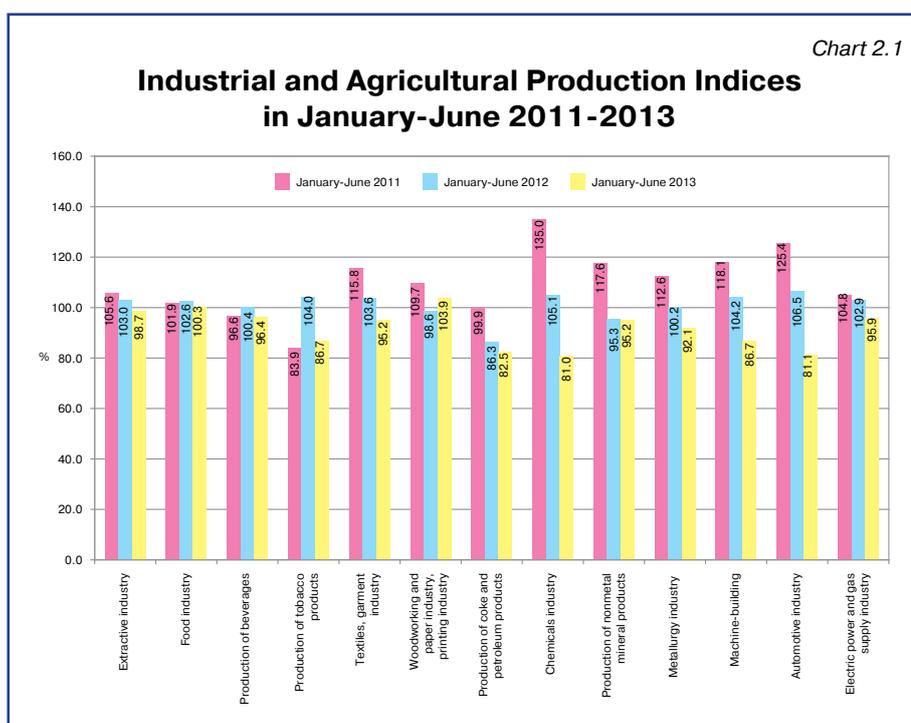
GDP

Nominal GDP totaled UAH 653.5bn, which is 1.7% more than last year.

The largest shares of gross added value in the total amount come from construction (16.4%), taxes on products (13.3%, this share decreased by 1.6ppt compared to the first half of 2012), the processing industry (13.1%, which is 1.4ppt less than the 2012 figure), operations of transport and telecommunications (10.3%), trade and repair of automobiles and household items (10.2%).

Real GDP decreased by 1.3% (in permanent 2007 prices)² compared to a growth of 3.0% last year and of 6.2% in the pre-crisis year of 2008.

The dynamics of industrial and agricultural production indices is shown in Chart 2.1.



Industrial output continued decline in a number of industries. In the last three years, the sharpest drop has been in the production of chemicals. As such, this indicator decreased by 22.1% in January-June 2013 year-on-year and by 40.3% against 2011. Machine building has also declined, with output dropping by 23.8% in the first half of 2013 against the mid-year 2012 figure.

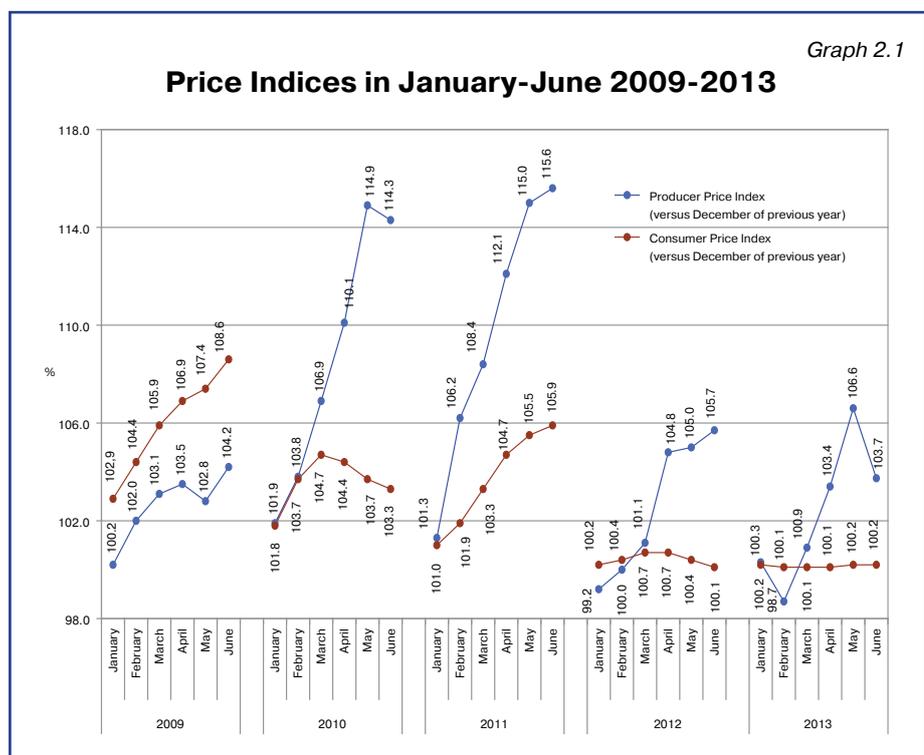
Similar output decline trends are found in motor vehicle production, metallurgy industry, textiles, garment industry, as well as in electric power and gas supply industries.

The only growth in production output (by 8.1%) in the first six months of 2013 against the respective period of last year is noted in the woodworking and paper industries, and the printing industry.

CONSUMER AND PRODUCER PRICE INDICES

The Consumer Price Index (CPI) remained virtually unchanged throughout January-June 2013 (see Graph 2.1). Prices for milk, cheese, eggs, sugar, vegetables, clothing and footwear, foodstuffs and household appliances all fell somewhat.

The prices of oil and fats remain at last year's level. At the same time, the prices increased for alcoholic beverages, tobacco products (by 7.3%), healthcare (by 1.9%), transport (by 2.0%), and communications (by 1.7%).



Housing, utilities, and energy prices increased by 1.5-2.0% on average compared with last year's average increase of 0.7%. Also, education has become significantly more expensive — compared to last year, the prices of preschool and elementary education increased by 3.3%, secondary by 5.2%, and higher education by 4.0%.

Unlike CPI, the Producer Price Index (PPI) showed no sustainable pattern in the reporting period. Following a decline in February 2013 (by 1.3ppt), PPI grew throughout March-June 2013 and reached 103.7% in June (see Graph 2.1).

PERSONAL INCOME AND SPENDING

The nominal average monthly wage per full-time employee amounted to UAH 3,380.0 in the first six months of 2013, which is nearly 16% more year-on-year (see Table 2.1).

Table 2.1

Nominal and Real Wages by Region of Ukraine in January-June 2011-2013

Name of administrative-territorial unit	Average monthly wage (per one full-time employee), UAH			Nominal wages growth rate, %		Index of real wages (against respective period of last year), %		
	2011	2012	2013	2012/2011	2013/2012	2011	2012	2013
Autonomous Republic of Crimea	2 158.0	2 521.0	3 003.0	116.8	119.1	107.3	104.2	112.8
Vinnitsya Oblast	1 941.0	2 325.0	2 799.0	119.8	120.4	110.1	110.1	110.9
Volyn' Oblast	1 877.0	2 231.0	2 741.0	118.9	122.9	112.7	109.7	112.1
Dnipropetrovsk Oblast	2 670.0	3 048.0	3 408.0	114.2	111.8	111.7	108.8	107.9
Donetsk Oblast	2 925.0	3 384.0	3 803.0	115.7	112.4	110.3	111.1	107.3
Zhytomyr Oblast	1 970.0	2 271.0	2 779.0	115.3	122.4	109.7	107.7	110.9
Zakarpattya Oblast	1 949.0	2 245.0	2 758.0	115.2	122.9	108.4	105.5	110.4
Zaporizhzhya Oblast	2 469.0	2 840.0	3 238.0	115.0	114.0	107.4	109.5	109.2
Ivano-Frankivsk Oblast	2 118.0	2 463.0	2 925.0	116.3	118.8	110.0	107.9	107.3
Kyiv Oblast	2 592.0	3 035.0	3 443.0	117.1	113.4	106.7	112.7	111.5
Kirovohrad Oblast	1 980.0	2 326.0	2 741.0	117.5	117.8	111.2	106.1	109.8
Luhansk Oblast	2 590.0	2 965.0	3 391.0	114.5	114.4	111.4	109.7	109.5
Lviv Oblast	2 124.0	2 479.0	2 887.0	116.7	116.5	106.8	106.5	110.0
Mykolaiv Oblast	2 326.0	2 717.0	3 199.0	116.8	117.7	107.3	104.0	111.5
Odesa Oblast	2 269.0	2 618.0	3 095.0	115.4	118.2	107.5	105.4	110.2
Poltava Oblast	2 331.0	2 729.0	3 049.0	117.1	111.7	112.1	108.6	108.0
Rivne Oblast	2 084.0	2 487.0	3 000.0	119.3	120.6	112.9	104.4	111.7
Sumy Oblast	2 062.0	2 396.0	2 789.0	116.2	116.4	107.4	108.2	110.5
Ternopil Oblast	1 767.0	2 109.0	2 580.0	119.4	122.3	109.6	104.2	109.3
Kharkiv Oblast	2 267.0	2 633.0	3 061.0	116.1	116.3	106.7	107.5	111.4
Kherson Oblast	1 861.0	2 184.0	2 665.0	117.4	122.0	106.5	103.1	111.1
Khmelnyskyi Oblast	1 949.0	2 316.0	2 831.0	118.8	122.2	110.3	106.4	110.6
Cherkasy Oblast	2 028.0	2 414.0	2 911.0	119.0	120.6	112.0	107.6	109.1
Chernivtsi Oblast	1 865.0	2 223.0	2 676.0	119.2	120.4	111.0	104.0	108.6
Chernihiv Oblast	1 872.0	2 216.0	2 670.0	118.4	120.5	109.3	105.1	111.4
City of Kyiv	3 797.0	4 452.0	5 107.0	117.3	114.7	103.4	105.4	108.5
City of Sevastopol	2 358.0	2 780.0	3 278.0	117.9	117.9	105.3	102.3	107.8
Ukraine	2 494.0	2 917.0	3 380.0	117.0	115.9	108.6	108.1	109.6

This average monthly wage is nearly 3.0 times the amount of the State social standard (the minimum wage level and subsistence level of an able-bodied person, which equal UAH 1,147, according to the Law of Ukraine "On the State Budget of Ukraine for the Year 2013" with amendments).

As usual, the highest average monthly wage is recorded in the city of Kyiv (UAH 5,107.0). The oblasts with the highest average monthly wage level include: Donetsk (UAH 3,803.0), Kyiv (UAH 3,443.0), Dnipropetrovsk (UAH 3,408.0), Luhansk (UAH 3,391.0), Zaporizhzhya (UAH 3,238.0), and Mykolaiv (UAH 3,199.0).

The lowest average monthly wages are noted in Ternopil (UAH 2,580) and Kherson (UAH 2,665.0) oblasts.

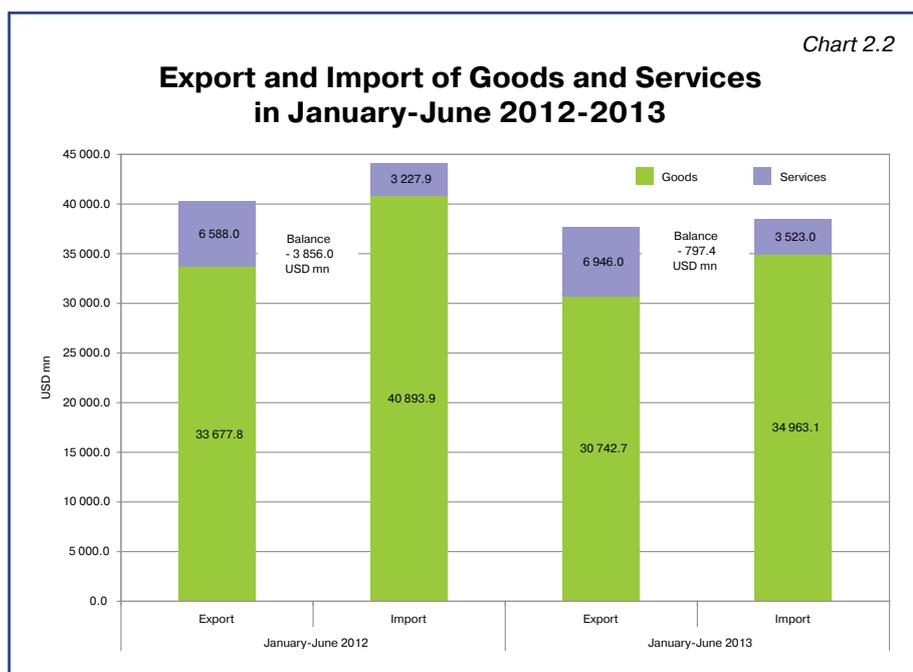
Real wages grew by 9.6% compared to 8.1% growth in the respective period of 2012). Growth occurred for all regions, with especially high figures noted in the Autonomous Republic of Crimea and Volynska Oblast, at 12.8ppt and 11.7ppt, respectively.

FOREIGN TRADE

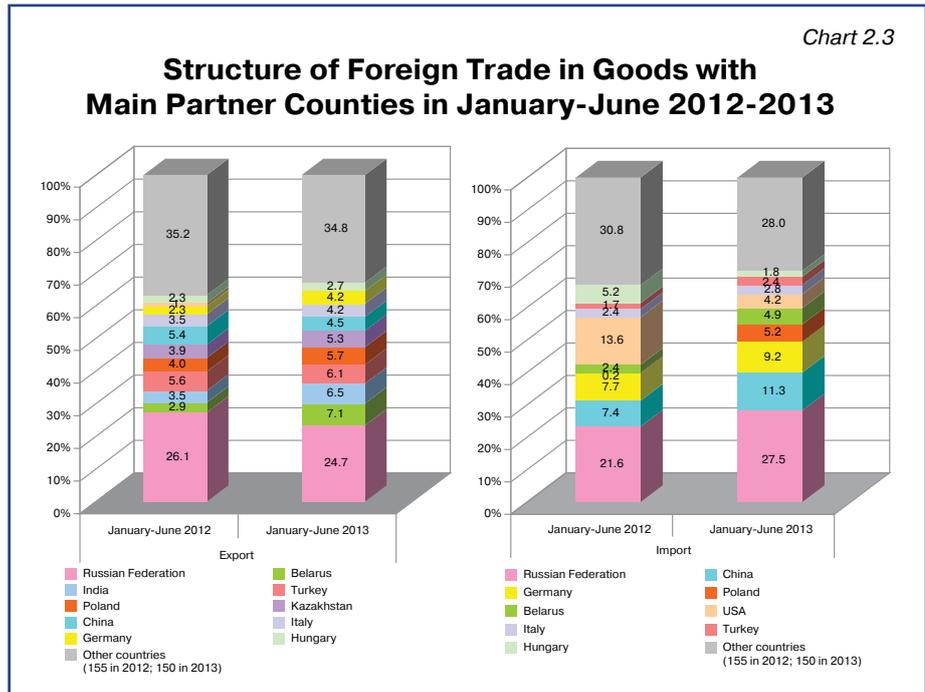
The negative **foreign trade balance of Ukraine** decreased 4.8 times year-on-year (see Chart 2.2) and amounted to -\$0.8bn. At the same time, this is an improvement of nearly two times compared to the pre-crisis year of 2008. This is explained by the 5.3% growth of exports compared to 2008 and a 2.9% reduction of imports.

The import of goods decreased by 14.5% in January-June 2013 compared to the 2012 figure. **The export of goods** dropped by 8.7%, though **the export of services** grew by 5.4%.

The highest shares in the structure of foreign trade in services in January-June 2013, similarly to last year, were in transport services (56.3%), business services (12.2%), and services for processing material resources (10.0%).



The main consumers of Ukrainian products include the Russian Federation (24.7%), Turkey (6.1%), China (4.5%), Italy (4.2%), and Poland (3.9%) (see Chart 2.3). The shares of trade with all the listed main consumers of Ukrainian products decreased compared to last year. However, the shares of trade with some countries rose, including Belarus (by 4.2ppt) and India (by 3ppt) compared to the respective period of 2012.



Of the main countries supplying goods to Ukraine as listed in Chart 2.3, four countries account for the largest shares of imports: the Russian Federation (27.5%, even though this share decreased by 5.8ppt compared to last year), China (11.3%), Germany (9.2%, which is 1.1ppt more than in 2012), and Poland (5.2%).

SECTION 3. ANALYSIS OF BUDGET INDICATORS IN JANUARY-JUNE 2013

3.1. INTAKE OF REVENUES OF CONSOLIDATED AND STATE BUDGETS IN JANUARY-JUNE 2013

CONSOLIDATED

AND STATE BUDGET REVENUES

The actual intake of consolidated budget revenues totaled UAH 211.1bn in January-June 2013, which is UAH 2.3bn or 1.1% more year-on-year (see Table 3.1.1). The rate of growth decreased by 16.3ppt compared to 2012 and by 21.3ppt compared to 2011. Such rates are in line with the reduction of GDP growth rates in the respective periods: they amounted to 1.7% in 2013, 10.8% in 2012, and 20.9% in 2011.

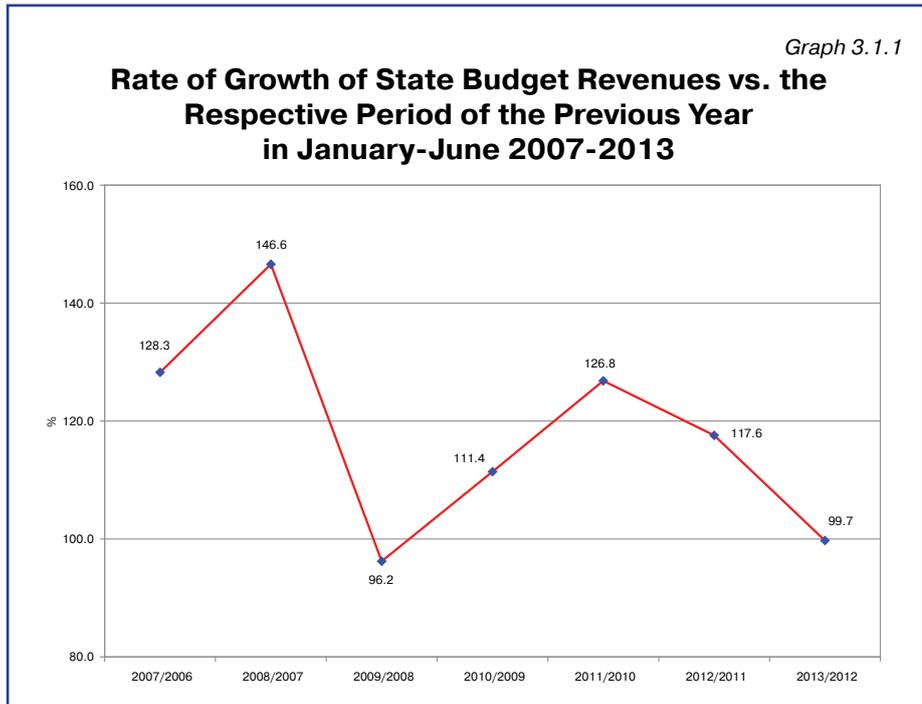
Table 3.1.1

**Consolidated, State, and Local Budget Revenues
in January-June 2010-2013**

Indicators	2010	2011	2012	2013	2013 vs. 2012	
					Absolute growth, UAH bn	Growth rate, %
Consolidated budget, UAH bn, including:	145.3	177.8	208.8	211.1	2.3	1.1
– General Fund	117.6	152.7	178.7	181.7	3.0	1.7
– Special Fund	27.7	25.1	30.1	29.4	-0.7	-2.3
State budget (without intergovernmental transfers), UAH bn, including:	108.9	138.1	162.3	161.9	-0.4	-0.2
<i>share in the consolidated budget revenues, %</i>	<i>74.9</i>	<i>77.7</i>	<i>77.7</i>	<i>77.1</i>	x	x
– General Fund	86.8	119.7	140.7	141.7	1.0	0.7
– Special Fund	22.1	18.4	21.6	20.2	-1.4	-0.6
Local budgets (without intergovernmental transfers), UAH bn, including:	36.4	39.7	46.5	49.2	2.7	5.8
<i>share in the consolidated budget revenues, %</i>	<i>25.1</i>	<i>22.3</i>	<i>22.3</i>	<i>22.9</i>	x	x
– General Fund	30.8	33.0	38.0	40.0	2.0	5.3
– Special Fund	5.6	6.7	8.5	9.2	0.7	8.2

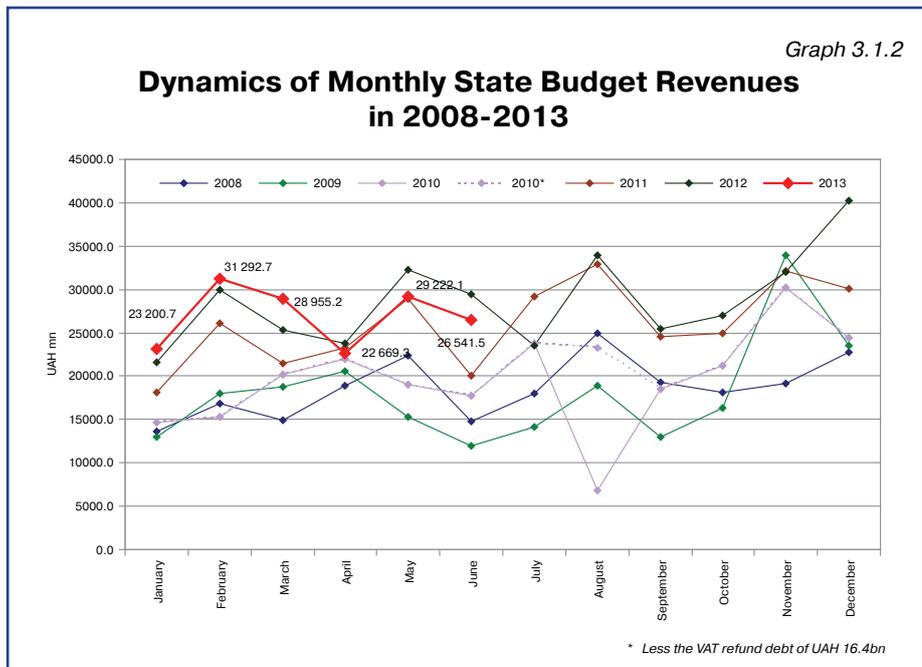
State budget revenues with intergovernmental transfers totaled UAH 162.7bn, which is UAH 0.2bn or 1.2% less year-on-year.

The actual intake of State budget revenues without intergovernmental transfers totaled UAH 161.9bn, which is UAH 0.4bn or 0.3% less year-on-year. It was the first time since the crisis year of 2009 that budget revenues were recorded at a level below that of the previous year (see Graph 3.1.1).



A 9.2 % drop year-on-year in the amount of revenues from VAT year-to-date was the main cause for the reduction in budget revenues. Such a drop in revenues from the key revenue generating tax creates a risk of a revenue shortfall.

The dynamics of monthly State budget revenues in the reporting period are shown in Graph 3.1.2.



STRUCTURE OF THE CONSOLIDATED AND STATE BUDGET REVENUES

The share of tax revenues decreased by 1.9ppt in the structure of total revenues of the *consolidated budget* compared to the respective period of 2012 due to declines in the share of: VAT by 3.3ppt, enterprise profit tax by 0.9ppt, personal income tax by 0.8ppt, and rent and fees for fuel and energy resources by 3.3ppt. The shares of the remaining sources of tax revenues changed only slightly.

The share of non-tax revenues of the *consolidated budget* increased by 1.9ppt and amounted to 16.8%. The main driver behind the increase in the share of non-tax revenues was the remitting into the budget of the revenues from the excess of gross income over expenditures of the National Bank of Ukraine, which totaled UAH 10.1bn.

The share of tax revenues in the overall structure of *State budget* revenues decreased by 2.9ppt in the first half of 2013 year-on-year. Changes in the structure of State budget revenues are on the whole similar to those 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 2011-2013

%

Revenues	Consolidated budget			State budget		
	2011	2012	2013	2011	2012	2013
Tax revenues, including:	86.4	84.4	82.5	86.8	84.0	81.1
– personal income tax	15.6	15.3	16.1	–	2.0	2.2
– enterprise profit tax	14.4	13.7	14.6	18.5	17.6	18.8
– fee for special use of natural resources, including:	3.9	4.0	6.5	0.6	0.7	4.0
– <i>payment for land</i>	2.9	2.8	3.0	–	–	–
– value-added tax	33.5	32.4	29.1	43.1	41.7	37.9
– excise tax	8.4	8.8	8.7	10.5	11.0	11.1
– taxes on foreign trade and external transactions	2.7	3.0	2.9	3.4	3.8	3.8
– rent and fees for fuel and energy resources	6.0	4.8	1.5	7.7	6.2	2.0
– other tax revenues	1.9	2.4	3.1	3.0	1.0	1.3
Non-tax revenues, including:	12.7	14.9	16.8	12.9	15.7	18.5
– income from property and business activity	3.1	5.8	6.2	3.9	7.3	8.0
– administrative changes and fees, income from noncommercial and incidental sale	1.2	1.6	1.6	0.8	1.6	1.5
– own revenues of budgetary institutions	6.8	6.1	7.6	6.3	5.2	7.4
– other non-tax revenues	1.6	1.4	1.4	1.9	1.6	1.6
Income from capital transactions	0.5	0.5	0.3	0.1	0.1	0.0
Targeted funds	0.3	0.2	0.2	0.1	0.1	0.1
Other revenues	0.1	0.0	0.2	0.1	0.1	0.3

TAX REVENUES OF STATE BUDGET

The State budget received UAH 131.3bn in **tax revenues**, which is UAH 5.0bn or 3.7% less year-on-year.

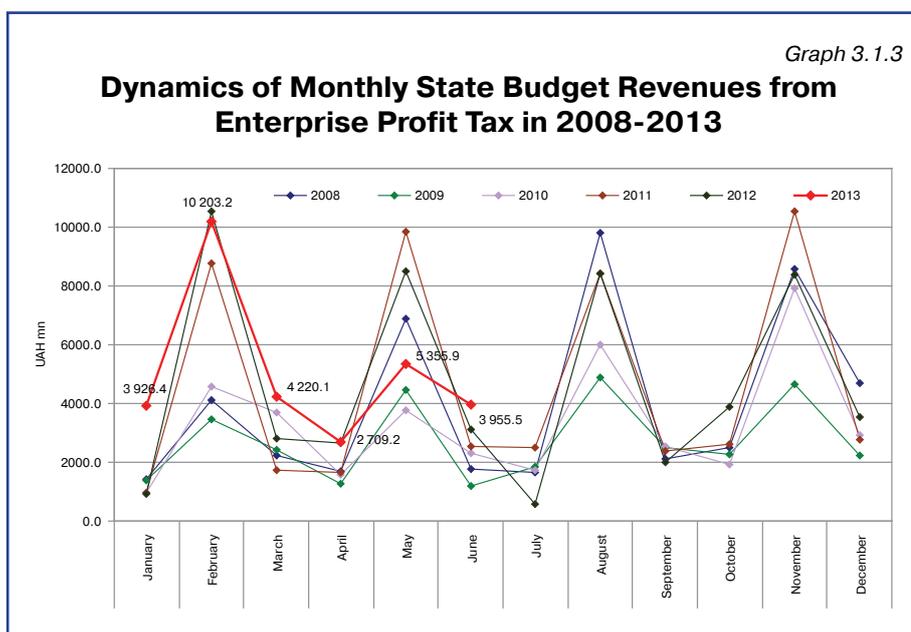
ENTERPRISE PROFIT TAX

Despite lowering of the tax rate from 21% to 19% as of 1 January 2013, the State budget received UAH 1.8bn or 6.4% more from the **enterprise profit tax** in the reporting period than in the respective

period of last year. Total revenue from this tax reached UAH 30.4bn. This amounts to 53.6% of the annual revenue plan from this tax (as amended), and exceeds the share of actual revenues against the plans for the last five years.

This lead is explained by the advance payment of the profit tax that was introduced in 2013, the monthly amount of which is calculated as 1/12 of the tax assessed for payment for the previous tax year⁴. Based on the results of the first half of the year, 2/3 of the total tax amount was paid in advance. At the same time, enterprises with 2012 income of not more than UAH 10mn, newly-established enterprises, and agricultural enterprises are paying the tax on a quarterly basis. Based on the results of the six months of 2013, the amount paid by such enterprises totaled UAH 9.8bn or 32.3% of the total revenues from this tax. In the light of the quarterly dynamics of tax payments in the previous five years, and taking into account that the average monthly tax paid in advance is about UAH 4.0bn, it could be projected that the revenue plan for this source will be exceeded by 9-10% or by UAH 4-5bn.

In general, the dynamics of revenue from this tax displays a certain “smoothing out” of monthly revenues starting in March 2013⁵, which reflects the transition to advance tax payments (see Graph 3.1.3).



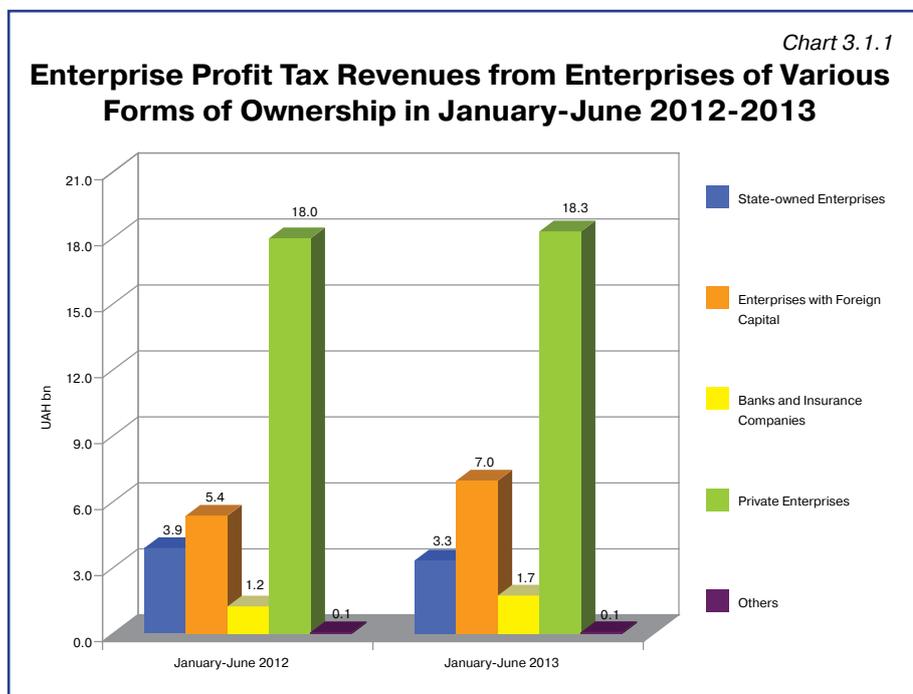
The enterprise profit tax increased in the first half of 2013 due to a UAH 1.6bn, (29.7%) growth in receipts from the tax on enterprises and organizations with foreign capital. Besides, payments by financial institutions (banks and insurance companies) also increased by UAH 0.5bn, or 39.9%. Among other things, this is explained by

⁴ In January-February 2013, the advance payment amount was calculated as 1/9 of the profit tax assessed in a declaration for nine months of 2012.

⁵ In January-February, the budget was receiving the tax amounts assessed based on the 2012 results, which explains the peak of receipts in this period.

the Ukrainian banking system resuming profitable operation in the first half of 2013 and declared profits at UAH 1.2bn. At the same time, the receipts of this tax from the public sector decreased by UAH 0.6bn or by 14.5%.

This is summarized in Chart 3.1.1.



VALUE-ADDED TAX

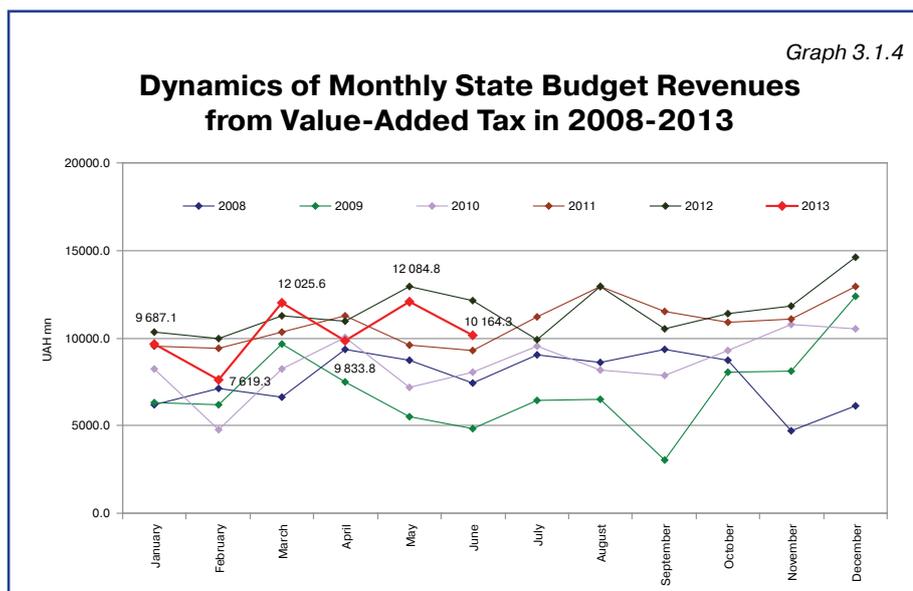
The State budget received UAH 61.4bn in **value-added tax** in January-June 2013, which is UAH 6.2bn or 9.2% less year-on-year.

The level of annual plan execution for this tax is 39.7% compared to the average level of actual revenues in this period over the last five years of 47.3%.

This low level of plan execution gives grounds to project a shortfall against the annual plan for VAT revenues, with the shortfall possibly exceeding UAH 20bn or nearly 13.0% of the target.

In terms of individual VAT components, the plan for VAT on goods imported in Ukraine was executed by 40.7% (49.7% in the first half of 2012), and that on goods made in Ukraine by 42.4% (48.2% in the first half of 2012).

The monthly dynamics of value-added tax revenues is summarized in Graph 3.1.4.



The amounts of VAT refunds from the budget decreased significantly in June 2013. Though UAH 4.7bn per month on average was refunded in January-May 2013 (which equals to about 50.0% of the total VAT collection), the June amount was nearly UAH 1.0bn less. A further reduction of refunds from the budget could be assumed due to the adoption of amendments to the 2013 State budget law on 4 July 2013, which calls for the restructuring of VAT arrears by the issuance of financial Treasury bills.

At the same time, it should be noted that on the whole, the amount of refunds from the budget increased in 2013, with UAH 27.5bn refunded from the budget. This is UAH 4.5bn or 19.4% more year-on-year.

TAXES ON FOREIGN TRADE AND EXTERNAL TRANSACTIONS

In January-June 2013, the State budget received UAH 6.2bn in **taxes on foreign trade and external transactions**, which is in line in year-on-year terms. In fact, there was some slowing-down in the growth of revenues from this source in the first half of 2013, as the rate of growth of taxes on foreign trade amounted to more than 30.0% last year.

The slow-down of growth in revenues – primarily, the import duty – is explained by a reduction in the volume of imports, which decreased by 14.5% in January-June 2013 against the respective period of last year.

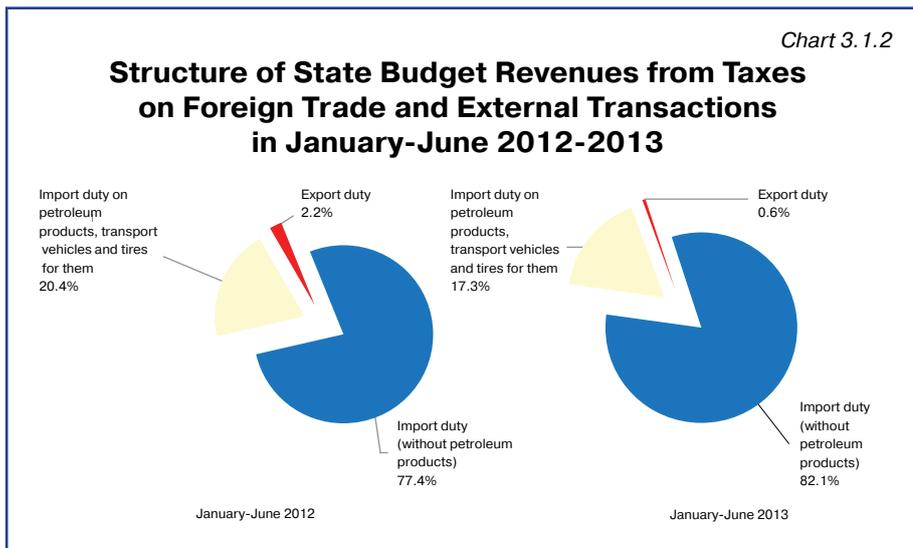
Revenue from taxes on foreign trade and external transactions amounted to 40.3% of the annual plan compared to 52.1% of the actual annual revenue remitted to the budget in the same period of 2012.

The low intake of revenue from this source, alongside a drop in the volume of imports, creates the risk of a shortfall against the annual target.

Compared to the same period of last year, the structure of taxes on foreign trade underwent some changes, such as:

- the share of revenue from export duties decreased by 1.6ppt;
- the share of revenue from import duties (less petroleum products) increased by 4.7ppt;
- the share of duty on petroleum products, motor vehicles and tires for them decreased by 3.1ppt.

This information is summarized in Chart 3.1.2.

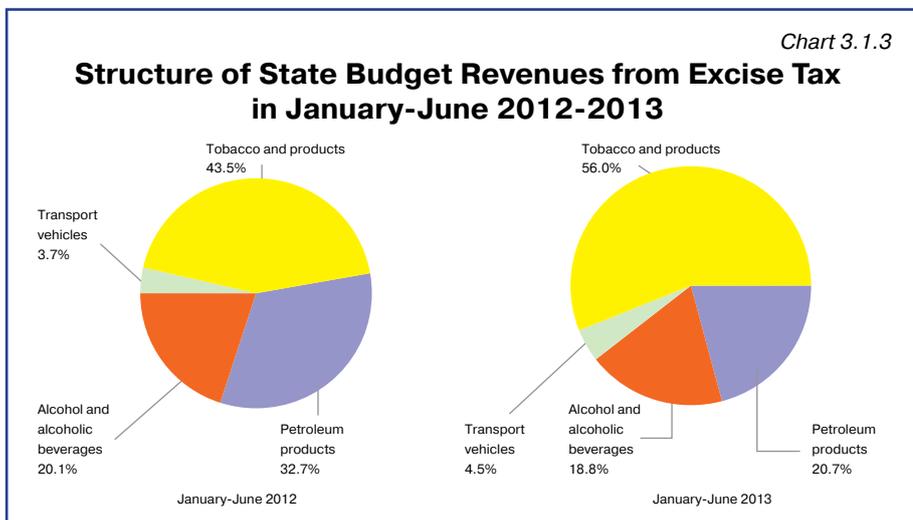


EXCISE TAX

State budget revenue from the **excise tax** totaled UAH 18.0bn, which is UAH 0.2bn or 1.1% more year-on-year. The level of execution of the annual plan amounted to 44.2%, compared to 42.7% in 2012.

The share of revenue from the excise tax on goods made in Ukraine amounted to 74.4% of the total “excise” revenues, which is the same as in 2012.

The structure of excise taxes is summarized in Chart 3.1.3.



The key growth drivers were the receipts from the excise tax on tobacco and products, which increased by UAH 2.3bn or nearly 30% in the first half of 2013 year-on-year. This growth could be explained by changes in the rules of administering the excise tax on tobacco and products enacted by the Law of Ukraine dated 20 November 2012, No. 5503 “On Amending the Tax Code with Regard to Revision of Rates of Certain Taxes and Fees”. In particular, this law includes the advance payment of excise tax at the time of purchase of excise stamps, and it also increases the amount of minimum excise tax obligation and raises the specific rate of the excise tax, while simultaneously reducing the *ad valorem* component.

At the same time, the share of excise tax on petroleum products decreased significantly in the general structure of excise tax revenues due to a UAH 2.1bn or 36.1% fall in receipts from this source. The reason is a record drop in oil refining volume in the first half of 2013, amounting to 1.5mn tonnes of crude, which is 43.0% less year-on-year.

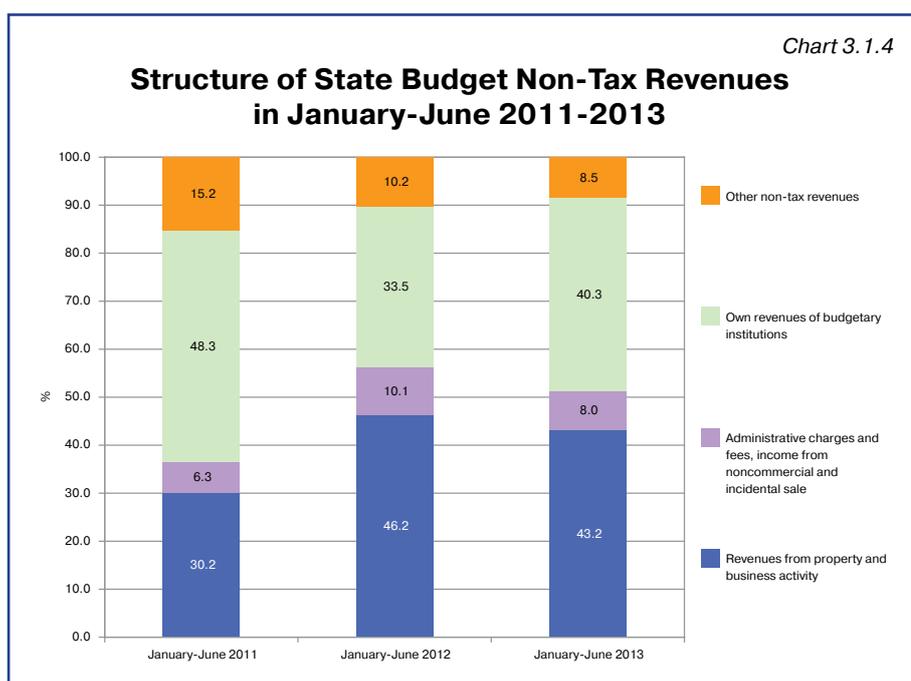
NON-TAX REVENUES

The amount of **non-tax revenues** totaled UAH 29.9bn, which is UAH 4.4bn or 17.3% more year-on-year.

In January-June 2013, 52.0% of the projected non-tax revenue was collected, compared to 37.4% in the same period of 2012.

The structure of non-tax revenues of the State budget changed somewhat. The only growth (by 6.8ppt) was recorded for own revenues of budgetary institutions. At the same time, the shares of other items decreased: by 3.0ppt for income from property and business activity; by 2.1ppt for administrative charges and fees; and by 1.7ppt for other non-tax revenues.

The structure of non-tax revenues is summarized in Chart 3.1.4.



INCOME FROM PROPERTY AND BUSINESS ACTIVITY

The State budget received UAH 12.9bn in **income from property and business activity**, which is UAH 1.1bn or 9.7% more year-on-year.

The revenue from this source amounted to 52.0% of the annual plan, compared to 36.6% of the actual annual revenues received in the same period of 2012.

The main reason behind the increased income from property and business activity was a payment by the National Bank of Ukraine of a portion of its 2012 profits, which NBU is remitting to the State budget of Ukraine pursuant to the provisions of Article 5.1 of the Law of Ukraine "On the National Bank of Ukraine"⁵. The budget received UAH 10.1bn under this article in the first half of 2013 and the annual NBU remittance is expected to reach UAH 16.0bn.

OWN REVENUES OF BUDGETARY INSTITUTIONS

The amount of **own revenues of budgetary institutions** totaled UAH 12.1bn, which is UAH 3.5bn or 40.8% more year-on-year.

This sum is 57.7% of the annual plan, compared to 51.1% last year.

Compared to both 2012 and 2011, the level decreased of the revenue from fees for services provided by budgetary institutions by 6.7ppt and 6.6ppt, respectively, and amounted to 38.0% of the annual plan. As regards other sources of own revenues of budgetary institutions, which, as a rule, are not approved but rather increase incrementally in the course of the year due to a dependence on contracts made etc., the level of execution amounted to 41.0% or 7.3ppt and 23.1ppt more than in 2012 and 2011, respectively.

OTHER NON-TAX REVENUES

The State budget received UAH 2.5bn in **other non-tax revenues**, which is UAH 0.1bn or 2.1% less year-on-year.

The revenues from this source amounted to 35.3% of the annual plan compared to 37.8% of the actual annual revenues in the same period of 2012.

REVENUES FROM CAPITAL TRANSACTIONS

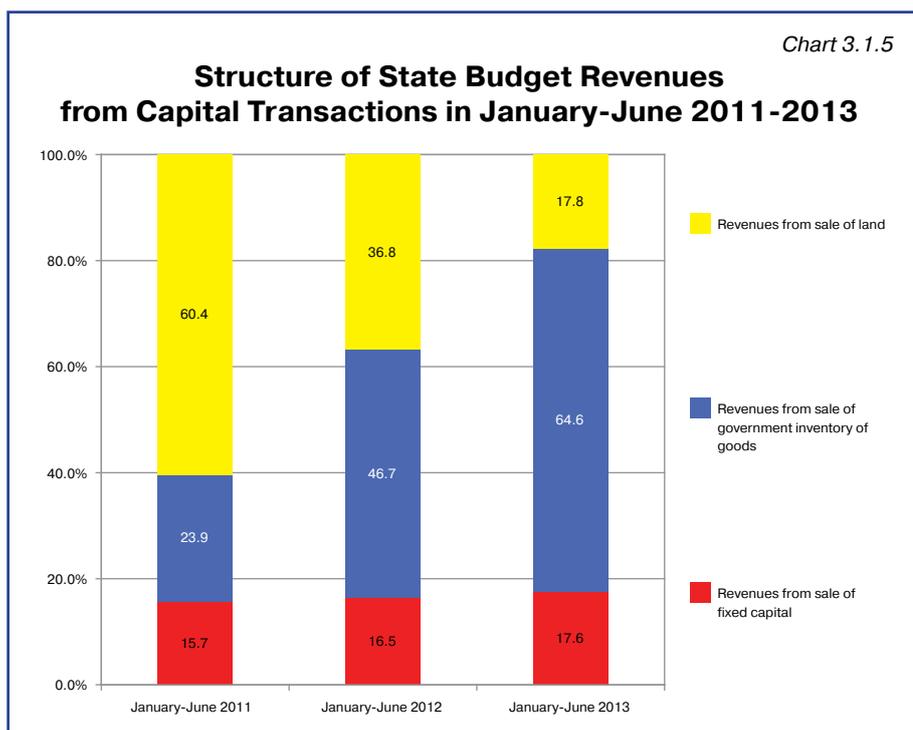
The State budget received UAH 68.5mn in revenue from capital transactions in January-June 2013, which is half of that in 2012.

The revenues decreased for all items. In particular, revenue from the sale of the State inventory of goods grew by 17.9ppt, and the largest nominal drop in revenue, UAH 44mn or by 78.3%, was for receipts from the sale of land.

Accordingly, changes occurred in the structure of revenues from capital transactions, with the share of receipts from the sale of land down 19.0ppt.

The information about the structure of revenues from capital transactions is presented in Chart 3.1.5.

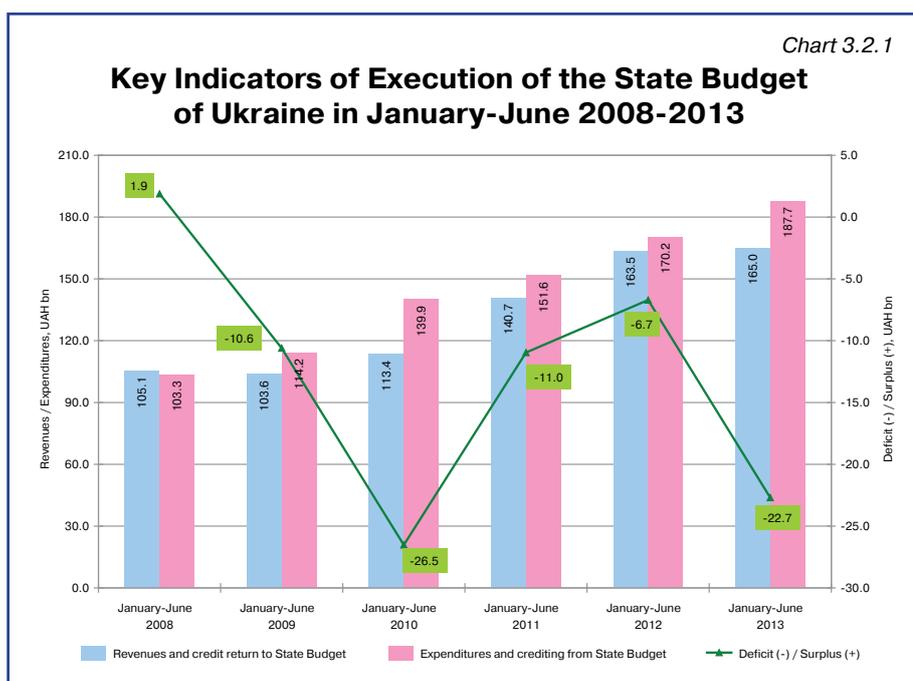
⁵ 50% of profits before distribution is remitted to the State budget of Ukraine in the year following the reporting year.



3.2. FINANCING OF STATE BUDGET DEFICIT AND STATE DEBT IN JANUARY-JUNE 2013

FINANCING OF BUDGET DEFICIT

The State budget was executed with a deficit of UAH 22.7bn in the period under review (see Chart 3.2.1) or 44.6% of the ceiling set by the Law on the 2013 State budget of Ukraine.



The budget deficit totaled UAH 24.6bn for the General Fund or 55.3% of the annual plan, with a surplus of UAH 1.9bn in the Special Fund against a planned deficit of UAH 6.1bn.

The financing of the State budget for debt transactions totaled UAH 42.1bn, which amounts to 77.3% of the annual plan (see Table 3.2.1). Compared to last year, this indicator grew by UAH 24.6bn or 2.4 times. Borrowing totaled UAH 77.2bn or 57.0% of the annual plan, including 61.9% for domestic borrowing, and 46.2% for foreign borrowing. The share of domestic borrowing amounts to 74.4%.

Table 3.2.1

State Budget Deficit Financing Indicators in January-June 2009-2013

Indicators	Years	2009	2010	2011	2012	2013		
						Annual plan	Actual	Execution, %
General financing, UAH bn, including:		10.6	26.5	11.0	6.7	50.6	22.7	45.0
<i>General Fund</i>		14.1	25.3	9.0	4.7	44.5	24.6	55.3
<i>Special Fund</i>		-3.5	1.2	2.0	2.0	6.1	-1.9	-31.2
Financing for debt transactions, UAH bn		17.8	33.4	37.3	17.5	54.5	42.1	77.3
Borrowing, UAH bn, including:		21.9	46.1	59.5	50.3	135.6	77.2	57.0
– internal borrowing		9.4	29.9	35.4	48.7	92.9	57.5	61.9
<i>share, %</i>		43.0	64.9	59.4	96.8	68.5	74.4	108.7
– external borrowing		12.5	16.2	24.1	1.6	42.7	19.7	46.2
<i>share, %</i>		57.0	35.1	40.6	3.2	31.5	25.6	81.1
Repayment, UAH bn, including:		-4.1	-12.7	-22.2	-32.9	-81.1	-35.1	43.3
– internal obligations		-2.0	-10.5	-15.1	-18.5	-45.5	-15.4	33.9
<i>share, %</i>		48.4	82.7	67.9	56.2	56.1	43.9	78.2
– external obligations		-2.1	-2.2	-7.1	-14.4	-35.6	-19.7	55.3
<i>share, %</i>		51.6	17.3	32.1	43.8	43.9	56.1	127.8
Proceeds from privatization of State property, UAH bn		0.5	0.2	11.0	5.1	10.9	0.2	1.6
Financing for active transactions, UAH bn		-7.7	-7.1	-37.3	-15.8	-14.8	-19.6	131.9

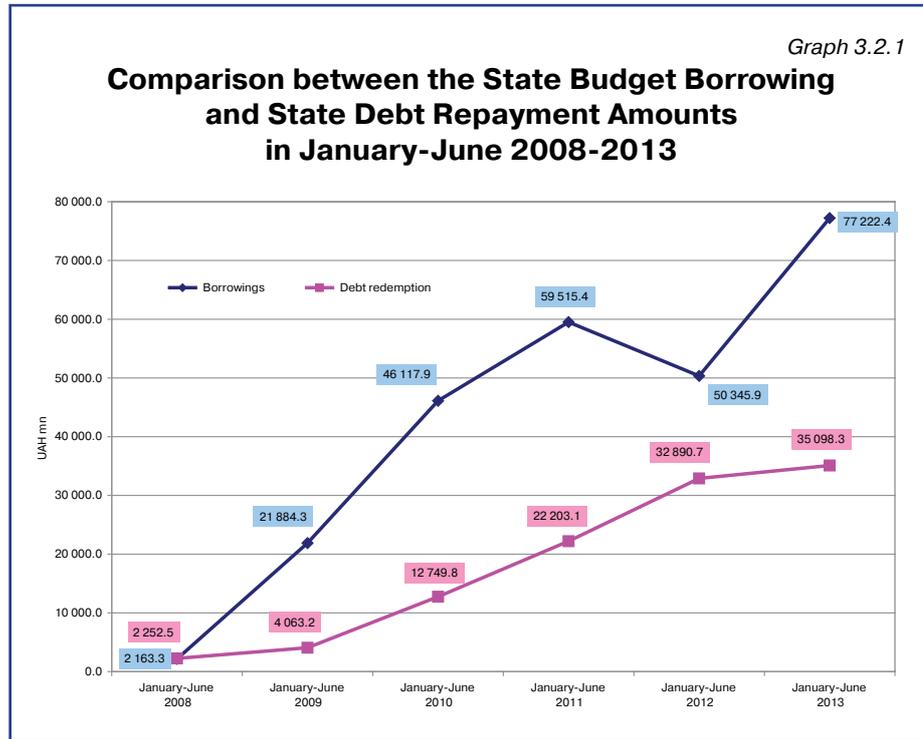
State budget borrowing increased 1.5 times compared to the first half of 2012.

Of the total amount of UAH 77.2bn, domestic borrowing amounted to UAH 57.5bn and foreign borrowing to UAH 19.7bn. The General Fund of the State budget received UAH 75.5bn, including the issue of internal government bonds to replenish the statutory capital of NAK Naftogaz of Ukraine totaling UAH 8.0bn.

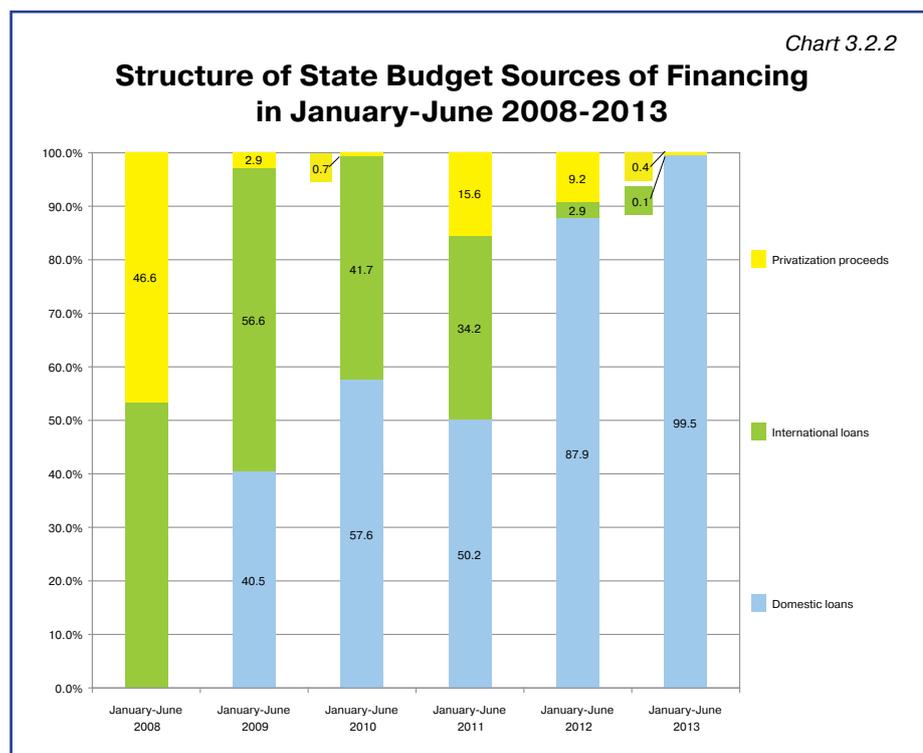
Funds borrowed from international economic development organizations for financing joint projects totaled UAH 1.8bn or 28.4% of the annual plan. These receipts are UAH 0.1bn or 7.5% greater than in the first half of 2012. The level of their execution increased by 12.3ppt.

Debt repayments equalled UAH 35.1bn, which is 6.7% more year-on-year (see Table 3.2.1). The annual plan was executed by 43.3%, which is 6.6ppt less year-on-year. Domestic debt repayments totaled UAH 15.4bn or 33.9% of the annual plan, and foreign debt repayments totaled UAH 19.7bn or 55.3%.

The gap between the borrowing and repayment amounts is growing, which could lead to an increased debt burden in the future.

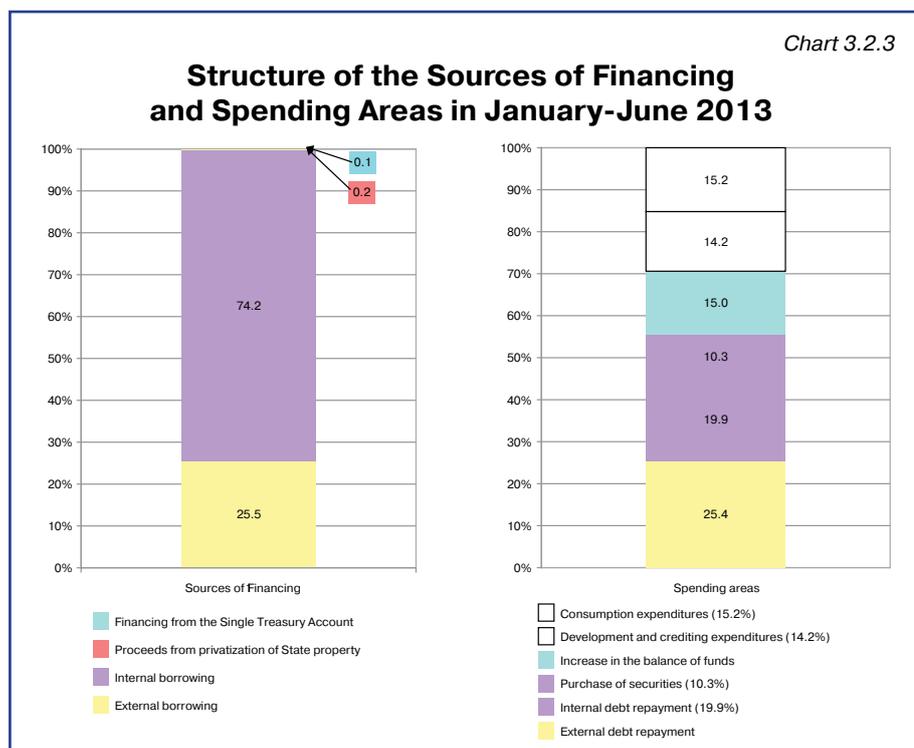


The structure of sources of financing minus debt repayment changed in January-June 2013 compared to previous years (see Chart 3.2.2).



Thus, nearly all of the financing was provided through debt transactions under domestic debt (the difference between the borrowing and repayment). Foreign debt repayments were made at nearly the same amount as foreign borrowing.

Chart 3.2.3 illustrates the comparison of the structure of sources of financing and the areas of spending the funds from these sources.



Nearly a third of the funds borrowed were used for budget expenditures. Notably, the amount of financing exceeded both capital expenditures and individual development and crediting activities. Therefore, more than 15.0% of the funds borrowed have been used for consumption expenditures. It is planned that this proportion would equal 6.4% in annual terms. To compare, in the first half of last year, capital expenditures and expenditures for individual development and crediting activities exceeded financing by nearly 2.5 times. However, the situation changed based on the annual results and 5.5% of the borrowed funds were allocated for consumption expenditures.

STATE DEBT REPAYMENT AND SERVICING EXPENSES

The State debt servicing expenditures totaled UAH 16.0bn or 42.5% of the annual plan, which is 3.4ppt more year-on-year (see Table 3.2.2).

The State debt repayment and servicing expenditures combined totaled UAH 51.1bn or 23.2% of all State budget expenditures.

Table 3.2.2

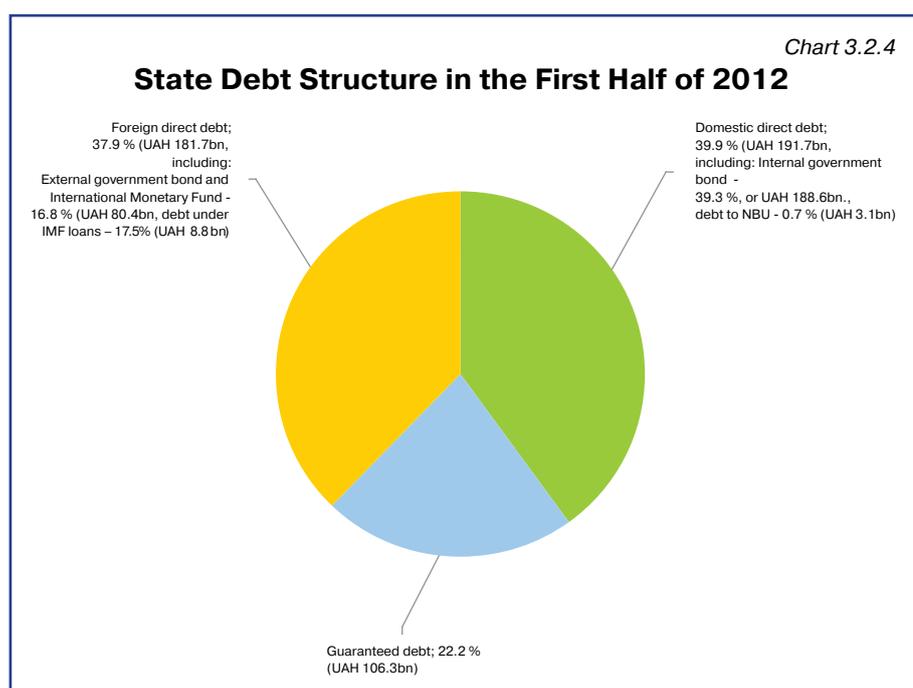
Budget Expenditures for State Budget Repayment and Servicing in January-June 2011-2013

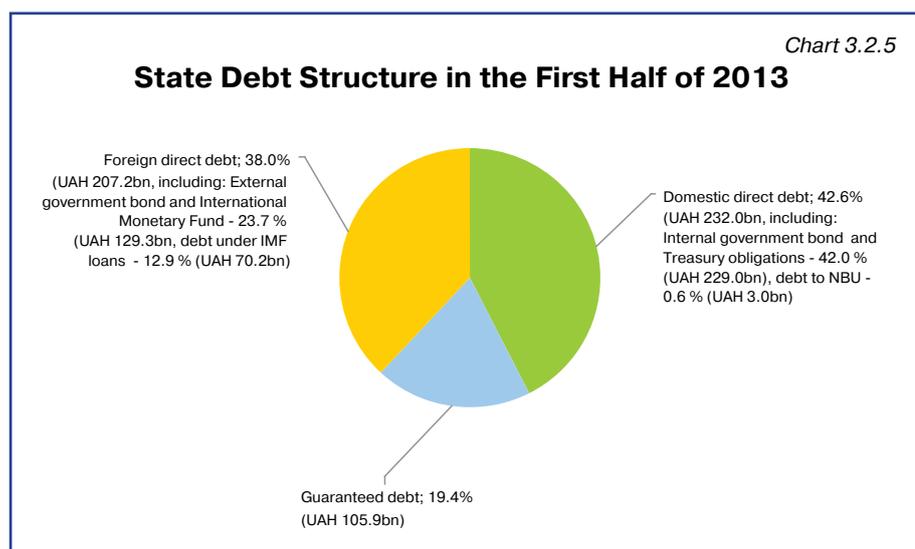
Indicators	Years	2011			2012			2013		
		Annual plan, UAH bn	Actual, UAH bn	Execution, %	Annual plan, UAH bn	Actual, UAH bn	Execution, %	Annual plan, UAH bn	Actual, UAH bn	Execution, %
STATE DEBT PAYMENTS, total, including:		93.3	36.0	38.6	95.5	44.4	46.5	118.8	51.1	43.0
– internal debt		60.5	25.6	42.3	...	...	x	70.8	26.4	37.3
– external debt		32.8	10.4	31.8	...	...	x	47.9	24.7	51.6
State debt repayment expenditures, including:		62.3	22.2	35.7	65.9	32.9	49.9	81.1	35.1	43.3
– internal debt		37.5	15.1	40.2	34.7	18.5	53.4	45.5	15.4	33.9
– external debt		24.7	7.1	28.8	31.2	14.4	46.1	35.6	19.7	55.3
State debt servicing expenditures, including:		31.1	13.8	44.5	29.6	11.6	39.1	37.7	16.0	42.5
– internal debt		23.0	10.5	45.7	...	...	x	25.4	11.0	43.3
– external debt		8.1	3.3	41.2	...	...	x	12.3	5.0	40.7
BUDGET EXPENDITURES, total (expenditures, provision of credits, State debt repayment)		408.9	173.8	42.5	477.2	203.1	42.6	507.0	220.5	43.5
Percentage of State debt payments in budget expenditures, %		22.8	20.7	x	20.0	21.9	x	23.4	23.2	x

STATE AND STATE-GUARANTEED DEBT

The State and State-guaranteed debt of Ukraine totaled UAH 545.1bn by the end of the first six months of 2013, including 53.9% (UAH 293.7bn) of foreign State and State-guaranteed debt, and 46.1% (UAH 251.4bn) of domestic debt.

The State debt of Ukraine totaled UAH 439.2bn or 80.6% of the State and State-guaranteed debt combined. In the State debt structure, domestic State debt accounted for 52.8% or UAH 232.0bn. The foreign State debt amounted to 47.2% or UAH 207.2bn (see Chart 3.2.4 and Chart 3.2.5).





State-guaranteed debt totaled UAH 105.9bn in the first half of 2013 or 19.4% of the State and State-guaranteed debt amount combined. As before, the guaranteed foreign debt accounted for the largest share at 15.9% and amounted to UAH 86.5bn. The guaranteed domestic debt totaled UAH 19.4bn or 3.6% of the State and State-guaranteed debt combined.

3.3. ANALYSIS OF EXPENDITURES AND CREDITING OF THE CONSOLIDATED AND STATE BUDGETS IN JANUARY-JUNE 2013

CONSOLIDATED BUDGET

The actual expenditures of the consolidated budget of Ukraine totaled UAH 239.1bn, which amounts to 44.5% of the annual plan, including General Fund expenditures of UAH 212.2bn or 47.1%, and Special Fund expenditures of UAH 26.9bn or 30.9% (see Table 3.3.1).

As seen from the data in Table 3.3.1, the listed level of execution of consolidated budget expenditures is somewhat higher (by 0.6ppt) than last year. The main reason of this is a 2.1ppt growth in the level of General Fund expenditures execution, though the level of execution of Special Fund expenditures decreased by 7.2ppt.

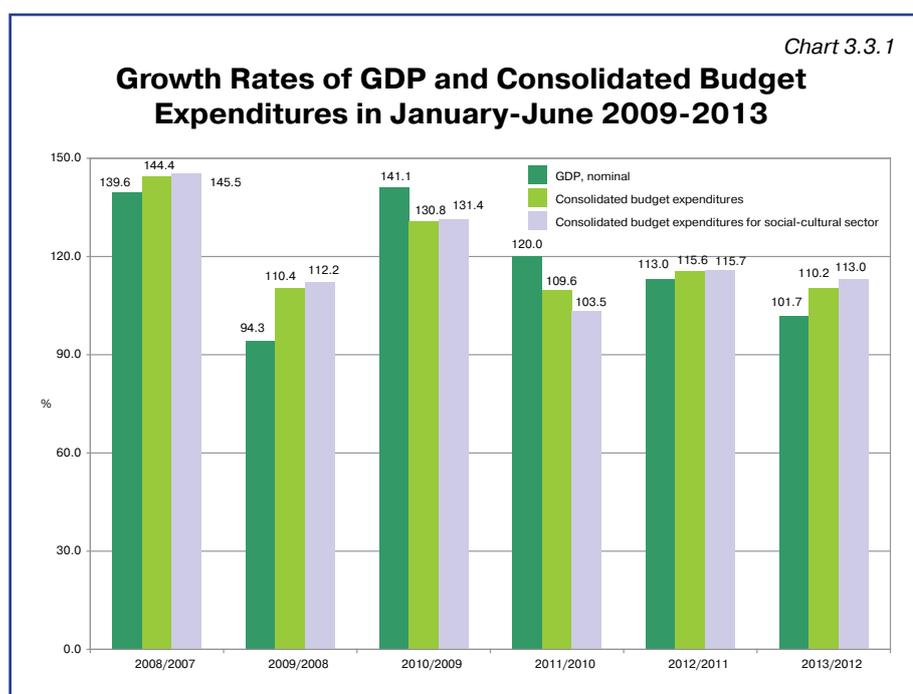
Table 3.3.1

Expenditures of the Consolidated, State, and Local Budget in January-June 2011-2013

Years	2011			2012			2013		
	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:	425 083.7	187 594.7	44.1	494 369.0	216 923.7	43.9	537 851.8	239 135.8	44.5
– General Fund	351 508.6	162 711.8	46.3	416 115.9	187 147.6	45.0	450 809.8	212 259.3	47.1
– Special Fund	73 575.1	24 882.9	33.8	78 253.1	29 776.1	38.1	87 042.0	26 876.5	30.9

Expenditures	2011			2012			2013		
	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %
State budget (without intergovernmental transfers), including:	249 298.5	105 554.0	42.3	288 911.6	118 501.9	41.0	306 051.2	131 605.7	43.0
– General Fund	203 353.0	88 607.4	43.6	238 910.6	97 880.2	41.0	253 125.1	114 538.3	45.2
– Special Fund	45 945.5	16 946.5	36.9	50 001.0	20 621.7	41.2	52 926.1	17 067.4	32.2
Local budgets (without intergovernmental transfers), including:	175 785.2	82 040.7	46.7	205 457.4	98 421.8	47.9	231 130.5	107 530.1	46.5
– General Fund	148 155.6	74 104.3	50.0	177 205.3	89 267.4	50.4	197 070.4	97 721.0	49.6
– Special Fund	27 629.5	7 936.4	28.7	28 252.1	9 154.4	32.4	34 060.1	9 809.1	28.8
State budget (with intergovernmental transfers), including:	343 187.4	148 364.0	43.2	398 994.8	168 054.3	42.1	424 642.0	185 446.6	43.7
– General Fund	291 402.3	130 142.0	44.7	342 004.7	146 326.6	42.8	363 884.4	167 294.8	46.0
– Special Fund	51 785.2	18 222.0	35.2	56 990.1	21 727.7	38.1	60 757.6	18 151.8	29.9
Intergovernmental transfers total	93 888.9	42 810.0	45.6	110 083.2	49 552.4	45.0	118 590.8	53 840.9	45.4

Consolidated budget expenditures increased by 5.4ppt year-on-year and amounted to 110.2% (see Chart 3.3.1). However, in the first half of 2013 it exceeded the GDP growth rate, which decreased significantly compared to last year (for more detail please see Section 2. *Analysis of Macroeconomic Indicators in January-June 2013*). As a result, the expenditures growth rate was 9.5ppt higher than the GDP growth rate this year.

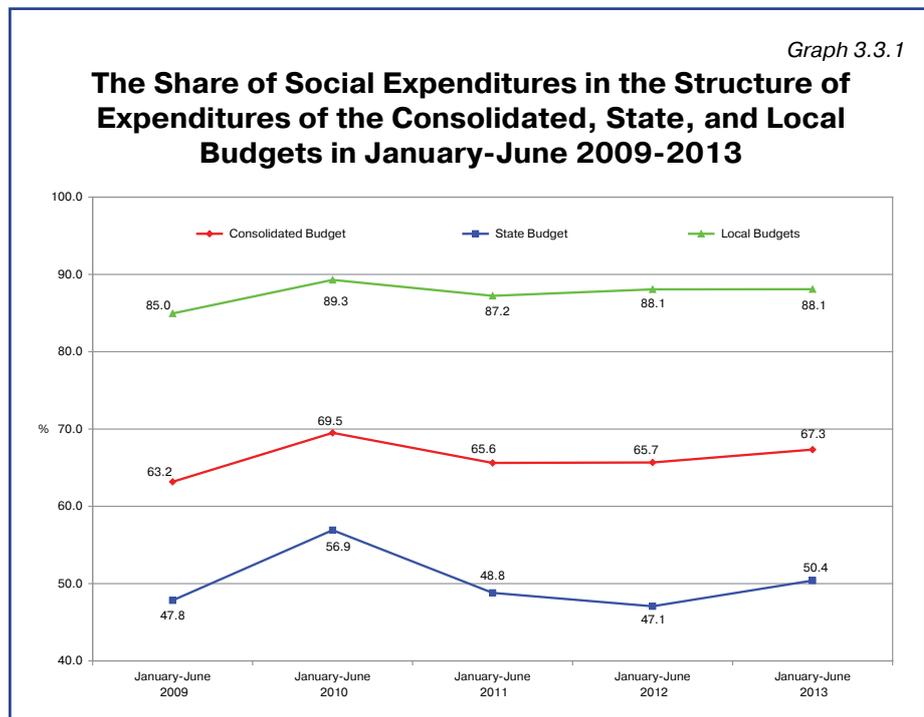


In light of the above, the share of consolidated budget expenditures in GDP increased to 36.6% or 3.2ppt more than last year's

level. Compared to the pre-crisis year of 2008, this share increased by 6.2ppt.

The social expenditures⁶ of the consolidated budget totaled UAH 161.0bn. They increased by 13.0% year-on-year, which is 2.7ppt less than last year. The growth rate of these expenditures is 2.8ppt higher than the growth rate of total consolidated budget expenditures. In the first half of 2012, social expenditures grew at a uniform rate.

The share of social expenditures increased slightly (by 1.7ppt) compared to last year and amounted to 67.3% (see Graph 3.3.1). Compared to the pre-crisis year of 2008, this share increased by 5.2ppt.



As seen from the graph above, the proportion of such expenditures in local budgets⁷ still remains high (88.1%). This limits the performance of local government functions, primarily, with regard to the proper maintenance and improvement of the existing infrastructure.

The growth rates of the consolidated, State, and local budgets slowed down compared to the respective period of last year.

The growth rates of local budget expenditures for the major portion of the society and culture decreased significantly. At the same time, the growth rate of State budget expenditures remains practically at last year's level (see Table 3.3.2).

⁶ Social expenditures include expenditures for healthcare, education, spiritual and physical development, social protection and social security.

⁷ Local budgets allocate a significantly greater proportion of expenditures into the social and cultural sphere compared to the State budget. This is due to the structure of local budget expenditures as per the Budget Code of Ukraine.

Table 3.3.2

Growth Rates of Certain Expenditures of the Consolidated, State, and Local Budgets in January-June 2011-2013 Compared to Previous Periods

(%)

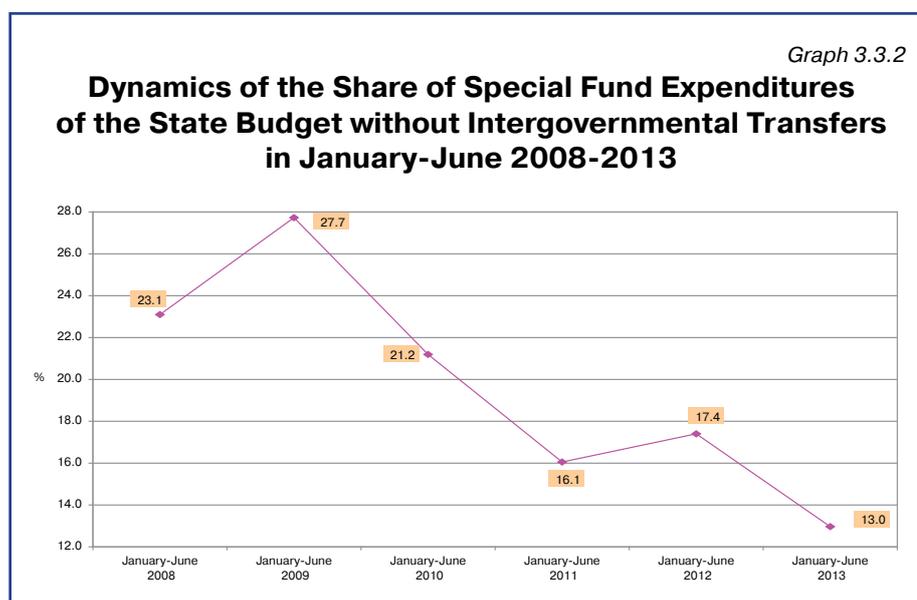
Expenditures by functional classification	2011			2012			2013		
	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets
Expenditures total (without intergovernmental transfers), including expenditures for:	109.6	100.9	123.3	115.6	112.3	120.0	110.2	111.1	109.3
– housing and communal services	151.2	5.9	163.2	94.9	742.9	93.0	113.8	47.3	115.3
– healthcare	112.5	115.3	112.1	119.9	120.5	119.8	108.3	111.3	107.7
– spiritual and physical development	97.8	70.0	118.6	130.3	150.4	121.4	106.2	101.9	108.6
– education	114.7	98.8	123.2	120.2	114.3	122.8	105.7	102.7	106.9
– social protection and social security	93.5	81.4	124.5	109.3	103.0	119.8	122.3	127.9	114.4

STATE BUDGET

Expenditures of the State budget of Ukraine with intergovernmental transfers totaled UAH 185.4bn, which is 10.3% more than in the first half of 2012. Annual plan execution is 1.6ppt below last year's level and amounts to 43.7% (see Table 3.3.1).

State budget expenditures without intergovernmental transfers totaled UAH 131.6bn, which is UAH 13.1bn or 11.1% more year-on-year. Annual plan execution increased by 2.0ppt compared to last year's figure and amounted to 43.0%. General Fund expenditures were funded at UAH 114.5bn or 17.0% more, and Special Fund expenditures at UAH 17.1bn or 17.2% less than last year.

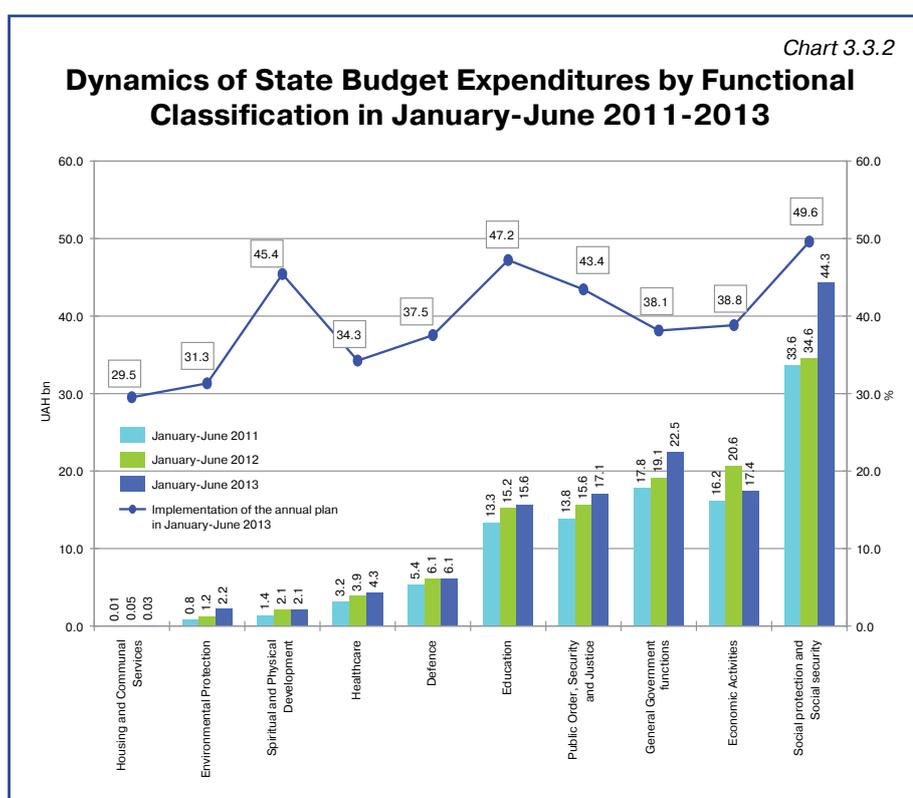
The decline in the share of Special Fund expenditures compared to last year's figure (see Graph 3.3.2) could be explained by the fact that during the last two years their growth rates (115.3% in 2011 and 107.2% in 2012) were lower than those of General Fund expenditures (120.5% and 109.5%, respectively).



The decline in the share of Special Fund expenditures was also influenced by the absence of financing of this Fund in the current year for the coal industry and other solid fuel extractive industries, water and air transport, and the social protection of pensioners.

EXPENDITURES BY FUNCTIONAL CLASSIFICATION

In the first half of 2013, the best-funded expenditures were those for social protection and social security (49.6% of the annual plan), education (47.2%), intergovernmental transfers and spiritual and physical development (45.4%) (see Chart 3.3.2). The lowest level of financing was in expenditures for the housing and communal services sector. The allocation for this purpose totaled UAH 25.4mn or 29.5% of the annual plan.



The social expenditures of the State budget totaled UAH 66.3bn, which is UAH 10.5bn or 18.9% more year-on-year. The level of their execution amounted to 47.5%, which is 3.8ppt more than last year's figure.

The trends of previous years are mostly preserved in the structure of expenditures in general (see Table 3.3.3). Thus, intergovernmental transfers account for the largest share (29.0%), though their share decreased slightly against the respective period of last year.

Table 3.3.3

State Budget Expenditures by Functional Classification of Expenditures and Crediting in January-June 2011-2013

Expenditures by functional classification	2011			2012			2013		
	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:	43 496.9	17 778.6	12.0	51 096.6	19 078.5	11.4	59 018.3	22 500.5	12.1
• <i>debt servicing</i>	23 001.5	10 502.9	7.1	29 582.9	11 554.1	6.9	34 966.5	14 664.2	7.9
Defense	14 548.4	5 365.2	3.6	17 444.8	6 140.3	3.7	16 207.9	6 083.4	3.3
Public order, security, and judiciary	32 375.7	13 823.2	9.3	36 600.1	15 620.7	9.3	39 316.8	17 078.9	9.2
Environmental protection	4 084.0	848.7	0.6	6 488.6	1 201.7	0.7	7 062.6	2 211.8	1.2
Housing and communal services	948.7	7.2	0.005	733.5	53.8	0.032	86.1	25.4	0.0
Healthcare	9 935.7	3 209.5	2.2	12 179.6	3 866.5	2.3	12 564.0	4 303.6	2.3
Spiritual and physical development	3 852.2	1 387.3	0.9	6 260.4	2 086.2	1.2	4 682.1	2 126.5	1.1
Education	27 629.0	13 307.0	9.0	30 631.9	15 207.2	9.0	33 061.3	15 611.0	8.4
Social protection and social security, including:	64 128.8	33 613.1	22.7	78 402.2	34 610.7	20.6	89 261.0	44 276.7	23.9
• <i>social protection of pensioners</i>	58 317.2	31 479.8	21.2	64 494.1	30 342.7	18.1	83 233.6	41 616.8	22.4
Economic activity, including:	48 298.9	16 214.1	10.9	49 073.9	20 636.3	12.3	44 791.3	17 387.8	9.4
• <i>agriculture, forestry and game preserves, and fisheries</i>	10 136.8	2 757.5	1.9	10 225.8	2 952.9	1.8	8 162.4	3 165.7	1.7
• <i>fuel and energy complex</i>	9 211.0	3 714.4	2.5	10 976.4	5 263.2	3.1	10 480.9	7 124.7	3.8
• <i>transport</i>	14 590.1	6 259.2	4.2	14 311.7	7 569.1	4.5	20 734.7	5 768.1	3.1
• <i>other expenditures for economic activity</i>	14 361.0	3 483.0	2.3	13 560.0	4 851.1	2.9	5 413.3	1 329.3	0.7
Intergovernmental transfers	93 888.9	42 810.0	28.9	110 083.2	49 552.4	29.5	118 590.8	53 840.9	29.0
Total	249 298.5	105 554.0	71.1	398 994.8	168 054.3	100.0	424 642.0	185 446.6	100.0

The next largest is the share of expenditures for social protection and social security (23.9%). It should be noted, however, that a great portion of intergovernmental transfers is used for granting preferences, subsidies, allowances etc., that is, also for social protection and social security. A significant percentage of budget funds was allocated for general government functions (12.1%), which is linked to the budget debt burden in the form of debt servicing (7.9% of all expenditures). For example, the amount spent for these purposes in the first half of this year equaled to more than 90.0% of all expenditures for the Ministry of Education and was more than three times the amount spent for healthcare. From among other major expenditures, note should be made of expenditures for economic activity at 9.4% of which 5.3% was allocated for the coal and other solid fuel extractive industries.

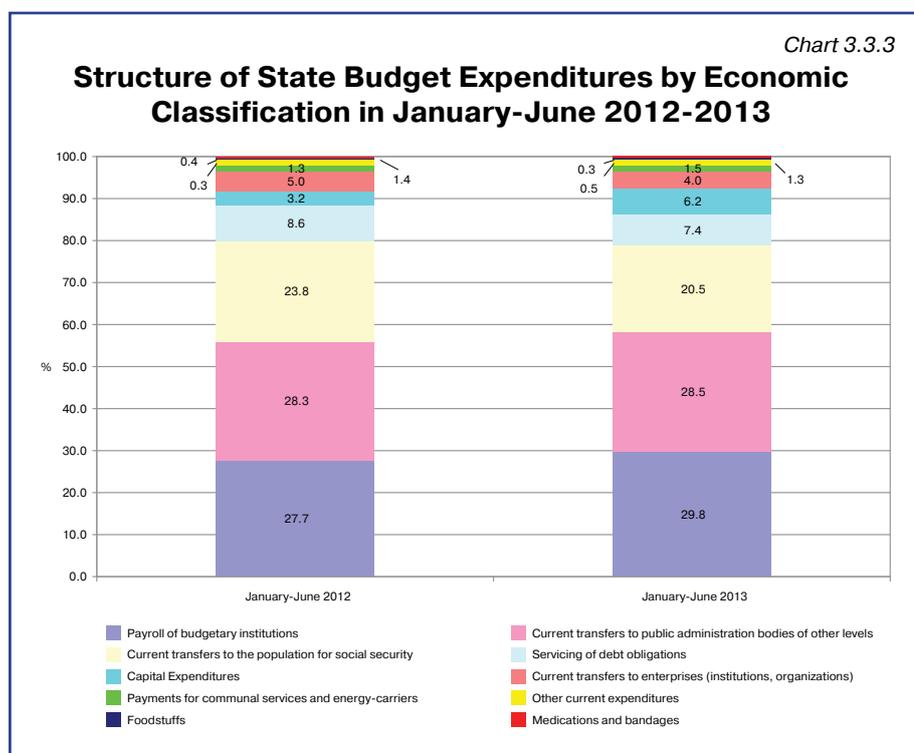
EXPENDITURES BY ECONOMIC CLASSIFICATION

Growth is noted for nearly all items of economic classification, except expenditures for procuring foodstuffs, payment for utilities and energy, and capital expenditures. The decline was the most significant for capital expenditures, which were down UAH 4.5bn or -43.1% against January-June 2012.

Of the total growth in expenditures (UAH 17.4bn), a significant proportion (55.8%) is used for social security of the population, 26.4% for current transfers to government bodies of other levels, 21.0% for servicing of debt obligations, 14.3% for disbursing subsidies and current transfers to enterprises (institutions, organizations), and 12.4% for payroll with taxes for the staff of budgetary institutions.

The above has led to an increase in the shares of these expenditures in the total amount (see Chart 3.3.3). At the same time, the share of current expenditures in the general structure increased by 3.0ppt to 96.8%.

Both the volume and level of execution of capital expenditures have declined. They totaled about UAH 6.0bn and their level of execution decreased by 4.0ppt and amounted to 24.3%. This reduction of expenditures is primarily due to a 47.5% drop in the amount of provided capital transfers, which totaled UAH 4.2bn vs. UAH 8.1bn in the first half of 2012.



The share of expenditures for protected items of economic classification decreased somewhat and amounted to 88.5% of all State budget expenditures, which is 1.9ppt less than the 2012 figure (compared to a 1.7ppt fall last year).

The level of execution of expenditures under protected items amounted to 46.2% of the annual plan, which is 1.5ppt more year-on-year. Development expenditures were executed by 45.5% compared to 45.1% for consumption expenditures.

EXPENDITURES BY PROGRAM CLASSIFICATION

The status of **execution of budget programs of the State budget of Ukraine** in January-June 2011-2013 is summarized in Appendix A. In general, 585 budget programs were approved in the State budget for 2013, including 27 programs of providing subventions to local budgets.

In the first half of 2013, 100.0% funding was provided to 11 budget programs for a total amount of UAH 1.2bn. No funding at all was provided to 73 budget programs, the expenditures for which were approved in the State budget at UAH 6.8bn.

The following budget programs of key spending units were funded at high levels of execution:

- *State support of coal mining enterprises for partial coverage of production cost of finished marketable coal products* of the Ministry of Energy and Coal Industry funded at 85.2% of the annual plan or UAH 6.7bn;
- *State sanitary-epidemiological supervision, disinfection activities, and epidemic control activities* of the Ministry of Health funded at 84.1% or UAH 0.6mn;
- *Development and modernization of the State system of special communications and information protection* of the Foreign Intelligence Service of Ukraine funded at 82.6% or UAH 0.1bn;
- *Applied research and development, training of the research cadre in the area of industrial safety and labor protection* of the State Mining Oversight and Industrial Safety Service, Ministry of Emergency Situations funded at 82.4% or UAH 15.6mn;
- *Construction/acquisition of housing for military servicemen of the Security Service of Ukraine* of the Security Service funded 82.3% or UAH 33.2mn;
- *International activities in the fisheries sector* of the State Fisheries Agency, Ministry of Agrarian Policy and Food funded at 81.3% or UAH 1.4mn;
- *Improving the system of social aid* of the Ministry of Social Policy funded at 80.3% or UAH 18.4mn;
- *Implementation of the State policy on family and children* of the Ministry of Social Policy funded at 72.4% or UAH 6.9mn;
- *Performance of debt obligations for credits attracted under State guarantees, which are used for implementing tasks and activities envisaged by the State targeted program for preparing and holding the European 2012 Football Championship Finals in Ukraine* of the National Agency for Preparation and Holding the European 2012 Football

Championship Finals in Ukraine and Implementation of Infrastructure Projects funded at 71.5% or UAH 0.6bn.

The programs of the following key spending units received the lowest levels of plan execution: Ministry of Regional Development, Construction, and Housing and Communal Services (with national expenses) – 11.6% of the annual apportionment amount; State Agency for Investments and Management of National Projects – 12.0%; Council of National Security and Defense – 18.4%; Ministry of Culture (with national expenses) – 22.0%; Ministry of Economic Development and Trade (with national expenses) – 24.0%.

PROVISION OF BUDGET CREDITS/ REPAYMENT OF BUDGET CREDITS

The amount of credits provided from the State budget totals UAH 2.2bn or 16.8% of the annual plan, and the amount of repaid credits totals UAH 2.3bn or 19.0% (see Table 3.3.4). The execution level of the annual plan for credit provision decreased by 1.0ppt, and that for credit repayments increased by 14.2ppt year-on-year.

Table 3.3.4

Indicators of Budget Credit Provision and Repayment in January-June 2011-2013

Indicators	2011			2012			2013		
	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:	-2 989.1	1 941.3	x	-59.5	1 601.9	x	1 301.6	-48.8	x
– credit provision	9 110.2	3 253.8	35.7	12 276.9	2 184.2	17.8	13 401.7	2 245.1	16.8
– credit repayment	-12 099.3	-1 312.4	10.8	-12 336.4	-582.3	4.7	-12 100.1	-2 294.0	19.0

Therefore, as in previous years, risks remain of a shortfall of credit repayments into the budget (by UAH 12.1bn this year). The analysis shows that credit repayment totaled about 15.0% of the planned amount in 2011, and 17.4% in 2012.

The largest amounts of **credits** from the State budget in the reviewed period were provided in the sectors of motor roads, agrarian policy and food, energy and coal industry, namely:

- to the State Agency of Automobile Roads under the budget program *Development of highways and road sector reform* – UAH 1.2bn;
- to the Ministry of Agrarian Policy and Food under the budget program *The formation of a State Intervention Fund by the Agrarian Fund, as well as for the procurement of material and technical resources for agricultural producers* – UAH 450.1mn;
- to the Ministry of Energy and Coal Industry under the budget programs *Improving the reliability of electric power supply in Ukraine* – UAH 206.4mn; *Construction of the HV 750kV Rivne NPP–Kyiv Transmission Line* – UAH 153.6mn; and *Reconstruction of PAT Ukrhydroenergo Hydroelectric Power Stations* – UAH 117.6mn;

- to the Ministry of Regional Development, Construction, and Housing and Communal Service under the budget program *Development of urban infrastructure in Ukraine, development of the water supply and sewage system in the city of Mykolaiv* – UAH 96.7mn.

Credit repayment mainly took place in the sectors of agriculture and other economic activities.

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

- Ministry of Agrarian Policy and Food under the program *Repayment of funds provided for the formation by the Agrarian Fund of the State Intervention Fund, as well as for the procurement of materials and technical resources for agricultural producers* – UAH 1.9bn;
- Ministry of Finance (general government expenditures) under the budget programs: *Repayment of loans provided for financing of development projects at the expense of the funds mobilized by the State* – UAH 327.4mn; and *Repayment of budget funds provided on a repayable basis for the performance of individual activities* – UAH 10.2mn;
- Ukragroleasing National Joint-Stock Company under the budget program *Repayment of funds with regard to reimbursing the cost of the agricultural machinery transferred to economic entities based on financial leasing terms* – UAH 22.0mn;
- Ministry of Regional Development, Construction, and Housing and Communal Services under the budget programs *Repayment of credits provided from the State budget to young families and single young individuals for the construction/reconstruction and purchase of housing, and penalty interest* – UAH 15.7mn; and *Repayment of credits provided from the State budget to private rural developers for the construction/reconstruction and purchase of housing* – UAH 19.1mn.

3.4. EXECUTION OF LOCAL BUDGETS IN JANUARY-JUNE 2013

LOCAL BUDGET REVENUES

According to the State Treasury of Ukraine, **the General Fund and Special Fund of local budgets (with intergovernmental transfers)** received UAH 103.0bn in the first half of 2013, which is 6.8% or UAH 7.0bn more year-on-year.

The amount received **without intergovernmental transfers** totaled UAH 49.2bn, which is 5.8% more than in January-June 2012.

The level of execution of the annual revenue plan approved by local councils amounted to 45.9% vs. 46.1% according to last year's data.

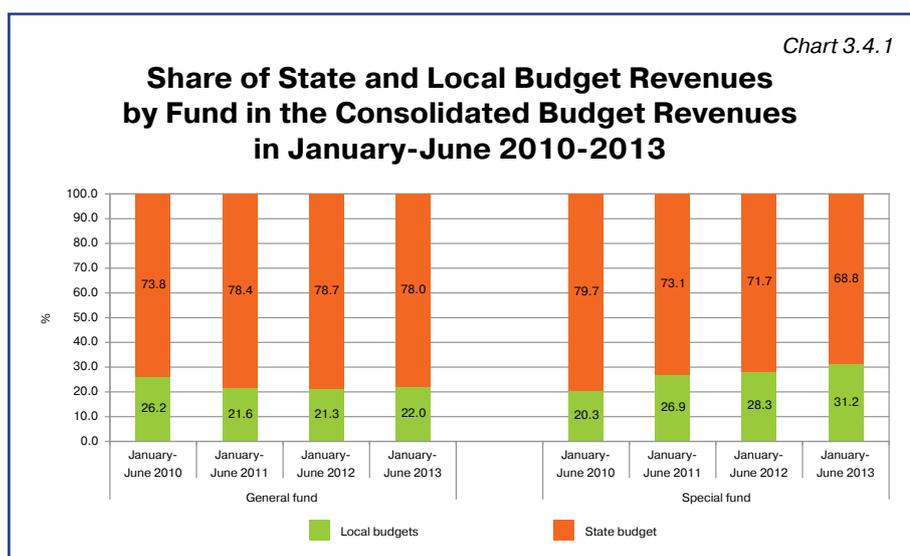
The execution of local budget revenues is characterized by the data presented in Table 3.4.1.

Table 3.4.1

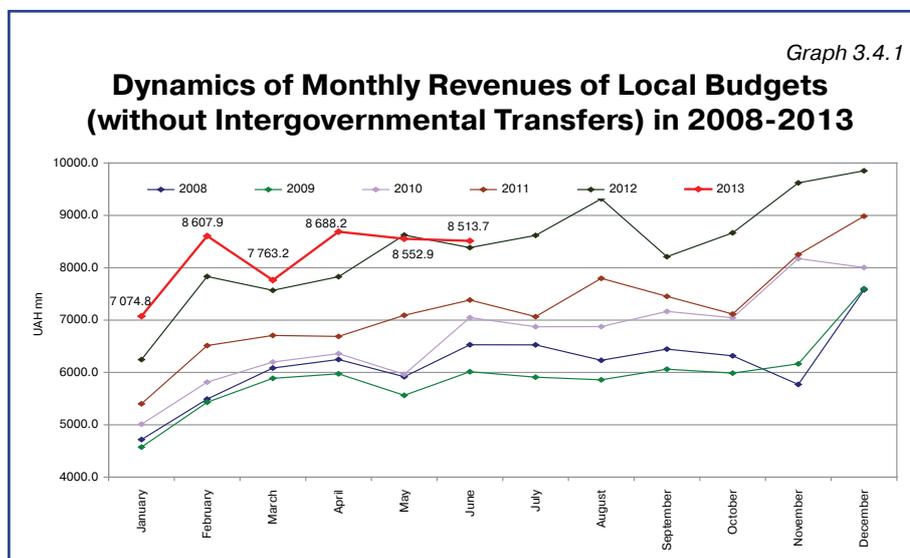
**Local Budget Revenues (without Intergovernmental Transfers)
in January-June 2011-2013**

Revenues	Actual in January-June 2011	Actual in January-June 2012	MOF 2013 estimate	2013 plan with revisions	Actual in January-June 2013	Execution of MOF estimate, %	Execution of plans approved by local councils, %
Total, UAH mn, including:	39 786.6	46 485.8	103 141.4	107 134.1	49 200.6	47.7	45.9
- General Fund	33 039.2	37 989.0	89 553.1	91 878.3	40 039.8	44.7	43.6
- Special Fund	6 747.4	8 496.8	13 588.3	15 255.8	9 160.8	67.4	60.0

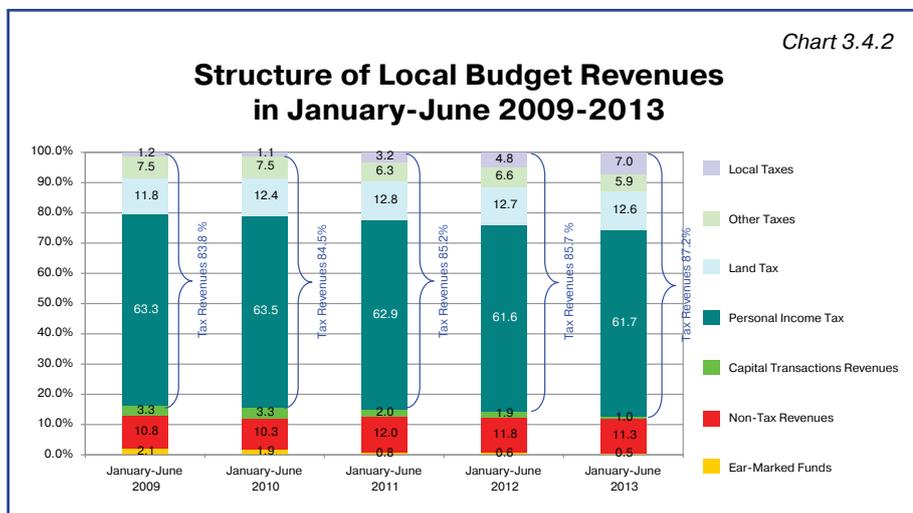
The share of local budget revenues in the consolidated budget amounted to 22.9%. It increased by 0.6ppt year-on-year. Both the Special Fund (+2.9ppt) and General Fund (+0.7ppt) grew. (see Chart 3.4.1).



A slowing trend emerged in Q2 2013 in the growth rate of monthly revenues, which is a reflection of the worsening macroeconomic situation (see Graph 3.4.1).



The share of tax revenues in the structure of local budget revenues has grown for the last five consecutive years. This growth occurred at the expense of local taxes and fees, the share of which increased by 2.2ppt to 7.0%. The growth of single tax revenues is the main driver of the increase of this share (see Chart 3.4.2).



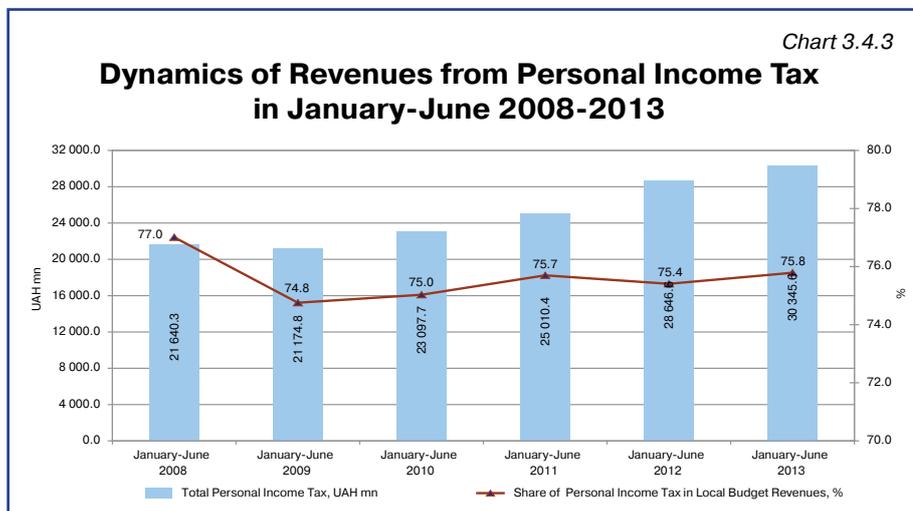
TAX REVENUES

Tax revenues account for 87.2% of local budget revenues (without intergovernmental transfers). This totals UAH 42.9bn, which is 5.8% more year-on-year.

PERSONAL INCOME TAX

Personal income tax continued to be the most important source of local budget revenues, providing 61.7% of total local budget revenues. It also accounts for 75.8% of the General Fund revenues of local budgets. The revenues from this tax totaled UAH 30.3bn, which is 5.9% more year-on-year. The annual plan for the revenues from this tax was executed by 43.5% compared to 46.9% of the actual annual revenues received last year.

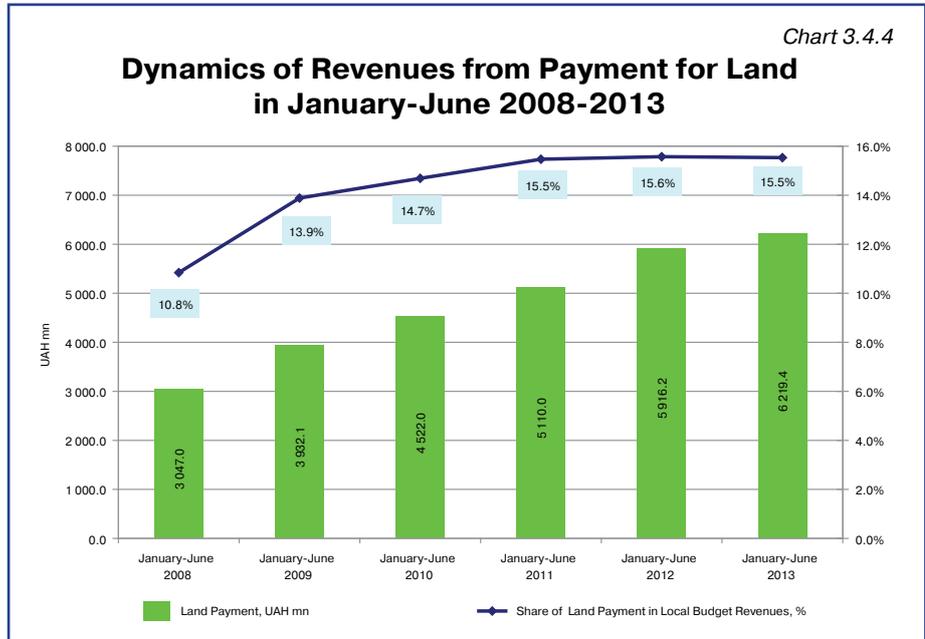
The dynamics of revenues from the personal income tax are shown in Chart 3.4.3.



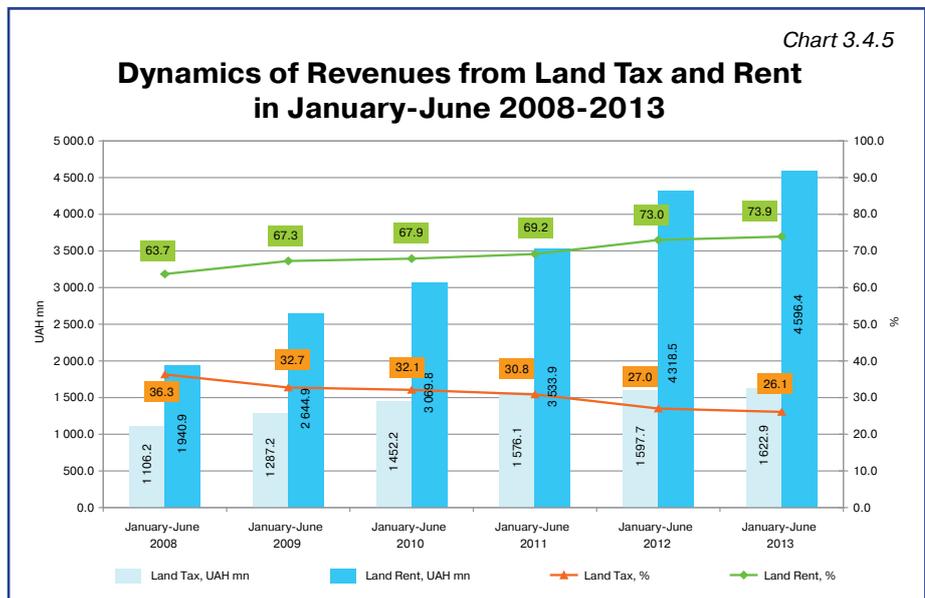
PAYMENT FOR LAND

As usual, **payment for land** is the second largest source of local budget revenues. This source provided nearly UAH 6.2bn, which is 5.1% more than last year (see Chart 3.4.4).

The annual plan of revenues from this tax was executed by 41.8%, while 47.0% of the actual annual revenues was received last year. This points to the risk of a shortfall against the annual plan.

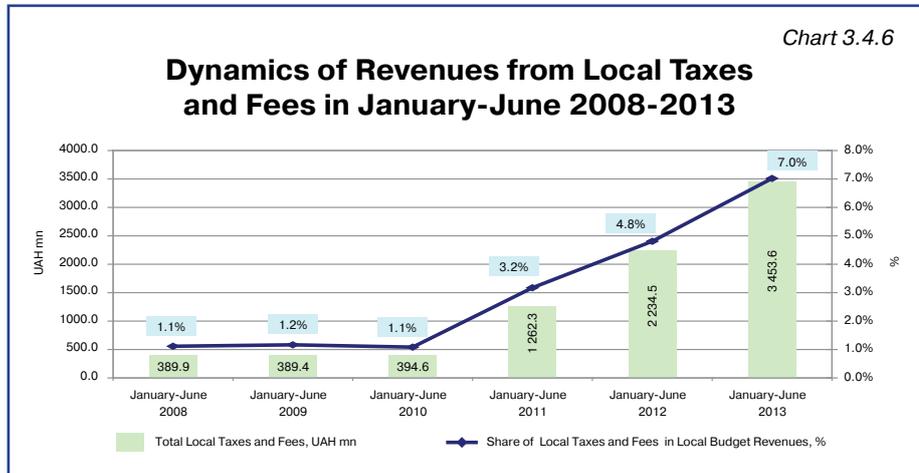


A rising trend continued in the first half of 2013 in the share of land rent with a simultaneous decrease of the land tax. This is explained by the fact that the rent rates are not raised, while the land tax rates are fixed. Therefore, under this system of land taxation, one could project a further increase in the amount of revenue from rent against a backdrop of a much slower growth of the land tax proper (see Chart 3.4.5).



LOCAL TAXES AND FEES

Local budgets received UAH 3.5bn from **local taxes and fees** in January-June 2013, which is over 1.5 times more year-on-year. Their share in the structure of local budget revenues increased to 7.0% and amounted to 8.6% in the structure of General Fund revenues of local budgets (see Chart 3.4.6).



In connection with adoption of the Tax Code of Ukraine in 2001, the structure of local taxes and fees changed substantially. Thus, the number of local taxes and fees fell from 14 to just five. However, inclusion of the single tax into local taxes and fees has increased their share in the structure of local budget revenues.

SINGLE TAX ON SMALL BUSINESSES

Therefore, **the single tax** is the largest of all local taxes and fees. It generated UAH 3.1bn, which is 1.6 times more than in the first half of 2012 (see Chart 3.4.7).

The level of tax collection amounts to 62.5%, which points to the possibility of a surplus against the annual plan of UAH 1.4-1.6bn or 27.0%-30.0%.

It should be noted that this growth was mainly due to an increase in the number of individual entrepreneurs and small businesses.

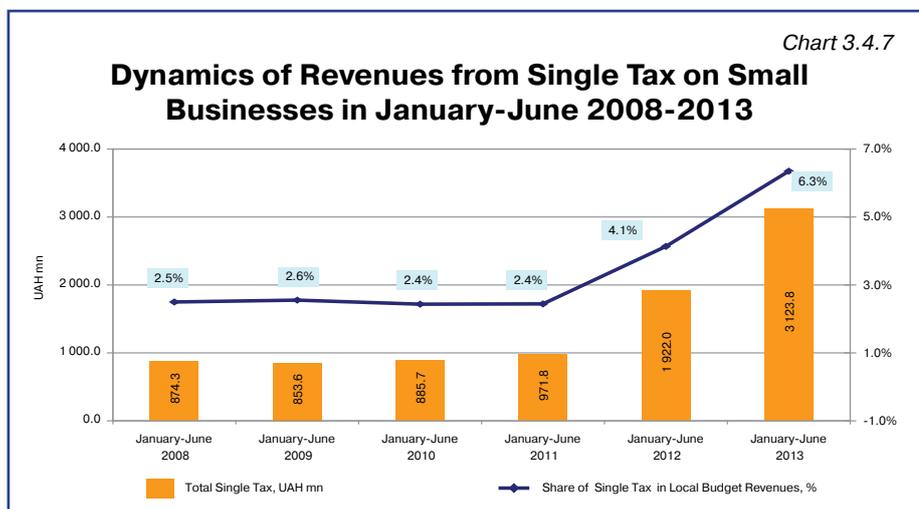
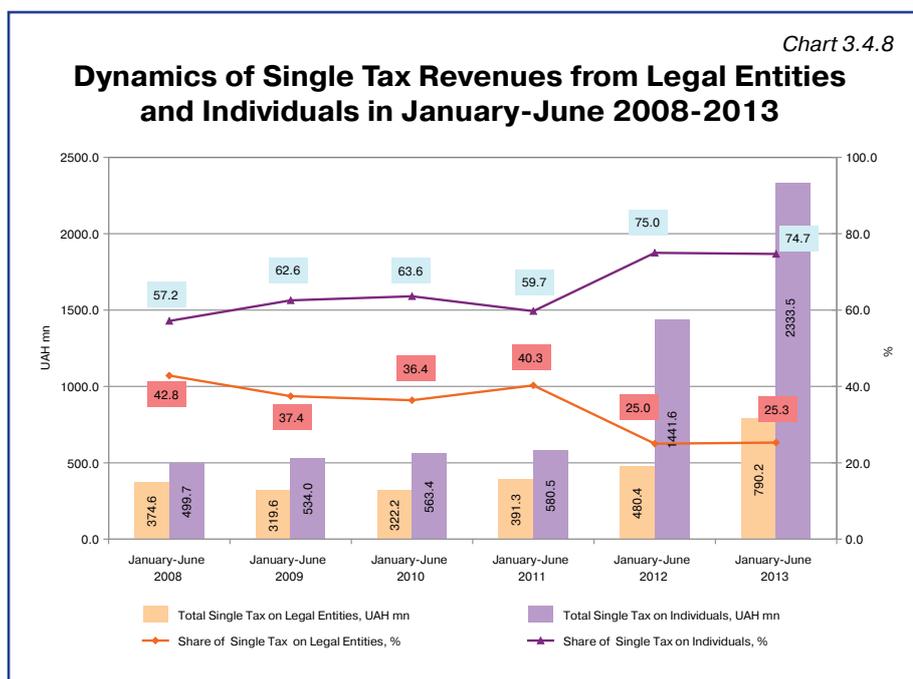


Chart 3.4.8 shows the dynamics of single tax revenues from legal entities and individuals.



ENVIRONMENTAL TAX

One change in the Tax Code was the introduction of a national **environmental tax** to replace the previous charge for the pollution of the natural environment. This source provided UAH 0.6bn for local budgets, and its share in the structure of local budget revenues amounted to 1.3%.

It should be noted that starting on 1 January 2011, the environmental tax has been 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. Collection occurs via those engaged in wholesale and retail fuel sales.

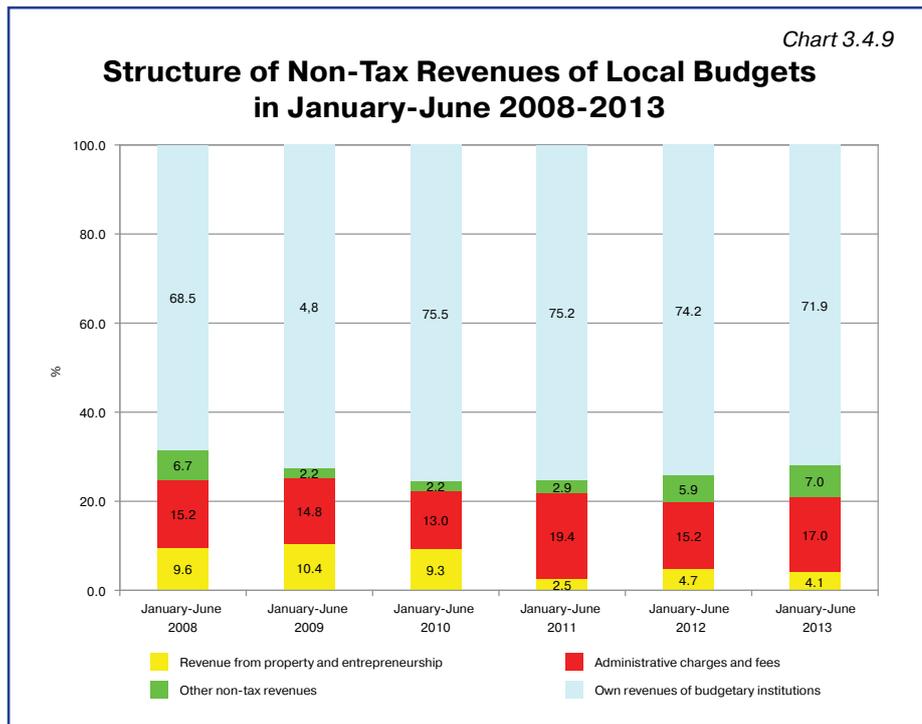
Therefore, the environmental tax is paid by taxpayers at the time of fuel purchase and those selling the fuel retain the tax and then remit it to the budget.

Implementation is gradual. In 2012, the tax was charged at 50% of the rate set by the Tax Code. The charge of 75% of the rate is used in 2013, and 100% of the rate will be used as of 1 January 2014.

NON-TAX REVENUES

The amount of **non-tax revenues** of local budgets reached UAH 5.6bn, which is 1,8% more year-on-year.

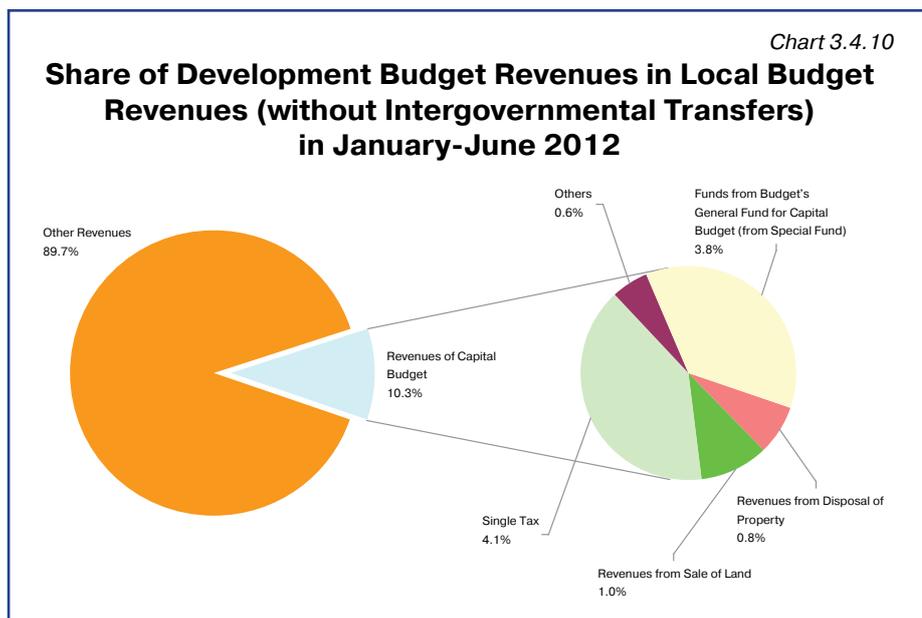
Administrative taxes and fees grew by 1.8ppt to 17.0% and other non-tax revenues grew by 1.1ppt in the structure of non-tax revenues; the share of own revenues of budgetary institutions decreased by 2.3ppt (see Chart 3.4.9).

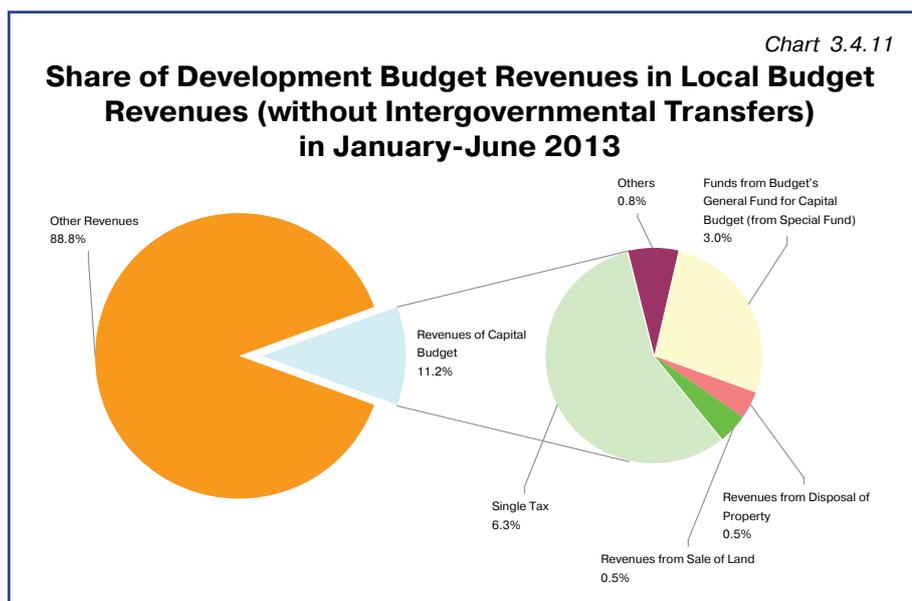


Typically, **own revenues of budgetary institutions** are the largest items of local non-tax revenues. They totaled UAH 4.0bn, which is the same as last year.

DEVELOPMENT BUDGET REVENUES

The development budget revenues of local budgets (including the funds received from the General Fund of the budget for the development budget) totaled UAH 2.5bn in the first half of 2013, which is 46.3% more than last year. The share of these revenues also increased in the general structure of local budget revenues up to 10.6%, which is 2.8ppt more year-on-year (see Chart 3.4.10 and Chart 3.4.11).





Since 1 January 2011, the revenue from the administration of the single tax has been credited to the development budget. These revenues became one of the key sources of revenues, and in the first half of 2013 totaled 56.9% of all development budget revenue.

The funds received from the General Fund of the budget, at UAH 1.5bn or 26.9%, were the second largest source of revenue.

Receipts from other sources of income amounted to 7.5% of all development budget revenues of local budgets including:

- dividends/income due on shares (stocks, interests) in economic companies totaled UAH 17.3mn or 0.3%;
- subventions from other budgets for implementing investment projects – UAH 143.9mn or 2.6%;
- funds from shared-cost participation in the development of local infrastructure (introduced as of 1 January 2013) – UAH 242.1mn or 4.4%;
- tax on immovable property other than land – UAH 9.0mn or 0.2% (this tax's introduction has been postponed since its introduction as of 1 July 2013; therefore, the amounts received in the budget under this item shall be refunded or carried forward to future periods to be offset against future payments).

In addition, the development budget also includes the proceeds from the sale of land (UAH 252.8mn or 4.6) and the disposal of municipal property (UAH 226.5mn or 4.1%).

LOCAL BUDGET EXPENDITURES

The amount of local budget expenditures (with the funds transferred from local budgets to the State budget) totaled UAH 114.9bn, which is 16.1% more year-on-year.

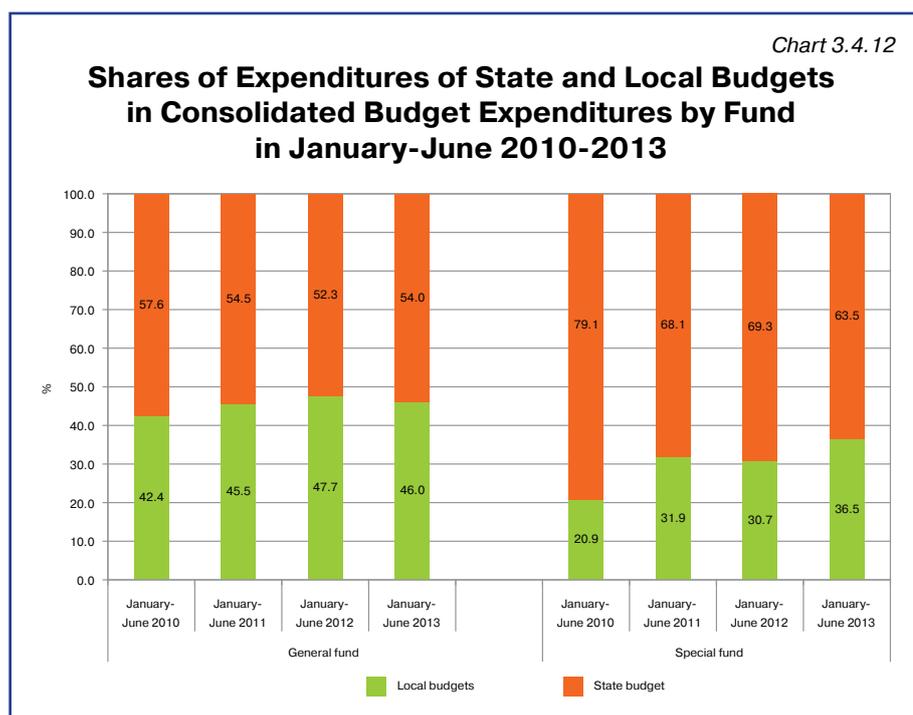
The amount of local budget expenditures (without the funds transferred from local budgets to the State budget) totaled UAH 107.5bn, which is nearly 9.2% more year-on-year.

The Ministry of Finance 2013 estimates were executed by 49.1%, including by 49.5% for General Fund expenditures, and by 45.9% for Special Fund expenditures. The level of execution of the 2013 plan approved by local councils amounted to 46.5%.

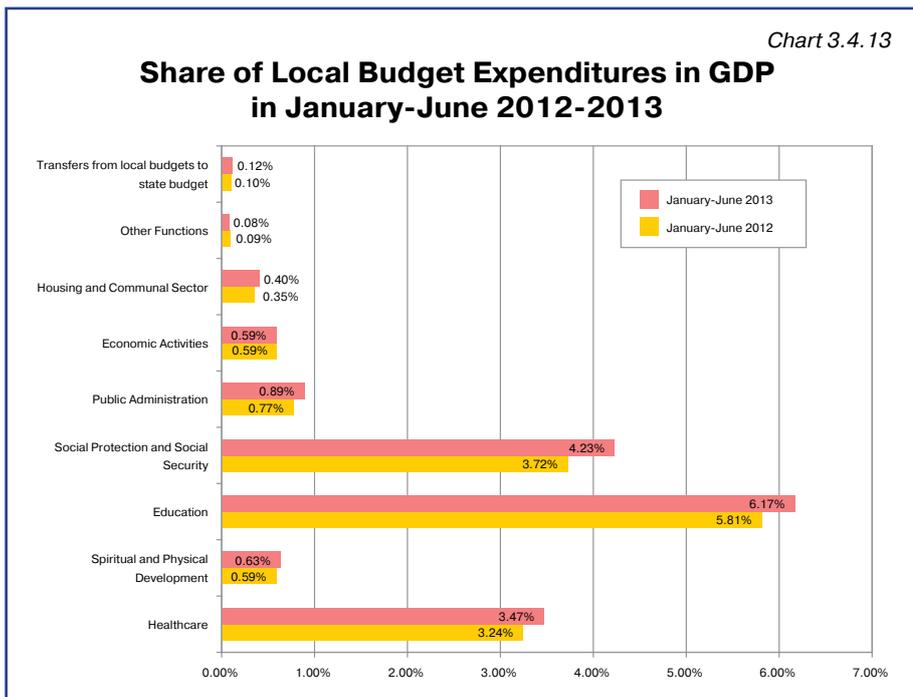
The actual expenditures of local budgets are characterized by the data presented in Table 3.4.2.

Expenditures	Actual in January-June 2011	Actual in January-June 2012	MOF 2013 estimates	2013 plan with amendments	Actual in January-June 2013	Execution of MOF estimates, %	Execution of plans approved by local councils, %
Total, UAH mn, including:	82 040.7	98 421.8	218 852.9	231 800.5	107 530.1	49.1	46.5
– General Fund	74 104.3	89 267.4	197 470.7	197 684.6	97 721.0	49.5	49.4
– Special Fund	7 936.4	9 154.4	21 382.2	34 115.9	9 809.1	45.9	28.8

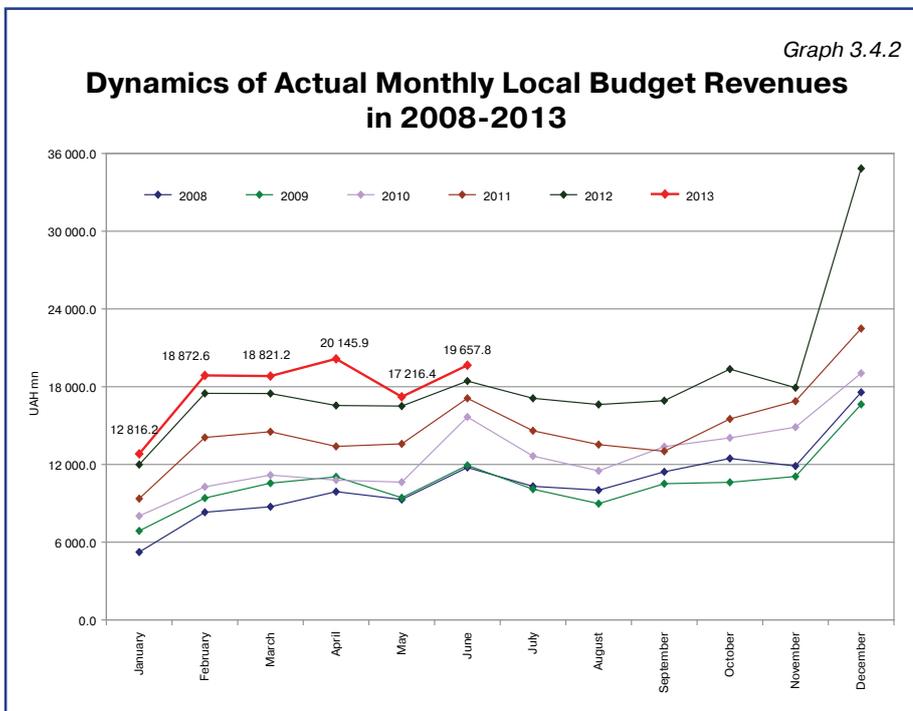
The share of local budget expenditures in the consolidated budget amounted to 45.0%, which is 0.4ppt less year-on-year. Also, the share of General Fund expenditures decreased by 1.7ppt compared to last year and amounted to 46.0%, and the share of Special Fund expenditures increased by 5.8% to 36.5% (see Chart 3.4.12).



The level of GDP redistribution via local budgets of Ukraine⁸ amounted to 16.8% according to the data of the first half of 2013, which is 1.3ppt more year-on-year. The only decrease was under expenditures for other functions by 0.01ppt (see Chart 3.4.13). The highest growth of the shares occurred in expenditures for social protection and social security and education (+0.51ppt and +0.36ppt, respectively). This is similar to the first half of 2012.



The dynamics of local budget expenditures on the whole follows the trends of previous years. At the same time, the amount of local budgets expenditures grew significantly in April 2013 – by 21.8% year-on-year (see Graph 3.4.2).



GENERAL FUND AND SPECIAL FUND

The amount of General Fund expenditures of local budgets totaled UAH 97.7bn. It increased by 8.8% year-on-year. The execution of the annual plan indicators approved by local councils amounts to 49.4%.

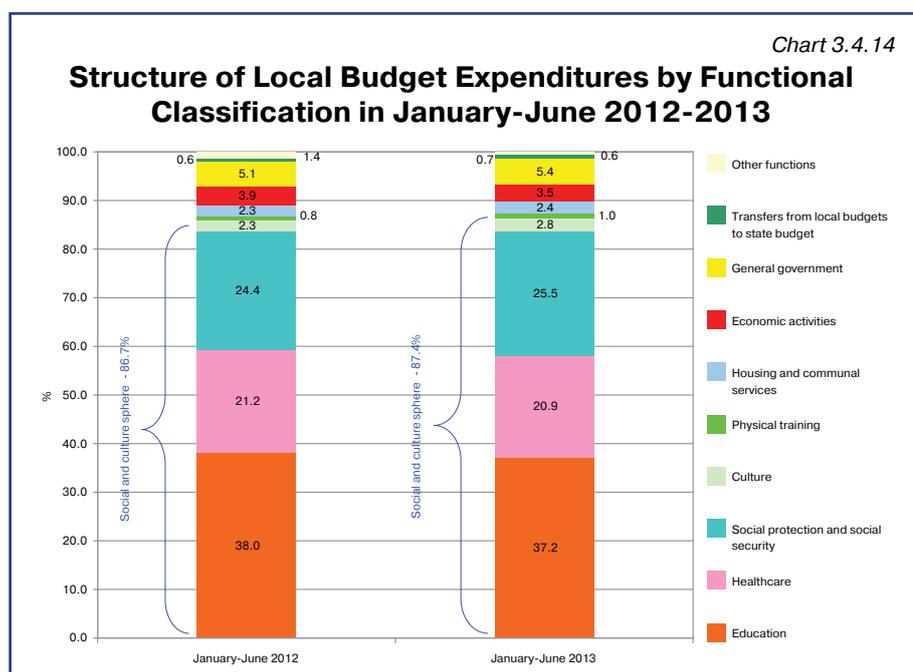
The Special Fund expenditures of local budgets were funded at UAH 9.8bn, which is 7.2% more year-on-year. The level of execution of the annual plan indicators approved by local councils amounted to 28.8%, which is 3.6ppt less than in January-June 2012.

STRUCTURE OF EXPENDITURES BY FUNCTIONAL CLASSIFICATION

Typically, the majority of local budget expenditures is used for the social and cultural sector (education, healthcare, social protection and social security, culture and arts, physical culture and sports). In the reporting period, the aggregate share of these expenditures accounted for 87.4% in the structure of local budget expenditures, which is 0.7ppt more than last year's level (see Chart 3.4.14).

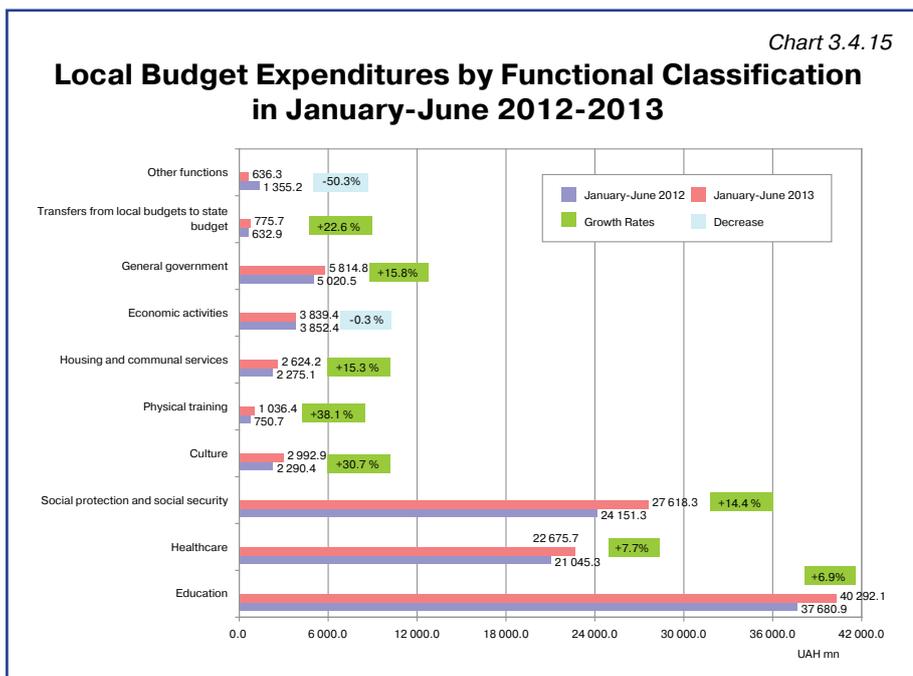
Virtually no changes occurred in the structure of local budget expenditures by functional classification. Thus, note should be made only of a 1.1ppt growth in the share of expenditures for social protection and social security, and a 0.8ppt reduction in the share of expenditures for education.

In addition, a 0.8ppt reduction occurred in the share of transfers from local budgets to the State budget. Such changes are mainly related to a decrease in the planned amount of remittance of said transfers.



Total expenditures for the social and cultural sector increased by 10.1% to UAH 94.6bn.

The largest among those were the expenditures for education at UAH 40.3bn (or 37.2% of all local budget expenditures), social protection and social security at UAH 27.6bn (or 25.5%), and healthcare at UAH 22.7bn (or 20.1%) (see Chart 3.4.15).

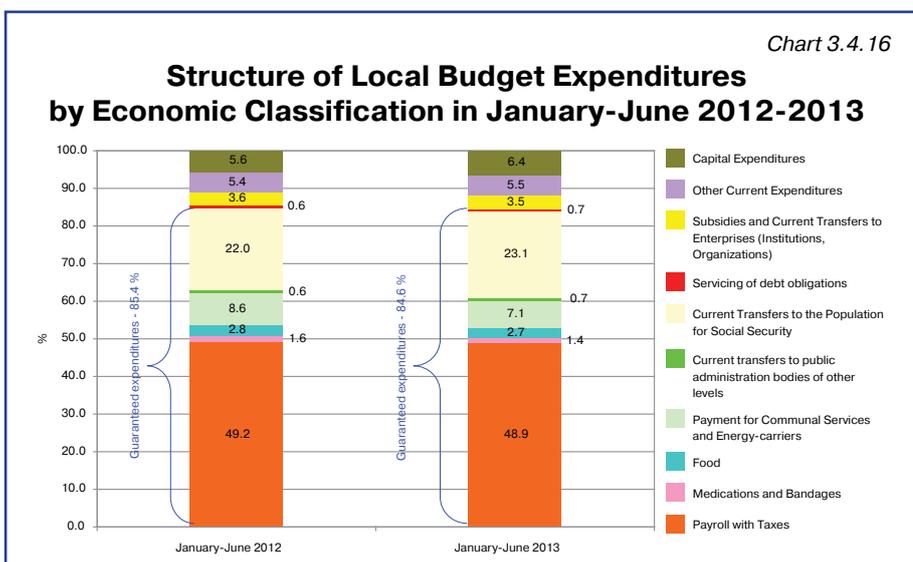


The highest growth is noted in the expenditures for social protection (by UAH 3.5bn) and education (by UAH 2.6bn). Within the expenditures for social protection, the highest growth amounts occur in the social protection of family, children, and youth; in education, the highest growth figures are recorded in expenditures for preschool educational institutions and general educational schools.

Expenditures for public administration were funded at UAH 5.8bn, which is 15.8% more than in the first half of 2012. Also, their share in the structure of local budget expenditures decreased slightly and amounts to 5.4%.

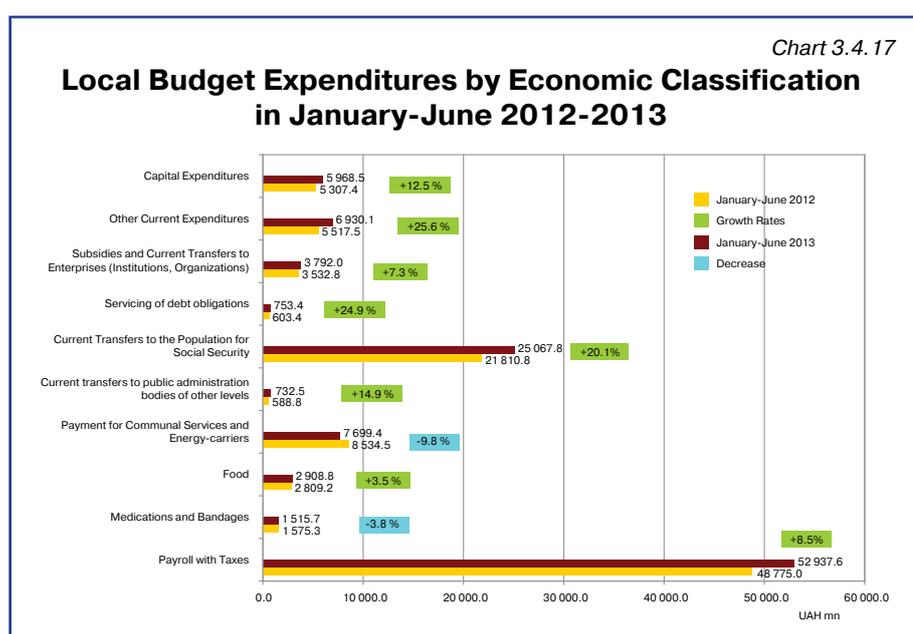
STRUCTURE OF EXPENDITURES BY ECONOMIC CLASSIFICATION

Protected items account for 84.6% of all local budget expenditures by economic classification, which is 0.8ppt less year-on-year (see Chart 3.4.16).



Expenditures for payroll with taxes, which commonly has the largest share of all local budget expenditures, declined by 0.3ppt and amounted to 48.9% in January-June 2013. The share of expenditures for utilities and energy declined by 1.5ppt to 7.1%. Other declines include the share of expenditures for medicines and bandaging materials by 0.2ppt down to 1.4%, expenditures for foodstuffs, which fell 0.1ppt to 2.7%.

In general, the current expenditures of local budgets totaled over UAH 102.3bn, which is 9.2% more than in the first half of 2012. Capital expenditures were funded at UAH 6.0bn; their amount increased by UAH 661.1mn or by 12.5% (see Chart 3.4.17). It should also be noted that according to the new version of the Budget Code of Ukraine, nearly all capital expenditures belong to expenditures of the development budget of local budgets.



INTER-GOVERNMENTAL TRANSFERS FROM THE STATE BUDGET TO LOCAL BUDGETS

According to the State Treasury of Ukraine, the amount of UAH 53.8bn in **intergovernmental transfers from the State budget to local budgets** was remitted in January-June 2013, which equals to 45.4% of the annual plan. Of those, the General Fund of local budgets received 47.6% of the annual plan. The Special Fund received 13.8% of the annual amount.

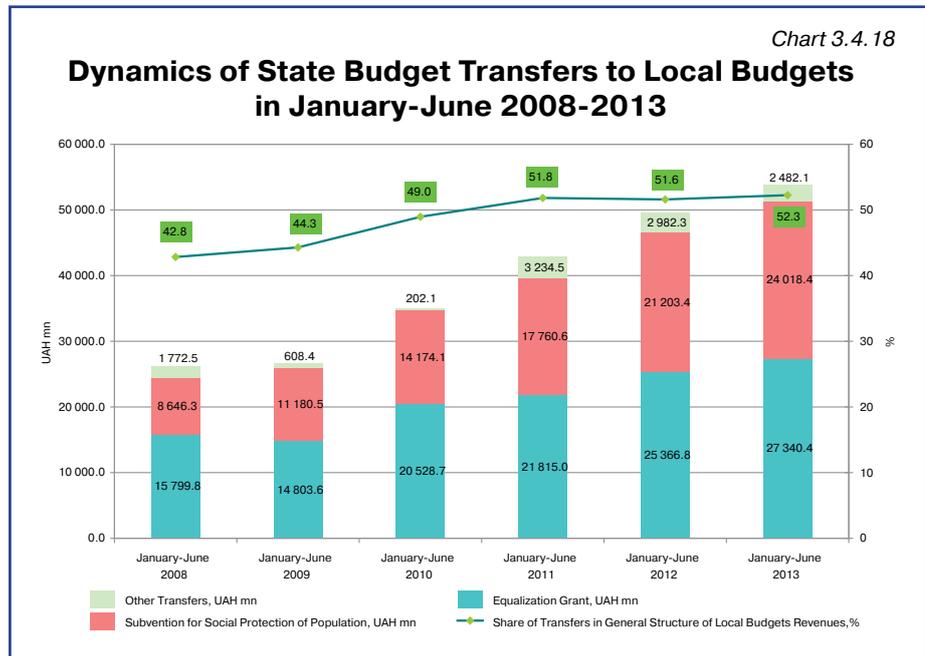
The status of remittance of State budget transfers to local budgets is characterized by the data presented in Table 3.4.3.

Table 3.4.3

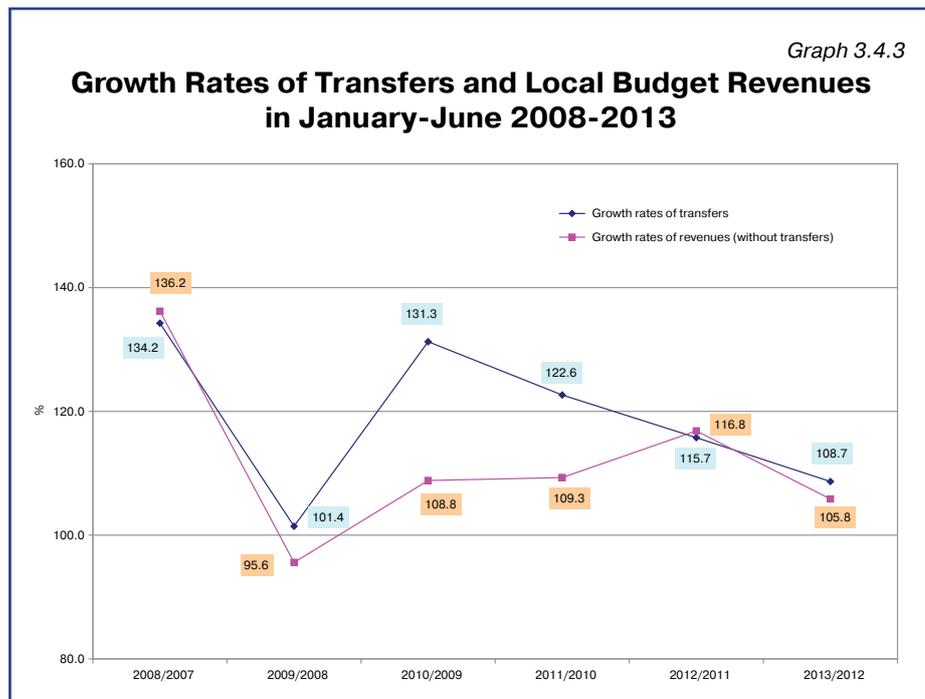
Intergovernmental Transfers from the State Budget to Local Budgets in January-June 2011-2013

Intergovernmental transfers	Actual in January-June 2011	Actual in January-June 2012	2013 plan	Actual in January-June 2013	Plan execution, %
Total, UAH mn, including:	42 810.0	49 552.4	118 590.7	53 840.9	45.4
– General Fund	41 534.5	48 446.4	110 759.3	52 756.5	47.6
– Special Fund	1 275.5	1 106.0	7 831.4	1 084.4	13.8

The proportion of intergovernmental transfers in the structure of local budget revenues amounted to 52.3%, which is 0.7ppt more year-on-year (see Chart 3.4.18).

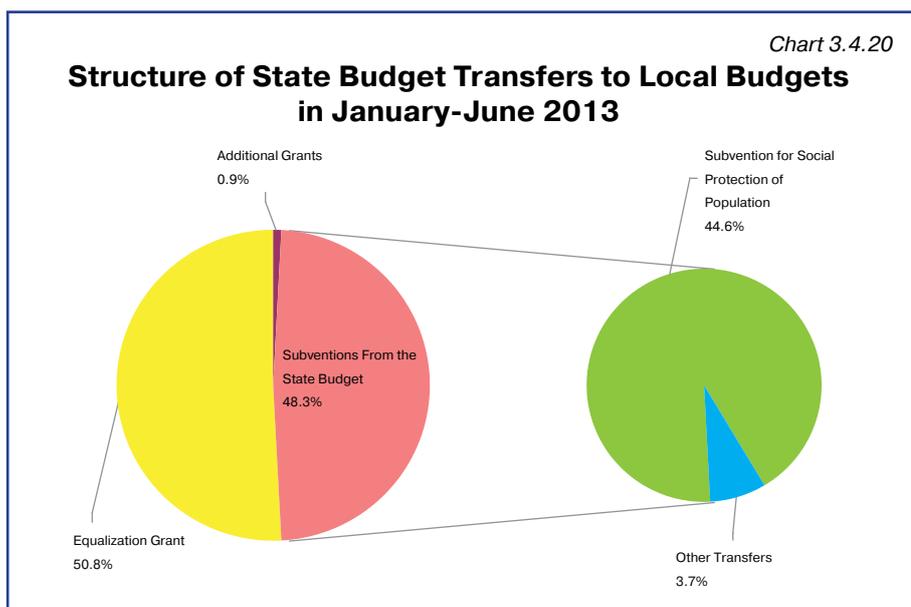
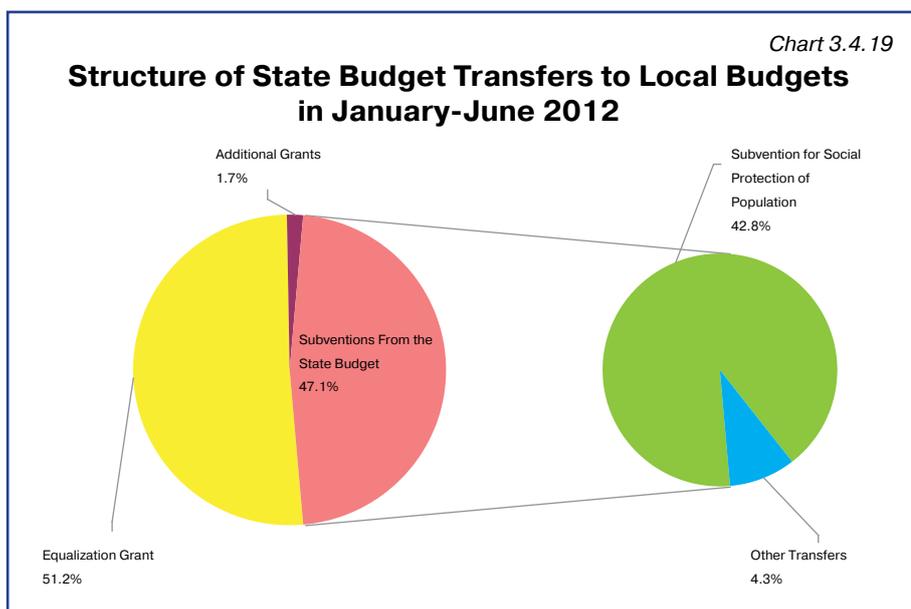


Intergovernmental transfers increased by 8.7% year-on-year. It should be noted that their growth was at a rate faster than that of local budget revenues (see Graph 3.4.3).



As usual, the equalization grant accounts for the largest share in the structure of transfers. It accounted for 50.8% of transfers, which

is a 0.4ppt decrease year-on-year. At the same time, the share of social subventions increased by 1.8ppt to 44.6% (see Chart 3.4.19 and Chart 3.4.20).

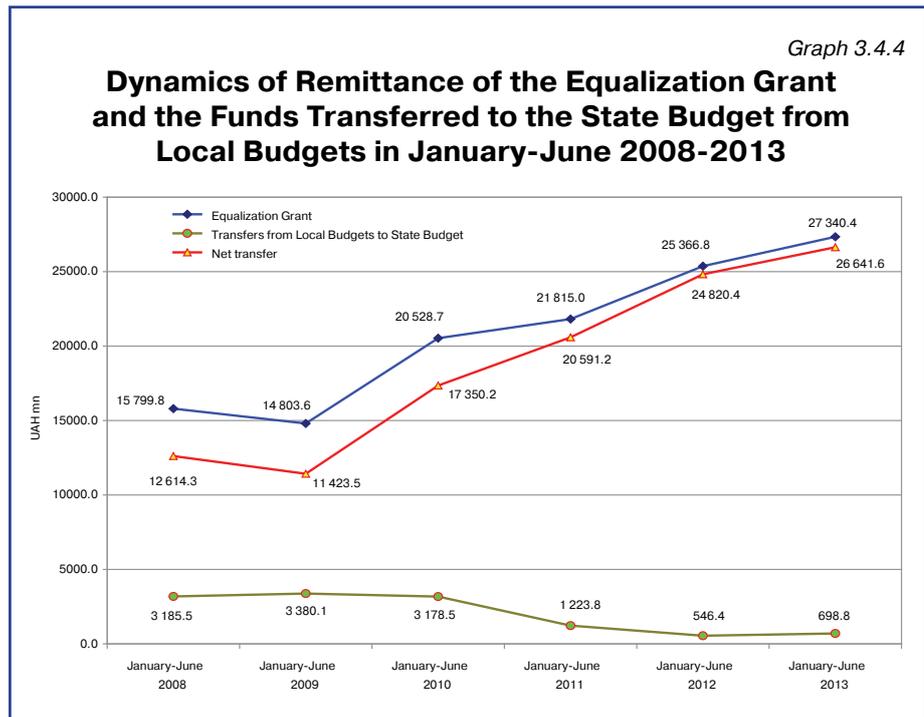


EQUALIZATION GRANT

The equalization grant was remitted at UAH 27.3bn, which amounts to 49.1% of the annual plan, whereas the respective figure in January-June 2012 amounted to UAH 25.4bn with the same level of annual plan execution (see Graph 3.4.4).

At the same time, the amount of funds transferred from local budgets to the State budget increased by 27.9%. Thus, the net equalization transfer⁹ totaled over UAH 26.6bn (see Graph 3.4.4), which is 7.3% more year-on-year.

⁸ The net equalization transfer is the difference between the equalization grant and the amount of funds transferred to the State budget.



OTHER GRANTS

The State budget law for 2013 adds five grants from the State budget to local budgets:

- for equalizing the financial sufficiency of local budgets (the annual plan amounts to UAH 1.0bn) – funded at 33.3% of the annual amount;
- for compensating the loss of income to local budgets due to the land tax benefits granted by the State to space research and aircraft building entities (the annual plan amount to UAH 147.9mn) – funded at 33.3%;
- for compensating the loss of income caused by the stationing of the Russian Federation's Black Sea Fleet in the cities of Sevastopol, Feodosiya, and the urban-type settlement of Hvardiyske, Simferopol district (the annual plan amounts to UAH 119.4mn) – funded at 50.0%;
- for implementing the functions established by the Law of Ukraine "On Approving the Constitution of the Autonomous Republic of Crimea" (the annual plan amounts to UAH 34.1mn) – funded at 50.0%;
- to the Slavutych municipal budget for ensuring the maintenance of the city's social infrastructure (the annual plan amounts to UAH 10.0mn) – funded at 50.0%.

SUBVENTIONS FOR SOCIAL PROTECTION OF POPULATION

Social subventions totaled UAH 24.0bn in January-June 2013, including:

- subvention for paying allowances to families with children, low-income households, persons disabled from birth, disabled children, and temporary State allowances to children – UAH 19.1bn, which amounts to 47.5% 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 – UAH 3.5bn or 47.8% 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 – UAH 925.1mn or 45.4% 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 – UAH 257.1mn or 31.0% of the annual plan;
- State budget subvention to local budgets for paying up State social allowances for orphaned children and children left without parental care, cash allowances to parent carers 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 – UAH 221.0mn or 45.4% of the annual plan.

OTHER SUBVENTIONS

In addition to the social subventions, 22 types of other subventions to local budgets are called for in the 2013 budget (see Appendix B). In general, they were funded at UAH 2.0bn or 18.9% of the annual plan.

The best indicators of annual plan implementation were noted for the following subventions:

- to local budgets of Donetsk Oblast for the preparation of sports facilities for hosting the world track and field championship in 2013 (the annual plan totals UAH 35.8mn) – funded at full annual amount;
- to the Ternopil Oblast budget for the continued construction of residential buildings in the city of Pochayiv, Kremenets' district, for the resettlement of unauthorized persons from the territory of the Holy Dormition Pochayiv Lavra (the annual plan amounts to UAH 15.6mn) – funded at the full annual amount;
- to the Donetsk Oblast budget for building a PET-CT center, major renovation and reconstruction of hospital buildings and procurement of high-value medical equipment for the Donetsk Oblast Clinical Territorial Medical Association (the annual plan amounts to UAH 60.0mn) – funded at 75.5%;
- for the development of the social and economic infrastructure of the city of Sevastopol and other localities where military formations of the Russian Federation's Black Sea Fleet are stationed in the territory of Ukraine (the annual plan amounts to UAH 81.1mn) – funded at 73.1%;

- for holding events to celebrate the 200th anniversary of Taras Shevchenko's birth, the 120th anniversary of Oleksandr Dovzhenko's birth, and events to commemorate the 70th Anniversary of the Koryukivka tragedy (the annual plan amounts to UAH 25.0mn) – funded at 57.2%.

No funding was initiated for the following two planned subventions:

- to the Dnipropetrovsk municipal budget for the completion of the metro underground railway project (the annual plan amounts to UAH 99.0mn);
- to the Kyiv municipal budget for the conservation and modern museumification, and completion of archeological research on Starokyivska Hill with the foundations of the Church of the Dime on the territory of the Old Kyiv Citadel of the 8-10th Centuries National Archeological Monument with foundations of the Church of the Dime of 10th century (the annual plan amounts to UAH 40.0mn).

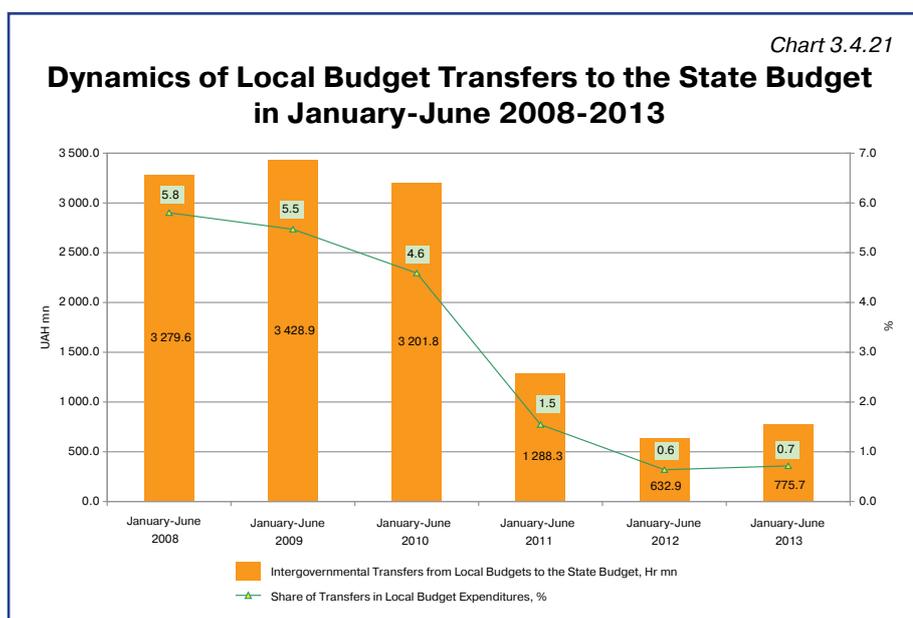
TRANSFERS FROM LOCAL BUDGETS TO THE STATE BUDGET

The State budget of Ukraine received from local budgets UAH 775.7mn in **intergovernmental transfers**, which is 22.6% more year-on-year.

The funds remitted from local budgets to the State budget totaled UAH 698.8mn or 44.0% of the annual plan.

In addition, the intergovernmental transfers provided from local budgets also include subventions for implementing socioeconomic and cultural development programs in the regions. Such subventions were remitted at nearly UAH 77.0mn, which is 11.1% more than in the first half of 2012.

In general, the total amount of transfers to the State budget increased by UAH 142.8mn year-on-year and amounted to 0.7% of all local budget expenditures (see Chart 3.4.21).



Expenditures of the State Budget of Ukraine by Program Classification in January-June 2011-2013

Expenditures by program classification	January-June 2011			January-June 2012			January-June 2013		
	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	14 279.7	6 382.4	44.7	14 847.1	6 498.7	43.8	16 333.33	6 991.05	42.8
Ministry of Energy and Coal Industry of Ukraine	8 819.0	3 794.2	43.0	10 502.3	5 311.0	50.6	10 222.51	7 286.54	71.3
Restructuring of the coal and peat industry	1 337.3	336.5	25.2	1 149.3	378.3	32.9	1 051.0	285.6	27.2
Mine rescue measures at coal-mining enterprises	384.3	151.1	39.3	417.6	173.6	41.6	434.2	212.6	49.0
State support to coalmining enterprises for partial coverage of production costs of finished marketable coal products	5 774.2	3 132.5	54.3	7 801.8	4 492.1	57.6	7 801.8	6 650.8	85.2
Ministry of Economic Development and Trade of Ukraine	371.5	150.7	40.6	3 165.5	610.9	19.3	2 190.4	500.0	22.8
Ministry of Foreign Affairs of Ukraine	1 118.8	462.7	41.4	1 327.5	526.4	39.7	1 121.1	517.6	46.2
Ministry of Culture of Ukraine	1 962.3	830.1	42.3	2 395.1	1 042.0	43.5	2 487.4	1 160.4	46.7
State Forest Resources Agency of Ukraine	797.2	309.3	38.8	660.1	307.2	46.5	698.2	279.8	40.1
Ministry of Defense	13 874.7	5 014.1	36.1	16 454.4	5 805.7	35.3	15 346.5	5 700.0	37.1
Provision for activities of the Armed Forces of Ukraine and training of troops	9 015.0	3 777.8	41.9	11 926.8	4 657.9	39.1	11 852.1	4 673.7	39.4
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	751.1	356.5	47.5	887.7	403.6	45.5	938.8	414.7	44.2
Development of weapons and military equipment of the Armed Forces of Ukraine	313.7	12.1	3.9	1 481.6	71.7	4.8	919.0	69.9	7.6
Building (acquisition) of service housing for military personnel of the Ukrainian Armed Forces	534.7	47.5	8.9	500.0	100.2	20.0	22.7	1.5	6.6
Ministry of Education and Science. Youth and Sport of Ukraine	20 910.4	9 970.6	47.7	24 174.4	11 811.7	48.9	25 703.4	12 041.7	46.8
Training of worker cadre at vocational schools. vocational schools of social rehabilitation and adaptation. other educational institutions. training of junior specialists at higher vocational schools. centers for vocational education. their methodological support	954.8	442.8	46.4	1 201.5	612.5	51.0	1 433.9	719.8	50.2
Training of cadre at higher educational institutions of accreditation levels I and II and supporting the operation of their practical training bases	2 819.0	1 298.1	46.0	3 472.7	1 718.2	49.5	3 713.9	1 723.5	46.4
Training of cadre at higher educational institutions of accreditation levels III and IV and supporting the operation of their practical training bases	11 956.7	6 121.4	51.2	15 302.5	7 924.1	51.8	16 591.1	8 081.8	48.7

Expenditures by program classification	January-June 2011			January-June 2012			January-June 2013		
	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	8 418.4	2 705.3	32.1	10 007.1	3 552.3	35.5	10 090.4	3 574.5	35.4
Training and improving the qualifications of medical and pharmaceutical. research and academic personnel at higher educational institutions of accreditation levels III and IV	1 608.5	801.0	49.8	1 877.2	998.8	53.2	2 207.7	1 072.5	48.6
Specialized and highly specialized medical aid provided by national healthcare institutions							1 103.1	484.6	43.9
State sanitary and epidemiological supervision. disinfecting activities. and epidemics combating activities	1 769.9	830.5	46.9	1 966.0	907.2	46.1	0.8	0.6	84.1
Provision of medical activities of individual State programs and comprehensive activities of programmatic nature	685.4	0.7	0.1	1 902.4	59.2	3.1	2 178.6	239.5	11.0
Ministry of Ecology and Natural Resources of Ukraine	3 194.2	971.2	30.4	4 174.2	1 395.7	33.4	4 237.1	1 271.8	30.0
Ministry of Social Policy of Ukraine	62 882.4	33 561.9	53.4	70 540.2	33 114.2	46.9	89 181.9	44 500.0	49.9
Fund for the Social Protection of Disabled Persons	827.3	165.3	20.0	1 088.4	242.2	46.9	941.5	376.3	40.0
Pension Fund of Ukraine	58 317.2	31 479.8	54.0	64 494.1	30 342.7	47.0	83 233.6	41 616.8	50.0
Ministry of Regional Development. Construction. Housing and Communal Services of Ukraine	5 899.6	554.1	9.4	8 572.9	367.4	4.3	6 971.1	607.7	8.7
Organization and regulation of activities of institutions within the system of State Veterinary and Phytosanitary Service of Ukraine	1 215.5	587.0	48.3	1 666.7	826.1	49.6	1 927.0	801.7	41.6
Ministry of Agrarian Policy and Food of Ukraine	10 740.5	3 112.2	29.0	11 215.3	3 274.0	29.2	8 952.0	3 468.9	38.8
Training the personnel for the agribusiness sector by higher educational institutions of accreditation levels III and IV	2 096.4	943.1	45.0	2 866.8	1 309.0	45.7	2 545.5	1 074.1	42.2
Activities of pest and disease control of agricultural plants. prevention of spread of pathogenic agents of infectious disease in animals	20.0	4.1	20.7	34.0	12.8	37.8	25.5	4.3	16.9
Budgetary animal husbandry grant and State support for crop production	2 030.0	0.0	0.0	732.0	0.6	0.1	650.0	166.4	25.6
Ministry of Infrastructure of Ukraine	2 292.7	1 202.9	52.5	1 588.3	709.2	44.7	1 581.0	727.7	46.0
State Agency of Automobile Roads of Ukraine	13 397.4	6 388.0	47.7	13 066.6	6 988.0	53.5	20 287.2	5 477.0	27.0
Development and maintenance of the public motor roads network	7 063.8	3 511.8	49.7	5 744.4	4 315.1	75.1	11 867.9	2 887.8	24.3
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	5 095.8	1 660.7	32.6	8 408.3	2 584.4	30.7

Expenditures by program classification	January-June 2011			January-June 2012			January-June 2013		
	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	4 759.4	2 028.0	42.6	6 151.4	2 424.2	39.4	1 744.3	666.4	38.2
Ministry of Finance of Ukraine (general government expenditures)	124 981.8	55 958.8	44.8	151 168.8	65 336.9	43.2	152 422.6	67 856.6	44.5
Ministry of Finance	34 384.9	14 626.9	42.5	46 401.0	17 376.9	37.4	37 738.4	15 636.6	41.4
Servicing of the State debt and activities of gradual compensation to individuals of their losses due to depreciation of their monetary savings	23 001.5	10 502.9	45.7	29 582.9	11 554.1	39.1	34 966.5	14 664.2	41.9
Ministry of Finance of Ukraine (general government expenditures), including intergovernmental transfers	90 597.0	41 331.9	45.6	104 767.7	47 960.0	45.8	114 684.2	52 220.0	45.5
Equalization grants from the State budget to local budgets and additional grants	46 291.7	22 129.2	47.8	56 184.4	26 190.1	46.6	57 007.5	27 805.0	48.8
State capital expenditures, which are allocated by the Cabinet of Ministers of Ukraine, including construction of a modern treatment and diagnostics complex of the Okhmatdyt National Specialized Children's Hospital, reconstruction and expansion of the National Cancer Institute, construction of sports facilities with artificial ice, procurement of medical vehicles and medical equipment, support of healthcare system reform	2 037.8	5.5	0.3	11.9	0.0	0.0	102.0	0.0	0.0
Security Service of Ukraine	3 097.7	1 396.2	45.1	3 458.6	1 728.4	50.0	3 525.9	1 654.3	46.9
Other key spending units	41 389.7	13 571.3	32.8	45 524.9	17 250.7	37.9	51 545.7	21 164.6	41.1
Total	343 187.4	148 364.0	43.2	398 994.8	168 054.3	42.1	424 642.0	185 446.6	43.7

Appendix B

The Status of Transfer of State Budget Subventions to Local Budgets

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	40 145 138.9	19 080 924.2	0.0	0.0	40 145 138.9	19 080 924.2
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	3 534 378.5	0.0	0.0	7 388 300.0	3 534 378.5
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	925 072.7	0.0	0.0	2 039 640.0	925 072.7
Subvention for providing preferences and housing subsidies to the population for purchasing solid and liquid household fuel and liquefied gas	829 384.4	257 069.3	0.0	0.0	829 384.4	257 069.3
State budget subventions to local budgets for financing comprehensive pilot projects of implementing the reform of administrative service provision	21 020.7	5 648.6	0.0	0.0	21 020.7	5 648.6
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	14 337.0	7 168.8	0.0	0.0	14 337.0	7 168.8
State budget subvention to the Donetsk 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 Oblast Clinical Territorial Medical Association	60 000.0	45 271.6	0.0	0.0	60 000.0	45 271.6
State budget subvention to Kyiv city budget for operation of the Kyiv Municipal Heart Center Clinical Hospital	37 000.0	13 395.8	0.0	0.0	37 000.0	13 395.8
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	7 400.0	2 466.6	0.0	0.0	7 400.0	2 466.6
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	42 000.0	20 161.2	0.0	0.0	42 000.0	20 161.2
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	35 780.1	35 780.1	0.0	0.0	35 780.1	35 780.1
State budget subvention to local budgets for purchasing medicines for emergency medical aid	323 115.1	116 984.6	0.0	0.0	323 115.1	116 984.6
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	40 000.0	0.0	0.0	0.0	40 000.0	0.0
State budget subvention to local budgets for purchasing consumables for healthcare institutions and medicines for inhalation anesthesia	200 000.0	72 410.4	0.0	0.0	200 000.0	72 410.4

Description	General Fund		Special Fund		Total	
	Annual plan	Actual	Annual plan	Actual	Annual plan	Actual
State budget subvention to the Ternopil oblast budget for continued construction of residential houses in the city of Pochayiv, Kremenets' raion, for the purpose of resettling unauthorized persons from the territory of the Holy Dormition Pochayiv Lavra	15 600.0	15 600.0	0.0	0.0	15 600.0	15 600.0
State budget subvention to local budgets for construction, reconstruction, repair, and maintenance of streets and municipal roads within localities	0.0	0.0	2 390 850.0	870 506.2	2 390 850.0	870 506.2
State budget subvention to local budgets for implementing the activities of socioeconomic development of individual territories	1 336 957.0	413 658.5	0.0	0.0	1 336 957.0	413 658.5
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	43 653.5	21 826.8	37 477.5	37 477.5	81 131.0	59 304.3
State budget subvention to local budgets for partial compensation of the cost of medicines for treatment of hypertension patients	191 636.3	69 382.4	0.0	0.0	191 636.3	69 382.4
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	178 506.0	89 544.9	178 506.0	89 544.9
State budget subvention to local budgets for holding events of celebrating the 200th Anniversary of Taras Shevchenko's birthday, 120th Anniversary of Oleksandr Dovzhenko's birthday, and events to commemorate the 70th Anniversary of the Koryukivka tragedy.	25 000.0	14 305.0	0.0	0.0	25 000.0	14 305.0
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	486 820.8	220 955.1	0.0	0.0	486 820.8	220 955.1
State budget subvention to local budgets for capital repairs of centralized water supply and sewerage systems	440 000.0	66 000.0	0.0	0.0	440 000.0	66 000.0
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	5 125 600.0	86 829.7	5 125 600.0	86 829.7
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	9 412.9	0.0	0.0	19 000.0	9 412.9
State budget subvention to the Kyiv city budget for operation of the Nuclear Medicine Center at the Kyiv City Clinical Oncology Center	10 000.0	3 620.5	0.0	0.0	10 000.0	3 620.5
State budget subvention to the Dnipropetrovsk city budget for completing construction of the metro underground railway in Dnipropetrovsk	0.0	0.0	99 000.0	0.0	99 000.0	0.0
Subventions total	53 751 783.8	24 951 494.0	7 831 433.5	1 084 358.3	61 583 217.3	26 035 852.3

