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

**Monthly Monitoring of
Main Indicators of the Budget
System of Ukraine
as of October 1, 2014**

The Monitoring of Main Indicators of Budget System of Ukraine is a monthly publication prepared based on the data of official statistics. It contains a brief analysis and selections of graphs and charts illustrating the main changes occurring in the budget system of Ukraine.

This product is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of the Institute for Budgetary and Socio-Economic Research (IBSER) and do not necessarily reflect the views of USAID or the United States Government.

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Monitoring of the Execution of the Consolidated, State and Local Budgets in Ukraine

- **The actual intake of revenues of the consolidated budget of Ukraine** totaled UAH 333.4bn in January-September 2014, which is UAH 7.5bn or 2.3% more year-on-year.
- **The State budget** received UAH 259.3bn in this period, which is UAH 8.5bn or 3.4% more year-on-year. This level of revenue amounts to 69.9% of the annual plan. Over the past four years, an average of 71.7% of the annual amount had been collected in this period.

Nominal revenues of the State budget decreased in September both against last month (-UAH 1.2bn) and against September of last year (-UAH 2.8bn). The decrease occurred both for tax and non-tax revenues. The drop in revenues from tax sources occurred due to a UAH 2.7bn decline in proceeds from the enterprise profit tax, and the drop in non-tax revenues was caused by an explosive growth of revenues last year due to a UAH 5bn remittance to the State budget by the National Bank of Ukraine.

The situation with the execution of the State budget revenues for three quarters of 2014 remains difficult. Among other things, risks remain high for the intake of practically all key tax items. According to preliminary estimates, the shortfall could be as high as UAH 15bn.

- **Consolidated budget expenditures** totaled UAH 364.1bn in January-September 2014, which is 1.4% or UAH 5.0bn more year-on-year. In September 2014, expenditures totaled UAH 41.3bn, which is 2.4% or nearly UAH 1.0bn more than in September 2013.

Consolidated budget expenditures increased for two items only in the functional classification of expenditures on a year-on-year basis.

Defense spending grew the most (2.4 times against September 2013). It reached UAH 3.2bn. Expenditures increased by 19.2% for public order, security, and judiciary. Debt servicing expenditures (18.2%) as a percentage of expenditures for general government functions.

Expenditures decreased for environmental protection (37.1%), general government functions (12.8%), spiritual and physical development (12.1%), economic activity (11.7%), social protection and social security (5.1%), education (3.4%), healthcare (1.8%), and housing and communal services (1.1%).

- **The actual expenditures of the State budget of Ukraine** totaled UAH 298.8bn, which is 4.7% more year-on-year. In September 2014, expenditures totaled UAH 34.5bn, which is 4.0% more year-on-year.

Expenditure items by **functional classification** changed in the following ways compared to September 2013:

- expenditures for general government functions increased by 5.9% to UAH 4.3bn, including expenditures for debt servicing, which increased by 19.6% to nearly UAH 3.0bn;
- defense spending increased 2.4 times to UAH 3.9bn;
- expenditures for public order, security, and judiciary increased by 19.3% to UAH 3.8bn;
- expenditures for economic activity decreased by 16.0% to UAH 2.8bn;
- expenditures for environmental protection decreased by 49.9% to UAH 148.0mn;
- expenditures for housing and communal services decreased by 39.2% to UAH 3.0mn;
- expenditures for healthcare decreased by 3.1% to nearly UAH 1.0bn;

- expenditures for spiritual and physical development decreased by 20.0% to UAH 260.9mn;
- expenditures for education decreased by 8.6% to UAH 2.4bn;
- expenditures for social protection and social security decreased by 9.6% and amounted to UAH 6.6bn.

To cover the Pension Fund deficit for payment of pensions against State budget funds, the amount of UAH 1.0bn was remitted, which is UAH 44.3% or UAH 0.8bn less year-on-year.

- State budget proceeds **from the repayment of loans** totaled UAH 184.9mn in September of this year, including proceeds of the General Fund of the State budget of UAH 69.4mn.

The loans provided from the State budget in September 2014 totaled UAH 0.9bn, which is 2.8 times year-on-year.

- A State budget **deficit** of UAH 4.9bn was observed in September of this year.

In September 2014, **repayment of the State debt principal** totaled UAH 4.7bn, including repayment of internal debt of UAH 4.5bn, and external debt of UAH 0.2bn. **State borrowing** for **State budget** financing was incurred at UAH 48.6bn, including UAH 47.9bn for the General Fund. The amount of UAH 27.8bn was mobilized on the internal market, and UAH 20.8bn was received from external sources. Also, an additional issue of internal government bonds for the amount of UAH 96.6bn was made in January through September to increase the authorized capital of NAK Naftogaz of Ukraine, UAH 3.7bn to provide State budget subventions to local budgets for compensating the difference in tariffs, and UAH 6.7bn to cover refunds of the value-added tax.

- The State budget received UAH 2.6mn from the **privatization of State property** in September 2014.

- **Total local budget revenues (without inter-budget transfers)** totaled UAH 74.1bn in January-September 2014, which is 3.0% less year-on-year.

In September 2014, these revenues totaled UAH 7.5bn, which is 11.5% less year-on-year. Tax revenues accounted for more than 86.2% of all revenues (UAH 6.5bn). As usual, the personal income tax was the single largest source of local budget revenues. It generated UAH 5.0bn in September. Receipts from local taxes and fees totaled UAH 356.0mn.

The rate of revenue growth by region was highest in Lviv Oblast, where it amounted to 16.4% year-on-year. Revenue declined in eight regions, with the largest noted in Donetsk and Luhansk oblasts (-34.7% and -52.8%, respectively).

- **The amount of local budget expenditures (without inter-budget transfers)** totaled UAH 157.3bn in January-September, which is 0.7% more year-on-year.

In September 2014, expenditures decreased by 0.3% year-on-year and totaled UAH 16.7bn. The greatest amounts of local budget expenditures were allocated for education, social protection and social security, and healthcare. In September 2014, they amounted to UAH 5.4bn (or 32.6% of all local budget expenditures), UAH 4.5bn (or 27.0%), and UAH 3.8bn (or 22.7%), respectively.

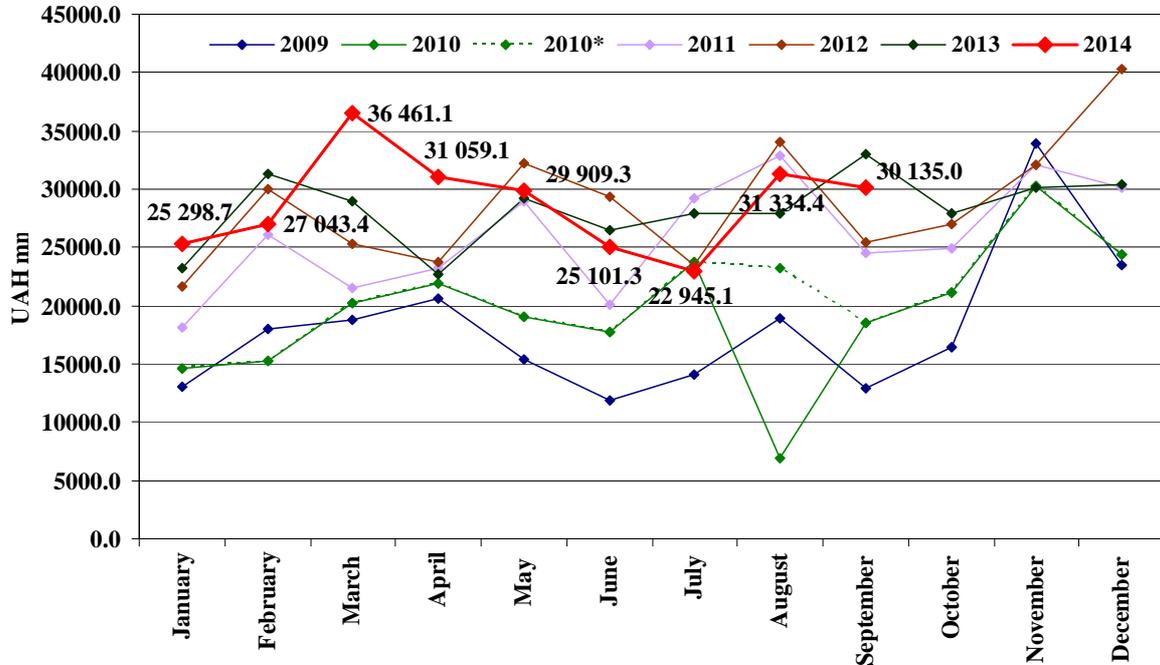
The rate of expenditure growth by region was highest in in the city of Kyiv, where the amount of expenditures increased by 31.2% year-on-year. At the same time, the amounts of expenditures decreased in two regions, namely, in Donetsk and Luhansk oblasts (-26.1% and -71.2%, respectively).

The 2014 indicators are not fully comparable with similar indicators of the respective period in 2013 due to absence of official statistics for the Autonomous Republic of Crimea and the city of Sevastopol after 1 May 2014.

State Budget Revenue

Graph 1

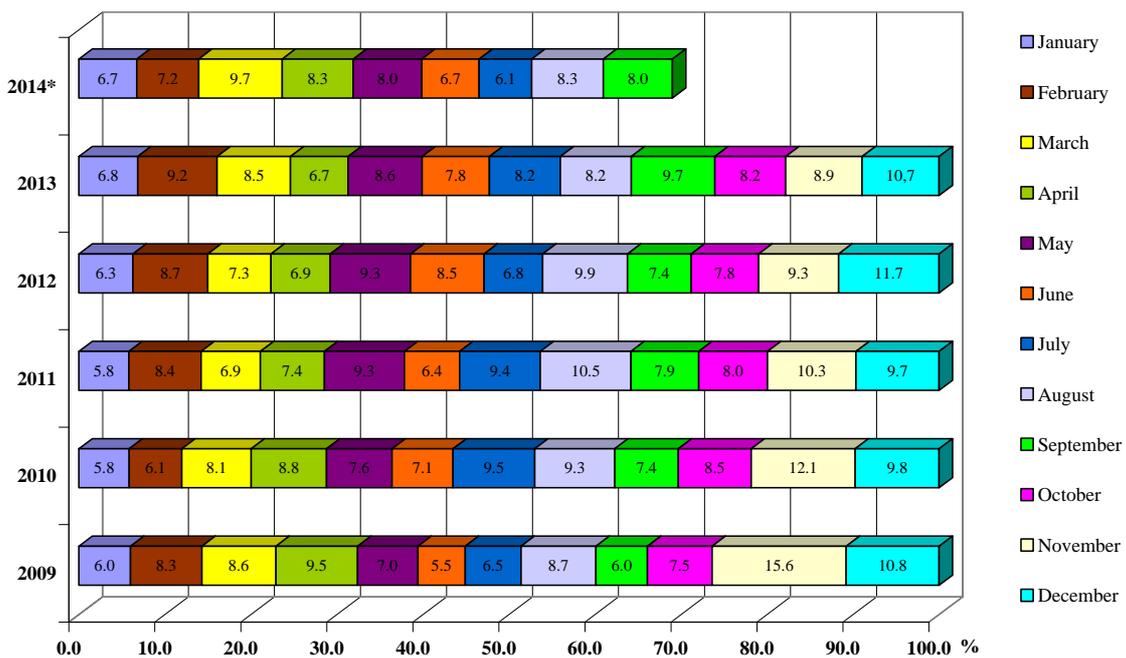
State Budget Total Revenue Monthly Trends in 2009–2014 (Less Intergovernmental Transfers)



*excluding the amount of VAT reimbursement debt of Hr 16.4bn

Diagram 1

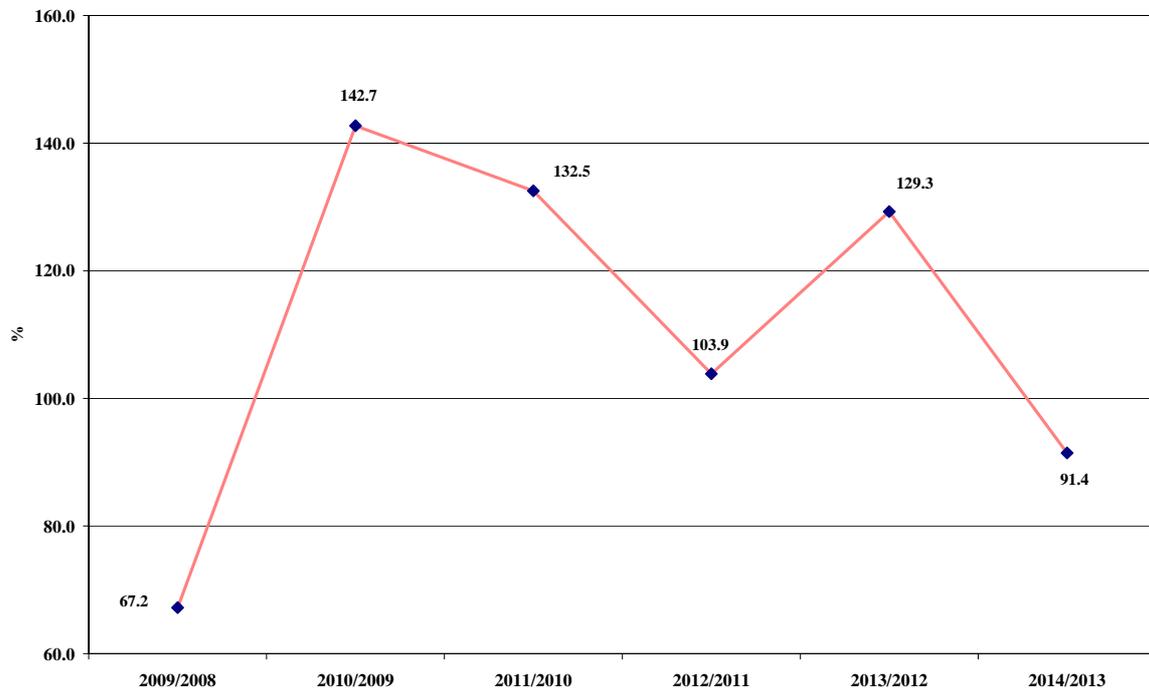
Dynamics of the Share of Ukraine's State Budget Revenue in Annual Amounts in 2009–2014



* A share of total expenditures according to the planned annual index

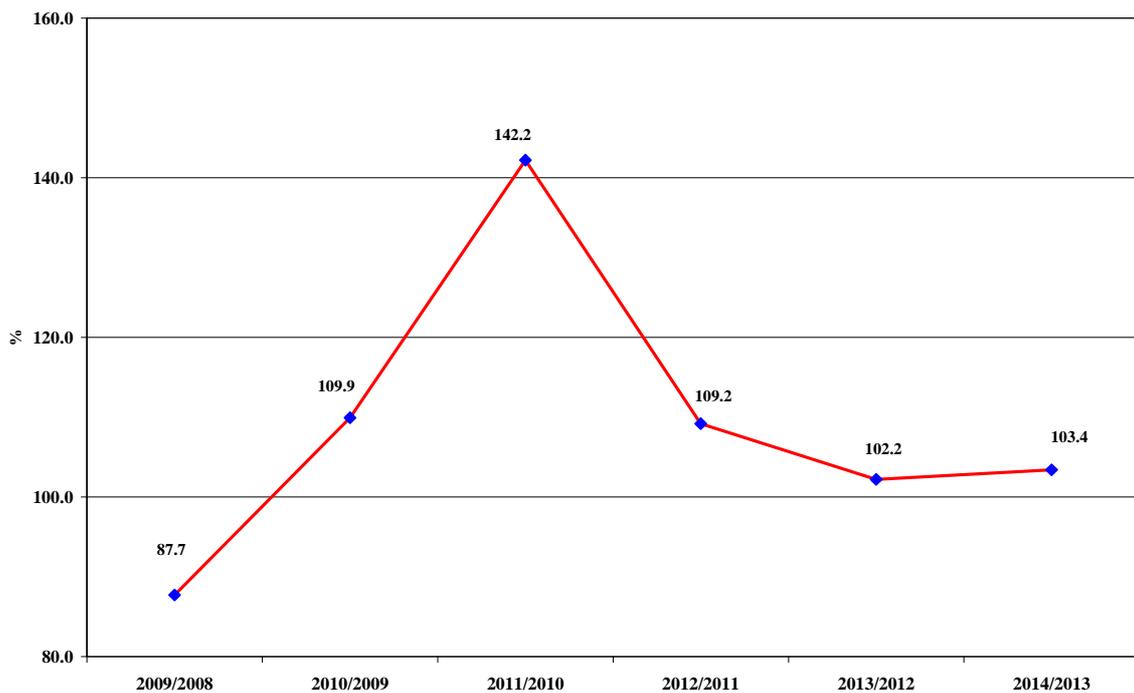
Graph 2

Growth Rates of Ukraine's State Budget Revenue in September 2009–2014



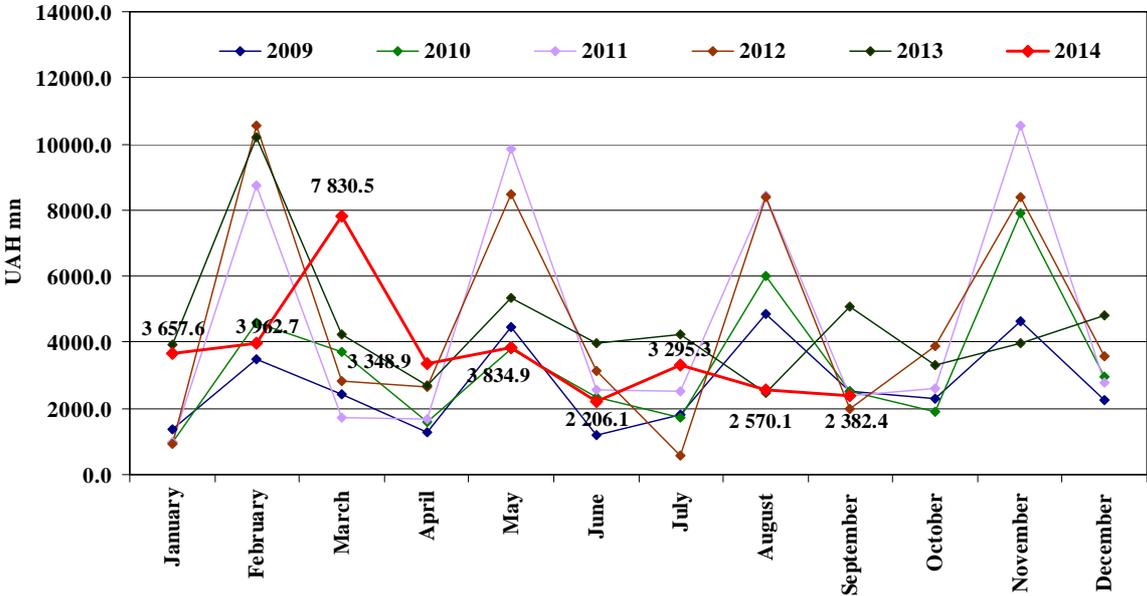
Graph 3

Growth Rates of Ukraine's State Budget Revenue in January-September 2009–2014



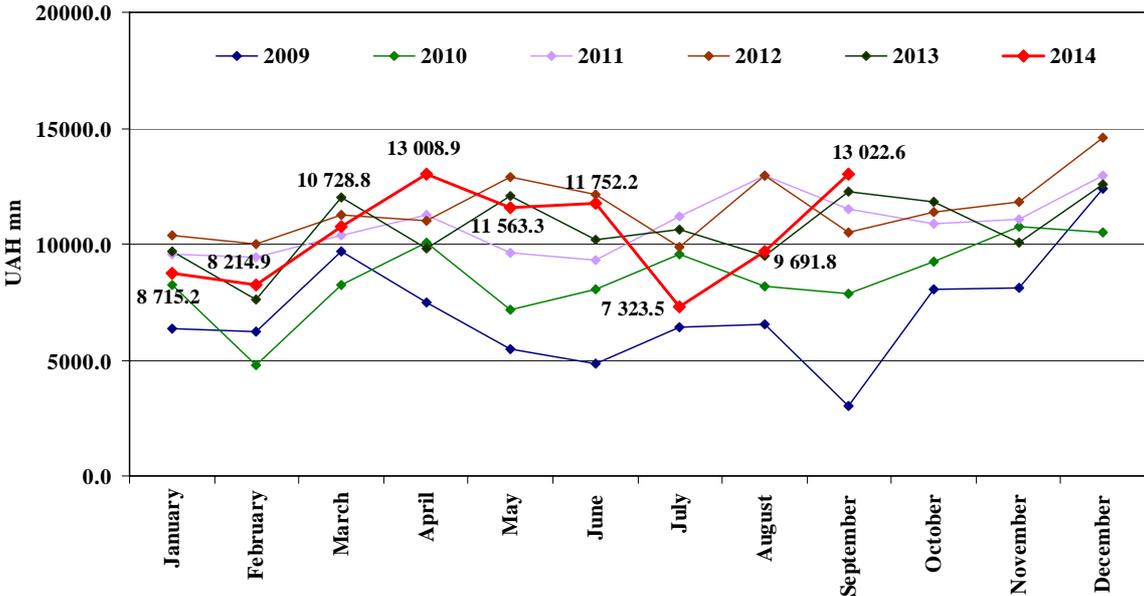
Graph 4

State Budget Enterprise Profit Tax Monthly Trends in 2009–2014



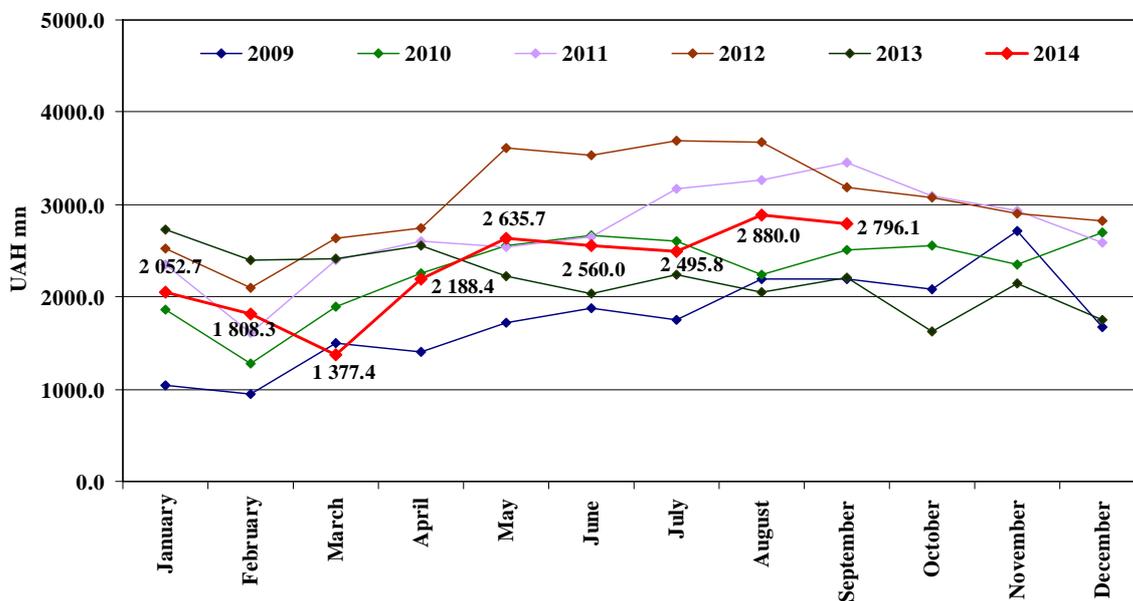
Graph 5

State Budget Value Added Tax Monthly Trends in 2009–2014



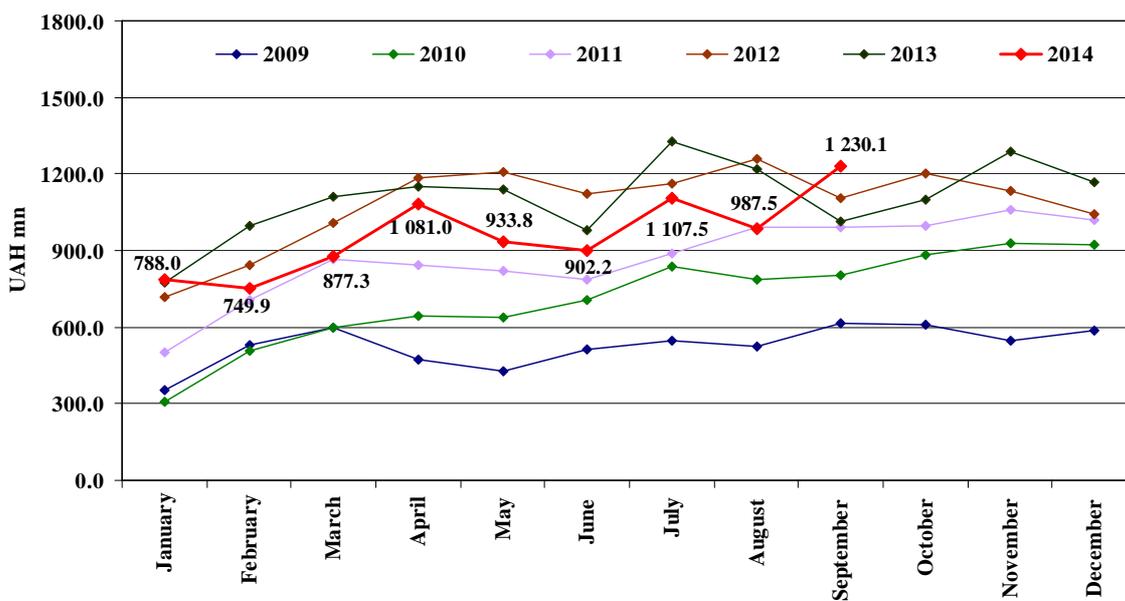
Graph 6

Dynamics of Monthly State Budget Revenues from Excise Tax on Excisable Goods Made in Ukraine in 2009–2014



Graph 7

Dynamics of Monthly State Budget Revenue from Import Duties in 2009–2014



Local Budget Revenue

Graph 8

Local Budget Revenue Monthly Trends (Less Intergovernmental Transfers) in 2009–2014

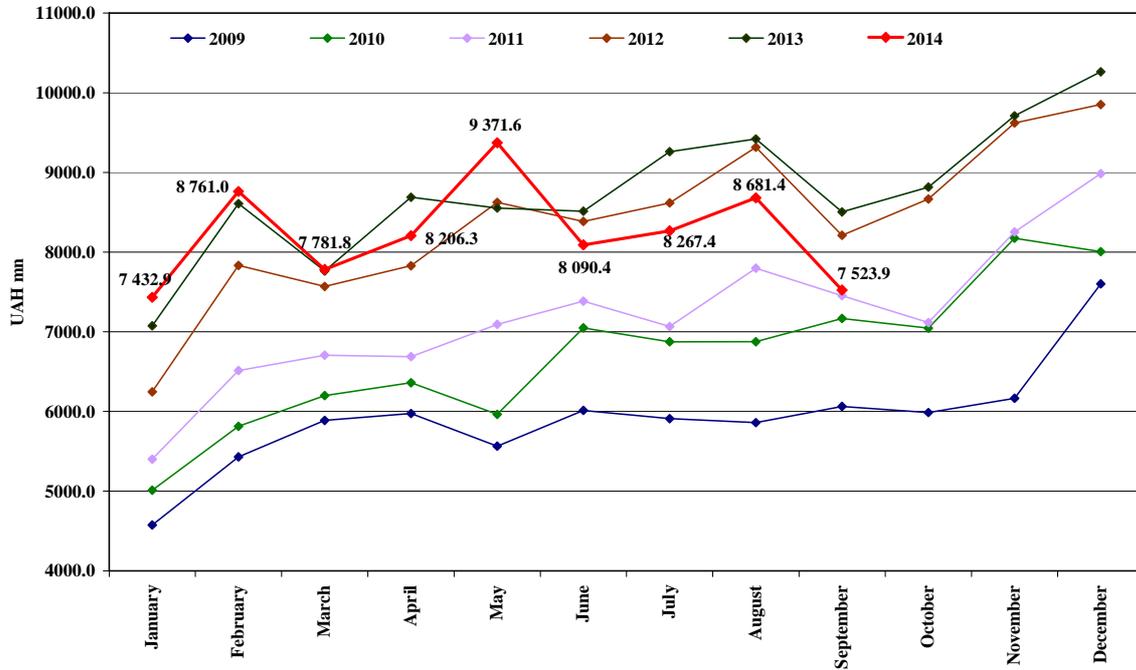
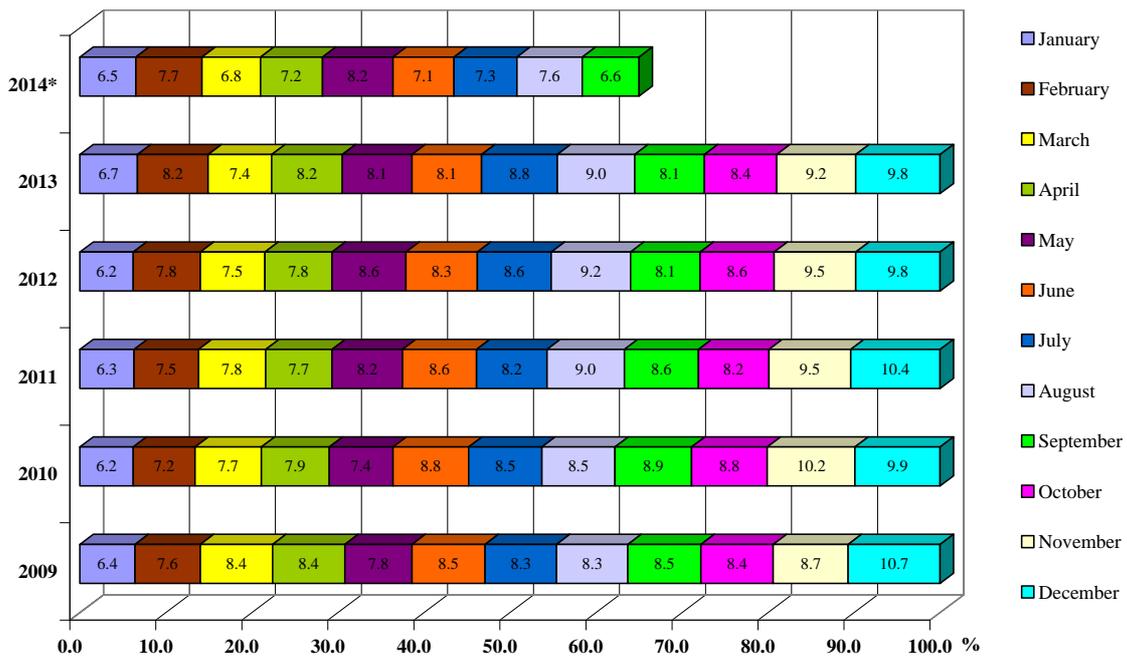


Diagram 2

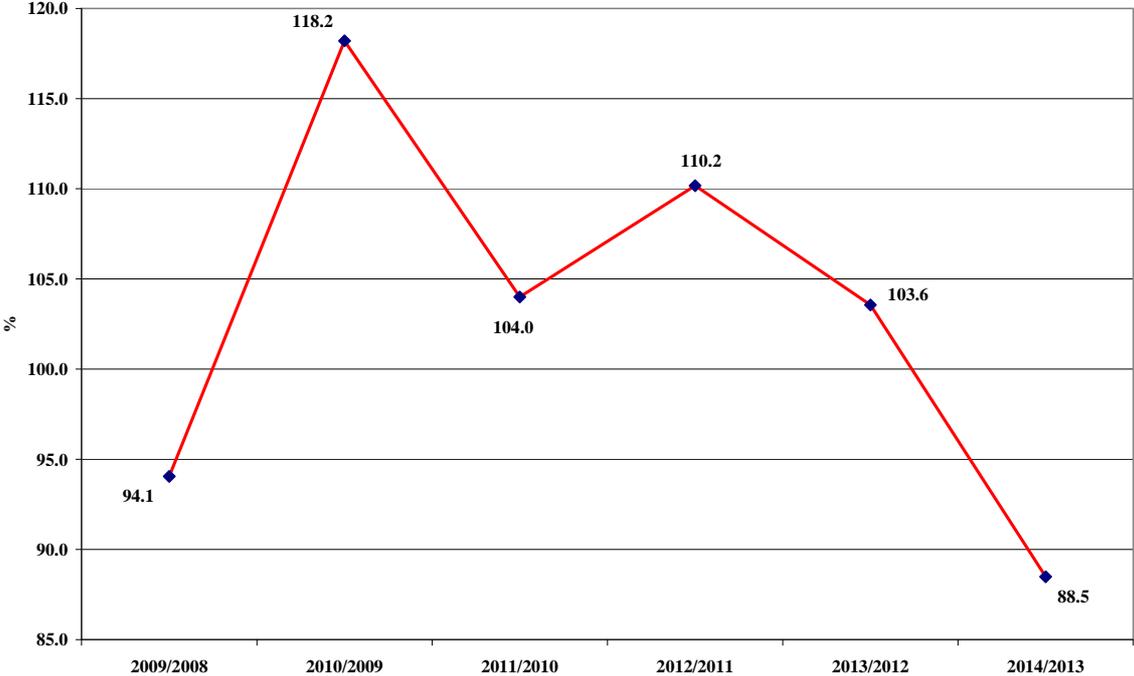
Dynamics of the Share of Local Budget Revenue in Annual Amounts in 2009–2014



* A share of total revenues according to the planned annual index

Graph 9

Growth Rates of Local Budget Revenue in September 2009–2014



Graph 10

Growth Rates of Local Budget Revenue in January–September 2009–2014

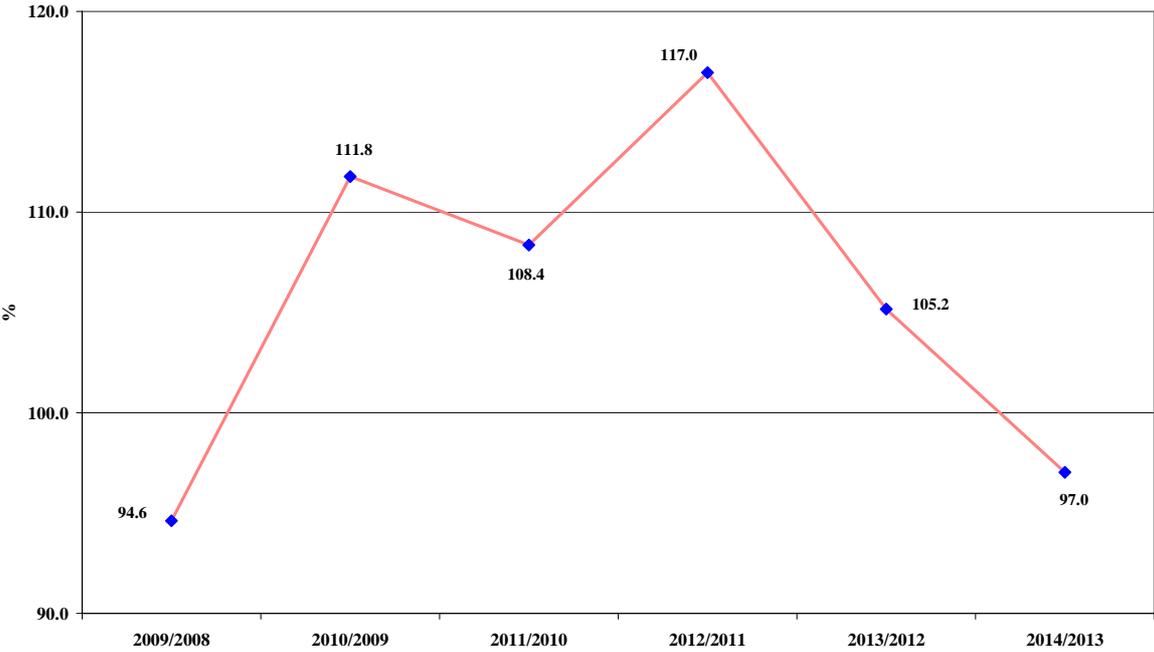


Diagram 3

Local Budget Revenue in September 2014

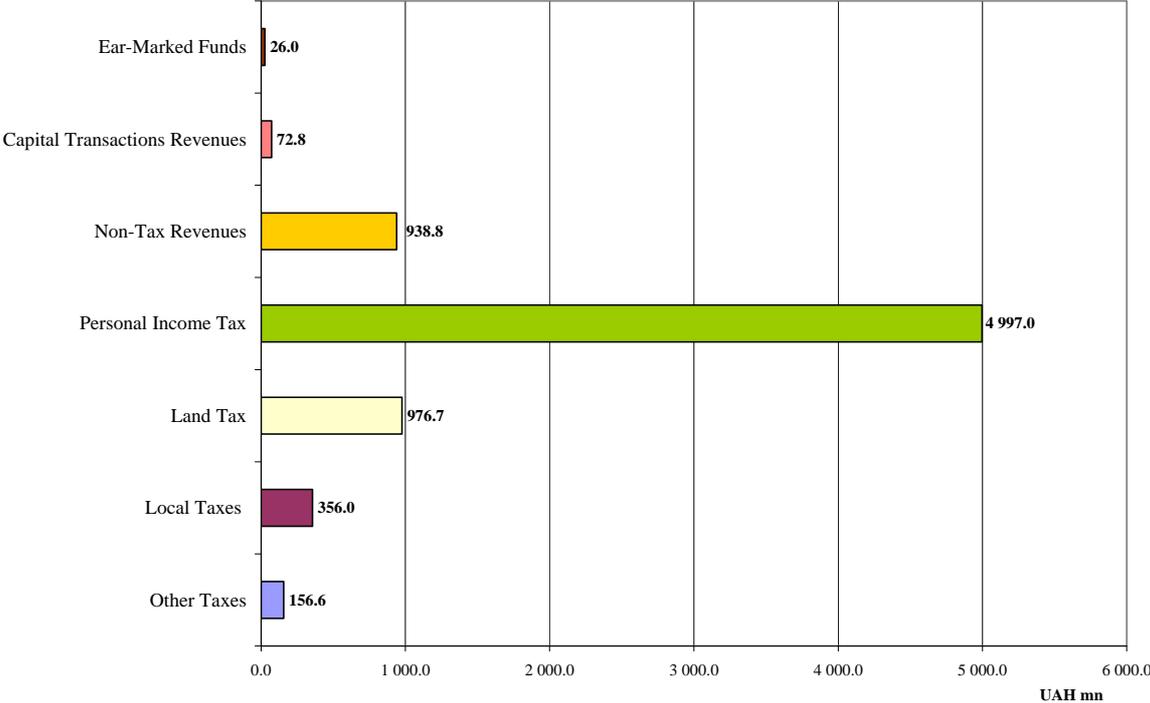


Diagram 4

Structure of Local Budget Revenues in September 2014

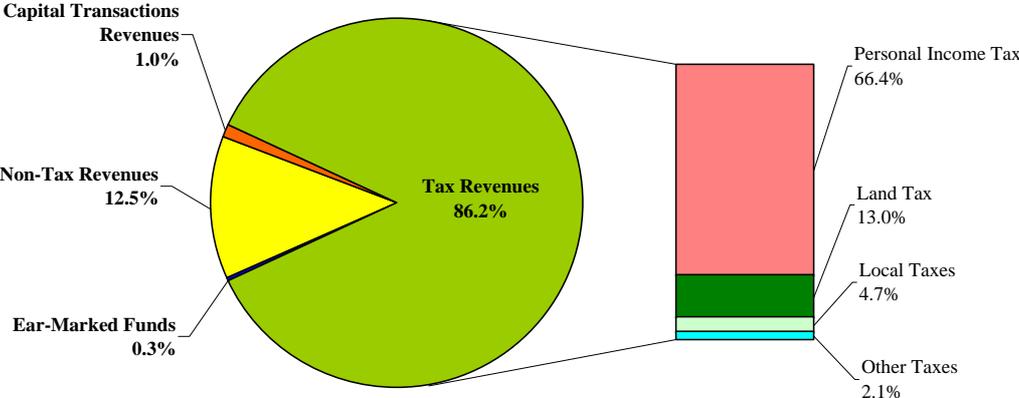
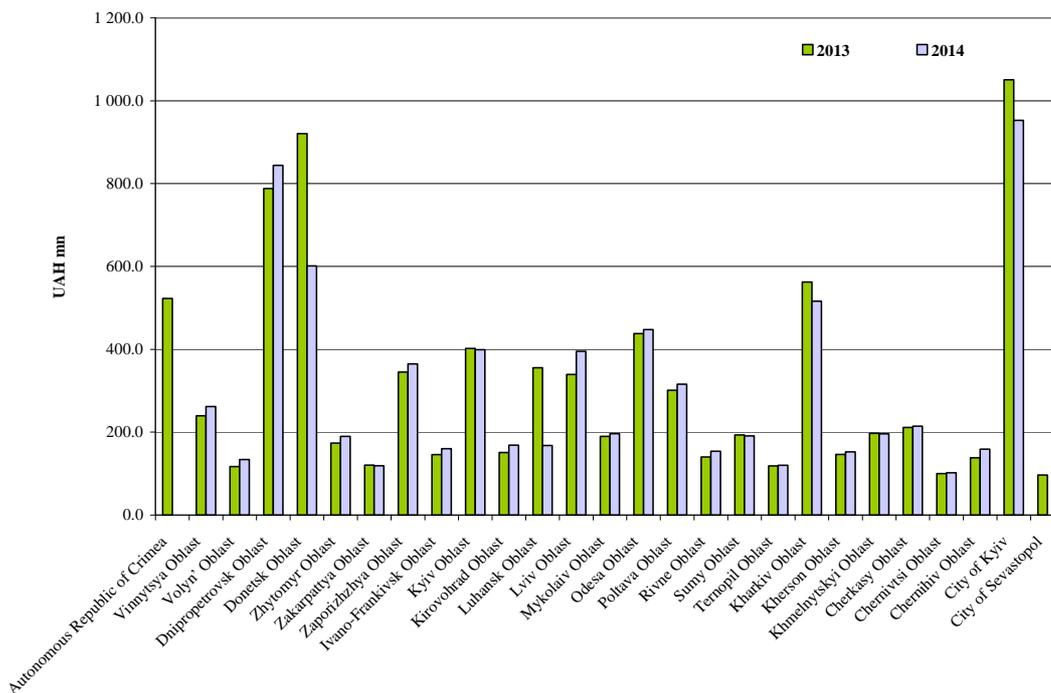


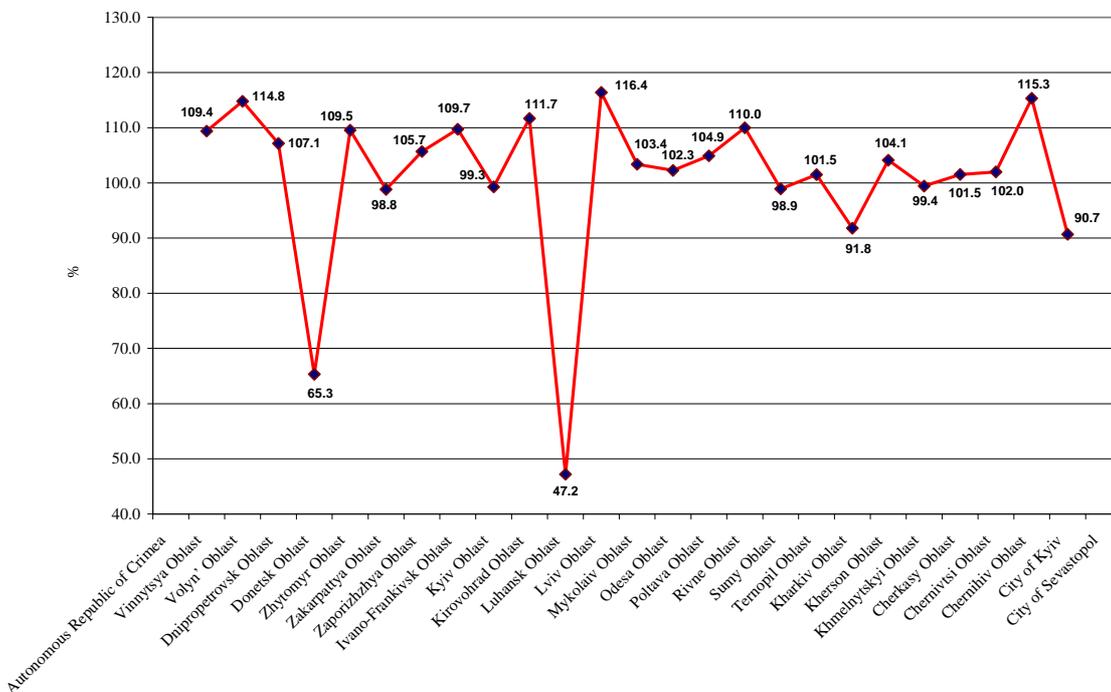
Diagram 5

Regional Distribution of Local Budget Revenue in September 2013–2014



Graph 11

Local Budget Revenues Growth Rate by Region in September 2014 (% vs. previous year)



State Budget Deficit

Diagram 6

Budget Deficit/Surplus, Monthly Trends in 2009

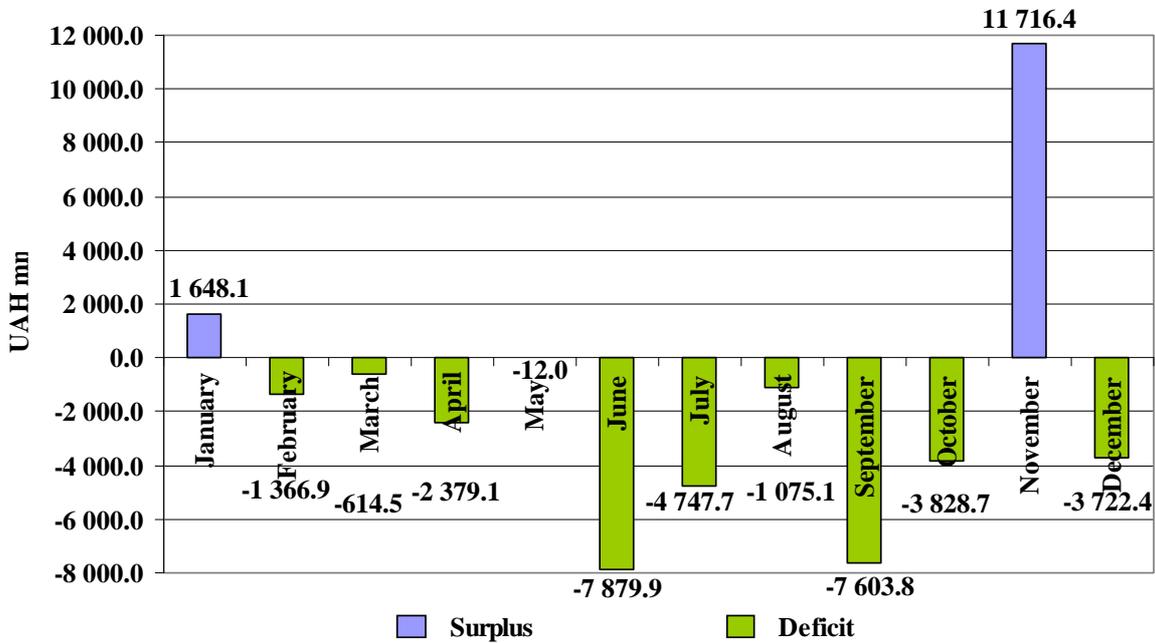


Diagram 7

Budget Deficit/Surplus, Monthly Trends in 2010

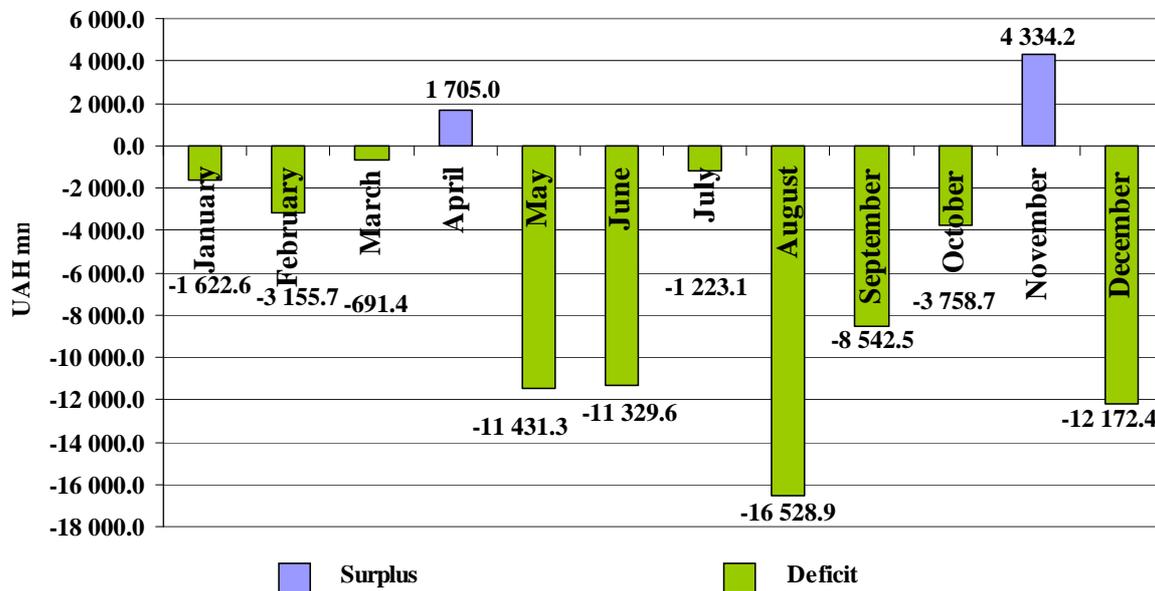


Diagram 8

Budget Deficit/Surplus, Monthly Trends in 2011

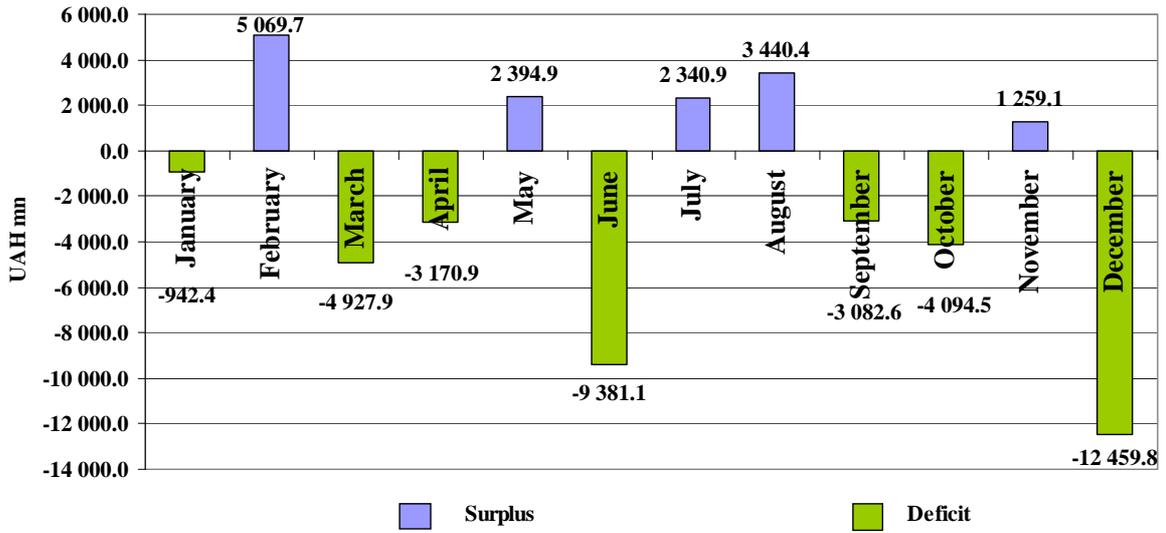


Diagram 9

Budget Deficit/Surplus, Monthly Trends in 2012

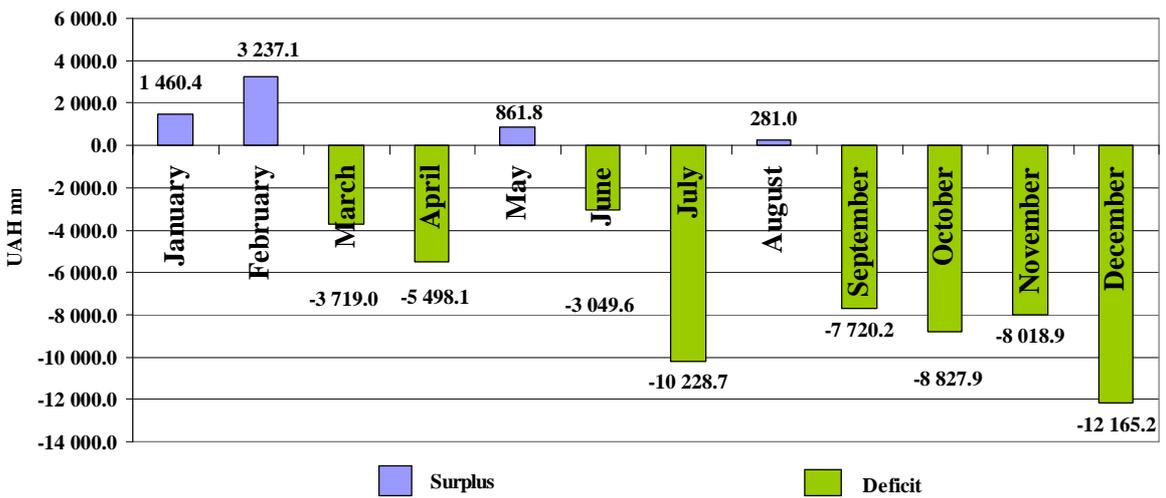


Diagram 10

Budget Deficit/Surplus, Monthly Trends in 2013

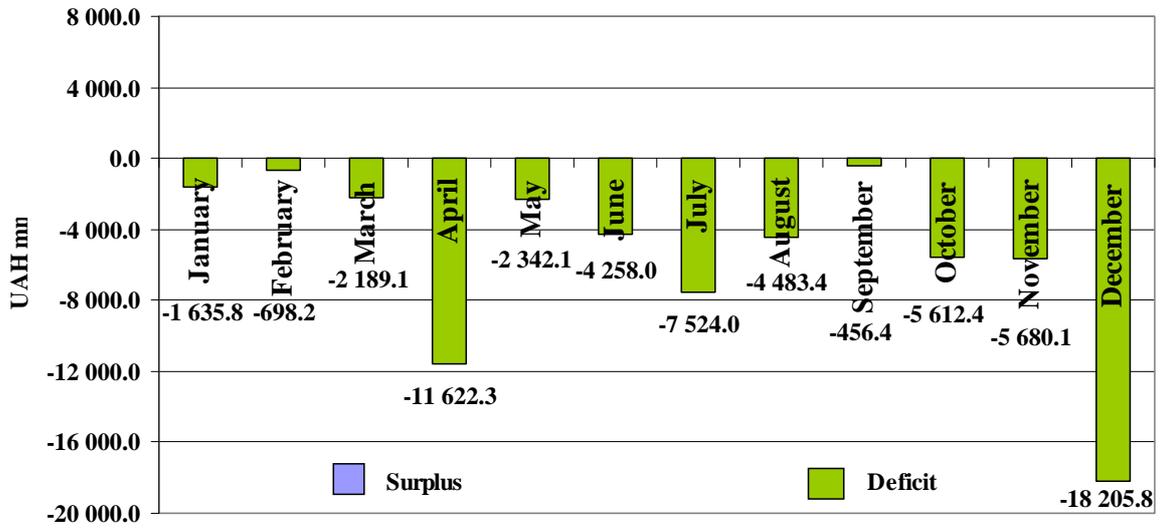
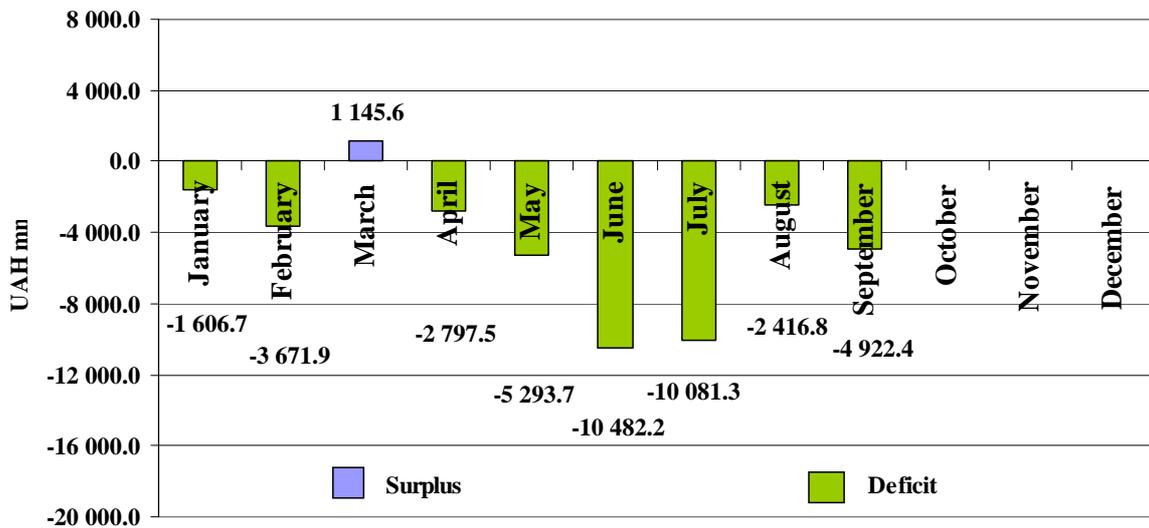


Diagram 11

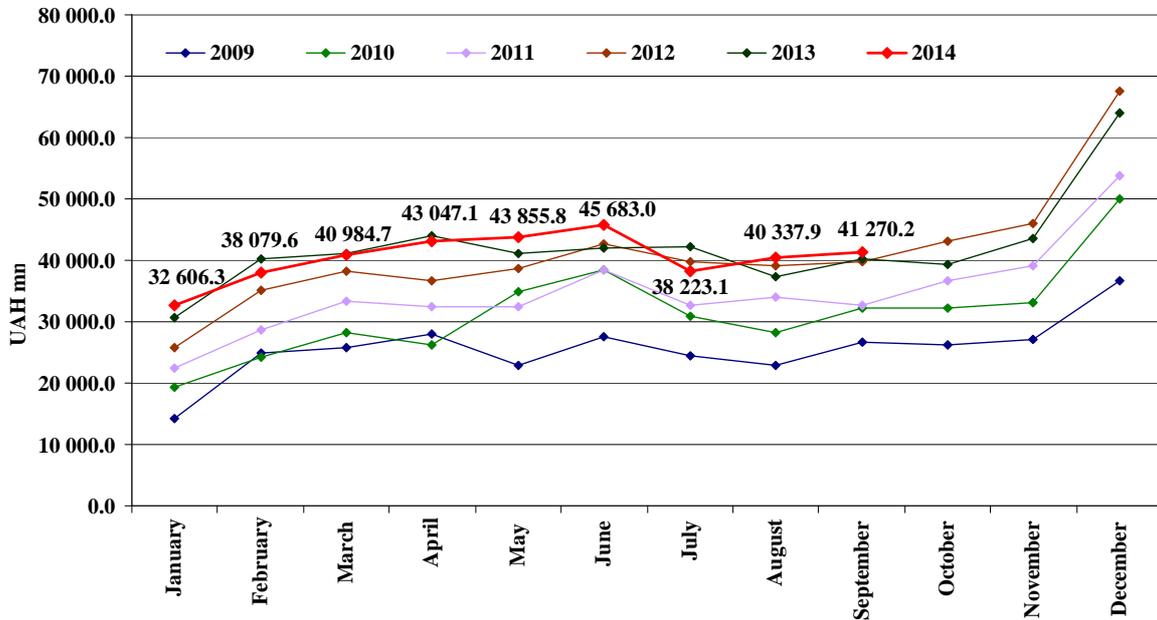
Budget Deficit/Surplus, Monthly Trends in 2014



Consolidated Budget Expenditures

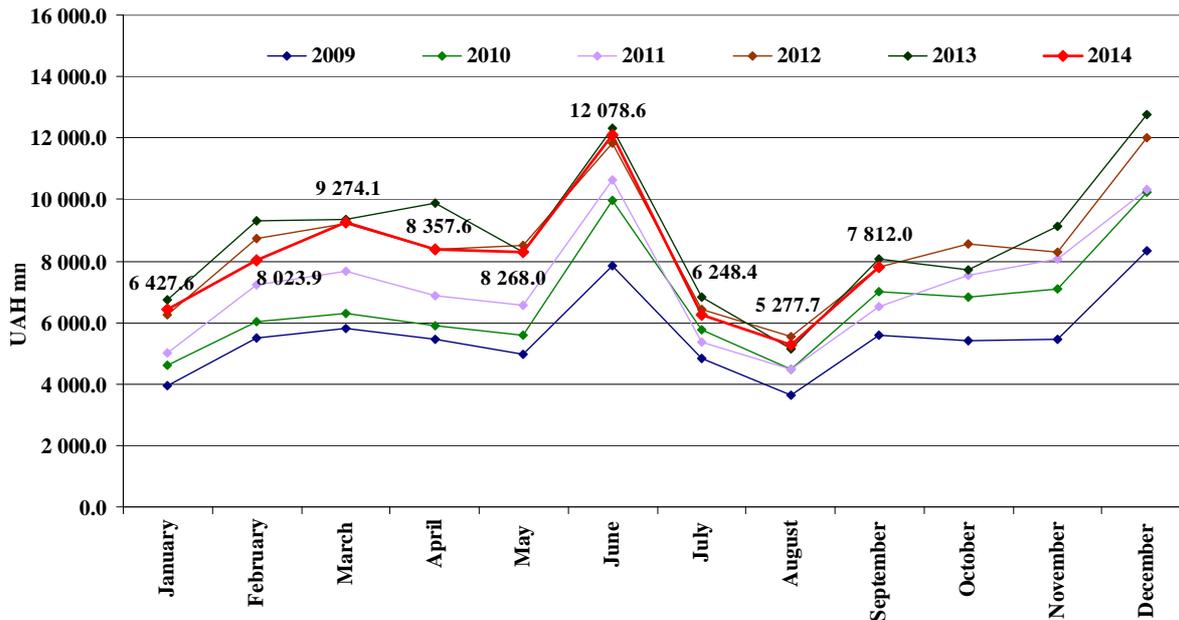
Graph 12

Consolidated Budget Expenditures, Monthly Trends in 2009–2014



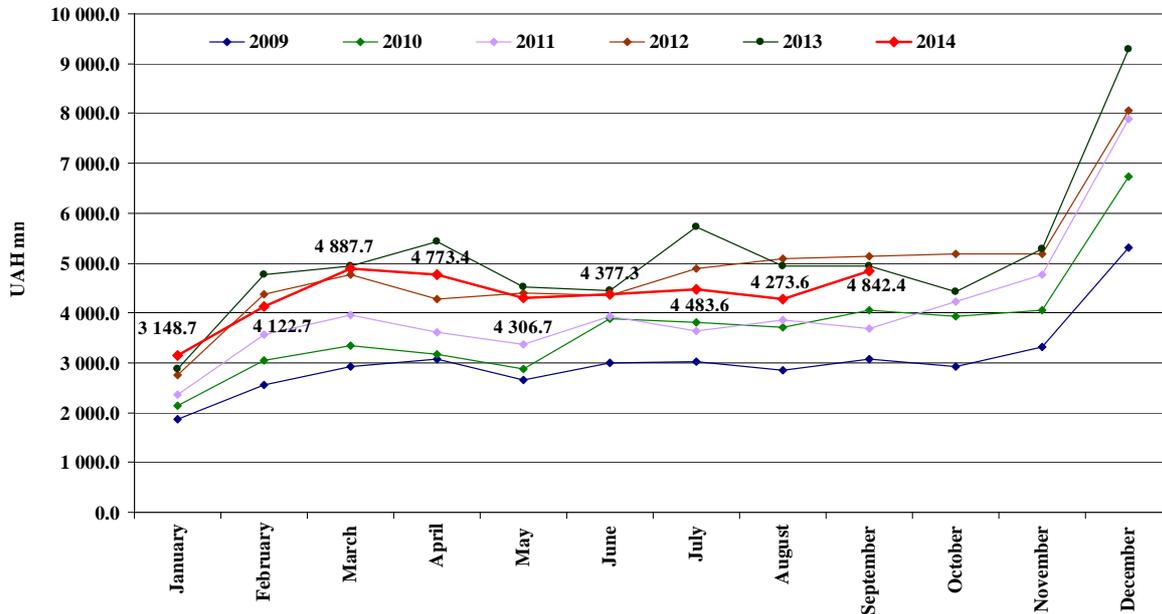
Graph 13

Consolidated Budget Education Expenditures, Monthly Trends in 2009–2014



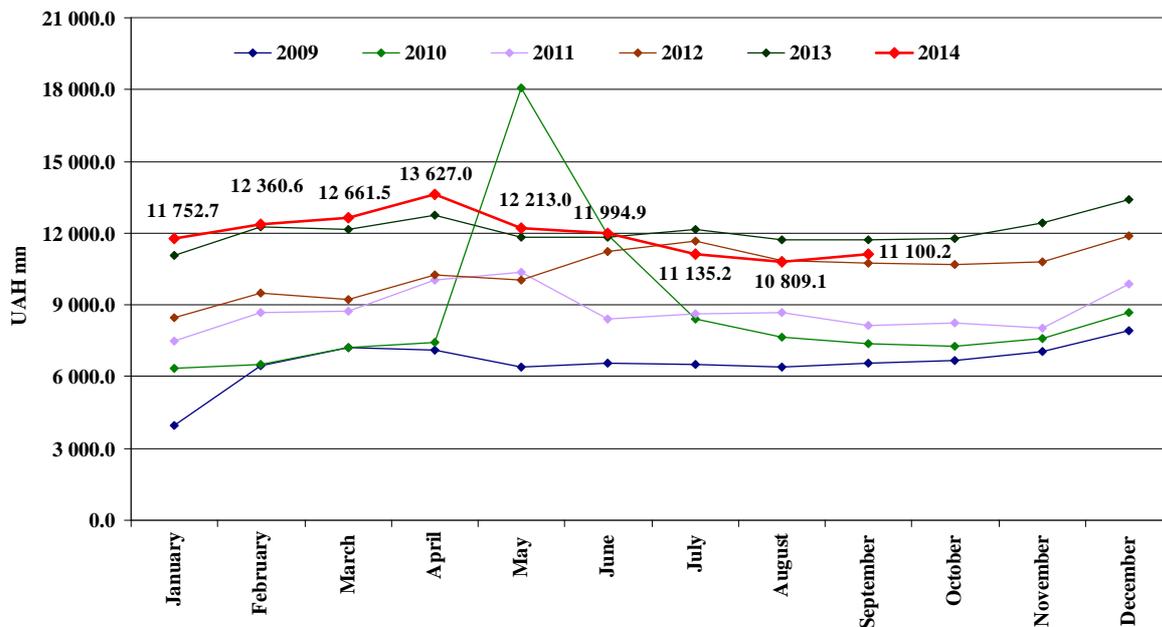
Graph 14

Consolidated Budget Health Expenditures, Monthly Trends in 2009–2014



Graph 15

Consolidated Budget Expenditures for Social Protection and Social Security, Monthly Trends in 2009–2014



State Budget Expenditures

Diagram 12

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2009

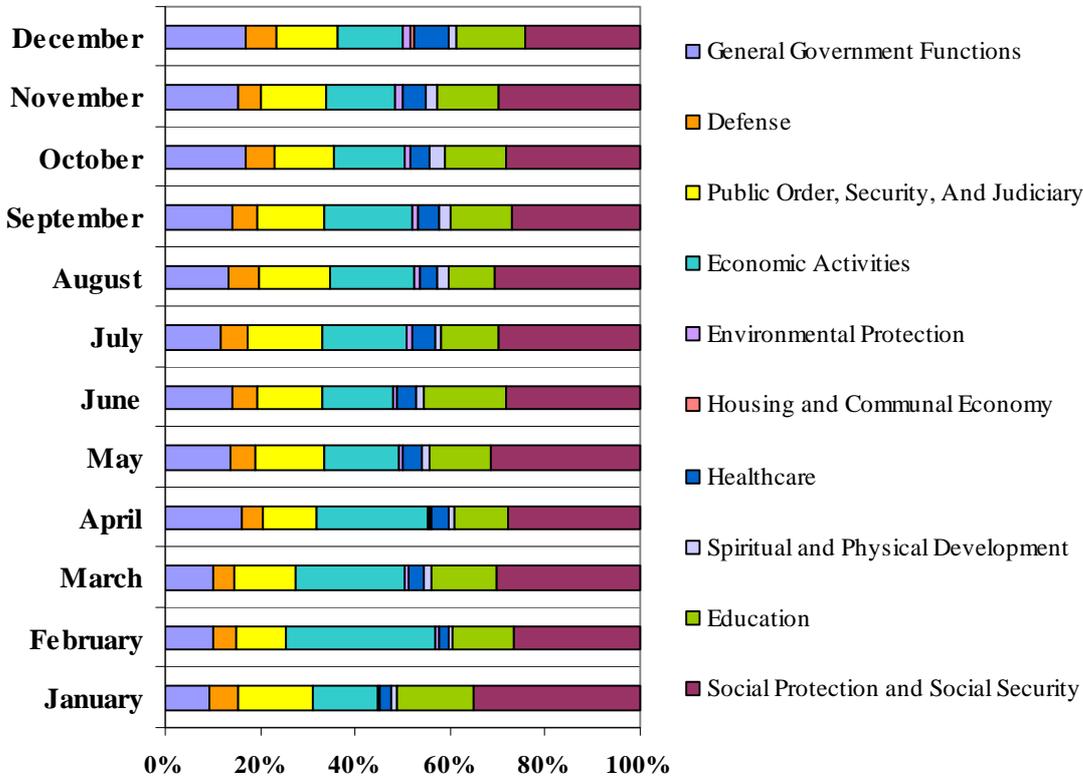


Diagram 13

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2010

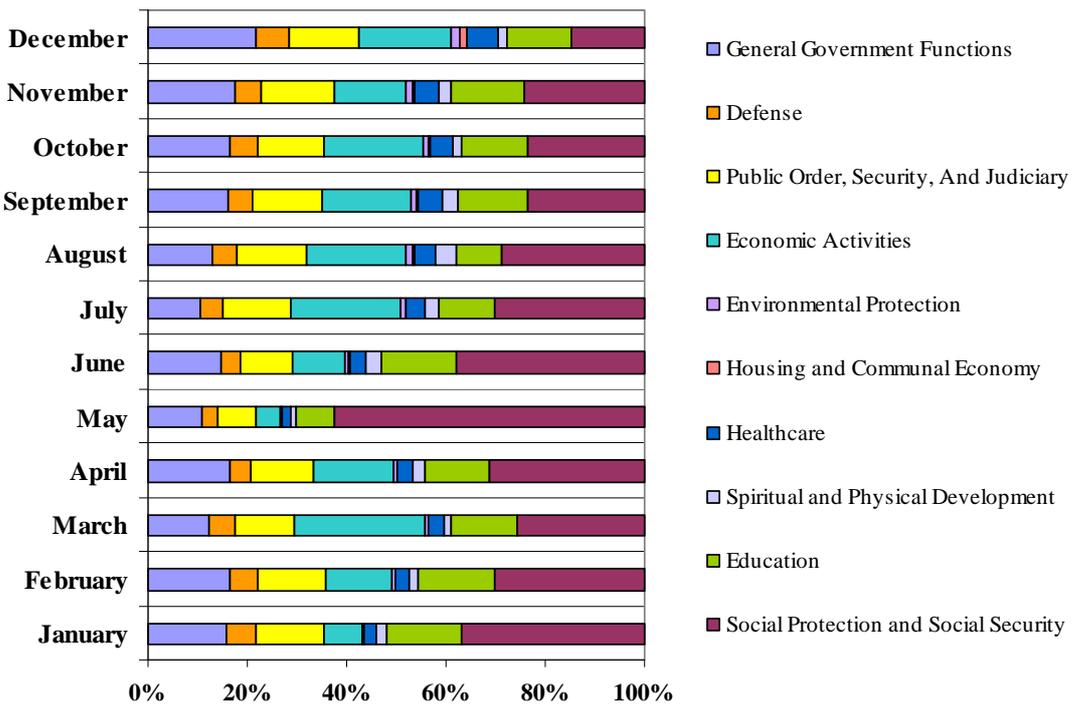


Diagram 14

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2011

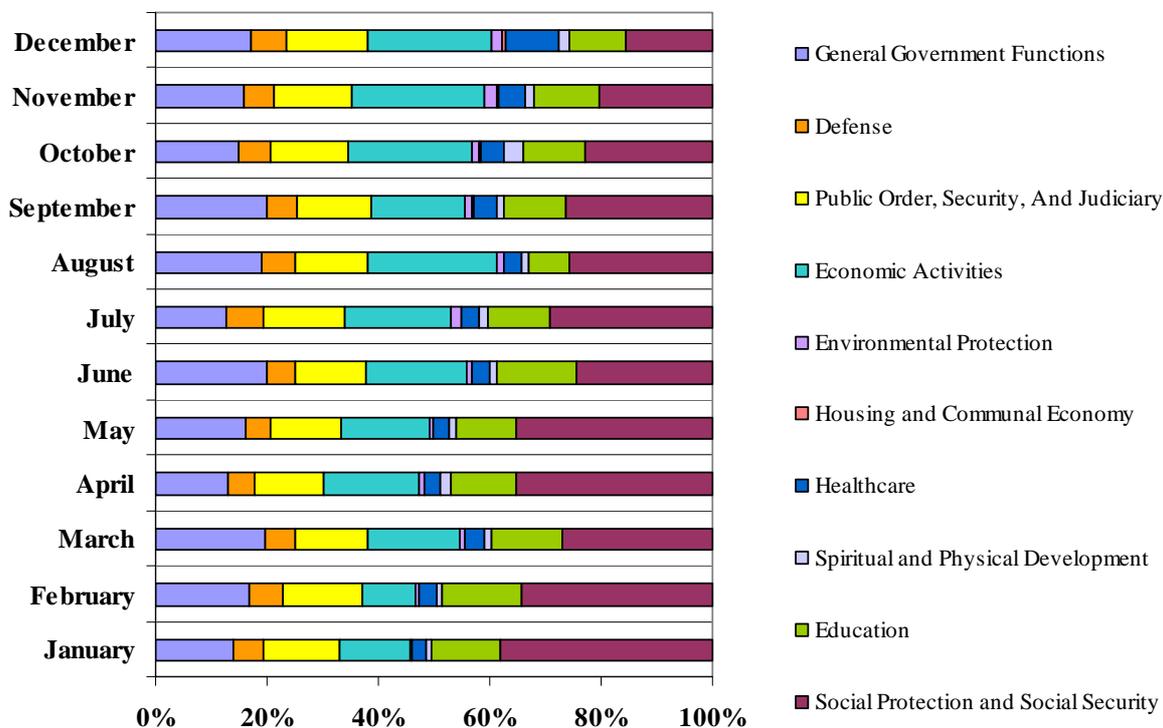


Diagram 15

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2012

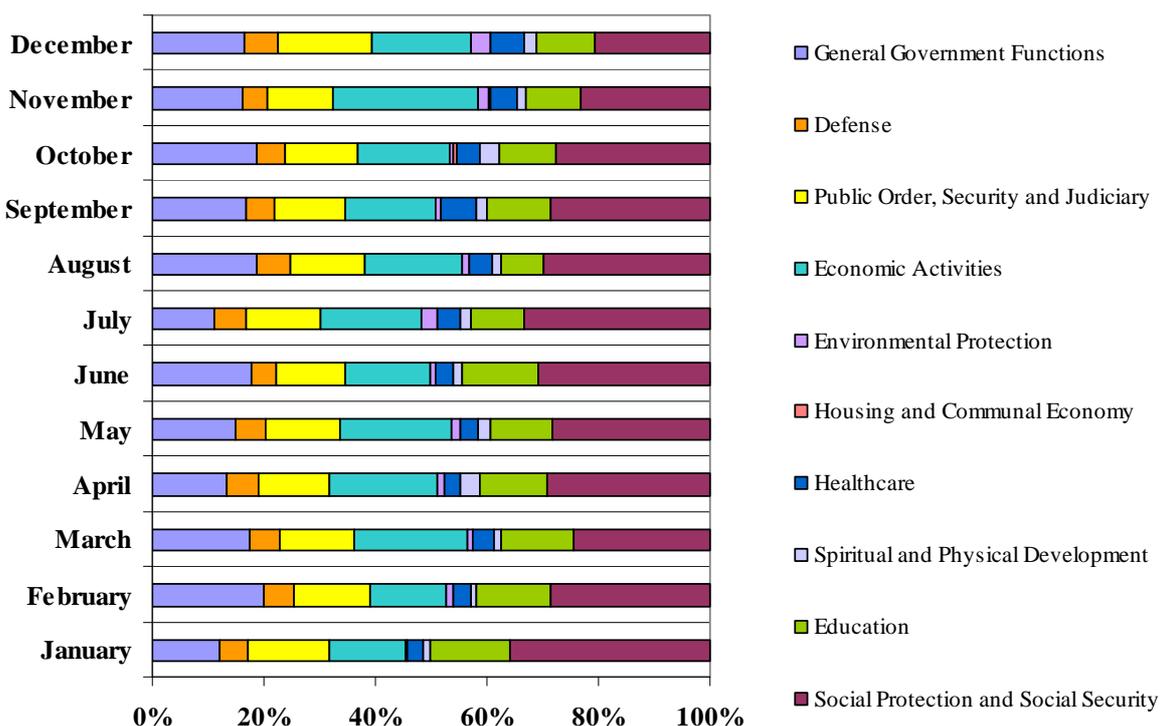


Diagram 16

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2013

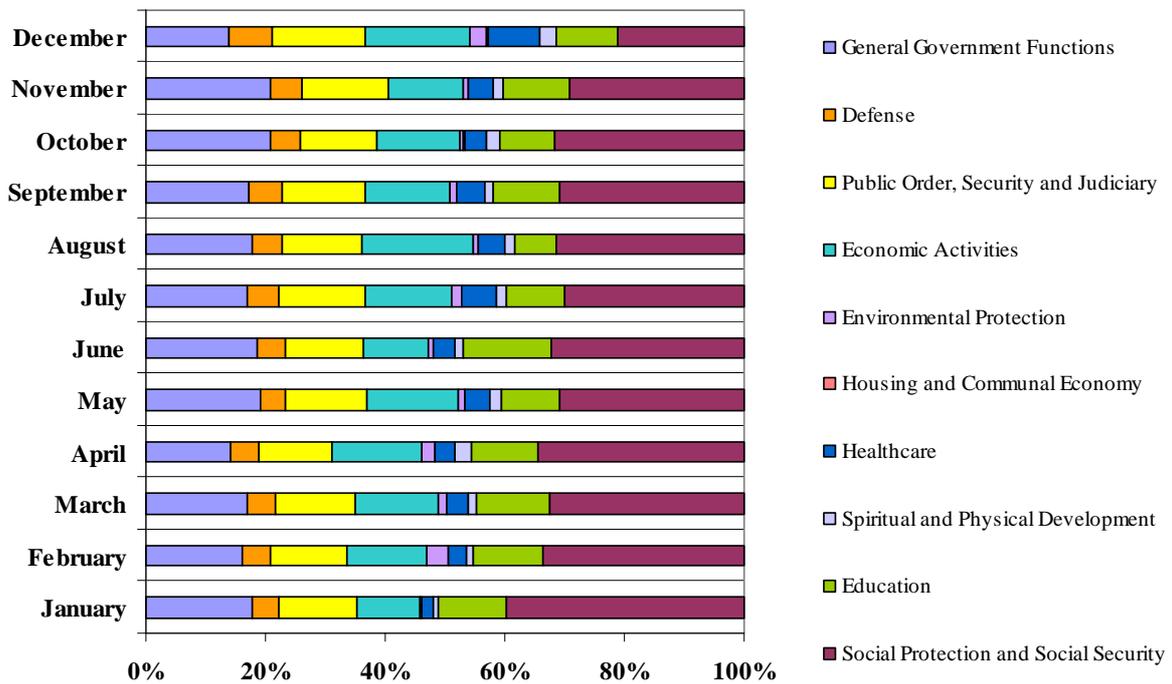
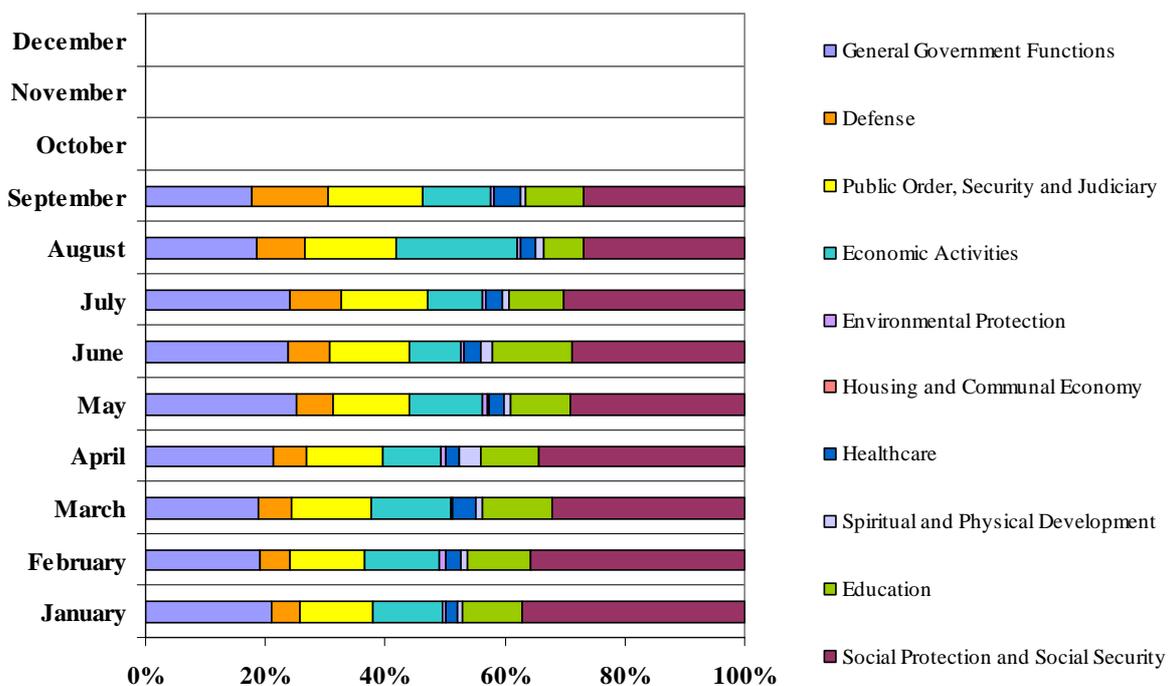


Diagram 17

Structure of Actual Expenditures of Ukraine's State Budget by Functional Classification in 2014



Graph 16

Monthly Trends of State Budget Expenditures in 2009–2014

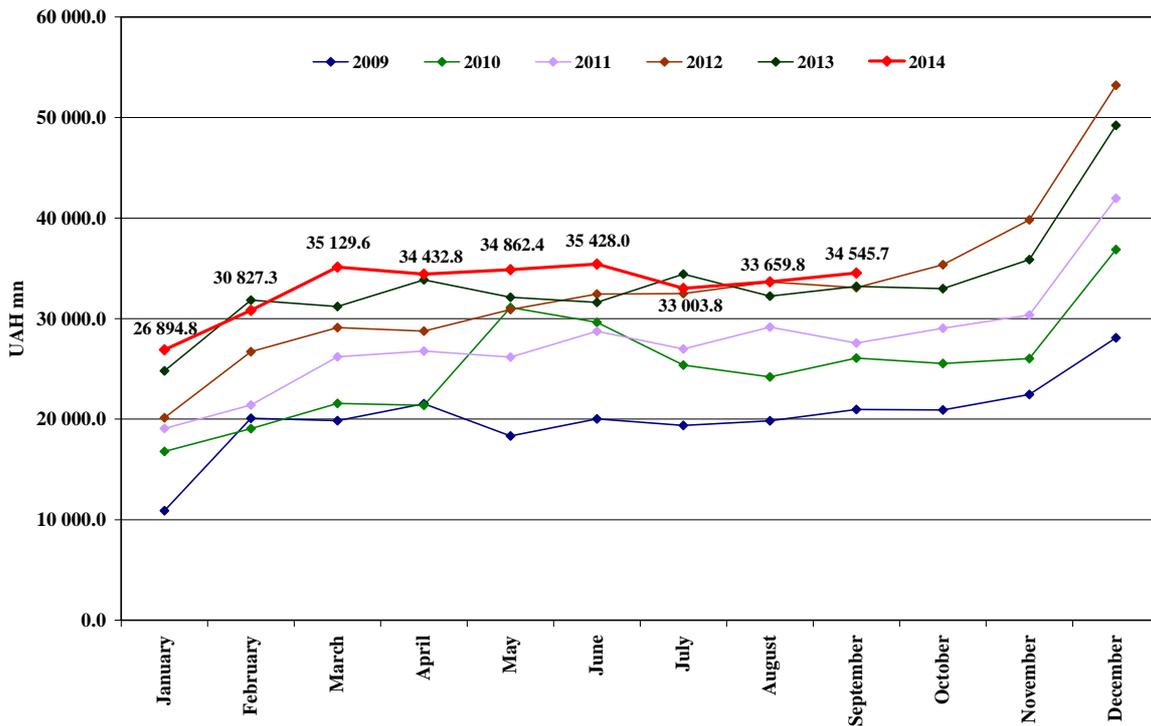
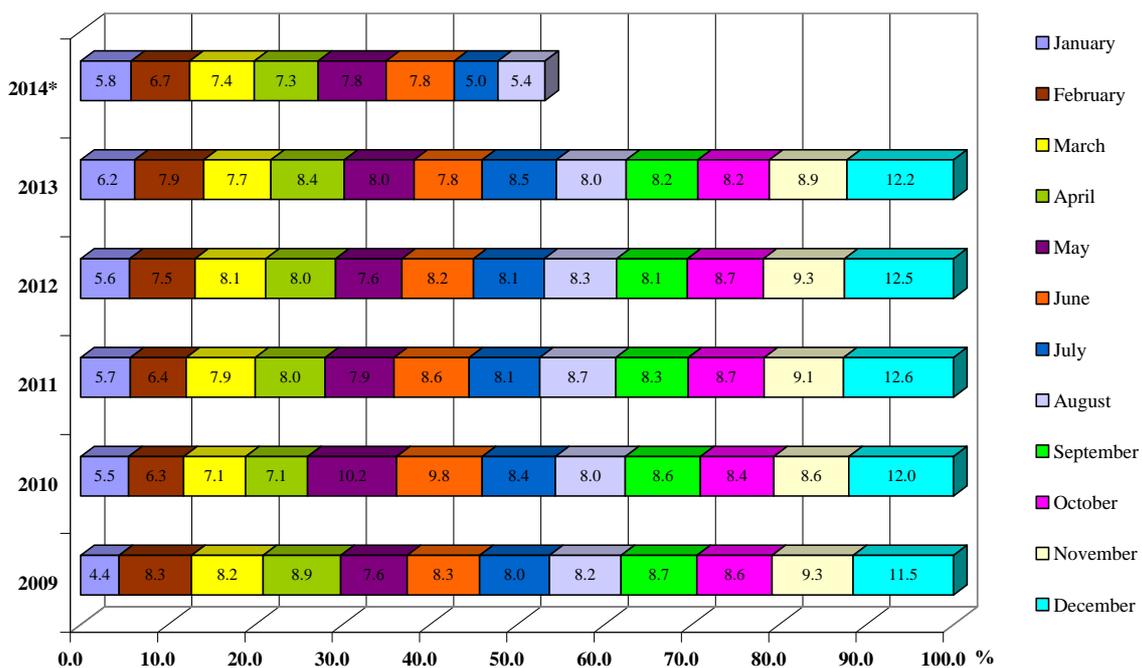


Diagram 18

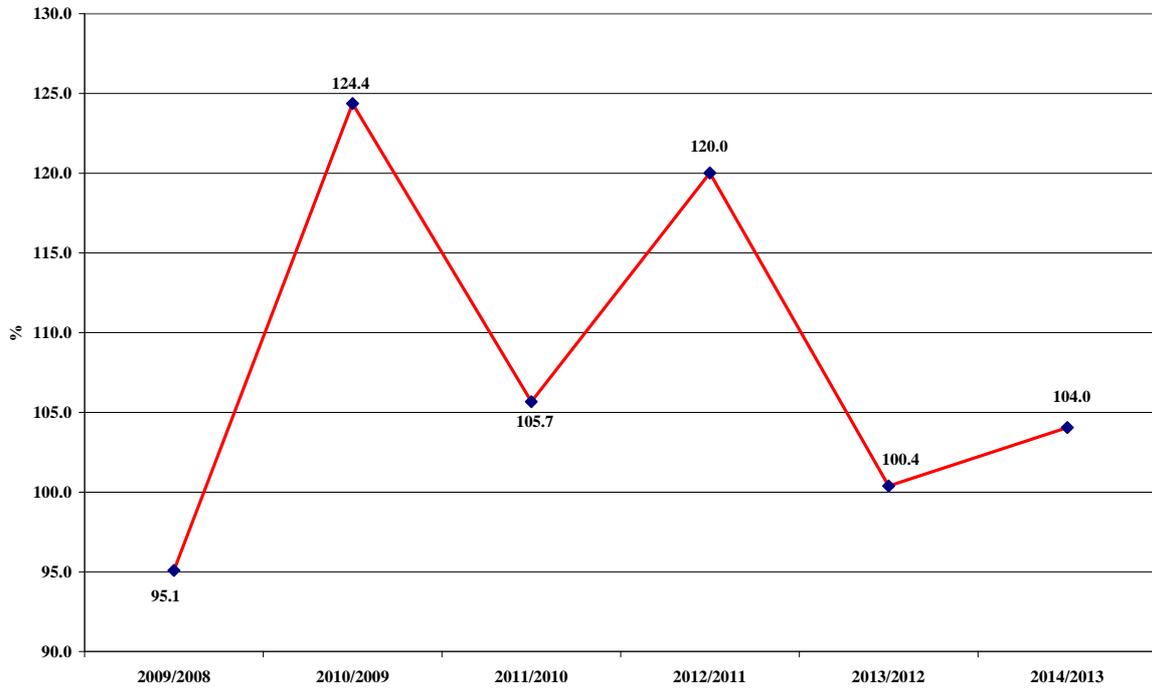
Dynamics of the Share of Ukraine's State Budget Total Expenditures in Annual Amounts in 2009–2014



* A share of total expenditures according to the planned annual index

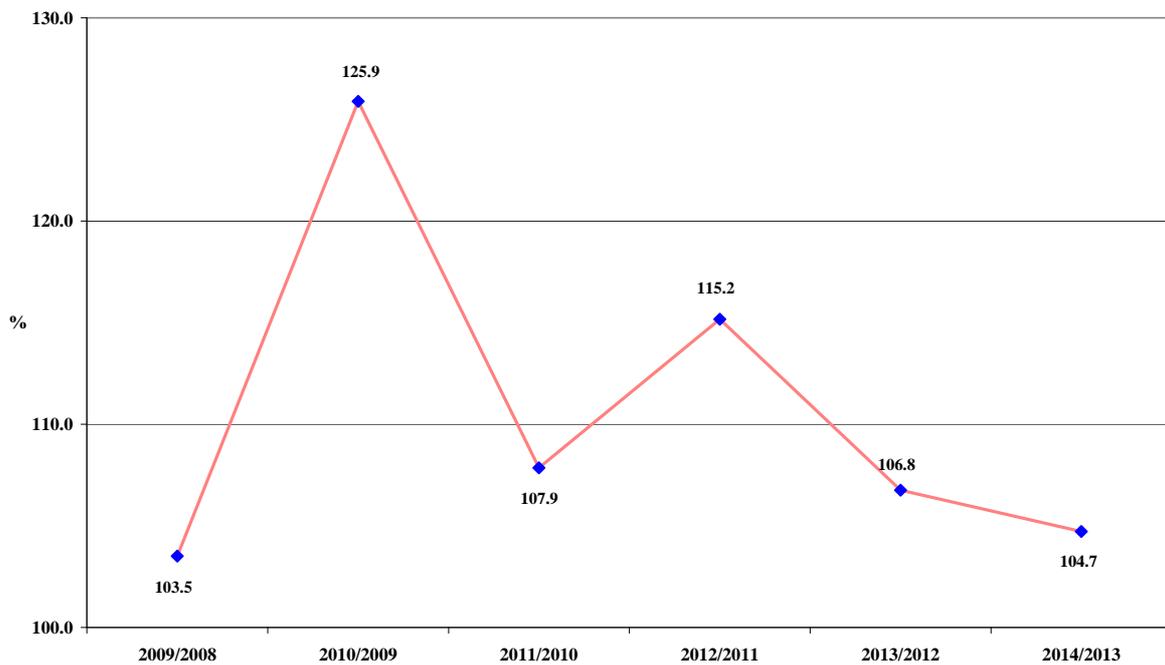
Graph 17

Growth Rates of Ukraine's State Budget Expenditures in September 2009–2014



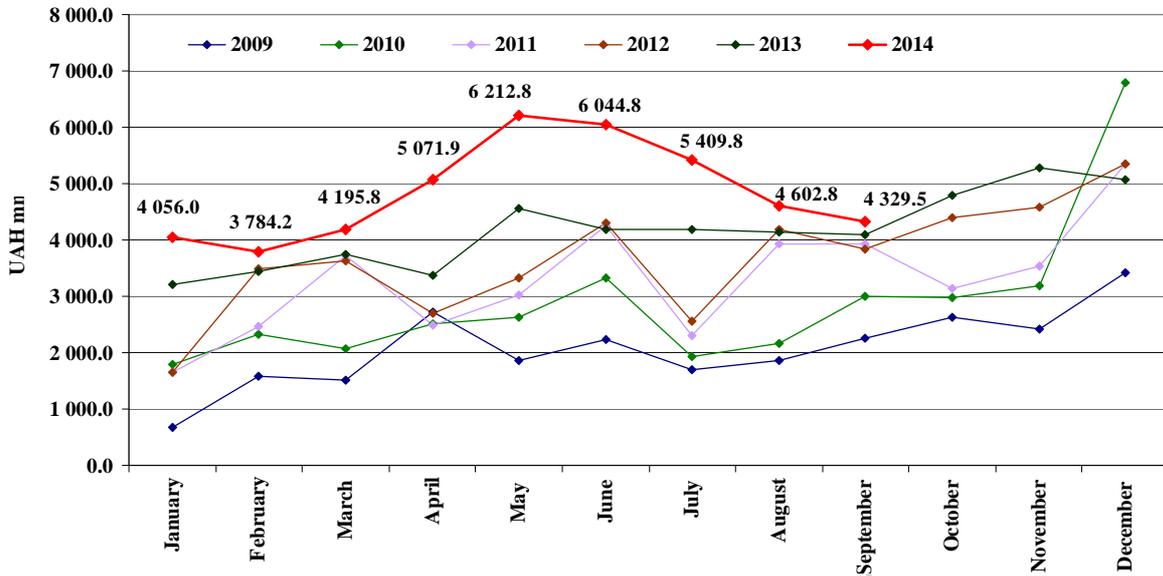
Graph 18

Growth Rates of Ukraine's State Budget Expenditures in January–September 2009–2014



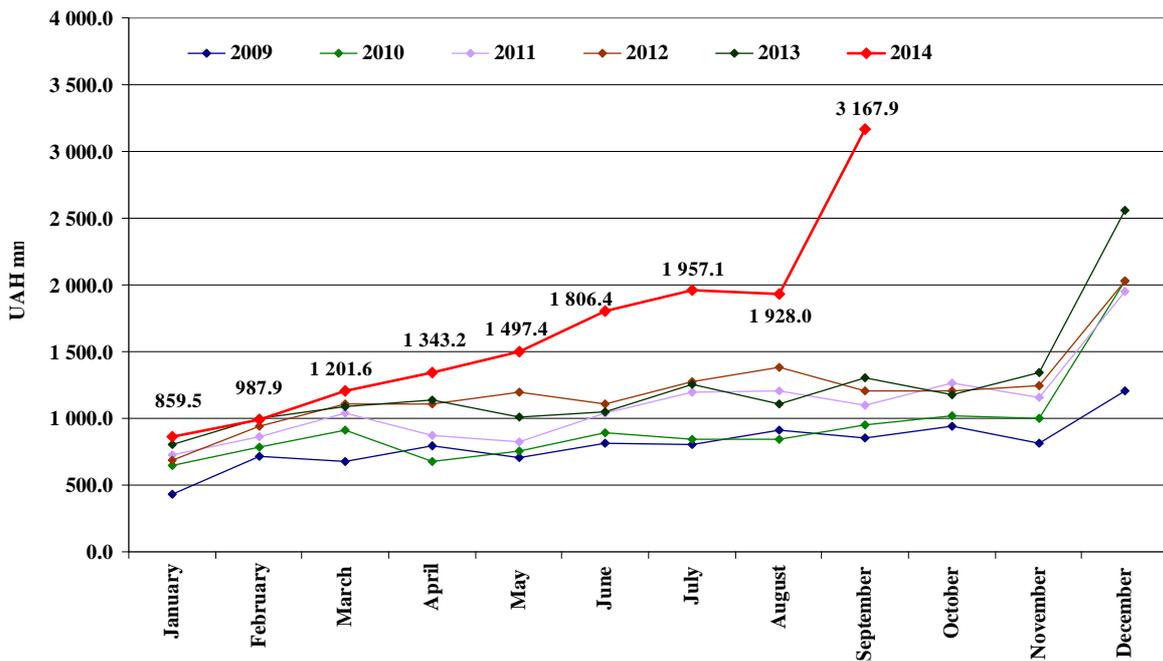
Graph 19

State Budget Expenditures for General Government Functions, Monthly Trends in 2009–2014



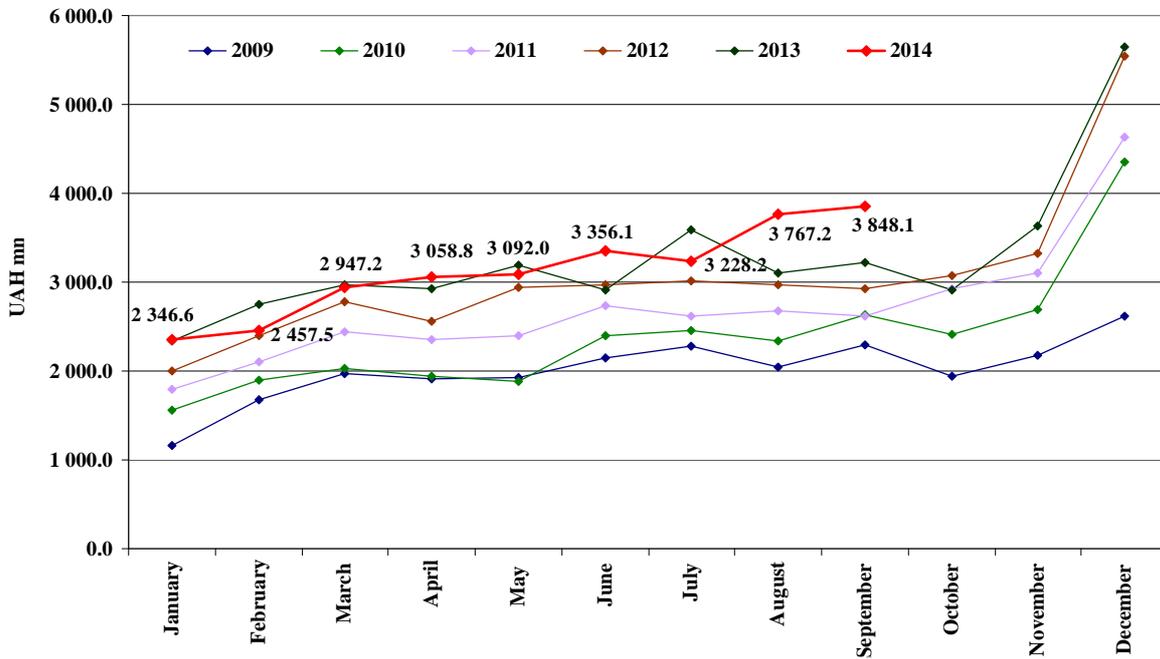
Graph 20

State Budget Expenditures for Defense, Monthly Trends in 2009–2014



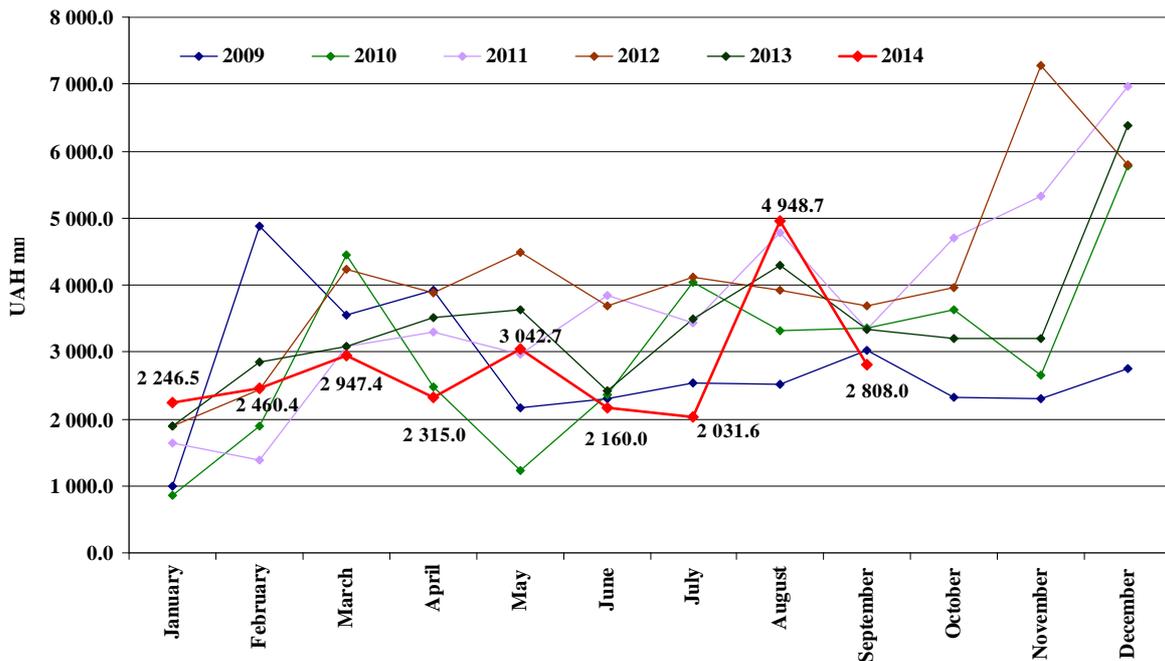
Graph 21

State Budget Expenditures for Public Order, Security, and the Judiciary, Monthly Trends in 2009–2014



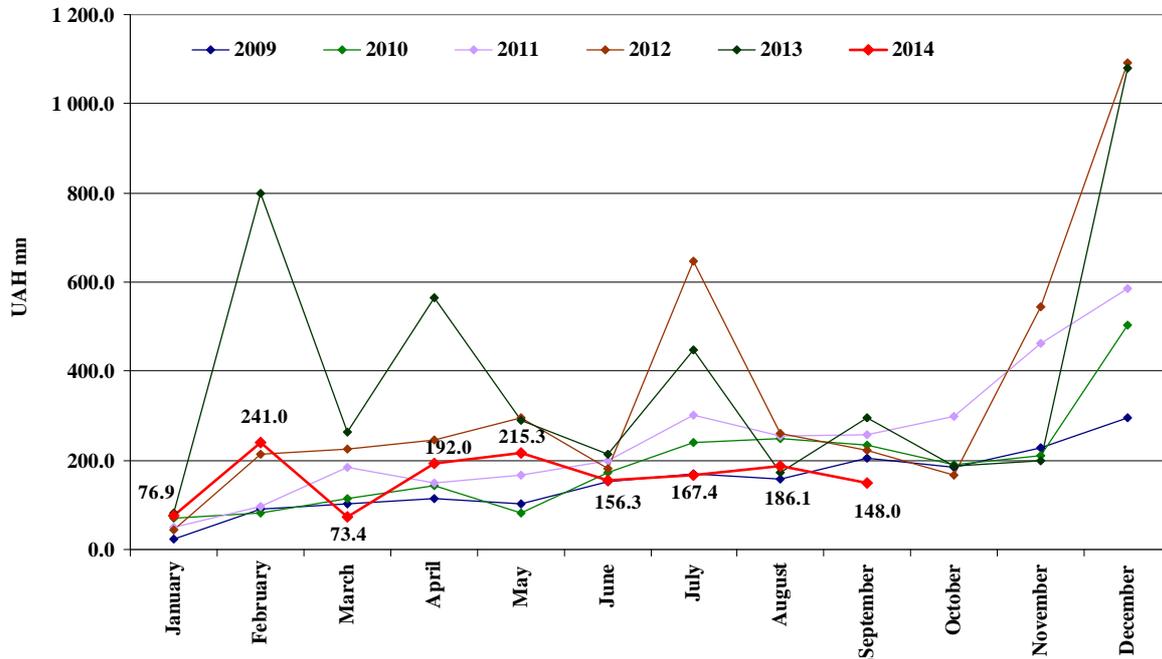
Graph 22

State Budget Expenditures for Economic Activities, Monthly Trends in 2009–2014



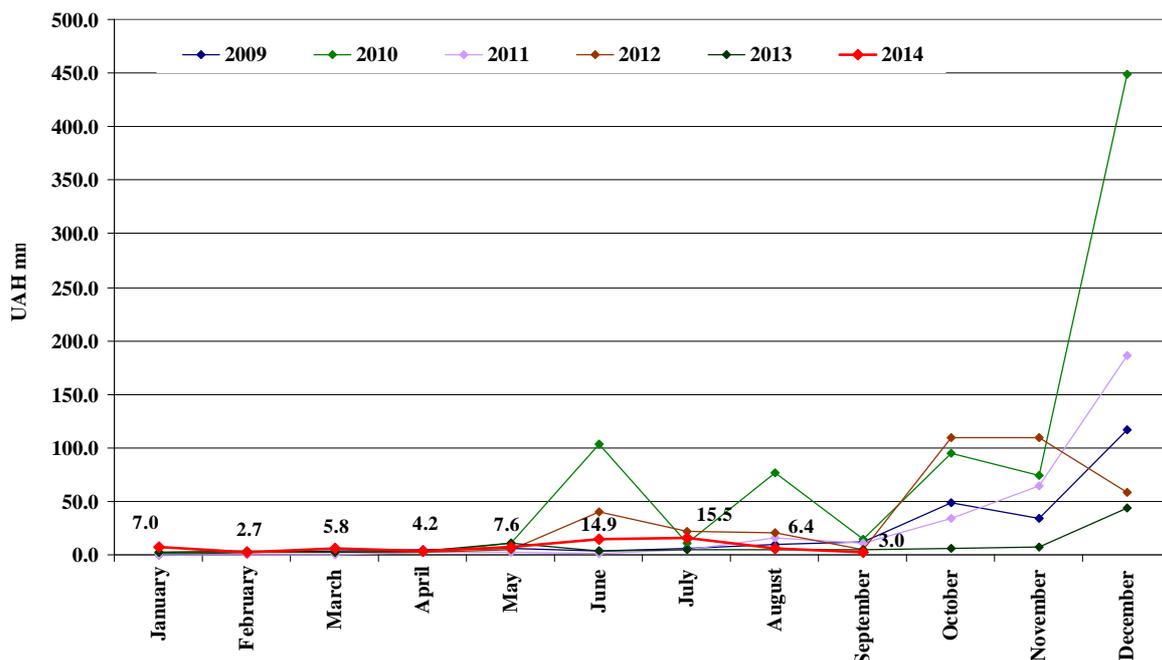
Graph 23

State Budget Expenditures for Environmental Protection, Monthly Trends in 2009–2014



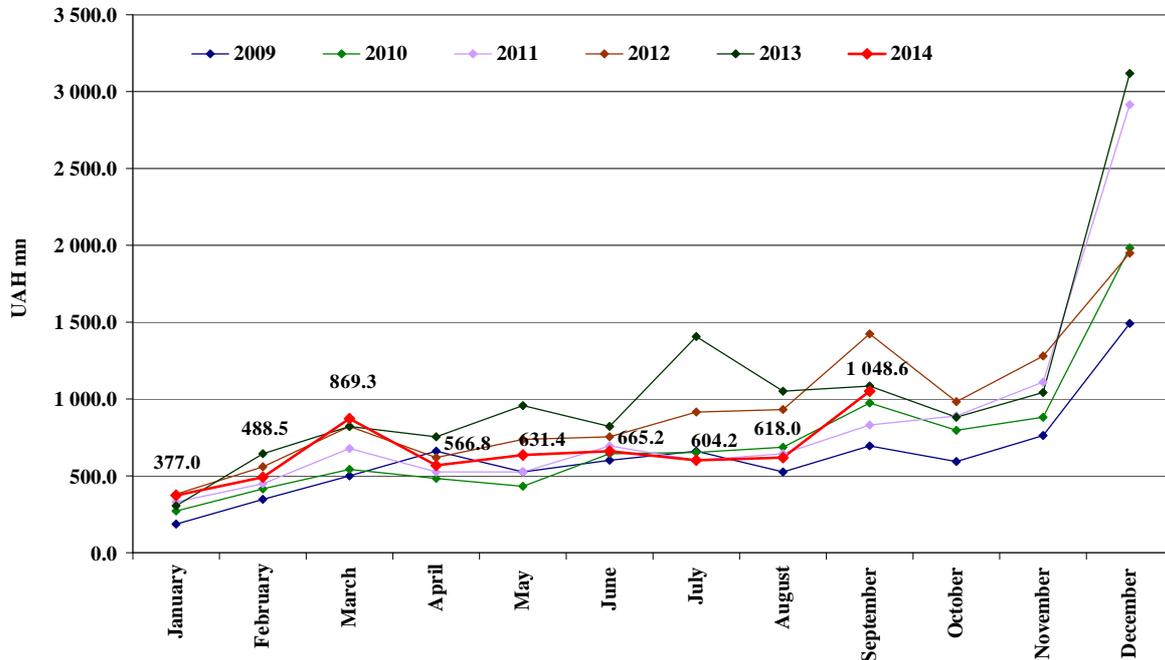
Graph 24

State Budget Expenditures for the Housing and Communal Sector, Monthly Trends in 2009–2014



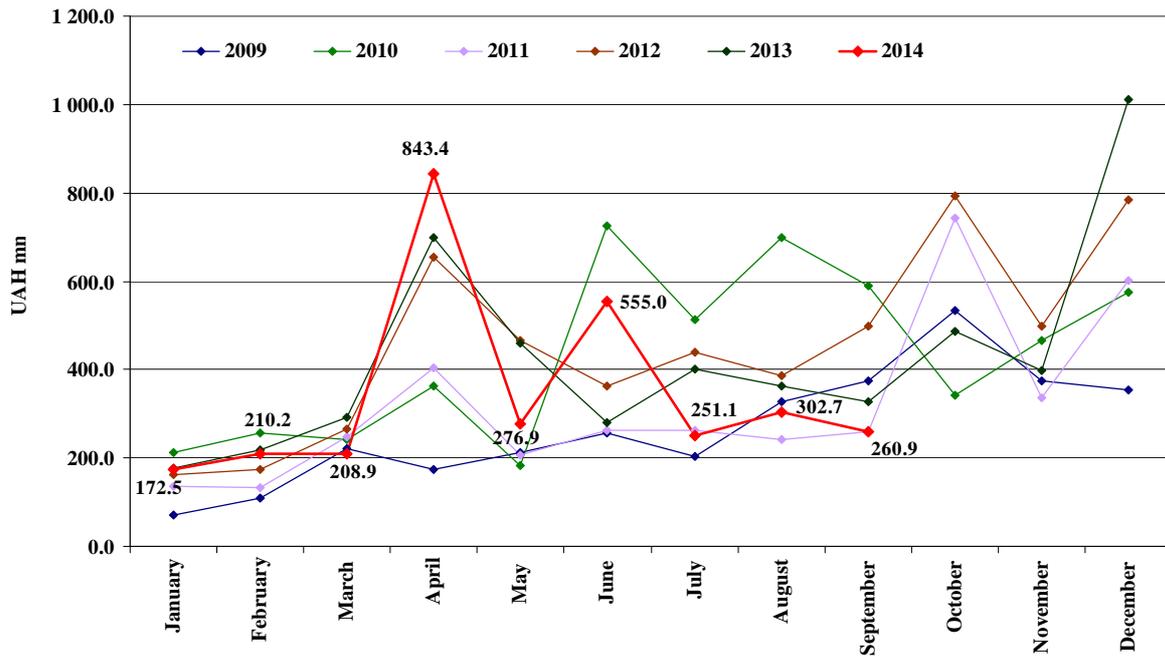
Graph 25

State Budget Expenditures for Healthcare, Monthly Trends in 2009–2014



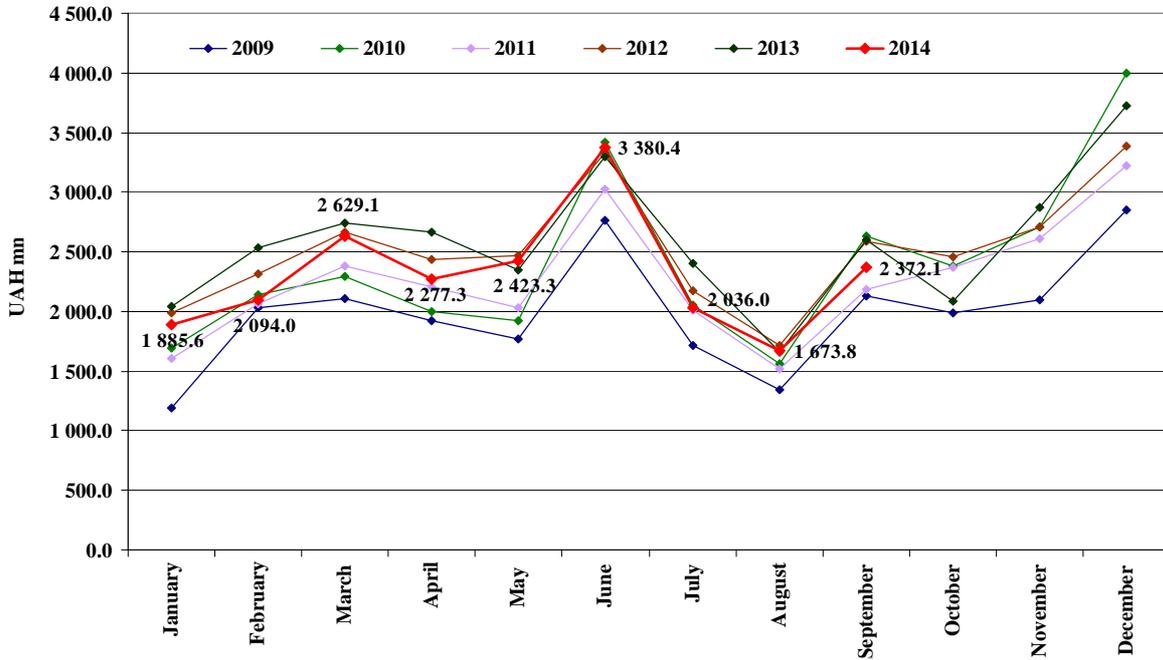
Graph 26

State Budget Expenditures for Spiritual and Physical Development, Monthly Trends in 2009–2014



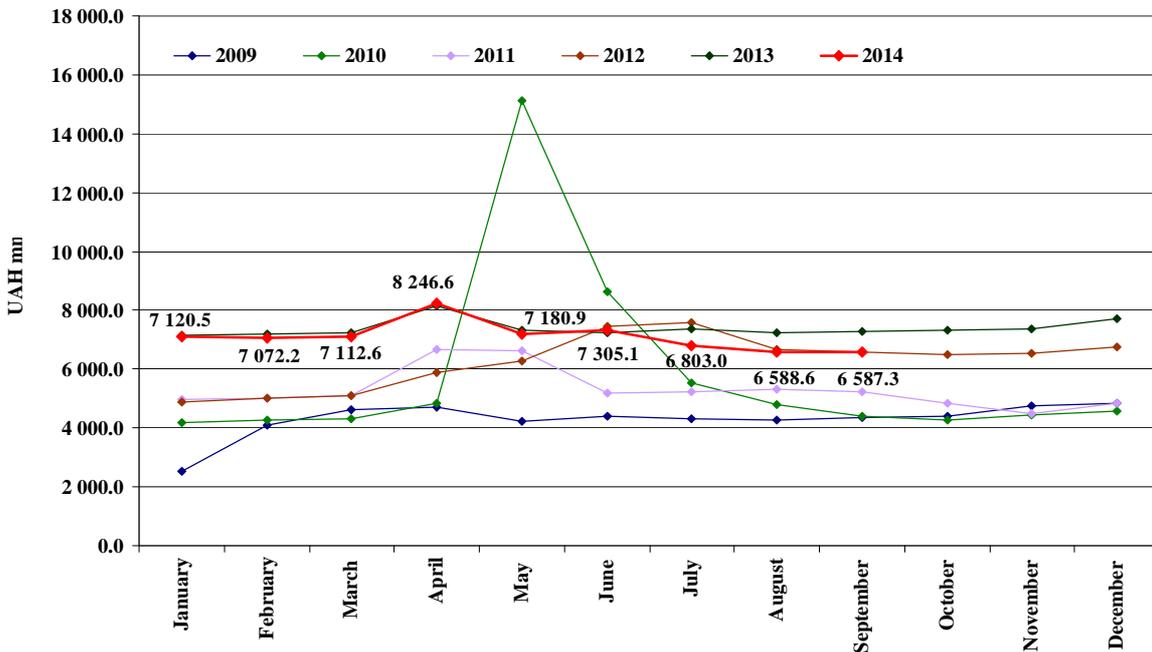
Graph 27

State Budget Expenditures for Education, Monthly Trends in 2009–2014



Graph 28

State Budget Expenditures for Social Protection and Social Security, Monthly Trends in 2009–2014



Local Budget Expenditures

Graph 29

Total Local Budget Expenditures (Less Intergovernmental Transfers), Monthly Trends in 2009–2014

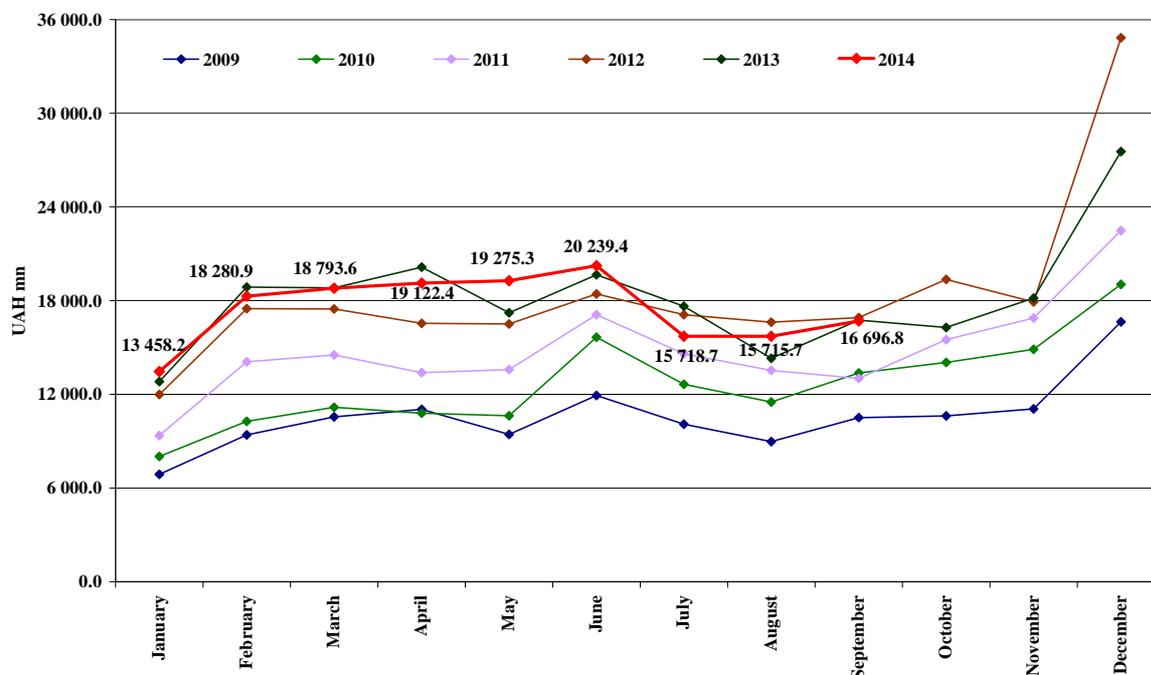
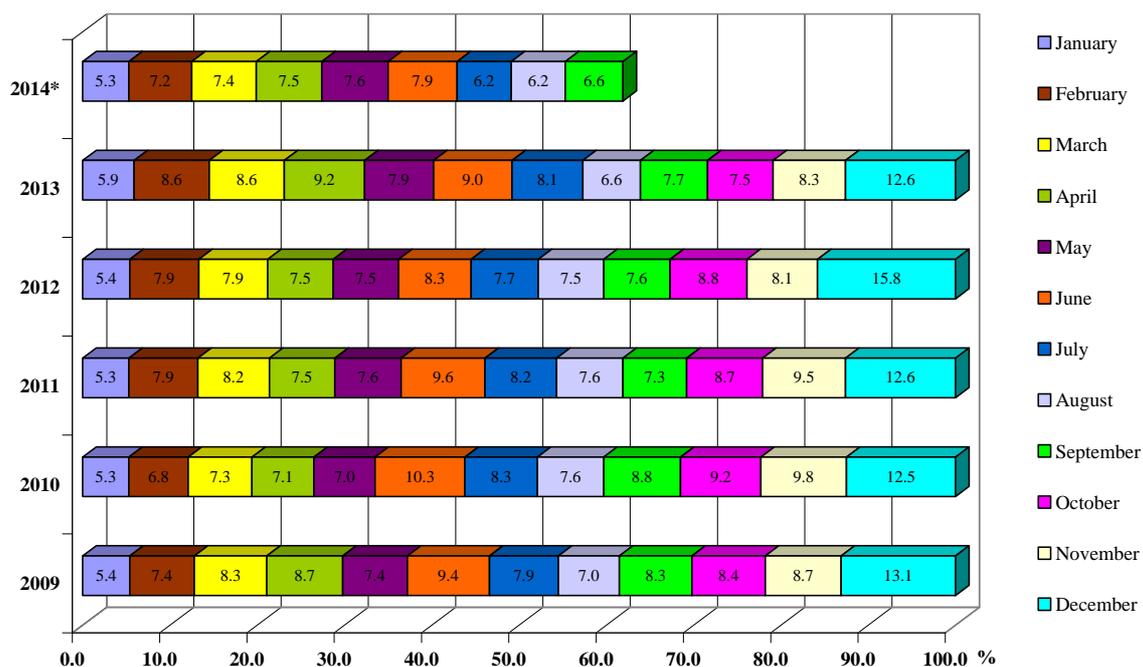


Diagram 19

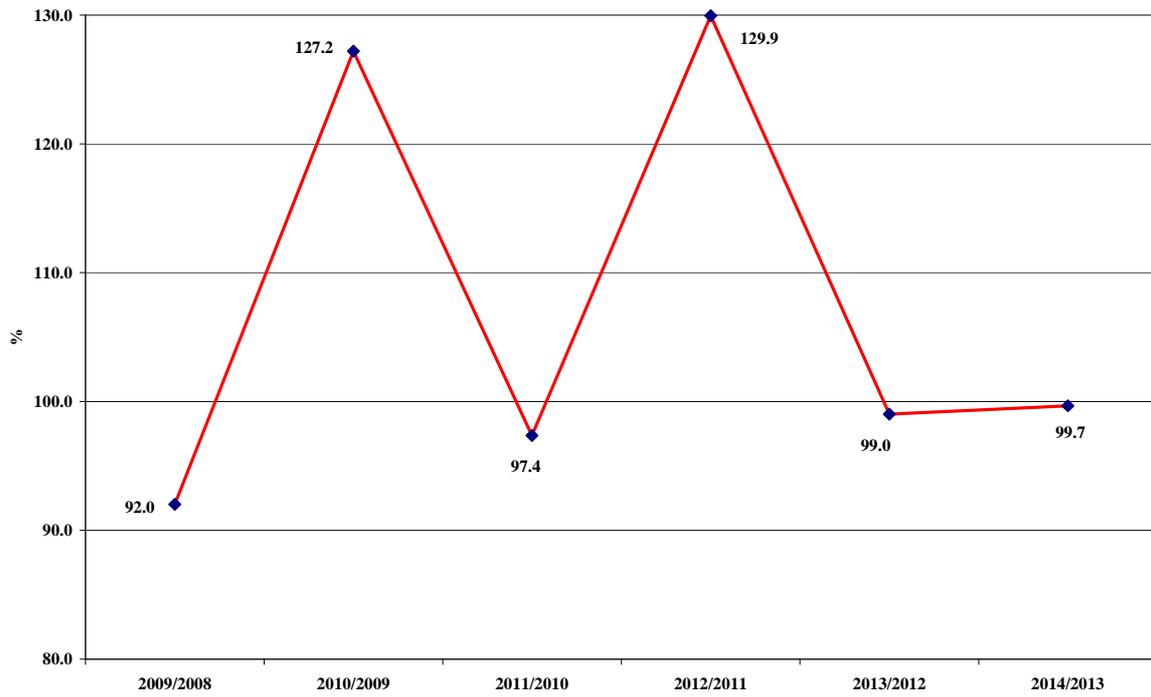
Dynamics of the Share of Local Budget Expenditures in Annual Amounts in 2009–2014



* A share of total expenditures according to the planned annual index

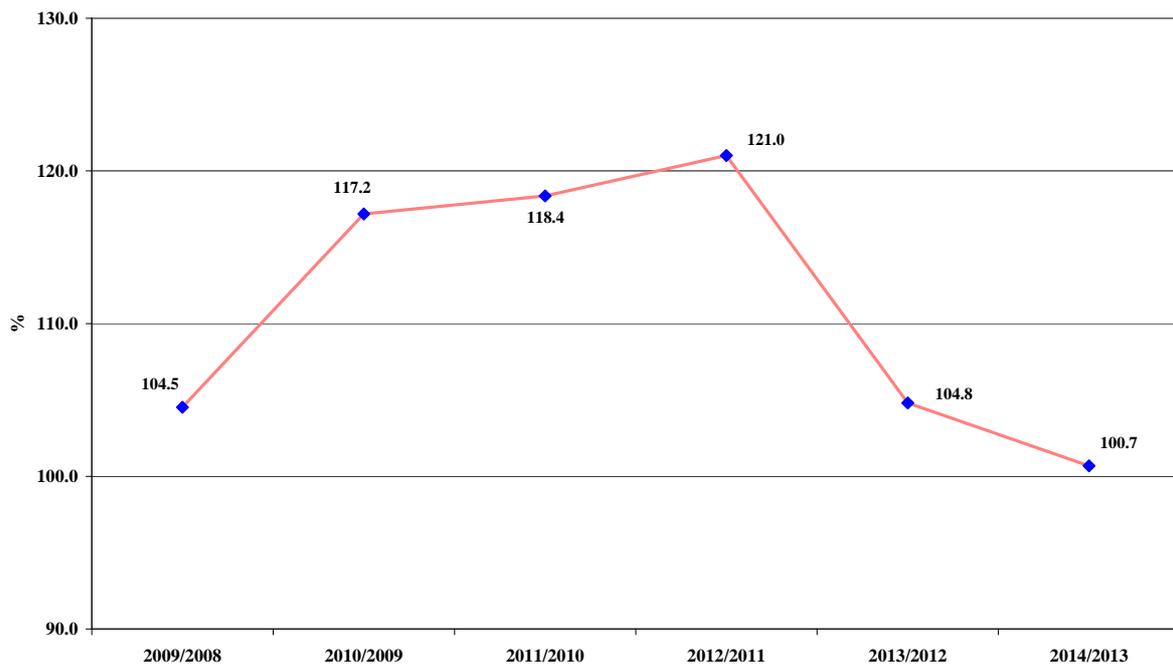
Graph 30

Growth Rates of Local Budget Expenditures in September 2009–2014

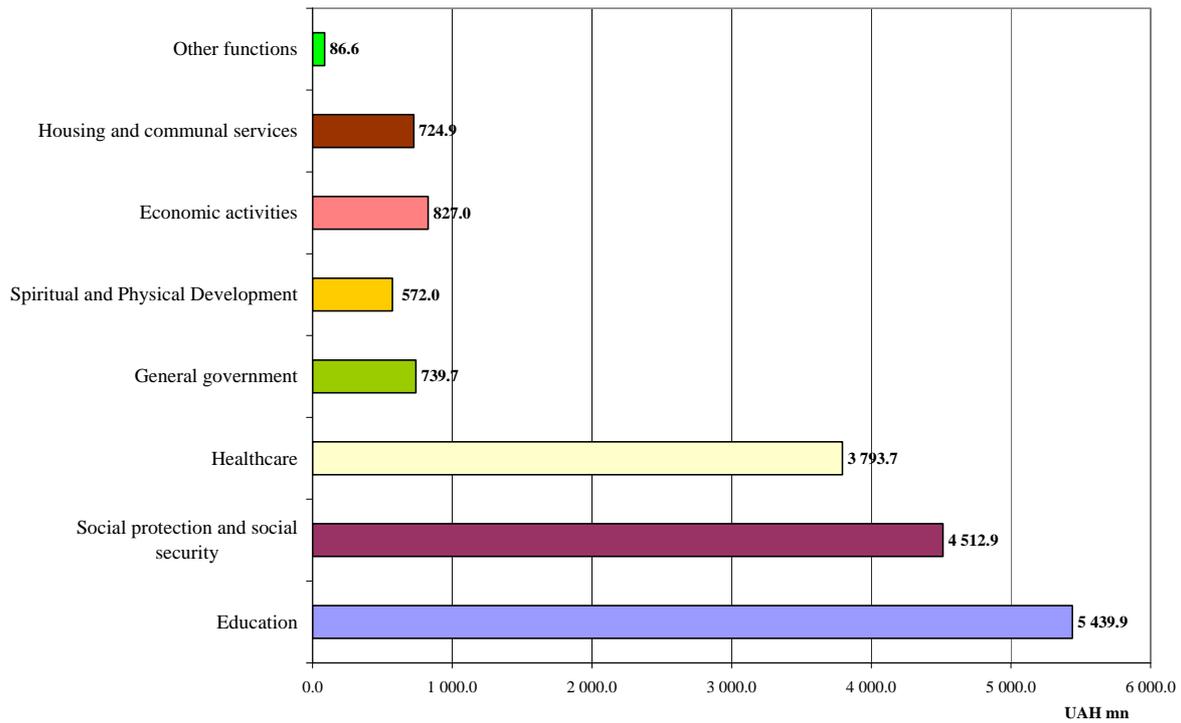


Graph 31

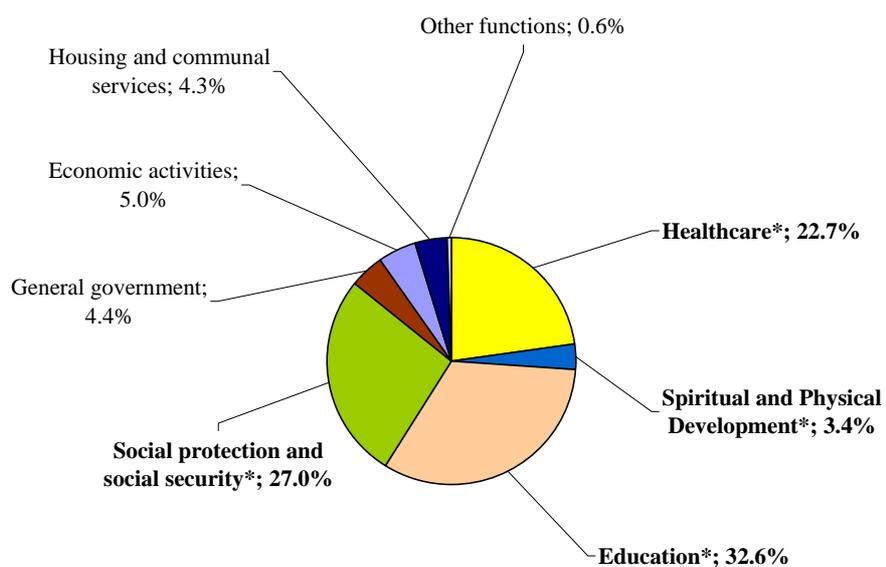
Growth Rates of Local Budget Expenditures in January–September 2009–2014



Local Budget Expenditures by Functional Classification in September 2014

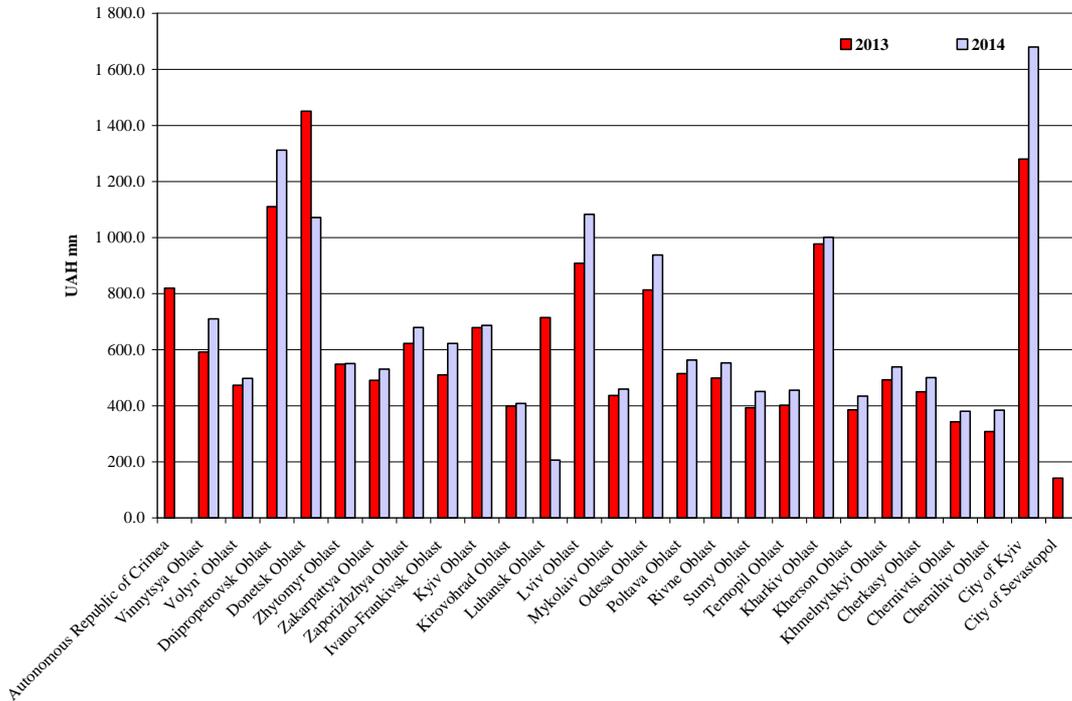


Structure of Local Budget Expenditures by Functional Classification in September 2014



*** Expenditures for social and cultural sphere - 85.7%**

Regional Distribution of Actual Local Budget Expenditures in September 2013–2014



Local Budget Expenditures, Growth Rate by Region in September 2014 (% vs. previous year)

