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

BUDGET MONITORING:

ANALYSIS OF BUDGET EXECUTION IN JANUARY-JUNE 2014

IBSER INSTITUTE FOR BUDGETARY AND SOCIO-ECONOMIC RESEARCH

BUDGET MONITORING:

Analysis of Budget Execution
in January-June 2014

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 2014

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Budget Monitoring: Analysis of Budget Execution in January-June 2014 / [V.V. Zubenko, I.V. Samchynska, A.Yu. Rudyk et al]; IBSER, Municipal Finance Strengthening Initiative Project Roll-out (MFSI-II), USAID. – K., 2014. – 72 p.

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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 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 of the State Statistics Service of Ukraine, and data of the Ministry of Finance of Ukraine, Ministry of Economic Development and Trade of Ukraine, and the Committee on Budget of the Verkhovna Rada of Ukraine, as well as on data from other official sources.

As usual, the publication gives a brief review of changes in the legislative framework as well as the characteristics of key macroeconomic indicators. A detailed analysis is provided of the results of executing the consolidated, State and local budgets, which enables a evaluation to be made of the fiscal decisions taken on their health. Special focus is put on evaluating the performance of local budgets as the key financial mechanism for the provision of social services and the social security net to the population.

The macroeconomic situation remained unfavorable in Q2 2014. Real GDP was 4.7% down year-on-year (in comparable 2007 prices)[1] against a 1.3% decline in 2013. By contrast in the Eurozone and the EU countries, Real GDP grew by 0.7% and 1.2% in Q2 2014 and 2013, respectively[2].

Nominal GDP totaled UAH 685.8bn, which is UAH 32.3bn or 4.9% more year-on-year. This amounts to 44.2% of the nominal GDP figure used for drawing up the 2014 State budget[3].

Industrial output grew after a fall of 0.5ppt in the Q1 2014. For instance, the industrial production index amounted to 95.3%[4] vs. 95.0% in the respective period of 2013.

At the same time, the agricultural output index dropped by 3.9%, year-on-year.

The Consumer Price Index increased to 111.6% from 100.2% in the respective period of 2013. Prices of nearly all goods and services increased in the period under review

The foreign trade balance of Ukraine was a positive one of $3.7bn compared to a negative balance of – $0.7bn year-on-year.

The nominal average monthly wage per full-time employee amounted to UAH 3,601.0 in Q2 2014, up 6.5% year-on-year.

The real wage decreased by 0.4% in Q2 2014 (up 9.6% in the respective period of 2013).

The actual intake of revenues of the consolidated and State budget grew on a year-on-year basis. The actual intake of revenues of the consolidated budget of Ukraine totaled UAH 224.5bn, which is UAH 13.4bn or 6.4% more year-on-year and amounted to 45.6% of the 2014 plan. The actual intake of revenues of the State budget of Ukraine totaled UAH 175.9bn, which is UAH 13.3bn or 8.2% more year-on-year.

Nearly 2.2 times higher non-tax revenue was the key driver behind increased budget revenues. On the other hand, intake for key tax items fell year-on-year. Revenue from the enterprise profit tax dropped by 18.2%, excise tax on goods made in Ukraine fell by 11.9%, and import duty fell by 13.3%. The amount of the value-added tax was slightly higher than

1 *http://www.ukrstat.gov.ua/*
2 *http://ec.europa.eu/eurostat*
3 *According to an updated realistic forecast of macroeconomic indicators, which is the closest to the International Monetary Fund estimates.*
4 *Without the temporarily occupied territories of the Autonomous Republic of Crimea and the city of Sevastopol.*

last year (+UAH 2.6bn or +4.2%); however, this occurred thanks to reducing tax budget refunds by UAH 7.1bn or by 26.0% rather than increasing net tax receipts.

Non-tax revenue was particularly high thanks to the funds remitted to the State budget by the National Bank of Ukraine at UAH 22bn, which amounts to nearly 96.5% of the annual plan for this item.

Local budget revenues (without inter-budget transfers) totaled UAH 49.7bn, which is 0.9% more than in January-June 2013. This equals 45.4% of the revenue plan approved by local councils.%

Tax revenues, which make up 85.1% of local budget revenues (without inter-budget transfers), totals UAH 42.2bn, which is 1.6% less year-on-year. The decline in this amount was due to reduced proceeds from the main sources of revenue for local budgets, e.g., the personal income tax and payment for land, each of which declined by 0.2% year-on-year.

The highest growth rate among the sources of local budget revenues was in the single tax on small businesses. Intake grew to UAH 3.5bn, which is 13.1% greater than in January-June 2013. The inclusion of the single tax into the development budget has had a positive effect on the status of revenues of this budget (said revenues amounted to 73.6% of all development budget revenues).

The level of execution of **consolidated budget expenditures** decreased by 2.0ppt against January-June 2013 and amounted to 42.5% of the figure for the year.

The growth rate of consolidated budget expenditures slowed by 8.1ppt and amounted to 102.1%. The share of consolidated budget expenditures in GDP decreased to 35.6% or by 0.9ppt, given that GDP grew by 4.6ppt year-on-year.

The share of local budget expenditures in consolidated budget expenditures decreased by 0.3ppt year-on-year and amounted to 44.7%.

State budget expenditures totaled UAH 197.6bn, which amounts to 43.8% of the annual target (43.7% of the annual plan was executed in the first six months of 2013). The best-funded expenditures were for social protection and social security (49.4% of the annual plan, which is 0.2ppt less year-on-year), inter-budget transfers (48.8%), spiritual and physical development (44.4%), and education (44.3%). The lowest percentage of funding was for environmental protection expenditures. The amount spent for this purpose amounted to UAH 954.9mn in the first half of this year or 14.3% of the annual plan.

The main priorities of the State policy in the context of increasing expenditures of the State budget compared to last year (71.4% of the total increase amount) included expenditures for inter-budget transfers (they accounted for 46.3% of all increase in expenditures); debt servicing – 33.1%; and military defense – 8.8%.

Local budget expenditures (with inter-budget transfers) increased by 1.8% and totaled UAH 110.2bn. This amount is 43.3% of the annual plan approved by local councils. As usual, the majority of local budget expenditures was related to society and culture.

Expenditures grew in the first half of 2014 for culture and arts (+28.6%), inter-budget transfers (+35.7%), and housing and communal services (+122.1%). The last item's growth was influenced by the granting of a State budget subvention to local budgets in the first half of the year to repay arrears in the difference in tariffs totaling UAH 3.8bn, where expenditures for that subvention only amounted to UAH 0.1bn in the respective period of 2013.

Expenditures for payroll with taxes is commonly the largest item among all local budget expenditures. It decreased by 3.8ppt year-on-year and amounted to 45.1% of expenditures. Also, the amounts of said expenditures decreased by UAH 3.2bn or by 6.1% and amounted to UAH 49.7bn. On the whole, the current expenditures of local

budgets totaled over UAH 106.0bn, which is 3.6% more than in January-June 2013. Capital expenditures were funded at UAH 4.2bn, and their amount decreased by UAH 1.8bn or by 29.6%.

The State budget deficit totaled UAH 22.7bn, which equals 33.2% of the ceiling set by the Law on the State Budget of Ukraine for the Year 2014. This deficit amount is the same as in January-June 2013.

State budget borrowing totaled UAH 110.2bn (55.3% of the annual plan), including internal borrowing of UAH 55.6bn or 51.0% of the annual plan, and external borrowing of UAH 54.6bn or 60.5%. **State debt repayment** totaled UAH 48.0bn, which amounts to 44.0% of the annual plan, including internal debt repayment of UAH 31.5bn or 46.5% of the annual plan, and external debt repayment of UAH 16.5bn or 39.8%. A widening was observed between the borrowing and repayment amounts compared to the respective period of last year, which will lead to an increased debt burden on the budget in the future. However, this is essential in Ukraine's present situation.

According to the State Treasury Service, **the amounts of loans for covering temporary cash gaps of local budgets** against resources of the Single Treasury Account totaled UAH 18.1bn, which is 34.5% less year-on-year.

Proceeds from the privatization of State property totaled UAH 0.05bn or 0.3% of the annual plan. Such proceeds totaled UAH 0.03bn or 0.2% of the annual plan in January-March 2013.

The balance of budget funds at the end of March 2014 totaled UAH 47.9bn, having grown by UAH 17.1bn or 1.6 times year-to-date. To compare, the balance increased by UAH 10.8bn or 1.4 times year-to-date in January-June 2013.

SECTION 1. REVIEW OF NORMATIVE-LEGAL FRAMEWORK ON BUDGET IN JUNE-AUGUST 2014

1.1. STATE BUDGET REVENUES

THE LAW OF UKRAINE OF 4 JULY 2014, NO.1588-VII

The Law of 4 July 2014, No. 1588-VII "On Amending the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine on Passive Income" introduced a number of changes to the tax legislation intended to increase budget revenues through strengthening taxation and the introduction of a new tax on the operation of financial institutions. In particular, the Law refers the following types of passive income to the general taxation of personal income:

- interest on cash deposits and securities, other than interest accrued on securities issued by the Cabinet of Ministers and the National Bank of Ukraine. Also the bank interest paid on the balance in personal accounts used for salaries and wages, pensions, student allowances, and social payments will be exempt from taxation;
- dividend on securities other than those paid through additional issues of preferred shares, which do not increase the authorized capital and do not change participants' shares therein;
- any income from prizes and winnings.

Also, a single rate is set on the taxation of income from interest, dividends, prizes, and winnings at 15%.

The tax on income from interest accrued on current deposit personal accounts opened at banks or credit unions shall be credited to the State budget of Ukraine.

The Law was enacted as of 2 August 2014.

THE LAW OF UKRAINE OF 31 JULY 2014, NO. 1621-VII

The Law of 31 July 2014, No. 1621-VII "On Amending the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine on Passive Income" introduced further changes to the tax legislation with the aim of increasing the budget revenues from key taxes.

In particular, with regard to the enterprise profit tax the law provides for the following:

- abolishing preferential taxation of hotel businesses and the electric power industry (with regard to renewable sources of energy);
- abolishing preferential taxation of collective investment schemes as regards income on interest accrued on assets of such schemes;
- abolishing a 10% reduced tax rate on transactions with securities and derivatives.

As regard the value-added tax, the law introduces the following changes:

- a number of preferences are recalled, including those for transactions of timber supplies and the Intercity+ train passenger service;
- it is established that that the tax base on supplies of goods / services may not be lower than their purchase price, and the tax base on transactions of delivery of fixed assets may not be below the book / residual value, which in certain cases would lead to overstating the tax base and the tax obligation, accordingly;
- the threshold is increased for obligatory registration by VAT payers from UAH 300,000 to UAH 1mn, which norm is designed to keep in check the number of taxpayers entitled to tax credit;
- a system of VAT accounts and electronic administration of this tax, designed to improve the controls over the administration of the tax, is introduced. At the same time, the system provides for freezing part of the taxpayers' working assets in said VAT accounts, which would put an additional financial burden on economic entities.

The law imposes a new military charge at 1.5% of personal income. The charge is introduced provisionally until 1 January 2015.

The law was enacted on 2 August 2014, except for the provisions related to administration of VAT, which will come in force as of 1 January 2015.

1.2. STATE BUDGET EXPENDITURES AND BUDGET PROCESS

THE LAW OF UKRAINE OF 17 JUNE 2014, NO. 1508-VII

The Law of Ukraine dated 17 June 2014, No. 1508-VII "On Cooperation of Territorial Communities" determines the organizational and legal foundations for cooperation between territorial communities, the principles, formats, and mechanisms of such cooperation, its State support, financing, and control. Legislative grounds are laid down for the pooling of resources of local governments to address common problems of essential activities of territorial communities at the local level, a more efficient provision of services to local populations, and the creation of common municipal infrastructure facilities to serve several territorial communities.

The law sets forth the procedure for organizing cooperation between territorial communities, the principles and formats of cooperation, process of State stimulation, financing, and monitoring of such cooperation, as well as grounds for terminating cooperation.

The cooperating entities are territorial communities of villages, settlements, and cities. Cooperation could be initiated by a village,

settlement or city mayor, members of a village, settlement or city council, or members of the territorial community as part of a local initiative. A resolution on granting consent for organization of cooperation is passed by a village, settlement or city council based on prior findings by its executive bodies with regard to the conformity of the cooperation initiation proposals to the best interests and needs of the territorial community.

A cooperation agreement is made in writing by village, settlement or city mayors following approval of its draft by the relevant village, settlement or city councils.

In particular, cooperation shall be implemented in the form of:

1. Delegating the performance of one or more tasks with the transfer of the appropriate resources to one of the cooperating entities by other cooperating entities;
2. Implementing joint projects, which includes coordinating the activities of cooperating entities and accumulation by them of resources for the agreed period for the purpose of the joint implementation of the relevant activities;
3. Joint financing / maintenance by the cooperating entities of municipally-owned enterprises, institutions, organizations, and infrastructure facilities;
4. Founding by the cooperating entities of joint municipal enterprises, institutions, organizations, and joint infrastructure facilities;
5. Establishment by the cooperating entities of a joint management body for the joint implementation of the powers required by law.

The law stipulates the forms of State stimulation and sources of cooperation financing.

The procedures for terminating such cooperation are also described.

DECREE OF THE CABINET OF MINISTERS OF UKRAINE OF 2 JULY 2014, NO. 218

The Decree of the Cabinet of Ministers of Ukraine dated 2 July 2014, No. 218 amended the *Procedure of paying the charge for obligatory State pension insurance on certain types of economic transactions* approved by Decree of the Cabinet of Ministers of 3 November 1998, No. 1740.

Among other things, it stipulated that at the time of transactions of buying foreign currencies in cash and / or non-cash form, legal entities and individual shall pay the charge for obligatory State pension insurance.

It regulated procedures of charging, withholding, remitting, and accounting this charge.

It also approved a report form on charging / withholding and paying the charge for obligatory State pension insurance on transactions of buying cash and / or non-cash foreign currencies.

DECREE OF THE CABINET OF MINISTERS OF UKRAINE OF 9 JULY 2014, NO. 242

The Decree of the Cabinet of Ministers dated 9 July 2014, No. 242 amended the Decrees of the Cabinet of Ministers of 31 March 2003, No. 426, and of 28 May 2008, No.530.

In particular, *the Procedure of granting benefits, compensations, and guarantees to employees of government-funded institutions, military servicemen, privates and officers* approved by Decree of the Cabinet of Ministers dated 31 March 2003, No. 426 stipulates that the benefits, compensations, and guarantees granted by law to the respective categories of individuals entitled to benefits with respect to reduced housing rent, fuel, telephone, and communal services (water service, gas, electric and heat energy), free fare in all types of urban public transport (except taxis), and general-purpose motor transport in rural areas, as well as suburban rail and water transport, and local bus routes, shall be granted provided the average monthly aggregate income of the individual entitled to benefits (the family of the individual entitled to benefits in per capita terms) in the previous six months (average monthly income) did not exceed the income amount, which qualifies for social tax relief, as defined according to subparagraph 169.4.1 of paragraph 169.4 Article 169 of the Tax Code of Ukraine.

Simultaneously excluded is *paragraph 14 of the Decree of the Cabinet of Ministers dated 28 May 2008, No. 530*, which states that the abovementioned benefits shall be granted if the cash equivalent of benefits provided together with the average monthly aggregate income of the individual entitled to benefits did not exceed UAH 900 in the previous six months.

DECREE OF THE CABINET OF MINISTERS OF UKRAINE OF 9 JULY 2014, NO. 287

The Decree of the Cabinet of Ministers of 9 July 2014, No. 287 "On Amending Paragraph 11 of the Decree of the Cabinet of Ministers of Ukraine of 1 March 2014, No. 65" stipulates that the transactions of repayment of the accounts payable under capital expenditures registered with offices of the State Treasury Service as of 1 March 2014, the amount of which by individual spending unit and recipient of budget funds exceeds UAH 300,000, shall be made exclusively within the amounts, which correspond to the amounts established based on the results of control measures taken by the State Financial Inspectorate.

THE LAW OF UKRAINE OF 31 JULY 2014, NO. 1622-VII

The Law of Ukraine "On Amending the Law of Ukraine 'On the State Budget of Ukraine for the Year 2014'" of 31 July 2014, No. 1622 increased the expenditures of the 2014 State budget of Ukraine by UAH 4.8bn or by 1.1%, and the public debt ceiling by UAH 143.0bn as of 31 December 2014.

Expenditures of the Ministry of Finance increased substantially — by UAH 12.5bn or 7.0%, including expenditures for State debt servicing, which increased by UAH 328.8mn or by 0.7%. The largest cuts are for development expenditures (by UAH 4.4bn or 10.6%).

Expenditures of the Ministry of Social Policy were cut by UAH 2.6bn or 3.0%), namely, substantial reductions were made to expenditures of the Pension Fund (-UAH 2.1bn or 2.5%), which is explained by steps taken in light of the current difficult situation.

Other expenditures (without inter-budget transfers) which shrank include expenditures of the Ministry of Education and Science (-UAH 2.2bn or 8.4%), expenditures of the State Service for Emergency Situations (-UAH 2.0bn or 33.2%), expenditures of the Ministry of Energy and Coal Industry (-UAH 1.0bn or 7.4%) etc.

Financing of the State Regional Development Fund originally planned at UAH 1.0bn was completely abandoned for 2014. According to the Explanatory Note, such expenditures are not a priority and there are risks of such funds being unused, in particular because no allocation by a facility has been approved for those funds as yet.

At the same time, it is planned to grant a new subvention to the Kyiv city budget for the performance of its capital-city functions according to the Law "On the Capital of Ukraine, the Hero City Kyiv" totaling UAH 1.8bn.

In addition, in order to repay the debt from the difference in tariffs for heat energy for the populace, an additional UAH 7.3bn is allocated, which will be mobilized through an increase in the issue of internal government bonds. Before the amendment, the State budget approved UAH 3.8 for this purpose against the issue of internal government bonds and UAH 2.9bn in subventions to local budgets. Thus, including the amendments, the total budget appropriation for those purposes amounts to over UAH 14.0bn.

The equalization grant and additional State budget grants remain unchanged.

ORDER OF THE MINISTRY OF FINANCE OF UKRAINE OF 5 AUGUST 2014, NO. 800

The Order of the Ministry of Finance dated 5August 2014, No. 800 made changes to the budget classification approved by Order of the Ministry of Finance of 14 January 2011, No. 11 "On Budget Classification."

The changes were made in order to bring the budget classification in conformity with the laws of Ukraine of 31 July 2014, No. 1621 "On Amending the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine, and of 31 July 2014, No. 1622 "On Amending the Law of Ukraine 'On the State Budget of Ukraine for the Year 2014'".

Among other things, the Classification of Budget Revenues:

- has the name of item 11010000 *Personal Income Tax* changed to *Personal Income Tax and Charge*;
- new items added: 11011000 *Military Charge* and 41031100 *State Budget Subvention to the Kyiv City Budget for the Performance of Capital-City Functions*.

1.3. LOCAL BUDGETS AND INTER-BUDGET RELATIONS

DECREE OF THE CABINET OF MINISTERS OF UKRAINE OF 9 JULY 2014, NO. 241

Decree of the Cabinet of Ministers of Ukraine dated 9 July 2014, No. 241 amended the Procedure and conditions of granting State budget subventions to local budgets for purchasing supplies for healthcare institutions and medicines for inhalation anesthesia approved by Decree of the Cabinet of Ministers of 28 March 2011, No.371.

Among other things, the allocation is approved for the amount of the State budget subvention to local budgets for the purchase of supplies for healthcare institutions and medicines for inhalation anesthesia by administrative-territorial unit.

DECREE OF THE CABINET OF MINISTERS OF UKRAINE OF 17 JULY 2014, NO. 268

The Decree of the Cabinet of Ministers dated 17 July 2014, No. 268 amended the Procedure and conditions of granting in 2014 the State budget subvention to local budgets for repayment of the debt from the difference in tariffs for heat energy, services of centralized water supply and water removal, which were produced, transported, and supplied to the populace, which debt accrued due to a mismatch between the actual cost of heat energy and services of centralized water supply and water removal and the tariffs approved by and/or agreed to by central government authorities or local governments approved by Decree of the Cabinet of Ministers of 29 January 2014, No.30.

In particular, the allocation is approved in the amount of this State budget subvention to local budgets by administrative-territorial unit and source indicated in paragraphs 14 through 17 and 20 of Article 11, paragraph 5 of Article 12, and paragraph 10 of Article 13 of the Law of Ukraine “On the State Budget of Ukraine for the Year 2014”.

SECTION 2. ANALYSIS OF MACROECONOMIC INDICATORS IN JANUARY-JUNE 2014

GDP

Real GDP decreased by 4.7% year-on-year (in permanent 2007 prices)[5], with this indicator falling by 1.3% in 2013. This stands in contrast to the Eurozone and EU countries, where real GDP grew by 0.7% and 1.2%, respectively. The highest year-on-year growth in 2014 has been in Hungary (+3.7%) thanks to growth in private consumption and increased exports. Domestic demand drove rises in Latvia (+3.5%), Poland (+3.2%), the UK (+3.1%), Lithuania (+3.0%), Czech Republic (+2.6%), Estonia (+2.5%), Slovakia and the USA (+2.4% each).

Real GDP dropped in countries such as Cyprus (-2.5%), Italy (-0.3%), Greece (-0.2%), and Finland (-0.1%)[6].

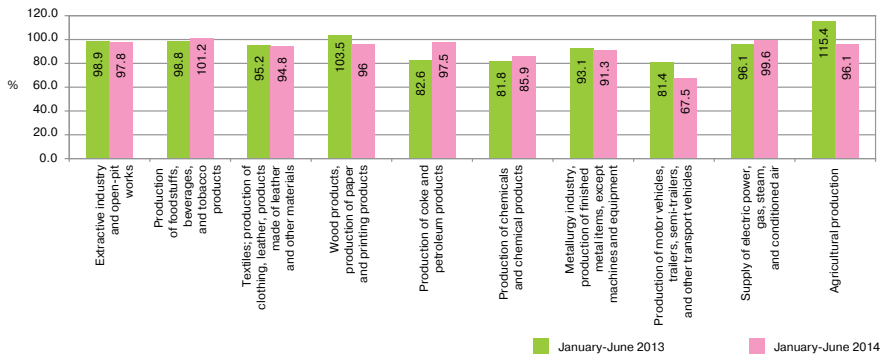
Nominal GDP totaled UAH 685.8bn, which is UAH 32.3bn or 4.9% more year-on-year. This amounts to 44.2% of the nominal GDP figure used for drawing up the 2014 State budget.

The foreign markets situation remained unfavorable in Q2 2014, and it was exacerbated by domestic socio-political developments. However, industrial output increased year-on-year. Thus, the industrial production index amounted to 95.3%[7] against 95.0% in the respective period of 2013. Significant growth is noted in the production of medical and dental instruments and materials (by 56.2%), production of electric distribution and control equipment (by 48.1%), production of electric motors, generators, and transformers (by 34.2%), production of vegetable oil and fats (by 33.0%), and production of other foodstuffs (by 25.3%). For agricultural production though, this indicator declined by 3.9%.

The dynamics of industrial and agricultural production indices[8] by type of activity are shown in Chart 2.1.

Chart 2.1

Industrial and Agricultural Production Indices in January-June 2013-2014



5 *http://www.ukrstat.gov.ua/*
6 *http://ec.europa.eu/eurostat*
7 *Without the temporarily occupied territories of the Autonomous Republic of Crimea and the city of Sevastopol.*
8 *Until January-May, calculations are made based on the data of animal farming, and starting in January-June, they are calculated based on the data of both plant-growing and animal farming.*

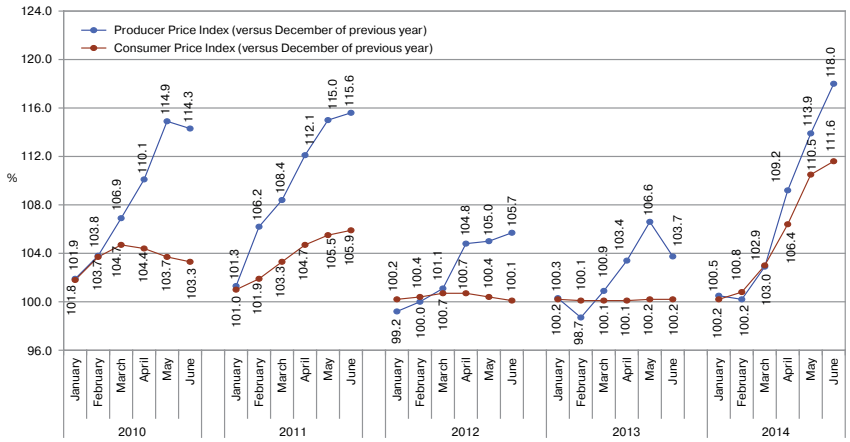
CONSUMER AND PRODUCER PRICE INDICES

The Consumer Price Index (CPI) amounted to 111.6% vs. 100.2% in the respective period of 2013 (see Graph 2.1). In the period under review, prices increased for nearly all goods and services, except eggs, which decreased by 25.7%, milk and cheese by 2.2%, and other edible animal fats by 1.5%; hot water and heating by 1.3%; and telephone and fax services by 0.3%.

Also, the highest price hikes were for the following goods and services: natural gas by 62.8%; fruits by 56.4%; fuel and lubricants by 43.6%; sugar by 35.3%; purchase of motor vehicles by 33.0%; vegetables by 28.4%; and fish and fish products by 21.9% etc.

Graph 2.1

Price Indices in January-June 2010-2014



The Producer Price Index (PPI) increased by 118.0% vs. 103.7% in the respective period of 2013. In general, prices of all types of manufactured products increased. The highest growth was in the production of petroleum products (by 32.1%); metallurgy production, production of finished metal products, except machines and equipment (by 31.7%); production of sugar (by 29.6%); production of chemicals and products (by 27.8%); production of coke and petroleum products (by 27.2%); extraction of metal ores (by 25.3%); and production of rubber and plastics products (by 20.6%)[9].

PERSONAL INCOME AND SPENDING

The nominal average monthly wage per full-time employee amounted to UAH 3,601.0 in Q2 2014, up 6.5% year-on-year (see Table 2.1). This is 2.9 times more than the State social standards (minimum wage level and subsistence level for an employable person, which equal UAH 1,254.5 (see clarification by the Ministry of Social Policy)[10], viz., the respective amounts set in the Law on the State Budget for 2014 at UAH 1,218.0 adjusted by 3.0% for inflation).

9 www.ukrstat.gov.ua
10 www.mlsp.gov.ua/labour/control/uk/publish/article?art_id=160990&cat_id=107177

Table 2.1

Nominal and Real Wages by Region of Ukraine in January-June 2012-2014

Name of administrative-territorial unit	Average monthly wage (per one full-time staff member), UAH			Nominal wage growth rate, %		Real wage index (year-on-year), %		
	2012	2013	2014	2013 / 2012	2014 / 2013	2012	2013	2014
Vinnytsya oblast	2 325.0	2 799.0	2 969.0	120.4	106.1	110.1	110.9	100.2
Volynska oblast	2 231.0	2 741.0	2 878.0	122.9	105.0	109.7	112.1	98.5
Dnipropetrovsk oblast	3 048.0	3 408.0	3 708.0	111.8	108.8	108.8	107.9	101.0
Donetsk oblast	3 384.0	3 803.0	3 996.0	112.4	105.1	111.1	107.3	100.0
Zhytomyr oblast	2 271.0	2 779.0	2 970.0	122.4	106.9	107.7	110.9	101.2
Zakarpatska oblast	2 245.0	2 758.0	2 917.0	122.9	105.8	105.5	110.4	100.5
Zaporizhzhya oblast	2 840.0	3 238.0	3 505.0	114.0	108.2	109.5	109.2	100.9
Ivano-Frankivsk oblast	2 463.0	2 925.0	3 146.0	118.8	107.6	107.9	107.3	100.6
Kyiv oblast	3 035.0	3 443.0	3 547.0	113.4	103.0	112.7	111.5	94.8
Kirovohrad oblast	2 326.0	2 741.0	2 970.0	117.8	108.4	106.1	109.8	100.2
Luhansk oblast	2 965.0	3 391.0	3 571.0	114.4	105.3	109.7	109.5	98.3
Lviv oblast	2 479.0	2 887.0	3 088.0	116.5	107.0	106.5	110.0	99.1
Mykolaiv oblast	2 717.0	3 199.0	3 479.0	117.7	108.8	104.0	111.5	101.1
Odesa oblast	2 618.0	3 095.0	3 267.0	118.2	105.6	105.4	110.2	98.2
Poltava oblast	2 729.0	3 049.0	3 219.0	111.7	105.6	108.6	108.0	99.3
Rivne oblast	2 487.0	3 000.0	3 181.0	120.6	106.0	104.4	111.7	99.6
Sumy oblast	2 396.0	2 789.0	2 970.0	116.4	106.5	108.2	110.5	100.1
Ternopil oblast	2 109.0	2 580.0	2 741.0	122.3	106.2	104.2	109.3	100.3
Kharkiv oblast	2 633.0	3 061.0	3 213.0	116.3	105.0	107.5	111.4	98.9
Kherson oblast	2 184.0	2 665.0	2 786.0	122.0	104.5	103.1	111.1	98.9
Khmelnytskyi oblast	2 316.0	2 831.0	3 071.0	122.2	108.5	106.4	110.6	102.4
Cherkasy oblast	2 414.0	2 911.0	2 979.0	120.6	102.3	107.6	109.1	98.2
Chernivtsi oblast	2 223.0	2 676.0	2 860.0	120.4	106.9	104.0	108.6	99.9
Chernihiv oblast	2 216.0	2 670.0	2 875.0	120.5	107.7	105.1	111.4	101.1
City of Kyiv	4 452.0	5 107.0	5 425.0	114.7	106.2	105.4	108.5	99.3
Ukraine	**2 917.0**	**3 380.0**	**3 601.0**	**115.9**	**106.5**	**108.1**	**109.6**	**99.6**

As usual, the highest level of average monthly wage was in the city of Kyiv (UAH 5,425.0). The oblasts with the highest average monthly wages were Donetsk (UAH 3,996.0), Dnipropetrovsk (UAH 3,708.0), Luhansk (UAH 3,571.0), Kyiv (UAH 3,547.0), and Zaporizhzhya (UAH 3,505.0).

The lowest average monthly wages were in Ternopil (UAH 2,741.0), Kherson (UAH 2,786.0), and Chernivtsi (UAH 2,860.0) oblasts.

The types of economic activities with the highest nominal wages year-to-date[11] include air transport (UAH 10,940.0, down 1.8% year-on-year), financial and insurance sector (UAH 6,825.0, up 9.6% year-on-year), and professional, scientific, and technological activities (UAH 5,045.0, up 16.8% year-on-year).

8 *For legal entities and separate divisions of legal entities with 10 or more staff (preliminary data).*

Real wages decreased by 0.4% (up 9.6% in 2013). The decrease is recorded in such regions as Kyiv Oblast (by 5.2%), Cherkasy and Odesa (by 1.8% each), Luhansk (by 1.7%), Volynska (by 1.2%), Kherson and Kharkiv (by 1.1% each), Lviv Oblast (by 0.9%), and the city of Kyiv and Poltava Oblast (by 0.7% each), Rivne Oblast (by 0.4%) and Chernivtsi Oblast (by 0.1%).

Real wages grew the most in Khmelnytskyi, Zhytomyr, Mykolaiv, Chernihiv, and Dnipropetrovsk oblasts at 2.4%, 1.2%, and 1.1% each, respectively.

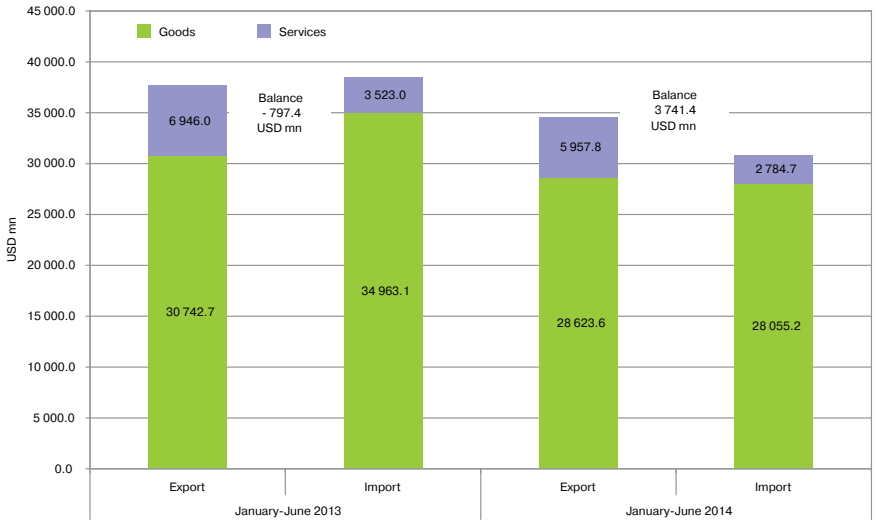
FOREIGN TRADE

The foreign trade balance of Ukraine was a positive $3.7bn in Q2 2014 against -$0.7bn in the respective period of 2013 (see Chart 2.2).

According to the State Statistics Service of Ukraine, **export of Ukrainian goods** was down 14.2% year-on-year and amounted to $6.0bn.

Chart 2.2

Export and Import of Goods and Services in January-June 2013-2014

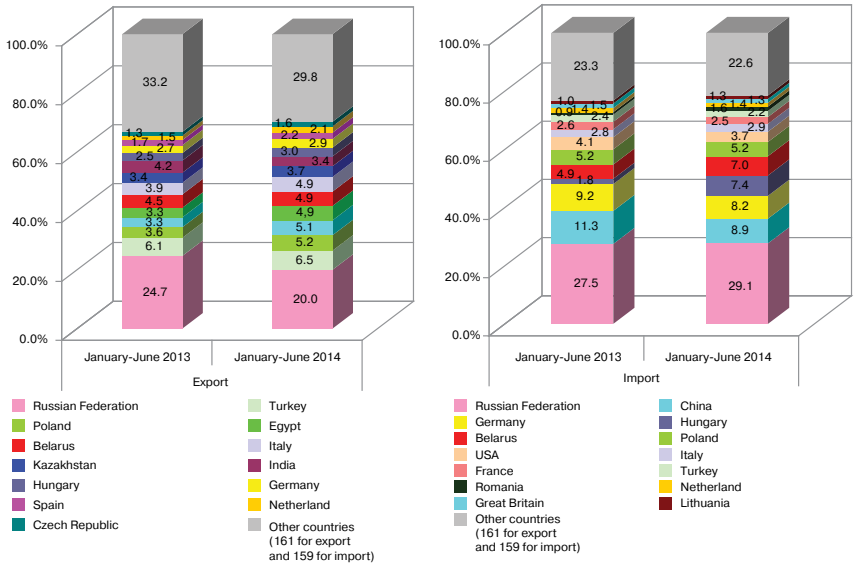


The core of Ukrainian exports consisted of base metals and products at 29.8% of total exports, which is 0.4ppt more than in 2013. The share of mineral products is 12.7%, up 1.0ppt; products of plant origin amounted to 12.5% (or 1.7ppt more); machines, equipment, mechanisms, electrical equipment – 10.8% (or 0.1ppt more); chemical products – 6.2% (or 1.9ppt less).

As before, the main consumers of Ukrainian products included the Russian Federation (20.0%), even though it reduced its consumption by 4.7% year-on-year, Turkey (6.5%), Poland (5.2%), China (5.1%), and Egypt (4.9%) (see Chart 2.3).

Chart 2.3

Structure of Foreign Trade in Goods by Main Partner-Country in January-June 2013-2014



In general, the ratio of imports coverage by exports with regard to trade in goods amounted to 1.02 (0.996 in the respective period of 2013). Also, foreign trade transactions were conducted with partners from 161 countries worldwide.

Import of goods in Ukraine totaled $2.8bn, which is 21.0% less year-on-year (see Chart 2.2).

The key import items in the stated period included mineral products at 30.9% of total imports, which is 5.2ppt more than in 2013 (notably, import of mineral fuels, crude oil and its refining products accounted for 29.1%); machines, equipment, and mechanisms, electrical equipment accounted for 15.0% (which is 2.4ppt less); chemical products 12.3% (1.2ppt more); and motor vehicles 5.3% (3.0ppt less).

The key suppliers of imported products in the stated period included the Russian Federation with 29.1% of total imports, which is nearly 1.6ppt more year-on-year, China – 8.9%, Germany – 8.2%, Hungary – 7.4%, and Republic of Belarus – 7.0%.

SECTION 3. ANALYSIS OF BUDGET INDICATORS IN JANUARY-JUNE 2014

3.1. EXECUTION OF CONSOLIDATED AND STATE BUDGET REVENUES IN JANUARY-JUNE 2014

REVENUES OF CONSOLIDATED AND STATE BUDGETS

The actual intake of consolidated budget revenues totaled UAH 224.5bn in January-June 2014, which is UAH 13.4bn or 6.4% more year-on-year.

This amount equals 45.6% of planned revenue for 2014. Actual revenues amounted to 47.7% of the plan at the same point in 2013.

State budget revenues with inter-budget transfers totaled UAH 175.9bn, which is UAH 13.3bn or 8.2% more year-on-year, including UAH 152.9bn received in the General Fund of the State budget and UAH 23.0bn in the Special Fund.

The actual intake of State budget revenues without inter-budget transfers totaled UAH 174.9bn, which is UAH 13.0bn or 8.0% more year-on-year (see Table 3.1.1).

Table 3.1.1

Revenues of Consolidated, State, and Local Budgets in January-June 2011-2014

Indicators	2011	2012	2013	2014	2014 vs.2013	
					Absolute growth, UAH bn	Growth rate, %
Consolidated budget, UAH bn, including:	**177.8**	**208.8**	**211.1**	**224.5**	**13.4**	**6.4**
– General Fund	152.7	178.7	181.7	190.7	9.0	5.0
– Special Fund	25.1	30.1	29.4	33.8	4.4	15.0
State budget (without inter-budget transfers), UAH bn, including:	**138.0**	**162.3**	**161.9**	**174.9**	**13.0**	**8.0**
share in consolidated budget revenues, %	*77.7*	*77.7*	*77.0*	*77.9*	x	x
– General Fund	119.7	140.7	141.7	151.9	10.2	7.2
– Special Fund	18.3	21.6	20.2	23.0	2.8	13.9
Local budgets (without inter-budget transfers), UAH bn, including:	**39.8**	**46.5**	**49.2**	**49.6**	**0.4**	**0.8**
share in consolidated budget revenues, %	*22.3*	*22.3*	*23.0*	*22.1*	x	x
– General Fund	33.0	38.0	40.0	38.8	–1.2	–3.0
– Special Fund	6.8	8.5	9.2	10.8	1.6	17.4

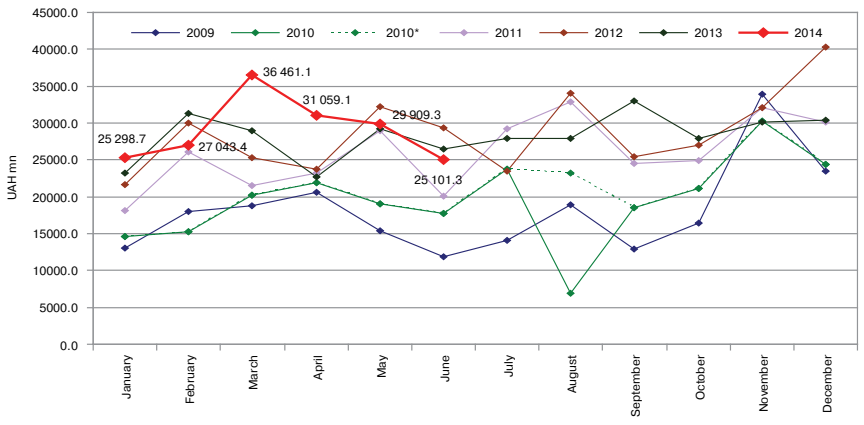
The growth of non-tax revenues continues to be the key driver for the increase of budget revenues. At the same time, the main tax items brought in amounts below those of last year: revenues from the enterprise profit tax decreased by 18.2%, excise tax on goods made in Ukraine fell 11.9%, import duty dropped 13.3%. The value-added tax amount in the stated period is somewhat higher than last year (+UAH 2.6bn or +4.2%) However, this occurred thanks

to a UAH 7.1bn or 26.0% fall in VAT refunds from the budget rather than an increase in net revenues from this tax.

Non-tax revenues increased due to the funds remitted by the National Bank of Ukraine according to the Law of Ukraine "On the National Bank of Ukraine," the amount of which was 2.2 times greater than last year.

Graph 3.1.1

Dynamics of Monthly State Budget Revenues in 2009-2014



* *Without the arrears in VAT refunds of UAH 16.4bn*

STRUCTURE OF CONSOLIDATED AND STATE BUDGET REVENUES

A significant year-on-year drop in the share of tax revenues is the most important change in **the structure of both the consolidated and State budget revenues** (by 5.0ppt and 5.8ppt, respectively). As mentioned above, this is linked to growth in non-tax revenues, namely the remittance of NBU funds to the budget.

Also, structural changes occurred in the segment of tax revenues themselves. These changes are linked to declines in the shares of all key tax sources. For instance, in the consolidated budget these dynamics are as follows: the enterprise profit tax decreased by 3.5ppt; VAT by 0.6ppt; excise tax by 0.1ppt; taxes on external transactions and international trade and personal income tax by 0.9ppt.

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

Table 3.1.2

Structure of Consolidated and State Budget Revenues in January-June 2012-2014

(%)

Revenues	Consolidated budget			State budget		
	2012	2013	2014	2012	2013	2014 рік
Tax revenues, including:	**84.4**	**82.5**	**77.5**	**84.0**	**81.1**	**75.3**
– personal income tax	15.3	16.1	15.2	2.0	2.2	2.2
– enterprise profit tax	13.7	14.6	11.1	17.6	18.8	14.2
– fees for special use of natural resources, including:	4.0	6.5	6.6	0.7	4.0	4.4
– payment for land	*2.8*	*3.0*	*2.7*	–	–	–

Revenues	Consolidated budget			State budget		
	2012	2013	2014	2012	2013	2014 рік
– value-added tax	32.4	29.1	28.5	41.7	37.9	36.6
– excise tax	8.8	8.7	8.6	11.0	11.1	10.9
– taxes on foreign trade and external transactions	3.0	2.9	2.4	3.8	3.8	3.1
– rent, fees for fuel and energy resources	4.8	1.5	1.6	6.2	2.0	2.0
– other tax revenues	2.4	3.1	3.5	1.0	1.3	1.9
Non-tax revenues, including:	**14.9**	**16.8**	**21.9**	**15.7**	**18.5**	**24.3**
– income from property and business activity	5.8	6.2	11.5	7.3	8.0	14.7
– administrative fees and charges, income from noncommercial and incidental sales	1.6	1.6	1.6	1.5	1.5	1.6
– own-source revenues of government-funded institutions	6.1	7.6	6.6	5.3	7.4	5.4
– other non-tax revenues	1.4	1.4	2.2	1.6	1.6	2.6
Income from capital transactions	**0.5**	**0.3**	**0.3**	**0.1**	**0.0**	**0.1**
Targeted funds	**0.1**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**
Other revenues	**0.1**	**0.2**	**0.2**	**0.1**	**0.3**	**0.2**

STATE BUDGET TAX REVENUES

State budget received UAH 131.8bn in **tax revenues** in the first six months of 2014, which is UAH 0.5bn or 0.3% more year-on-year.

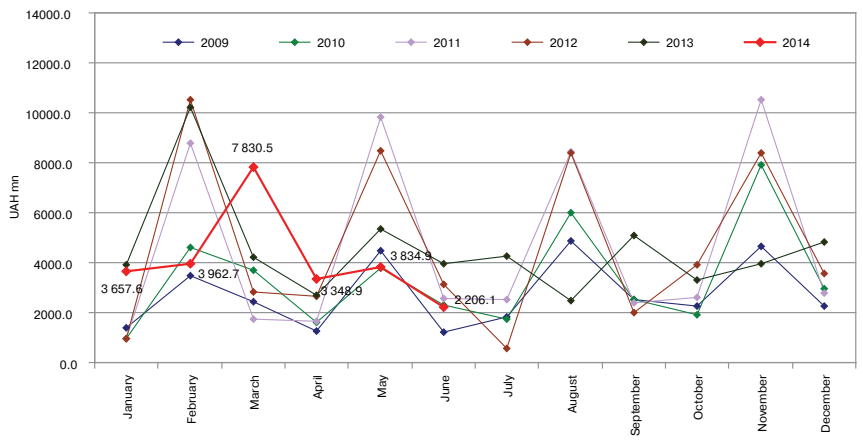
ENTERPRISE PROFIT TAX

The State budget received UAH 24.8bn from **enterprise profit tax**, which is 18.2% less year-on-year. This fall was predictable and is due to the shift to advance payments of the tax based on the previous year's results.

The monthly dynamics of proceeds from the enterprise profit tax differs from the trends of recent years (see Graph 3.1.2).

Graph 3.1.2

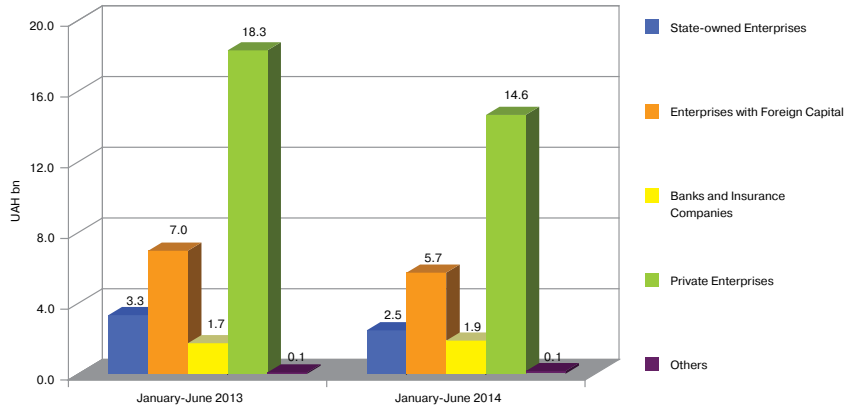
Dynamics of State Budget Monthly Revenues from Enterprise Profit Tax in 2009-2014



Revenues from the profit tax fell for enterprises of all forms of ownership, except for banks and insurance organizations, which showed a slight (0.2%) growth. The amount of revenues from the tax paid into the budget by State-owned enterprises decreased by UAH 08bn or by 25.9%; by enterprises with foreign capital by UAH 1.3bn or 17.8%; and by private enterprises by UAH 3.7bn or 20.0% (see Chart 3.1.1).

Chart 3.1.1

Revenues from Tax on Profit of Enterprises of Various Forms of Ownership in January-June 2013-2014



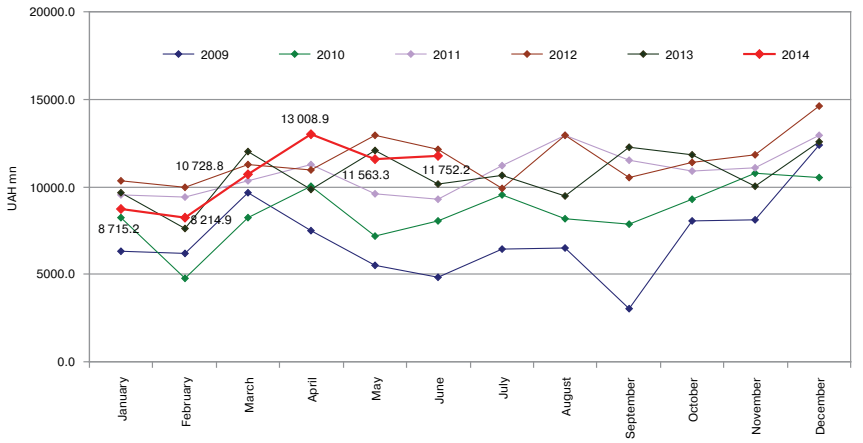
VALUE-ADDED TAX

In January-June 2014, the State budget received UAH 64.0bn from **value-added tax**, which is UAH 2.6bn or 4.2% more year-on-year. It should be noted that despite the increase in the overall collection of value-added tax, the proceeds from this tax decreased by UAH 2.1bn or 4.8% on goods made in Ukraine, and by UAH 2.6bn or 5.6% on goods imported into Ukraine. The latter is explained by a 17.9% drop in the import of goods[12].

The monthly dynamics of proceeds from the value-added tax is presented in Graph 3.1.3.

Graph 3.1.3

Dynamics of Monthly State Budget Revenues from Value-Added Tax in 2009-2014

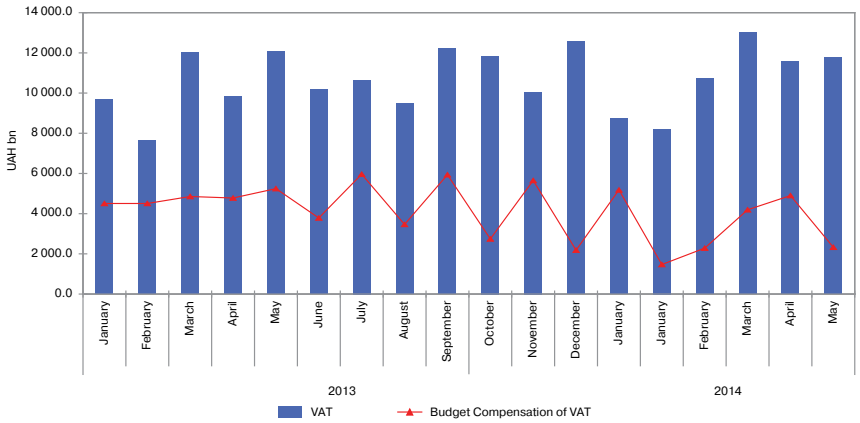


The nominal increase in VAT proceeds is explained by the lowering of the amount of tax refunds from the budget by UAH 7.1bn or by 26.0%. The average monthly amount of tax refunds from the budget decreased 1.3 times in 2014 and amounted to UAH 3.4bn per month against UAH 4.5bn in 2013 (see Chart 3.1.2).

12 *According to the State Statistics Service http://ukrstat.gov.ua/*

Chart 3.1.2

Monthly Revenues from Value-Added Tax and Tax Refunds from the Budget in 2013-2014



TAXES ON FOREIGN TRADE AND EXTERNAL TRANSACTIONS

The State budget received UAH 5.4bn from **taxes on foreign trade and external transactions**, which is UAH 0.7bn or 12.0% less year-on-year.

A reduction in the amounts of import duty by UAH 0.8bn or 13.3% is the main reason behind the decrease in these revenues.

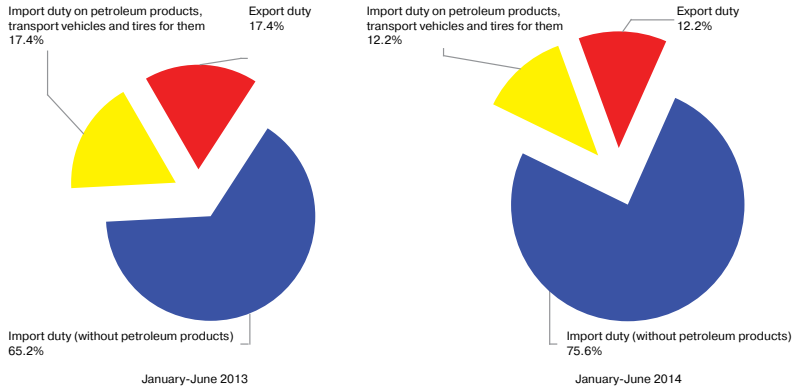
Compared to the same period of 2013, the structure of taxes on foreign trade underwent certain changes with respect to import duty because of a decline in the proceeds from the duty on petroleum products, motor vehicles and tires for them. In particular, the following changes took place:

- the share of revenues from import duty (without petroleum products) increased by 10.4ppt;
- the share of revenues from export duty decreased by 5.2ppt;
- the share of import duty on petroleum products, motor vehicles and tires decreased by 5.2ppt.

This is summarized in Chart 3.1.3.

Chart 3.1.3

Structure of State Budget Revenues from Taxes on Foreign Trade and External Transactions in January-June 2013-2014



EXCISE TAX

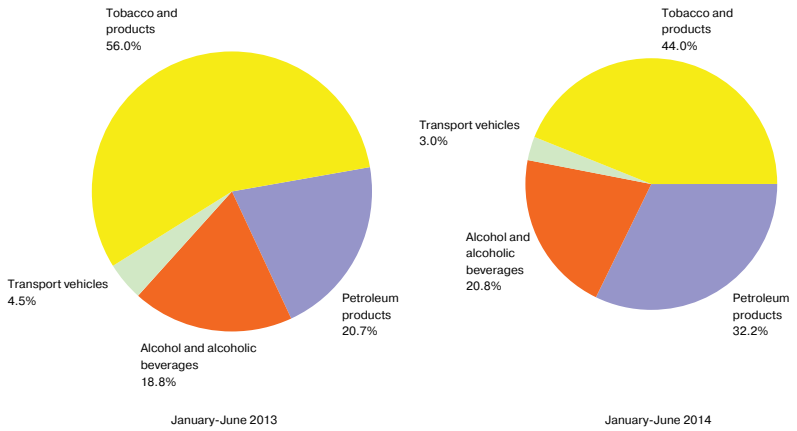
Proceeds from **excise tax** totaled UAH 19.1bn, which is UAH 1.1bn or 6.0% more year-on-year. This amount is 42.8% of the annual plan, compared to 44.2% collected by this time last year. At the same time, 51.1% of the actual annual amount from this source was received in the first half of 2013, which testifies to the risk of non-execution of the annual plan for budget revenues from excise tax.

The share of revenues from excise tax on goods made in Ukraine decreased significantly and amounted to 65.5% of total revenues from this tax against 79.5% in 2013.

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

Chart 3.1.4

Structure of State Budget Revenues from Excise Tax in January-June 2013-2014



The drop in the tobacco excise tax to UAH 8.4bn or by 16.9% was the main factor behind the decline in the amount of proceeds from this tax in the budget. The amounts of excise tax on motor vehicles also decreased, even though the drop was significantly less. Revenues increased primarily thanks to growth in the amount of revenues from the excise tax on petroleum products by UAH 2.4bn or more than 1.6 times.

With regard to the excise tax on goods made in Ukraine, the most significant drop is recorded for tobacco and tobacco products, at -UAH 2.0bn or -20.8%. Also, revenues declined from the tax on petroleum products and motor vehicles. The revenues from excise tax on goods imported in Ukraine increased more than 1.7 times, primarily due increased revenues from the tax on imported gasoline and other petroleum products, which increased by UAH 2.6bn or 2 times.

NON-TAX REVENUES

Non-tax revenues totaled UAH 42.5bn, which is UAH 12.6bn or 41.9% more year-on-year. This equals 61.7% of the annual plan compared to 41.4% in the first half of 2013.

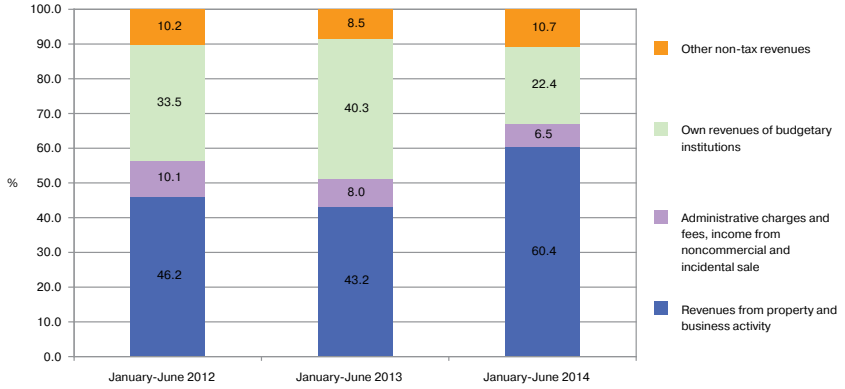
The structure of non-tax revenues underwent certain changes, which are primarily linked to an increase in the share of income from

property and business activity (by 17.2ppt). Also, the share of other non-tax revenues increased by 2.2ppt. Accordingly, other components of this type of budget revenue decreased: administrative fees and charges by 1.5ppt and own-source revenues of government-funded institutions by 17.9ppt.

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

Chart 3.1.5

Structure of State Budget Non-Tax Revenues in January-June 2012-2014



INCOME FROM PROPERTY AND BUSINESS ACTIVITY

Income from property and business activity totaled UAH 25.7bn, which is nearly double the respective 2013 figure. This equals 91.3% of the annual figure.

The remittance to the budget by the National Bank of Ukraine of UAH 2.0bn, which amounts to 96.5% of the annual plan for this item, was the main driver of the increase in income from property and business activity.

OWN-SOURCE REVENUES OF GOVERNMENT-FUNDED INSTITUTIONS

The amount of **own-source revenues of government-funded institutions** totaled UAH 9.5bn, which is UAH 2.6bn or 21.2% less year-on-year.

The level of execution of the plan for this indicator amounted to 44.8%.

OTHER NON-TAX REVENUES

The State budget received UAH 4.6bn in **other non-tax revenues**, which is UAH 2.0bn more year-on-year.

The increase in revenues from this source is due to the return to collecting a charge on foreign currency buying transactions, the amount of which totaled UAH 2.1bn.

INCOME FROM CAPITAL TRANSACTIONS

The amount of **income from capital transactions** decreased somewhat in January-June 2014. The budget received UAH 52.3mn under this item, which is UAH 0.8mn less year-on-year.

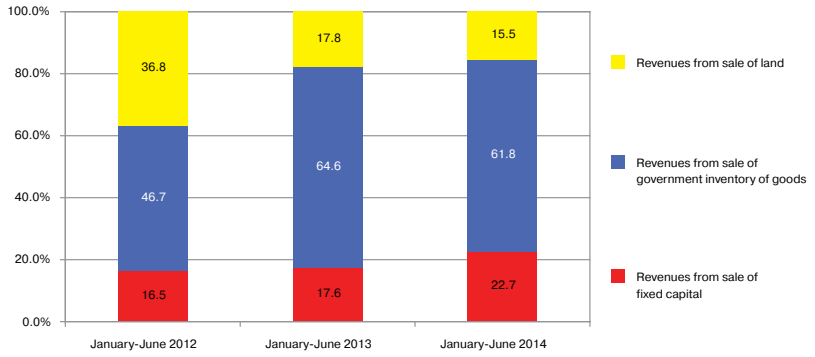
The main reason for this is the reduction of proceeds from the sale of material valuables from the State reserves by UAH 11.9mn or by 26.9%.

This has led to changes in the structure of income from capital transactions, as the share of revenues from the sale of fixed capital increased by 5.1ppt, while the shares of revenues from the sale of land and the sale of State stocks of goods decreased by 2.3ppt and 2.8ppt, respectively.

The structure of revenues from capital transactions is presented in Chart 3.1.6.

Chart 3.1.6

Structure of State Budget Revenues from Capital Transactions in January-June 2012-2014



3.2. FINANCING OF STATE BUDGET DEFICIT AND STATE DEBT IN JANUARY-JUNE 2014

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 33.1% of the ceiling set by the Law on the State Budget of Ukraine for the year 2014.

Chart 3.2.1

Key Performance Indicators of the State Budget of Ukraine in January-June 2009-2014

The deficit amounted to UAH 22.9bn for the General Fund of the budget or 36.5% of the planned annual amount, while the Special Fund had a surplus of UAH 0.2bn, as opposed to a planned annual deficit of UAH 6.0bn.

Financing of the State budget under debt transactions totaled UAH 62.3bn, which amounts to 69.0% of the annual plan (see Table 3.2.1). This a am by UAH 1.7bn year-on-year or by 7.0%. Borrowing was incurred at UAH 110.2bn or 55.3% of the annual target. Internal borrowing totaled 51.0%, of the annual plan and external borrowing reached 60.5% of the plan. Internal borrowing accounts for 50.5% of the total.

Table 3.2.1

State Budget Deficit Financing Indicators in January-June 2010-2014

Indicators \ Years	2010	2011	2012	2013	2014		
					Annual plan	Actual	Execution, %
General financing, UAH bn, including:	**26.5**	**11.0**	**6.7**	**22.7**	**68.6**	**22.7**	**33.1**
– General Fund	*25.3*	9.0	*4.7*	*24.6*	*62.6*	*22.9*	*36.6*
– Special Fund	*1.2*	*2.0*	*2.0*	*–1.9*	*6.0*	*–0.2*	x
Financing under debt transactions, UAH bn	**33.4**	**37.3**	**17.5**	**42.1**	**90.2**	**62.3**	**69.0**
Borrowing, UAH bn, including:	**46.1**	**59.5**	**50.3**	**77.2**	**199.4**	**110.2**	**55.3**
– internal borrowing	29.9	35.4	48.7	57.5	109.1	55.6	51.0
share, %	*64.9*	*59.4*	*96.8*	*74.5*	*54.7*	*50.5*	*92.2*
– external borrowing	16.2	24.1	1.6	19.7	90.3	54.6	60.5
share, %	*35.1*	*40.6*	*3.2*	*25.5*	*45.3*	*49.5*	*109.4*
Repayment, UAH bn, including:	**–12.7**	**–22.2**	**–32.9**	**–35.1**	**–109.2**	**–48.0**	**44.0**
– internal obligations	–10.5	–15.1	–18.5	–15.4	–67.7	–31.5	46.6
share, %	*82.7*	*67.9*	*56.2*	*43.9*	*62.0*	*65.6*	*105.9*
– external obligations	–2.2	–7.1	–14.4	–19.7	–41.5	–16.5	39.7
share, %	*17.3*	*32.1*	*43.8*	*56.1*	*38.0*	*34.4*	*90.5*
Proceeds from privatization of State property, UAH bn	**0.2**	**11.0**	**5.1**	**0.2**	**17.0**	**0.05**	**0.3**
Financing under active transactions, UAH bn	**–7.1**	**–37.3**	**–15.8**	**–19.6**	**–38.7**	**–39.6**	**102.3**

The amount of State budget borrowing increased 1.4 times against 2013.

The total borrowing of UAH 110.2bn included UAH 55.6bn mobilized on the internal market and UAH 54.6bn on the external market. The General Fund of the State budget received UAH 106.2bn, including issue of internal government bonds to replenish the authorized capital of the Naftogaz of Ukraine company by UAH 22.9bn with a yield of 14.3% annual.

The funds attracted from international economic development organizations for financing of joint projects were received at UAH 13.bn or 20.2% of the planned annual amount. Said proceeds

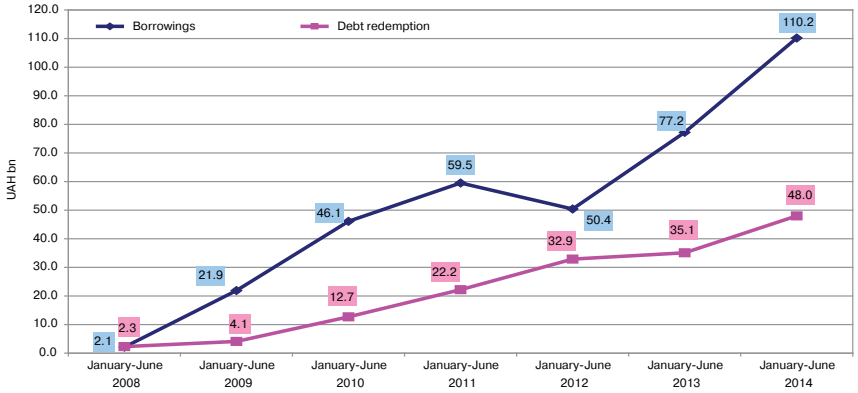
are UAH 0.5bn or 28.7% lower than in the respective period of 2013. The level of their execution decreased by 8.2ppt.

Debt repayment totaled UAH 48.0bn, which is 36.8% more year-on-year (see Table 3.2.1). Execution of the planned annual amount equaled 44.0%, which is nearly the same as the respective 2013 figure. Repayment of internal debt totaled UAH 31.5bn or 46.6% of the annual plan, that of external debt totaled UAH 16.5bn or 39.7%.

The gap between borrowing and debt repayment amounts (see Graph 3.2.1) increased, which will lead to a greater debt burden on the budget in the future, but is necessary in the current situation in Ukraine.

Graph 3.2.1

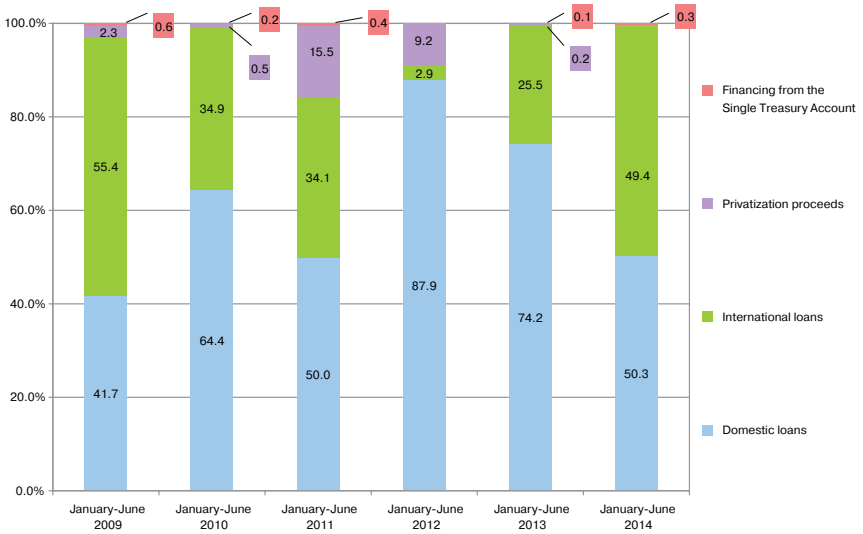
Comparison of State Budget Borrowing and State Debt Repayment in January-June 2008-2014



The structure of financing sources in January-June 2014 approached that seen in the post-crisis year 2009 (see Chart 3.2.2).

Chart 3.2.2

Structure of State Budget Sources of Financing in January-June 2009-2014

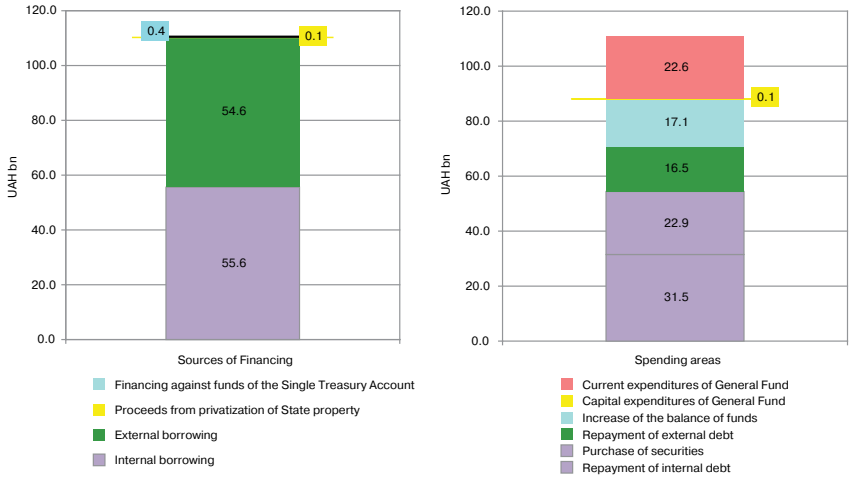


An exception is the nearly complete absence of proceeds from privatization of State property, which amounted to UAH 0.05bn or 0.3% of the annual plan.

Chart 3.2.3 illustrates the comparison between the amounts of financing sources and the areas of spending the funds from these sources and the accumulation of unused proceeds of the Special Fund in January-June 2014.

Chart 3.2.3

Structure of Financing Sources and Areas of Spending the Funds in January-June 2014



As seen from Chart 3.2.3, borrowing was the main source for repaying State debt and financing the budget deficit. Notably, the main part of financing was used for current expenditures. This was caused by insufficiency of budget revenues to ensure funding of current expenditures.

EXPENSES FOR REPAYMENT AND SERVICING OF STATE DEBT

Expenditures for servicing the State debt totaled UAH 22.4bn or 45.6% of the annual target, which is 3.1ppt more year-on-year (see Table 3.2.2).

The combined expenditures for repaying and servicing the State debt totaled UAH 70.4bn or 28.5% of all expenses of the State budget, which is 5.3ppt more than in 2013.

Table 3.2.2

Budget Expenses for Repayment and Servicing of the State Debt in January-June 2012-2014

Indicators \ Years	2012			2013			2014		
	Annual plan, UAH bn	Actual, UAH bn	*Execution, %*	Annual plan, UAH bn	Actual, UAH bn	*Execution, %*	Annual plan, UAH bn	Actual, UAH bn	*Execution, %*
PAYMENT UNDER STATE DEBT, total, including:	**95.5**	**44.4**	***46.5***	**118.7**	**51.1**	***43.0***	**158.3**	**70.4**	***44.5***
– internal	...	...	...	70.8	26.4	*37.3*	102.7	47.1	*45.9*
– external	...	...	...	47.9	24.7	*51.6*	55.6	23.3	*41.9*

Indicators \ Years	2012			2013			2014		
	Annual plan, UAH bn	Actual, UAH bn	*Execution, %*	Annual plan, UAH bn	Actual, UAH bn	*Execution, %*	Annual plan, UAH bn	Actual, UAH bn	*Execution, %*
Payments of State debt repayment, including:	**65.9**	**32.9**	***49.9***	**81.1**	**35.1**	***43.3***	**109.2**	**48.0**	***44.0***
– internal	34.7	18.5	*53.4*	45.5	15.4	*33.9*	67.7	31.5	*46.5*
– external	31.2	14.4	*46.1*	35.6	19.7	*55.3*	41.5	16.5	*39.8*
Expenditures for State debt servicing, including:	**29.6**	**11.6**	***39.1***	**37.7**	**16.0**	***42.5***	**49.1**	**22.4**	***45.6***
– internal	...	...	...	25.4	11.0	*43.3*	35.0	15.6	*44.6*
– external	...	...	...	12.3	5.0	*40.7*	14.1	6.8	*48.2*
BUDGET EXPENSES, total *(expenditures, lending, State debt repayment)*	**477.2**	**203.1**	***42.6***	**507.0**	**220.5**	***43.5***	**568.8**	**247.4**	***43.5***
Proportion of payments under State debt in budget expenditures, %	**20.0**	**21.9**	**x**	**23.4**	**23.2**	**x**	**27.8**	**28.5**	**x**

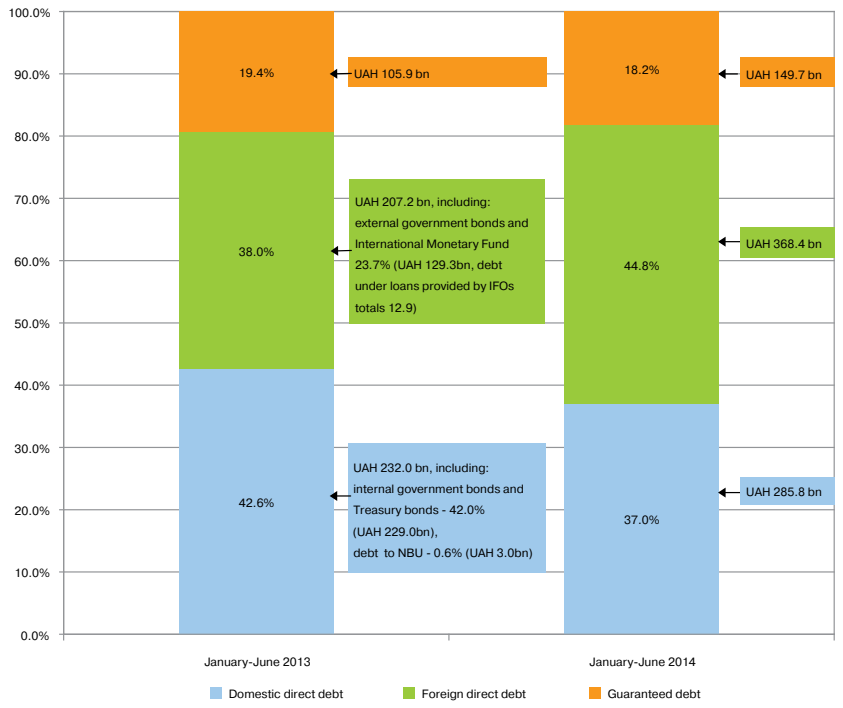
STATE AND STATE-GUARANTEED DEBT

The State and State-guaranteed debt of Ukraine totaled UAH 821.8bn as of the end of June 2014, including 63.0% (UAH 518.1bn) of State and State-guaranteed external debt, and 37.0% (UAH 303.7bn) of internal debt.

The State debt of Ukraine totaled UAH 672.1bn or 81.8% of the combined State and State-guaranteed debt amount, including 37.0% of internal debt and 44.8% of external debtLP (see Chart 3.2.4).

Chart 3.2.4

Structure of State and State-Guaranteed Debt in January-June 2013-2014



The external **State** debt accounted for a somewhat greater portion of 54.8% or UAH 368.4bn. The internal State debt amounted to 45.2% or UAH 303.7bn.

The State-guaranteed debt totaled UAH 149.7bn at the end of June 2014 or 18.2% of the State and State-guaranteed debt combined. As before, the guaranteed external debt accounted for the greatest share of 14.4% or UAH 118.0bn. The guaranteed internal debt totaled UAH 31.7bn or 3.9% of the State and State-guaranteed debt combined.

3.3. ANALYSIS OF CONSOLIDATED AND STATE BUDGET EXPENDITURES AND LENDING IN JANUARY-JUNE 2014

CONSOLIDATED BUDGET

The actual expenditures of the consolidated budget of Ukraine totaled UAH 244.2bn, which equals 42.5% of the annual target, including the General Fund of UAH 216.0bn or 45.9%, and Special Fund of UAH 28.2bn or 26.9% (see Table 3.3.1).

As seen from the data of Table 3.3.1, consolidated budget expenditures are a 2.0ppt lower than last year's indicator. The main reason is a decrease in actual expenditures of both the General Fund and Special Fund by 1.2ppt and 4.0ppt, respectively.

Table 3.3.1

Expenditures of Consolidated, State, and Local Budgets in January-June 2012-2014

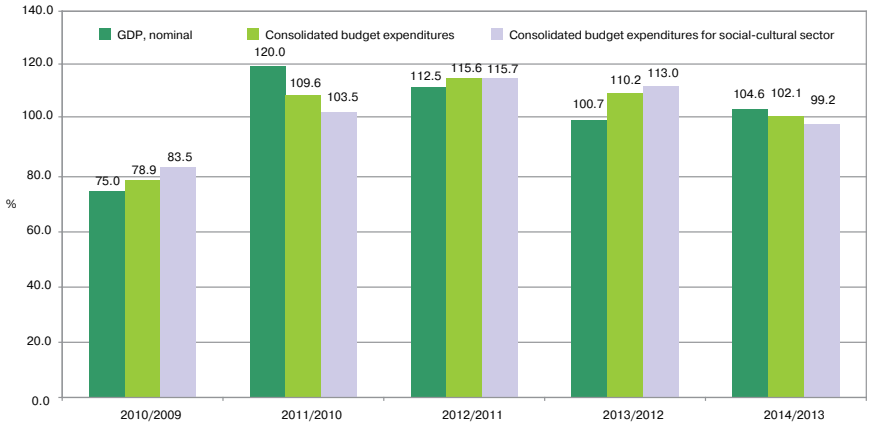
Years / Indicators	2012			2013 рік			2014		
	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %
Consolidated budget, including:	**494 369.0**	**216 923.7**	**43.9**	**537 851.8**	**239 135.8**	**44.5**	**574 915.0**	**244 241.5**	**42.5**
– General Fund	*416 115.9*	*187 147.6*	*45.0*	*450 809.8*	*212 259.3*	*47.1*	470 292.5	216 052.1	45.9
– Special Fund	*78 253.1*	*29 776.1*	*38.1*	*87 042.0*	*26 876.5*	*30.9*	104 622.5	28 189.4	26.9
State budget (without inter-budget transfers), including:	**288 911.6**	**118 501.9**	**41.0**	**306 051.2**	**131 605.7**	**43.0**	**322 904.1**	**135 066.0**	**41.8**
– General Fund	*238 910.6*	*97 880.2*	*41.0*	*253 125.1*	*114 538.3*	*45.2*	259 594.7	118 549.9	45.7
– Special Fund	*50 001.0*	*20 621.7*	*41.2*	*52 926.1*	*17 067.4*	*32.2*	63 309.4	16 516.1	26.1
Local budgets (without inter-budget transfers), including:	**205 457.4**	**98 421.8**	**47.9**	**231 130.5**	**107 530.1**	**46.5**	**252 010.9**	**109 175.5**	**43.3**
– General Fund	*177 205.3*	*89 267.4*	50.4	*197 070.4*	*97 721.0*	*49.6*	210 697.8	97 502.2	46.3
– Special Fund	*28 252.1*	*9 154.4*	32.4	*34 060.1*	*9 809.1*	*28.8*	41 313.1	11 673.3	28.3

Indicators \ Years	2012			2013 рік			2014		
	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 (with inter-budget transfers), including:	**398 994.8**	**168 054.3**	**42.1**	**424 642.0**	**185 446.6**	**43.7**	**451 070.7**	**197 559.4**	**43.8**
– General Fund	*342 004.7*	*146 326.6*	*42.8*	*363 884.4*	*167 294.8*	*46.0*	377 626.4	176 233.1	46.7
– Special Fund	*56 990.1*	*21 727.7*	*38.1*	*60 757.6*	*18 151.8*	*29.9*	73 444.3	21 326.3	29.0
Inter-budget transfers, total	110 083.2	49 552.4	45.0	118 590.8	53 840.9	45.4	128 166.6	62 493.4	48.8

The consolidated budget expenditures growth rate decreased by 8.1ppt year-on-year and amounted to 102.1% (see Chart 3.3.1). In the first half of 2014, it did not exceed the GDP growth rate, which despite an extremely difficult situation in the Ukrainian economy, increased against last year (for more detail see Section 2. *Analysis of Macroeconomic Indicators in January-June 2014*). Thus, the expenditures growth rate is 2.5ppt lower than GDP growth this year.

Chart 3.3.1

Rates of Growth of GDP and Consolidated Budget Expenditures in January-June 2009-2014



In view of the above, the share of consolidated budget expenditures in GDP decreased and amounted to 35.6% or 0.9ppt less year-on-year. This year, however, this share is greater than in the first half of 2011 and 2012 by 2.6ppt and 1.7ppt, respectively.

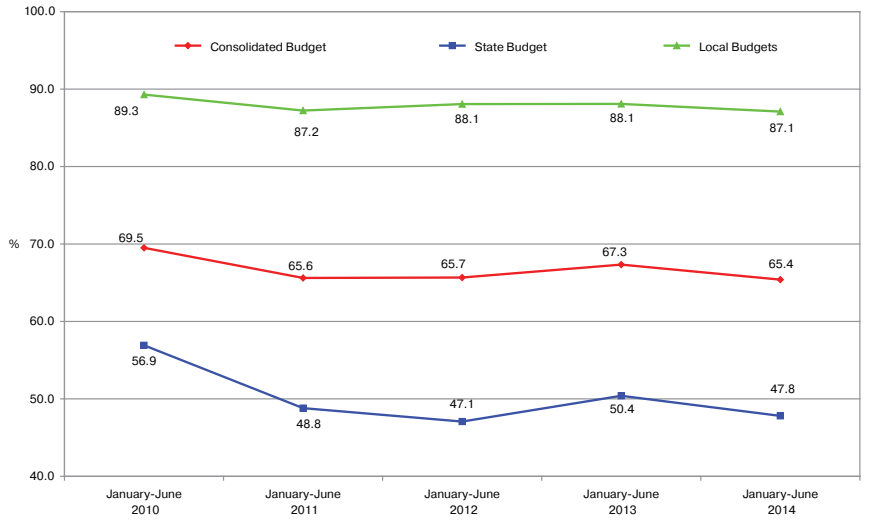
Social expenditures[13] **of the consolidated budget** totaled UAH 159.7bn. They decreased by 0.8% compared to last year, which is 13.8ppt less than last year. This decline occurred against the backdrop of a 2.1% growth in the total amount of consolidated budget expenditures.

The share of social expenditures decreased (by 1.9ppt) year-on-year and amounted to 65.4% (see Graph 3.3.1).

13 *Social expenditures includes expenditures for healthcare, education, spiritual and physical development, social protection and social security.*

Graph 3.3.1

Share of Social Expenditures in the Structure of Consolidated, State, and Local Budget Expenditures in January-June 2009-2014



As seen from the Graph above, the share of such expenditures in local budgets[14] remains invariably high (87.3%). This limits the performance of local government functions, primarily those related to support of the existing infrastructure in proper repair and its development.

A trend towards year-on-year slowing-down of the rate of growth of the consolidated, State, and local budget expenditures emerged in the last two years.

The rate of growth dropped significantly for the local budget expenditures used for financing the greater share of the social and cultural sector. The rate of growth of State budget expenditures also slowed (see Table 3.3.2).

Table 3.3.2

Growth Rates of Certain Expenditure Types of the Consolidated, State, and Local Budgets in January-June 2012-2014 Compared to Previous Period

(%)

Years / Expenditures by functional classification	2012			2013			2014		
	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets
Expenditures total (without inter-budget transfers), including expenditures for:	**115.6**	**112.3**	**120.0**	**110.2**	**111.1**	**109.3**	**102.1**	**102.6**	**101.5**
– housing and communal services	94.9	742.9	93.0	113.8	47.3	115.3	221.6	166.3	222.1
– healthcare	119.9	120.5	119.8	108.3	111.3	107.7	94.9	83.6	97.1

14 *Local budgets channel a significantly greater proportion of expenditures into the social and cultural sector than the State budget. This is explained by the structure of local budget expenditures according to the Budget Code of Ukraine.*

Expenditures by functional classification / Years	2012			2013			2014		
	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets	Consolidated budget	State budget	Local budgets
– spiritual and physical development	130.3	150.4	121.4	106.2	101.9	108.6	113.1	106.6	116.5
– education	120.2	114.3	122.8	105.7	102.7	106.9	93.8	94.1	93.7
– social protection and social security	109.3	103.0	119.8	122.3	127.9	114.4	103.8	99.5	110.7

Expenditures for housing and communal services increased significantly in the first half of 2014, which resulted in their growth rate accelerated by 106.8ppt. This is linked to financing in the current period of the State budget subvention to local budgets for repayment of the debt from difference in tariffs at the amount of UAH 3.8bn against UAH 86.8mn in the first half of 2013.

STATE BUDGET

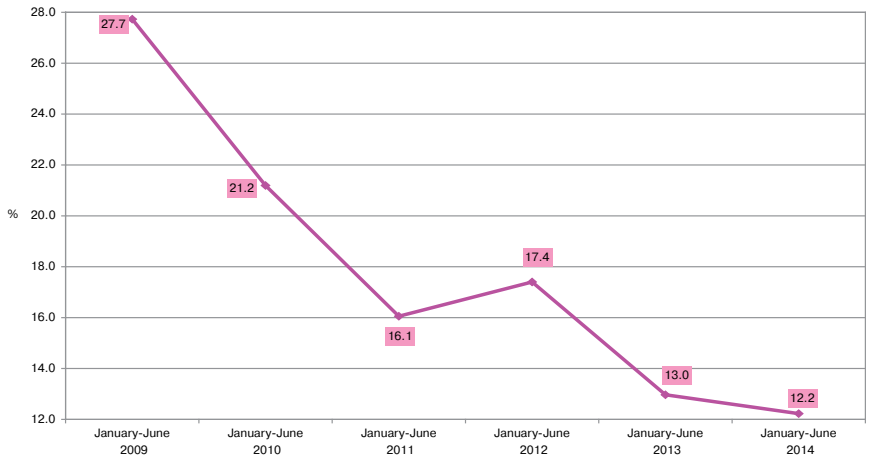
Expenditures of the State budget of Ukraine with inter-budget transfers totaled UAH 197.6bn, which is 6.5% more than in the first half of 2013. The annual plan was executed by 0.1ppt more year-on-year or at 43.8% (see Table 3.3.1).

Expenditures of the State budget without inter-budget transfers totaled UAH 135.1bn, which is UAH 3.5bn or 2.6% more year-on-year. The level of annual plan execution decreased by 1.2ppt compared to last year's figure and amounted to 41.8%. Expenditures of the General Fund were financed at UAH 118.6bn or by 3.5% more, and those of the Special Fund at UAH 16.5bn or 6.2% less than last year.

The decline in the share of Special Fund expenditures against last year's figure (see Graph 3.3.2) could be explained by that in particular the own-source revenues of government funded institutions decreased by 21.2% or by UAH 2.6bn.

Graph 3.3.2

Dynamics of the Share of Special Fund Expenditures of the State Budget without Inter-Budget Transfers in January-June 2009-2014



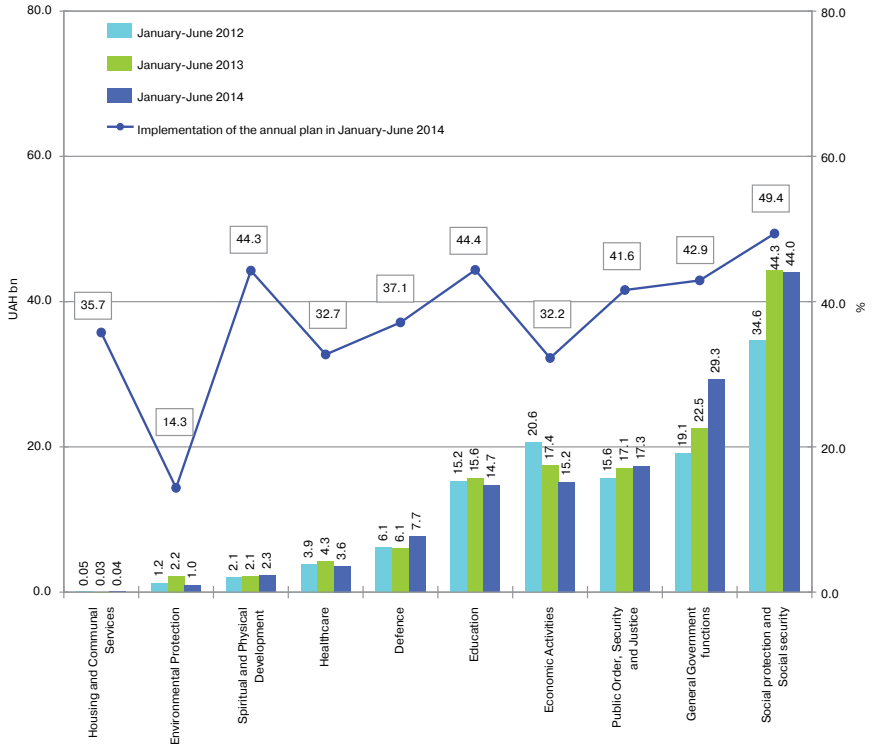
A decline in the share of Special Fund expenditures was also influenced by that this year expenditures were incurred against the funds received from selling the share of the established greenhouse emission quotas envisaged by Article 17 of the Kyoto Protocol under the UN Framework Convention on Climate Change at the amount of UAH 87.2mn vs. UAH 1044.2mn in the first half of 2013.

EXPENDITURES BY FUNCTIONAL CLASSIFICATION

The best funded throughout the first half of 2014 were expenditures for social protection and social security (49.4% of the planned annual amount), inter-budget transfers (48.8%), education (44.4%), and spiritual and physical development (44.3%) (see Chart 3.3.2). The lowest financing level was observed in expenditures for environmental protection. Nearly UAH 1.0bn or 14.3% of the annual plan was spent for that purpose.

Chart 3.3.2

Dynamics of State Budget Expenditures by Functional Classification in January-June 2012-2014



Social expenditures of the State budget totaled UAH 64.6bn, which is UAH 1.7bn or 2.6% less than last year. The level of their execution amounted to 46.7%, which is 0.8ppt less year-on-year.

In general, the structure of expenditures remained the same as in recent years (see Table 3.3.3). Inter-budget transfers account for the largest share (31.6%), which increased slightly against the respective period of last year.

Table 3.3.3

State Budget Expenditures by Functional Classification of Expenditures and Lending in January-June 2012-2014

Years / Expenditures by functional classification	2012			2013			2014		
	Plan, UAH mn	Actual, UAH mn	Actual share., %	Plan, UAH mn	Actual, UAH mn	Actual share., %	Plan, UAH mn	Actual, UAH mn	Actual share., %
General government functions, including	**51 096.6**	**19 078.5**	**11.4**	**59 018.3**	**22 500.5**	**12.1**	**68 386.0**	**29 346.4**	**14.9**
• *debt servicing*	*29 582.9*	*11 554.1*	*6.9*	*34 966.5*	*14 664.2*	*7.9*	*46 014.8*	*20 846.1*	*10.6*
Defense	**17 444.8**	**6 140.3**	**3.7**	**16 207.9**	**6 083.4**	**3.3**	**20 730.1**	**7 696.0**	**3.9**
Public order, security, and judiciary	**36 600.1**	**15 620.7**	**9.3**	**39 316.8**	**17 078.9**	**9.2**	**41 500.3**	**17 260.3**	**8.7**
Environmental protection	**6 488.6**	**1 201.7**	**0.7**	**7 062.6**	**2 211.8**	**1.2**	**6 654.8**	**954.9**	**0.5**
Housing and communal services	**733.5**	**53.8**	**0.03**	**86.1**	**25.4**	**0.0**	**118.2**	**42.2**	**0.0**
Healthcare	**12 179.6**	**3 866.5**	**2.3**	**12 564.0**	**4 303.6**	**2.3**	**10 995.7**	**3 598.1**	**1.8**
Spiritual and physical development	**6 260.4**	**2 086.2**	**1.2**	**4 682.1**	**2 126.5**	**1.2**	**5 122.1**	**2 266.9**	**1.2**
Education	**30 631.9**	**15 207.2**	**9.0**	**33 061.3**	**15 611.0**	**8.4**	**33 122.8**	**14 691.2**	**7.4**
Social protection and social security, including:	**78 402.2**	**34 610.7**	**20.6**	**89 261.0**	**44 276.7**	**23.9**	**89 198.2**	**44 037.9**	**22.3**
• *social protection of pensioners*	*64 494.1*	*30 342.7*	*18.1*	*83 233.6*	*41 616.8*	*22.4*	*83 796.3*	*41 898.8*	*21.2*
Economic activity, including:	**49 073.9**	**20 636.3**	**12.3**	**44 791.3**	**17 387.8**	**9.4**	**47 076.1**	**15 172.0**	**7.7**
• *agriculture, forestry and game preserves, and fisheries*	*10 225.8*	*2 952.9*	*1.8*	*8 162.4*	*3 165.7*	*1.7*	*6 774.5*	*2 379.0*	*1.2*
• *fuel and energy complex*	*10 976.4*	*5 263.2*	*3.1*	*10 480.9*	*7 124.7*	*3.8*	*14 490.7*	*6 436.7*	*3.3*
• *transport*	*14 311.7*	*7 569.1*	*4.5*	*20 734.7*	*5 768.1*	*3.1*	*19 800.6*	*4 966.3*	*2.5*
• *other expenditures for economic activity*	*13 560.0*	*4 851.1*	*2.9*	*5 413.3*	*1 329.3*	*0.7*	*6 010.3*	*1 389.9*	*0.7*
Inter-budget transfers	**110 083.2**	**49 552.4**	**29.5**	**118 590.8**	**53 840.9**	**29.0**	**128 166.6**	**62 493.4**	**31.6**
Total	**398 994.8**	**168 054.3**	**100.0**	**424 642.0**	**185 446.6**	**100.0**	**451 070.8**	**197 559.4**	**100.0**

The next largest is the share of expenditures for social protection and social security (22.3%). At the same time, it should be noted that a great proportion of inter-budget transfers were used for granting benefits, subsidies, allowances etc., and therefore, also for social protection and social security. A significant share of budget funds was used for general government functions (14.9%, which is linked to debt burden on the budget in the form of debt servicing) (10.6% of all expenditures). For instance, the amount spent for such purposes in the first half of this year exceeded the expenditures for spiritual and physical development 9.2 times, those for healthcare 5.8 times, for whole of education department 1.4 times, and nearly a half of all expenditures for social protection and social security. Other significant expenditures include those for public order, security and judiciary, whose share amounted to 8.7%, including 3.8% used toward activities of ensuring public order, fighting crime, and protection of national borders.

EXPENDITURES BY ECONOMIC CLASSIFICATION

In terms of economic classification, growth is noted for the majority of items, except for expenditures for the procurement of medicines and bandaging materials, payment for communal

services and energy, remittance of subsidies and current transfers to enterprises (institutions, organizations), and capital expenditures. The most radical drop was for capital latter of UAH 4.3bn or 71.8% against January-June 2013.

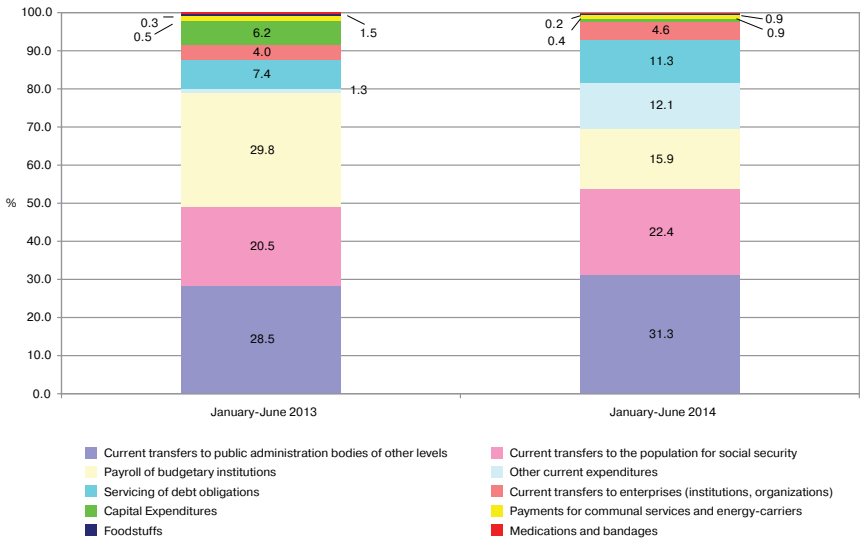
Of the total growth of expenditures (UAH 12.1bn), a significant proportion (76.4%) falls on current transfers to government bodies of other levels, 52.3% used for servicing debt obligations, 12.8% for payroll with taxes, 1.0% for foodstuffs, 0.8% for other current transfers, and 0.6% for social security of the population.

The above has led to increase in shares of these expenditures in their total amount (see Chart 3.3.3). At the same time, on the whole, the share of current expenditures in the total structure increased by 5.3ppt to 99.1%.

Both the amount and level of execution of capital expenditures decreased. They totaled UAH 1.7bn and the level of their execution decreased by 14.9ppt to 9.4%. This reduction of expenditures is primarily due to a 71.1% drop in the amount of provided capital transfers, which amounted to UAH 1.2bn against UAH 4.2bn in the first half of 2013.

Chart 3.3.3

Structure of State Budget Expenditures by Economic Classification in January-June 2013-2014



The share of expenditures under protected items of economic classification decreased to 82.4% of all State budget expenditures, which is 6.1ppt below the 2013 figure (to compare, this indicator decreased by 1.9ppt last year).

Expenditures under protected items amounted to 47.7% of the annual plan, which is 1.5ppt more than in 2013. Development expenditures totaled 31.9% of the annual plan compared to 47.7% for consumption expenditures.

EXPENDITURES BY PROGRAM CLASSIFICATION

The performance indicators of budget programs of the State budget of Ukraine in January-June 2012-2014 are presented in Appendix A. In general, 524 budget programs were approved in the State budget for the year 2014, including 13 programs of providing subventions to local budgets and three grants from the State budget to local budgets.

In the first half of 2014, 15 budget programs for a total of UAH 1.0bn were 100.0% funded. No funding at all was provided for 52 budget programs with UAH 6.6bn in expenditures approved in the State budget.

A high level of execution is recorded for the following budget programs of key spending units:

- Ministry of Internal Affairs of Ukraine: "Providing for Activities of Internal Affairs Bodies and the National Guard of Ukraine" – 79.6% or UAH 97.1mn; "Equipment and Reconstruction of the National Border" – 97.7% or UAH 48.4mn; "Conducting Anti-Terrorist Operations, Other Special Measures, and Ensuring Law and Order on the National Border" – 78.3% or UAH 24.2mn;
- Ministry of Energy and Coal Industry of Ukraine: "Training Specialists for Enterprises of the Nuclear-Industrial Complex by the Sevastopol National University of Nuclear Energy and Industry" – 54.3% or UAH 10.5mn; "State Support to Coalmining Enterprises for Partial Coverage of Costs of the Finished Marketable Coal Products" – 50.4% or UAH 6.1bn; "Providing Assistance to Victims and Families of Victims of the Accident, which Occurred on 11 April 2014, at the Separate Division of the O.O.Skochynsyi Mine of the Donetsk Coal Energy Company State Enterprise" – 65.2% or UAH 0.8mn;
- Ministry of Economic Development and Trade of Ukraine: "Ukraine's Contributions to WTO Budget and Unified Budget of CIS Bodies" – 87.2% or UAH 10.9mn;
- Ministry of Foreign Affairs of Ukraine: "Ukraine's Contributions to the Budgets of UN, Bodies and Specialized Agencies of the UN System, Other International Organizations and Convention Bodies" – UAH 84.3% or UAH 71.0mn;
- Ministry of Defense of Ukraine: "Conducting Anti-Terrorist Operations, Other Special Measures, and Ensuring Law and Order at the National Border" – 81.8% or UAH 93.7mn;
- Ministry of Social Policy of Ukraine: "Development and Software and Hardware Provision of the Information and Analytical Support System, Information and Methodology Provision and Making ID Forms and Badges for Social Protection System" – 80.9% or UAH 1.1mn; "Annual Lump Sum Cash Allowance to War Veterans and Victims of Nazi Persecutions" – 93.2% or UAH 763.3mn; "Provision of Lump Sum Cash Allowances to Family Members of the Persons

Whose Death Is Related to Participation in Mass Actions of Civic Protest, which Occurred in the Period of 21 November 2013 through 21 February 2014" – 71.9% or UAH 8.4mn; "Covering the Deficit of Funds of the Pension Fund of Ukraine for Payment of Pensions, Including Coverage of Costs Related to Servicing of Debt Obligations" – 53.9% or UAH 9.8bn;

- Ministry of Finance of Ukraine: "Support to Implementation of the Energy Efficiency and Environment Initiative in Eastern Europe" – 90.8% or UAH 8.2mn; "State Budget Subvention to Local Budgets for the Provision of Benefits and Housing Subsidies to the Population for Purchase of Solid and Liquid Furnace Household Fuel and Liquefied Gas" – 56.5% or UAH 456.1mn; "State Budget Subvention to Local Budgets for Payment of Allowances to Families with Children, Low-Income Families, Persons Disabled Since Childhood, Disabled Children, and Temporary State Allowances to Children" – 51.3% or UAH 21.9bn; "State Budget Subvention to the Zhovti Vody City Budget for the Performance of Measures of Radiation and Social Protection of Population of the City of Zhovti Vody" – 55.9% or UAH 5.7mn;
- Administration of the State Service of Special Communications and Protection of Information of Ukraine: "Development and Modernization of the State System of Special Communications and Protection of Information" – 72.6% or UAH 4.1mn;
- National Agency for Preparation of and Hosting in Ukraine of the European 2012 Football Championship Finals and Implementation of Infrastructure Projects: "Performance of Debt Obligations under the Credits Obtained Under State Guarantees, which Are Used for Implementing Tasks and Measures Envisaged by the State Targeted Program of Preparation and Hosting in Ukraine the European 2012 Football Championship Finals" – 57.5% or UAH 852.8mn.

The lowest levels of execution were in the programs of the following key spending units: State Environmental Investment Agency of Ukraine – 5.2% of annual allocations; UkrAgroLeasing National Stock Company – 9.1%; State Space Agency of Ukraine – 18.0%; Ministry of Environment and Natural Resources of Ukraine – 22.0%; State Agency of Automobile Roads of Ukraine (with general government expenses) – 26.5%; and Ministry of Youth and Sports of Ukraine – 31.2%.

PROVISION OF BUDGET LOANS / REPAYMENT OF BUDGET LOANS

The amount of loans provided from the State budget totals UAH 1.8bn or 21.3% of the annual plan, and **the amount of repaid loans** totals UAH 0.7bn or 21.6% (see Table 3.3.4). The level of execution of the annual plan for provision of loans increased by 4.5ppt year-on-year, and that for repayment of loans by 2.6ppt.

Table 3.3.4

Indicators of Budget Loans Provision / Repayment in January-June 2012-2014

Years / Indicators	2012			2013			2014		
	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %	Annual plan, UAH mn	Actual, UAH mn	Execution, %
Lending, including:	**–59.5**	**1 601.9**	**x**	**1 301.6**	**–48.8**	**x**	**5 034.0**	**1 057.4**	**x**
– provision of loans	12 276.9	2 184.2	17.8	13 401.7	2 245.1	16.8	8 477.1	1 801.6	21.3
– repayment of loans	–12 336.4	–582.3	4.7	–12 100.1	–2 294.0	19.0	-3 443.1	-744.3	21.6

Therefore, like in recent years, risks remain of non-fulfillment of the annual planned amount of budget loans repayment of UAH 3.4bn. Analysis shows that the repayment of loans amounted to 17.4% of the planned amount in 2012, and 45.6% in 2013.

Most State budget **loans** were provided in the period under review for the economic activity sector (fuel and energy complex and road sector) and for housing and communal services, in particular:

- to the Ministry of Energy and Coal Industry under the budget programs: “Construction, Reconstruction, and Technological Re-equipment of Fuel and Energy Complex Facilities (Against the Funds Attracted under State Guarantees on Repayment Basis”) – UAH 546.8mn; “Improving the Reliability of Electric Energy Supplies in Ukraine” – UAH 302.2mn; “Construction of 750kV Overhead Transmission Line Rivne NPP – Kyiv Oblast” – UAH 261.2;
- to the State Agency of Automobile Roads of Ukraine under the budget program “Development of Highways and Reform of the Road Sector” – UAH 354.7mn;
- to the Ministry of Education and Science of Ukraine under the budget program “Providing Loans for Construction / Acquisition of Housing for the Research-and-Pedagogical and Pedagogical Staff” – UAH 201.4mn;
- to the Ministry of Regional Development, Construction, and Housing and Communal Services of Ukraine under the budget program “Development of Urban Infrastructure in Ukraine and Measures in the Sector of District Heating in Ukraine, Development of Water Supply and Water Removal System in the City of Mykolaiv” – UAH 120.9mn.

The repayment of loans mainly took place also in the economic activity sector.

In terms of budget programs, the largest loan repayments occurred for the following key spending units;

- Ministry of Finance: under the budget programs “Repayment of Loans Provided for Financing Development Projects against the Funds Attracted by the State” – UAH 540.7mn;

and "Repayment of Budget Funds Provided on Repayment Basis for Implementation of Certain Measures" – UAH 10.4mn;

- Ministry of Energy and Coal Industry: under the budget program "Repayment of Funds Provided to the UkrHydroEnergo Public Stock Company on Repayment Basis for Implementation of Socioeconomic Development Projects" – nearly UAH 121.0mn;
- Ministry of Regional Development, Construction, and Housing and Communal Services: under the budget programs "Repayment of Loans Provided from the State Budget to Young Families and Single Young Citizens for Construction / Reconstruction and Purchase of Housing, and Late Payment Interest" – UAH 15.5mn; and "Repayment of Loans Provided from the State Budget to Individual Rural Developers for Construction / Reconstruction and Purchase of Housing" – UAH 18.2mn;
- Ministry of Agrarian Policy and Food: under the budget program "Repayment of Funds Provided for the Formation by the Agrarian Fund of the State Intervention Fund, as well as for Procurement of Material and Technological Resources for Agricultural Producers" – UAH 17.5mn.

3.4. EXECUTION OF LOCAL BUDGETS IN JANUARY-JUNE 2014

LOCAL BUDGET REVENUES

According to the State Treasury of Ukraine, **the General and Special fund of local budgets (with inter-budget transfers)** received UAH 112.1bn in the first half of 2014, which is 8.8% or UAH 9.1bn more than the respective indicator of last year.

The amount **without inter-budget transfers** totaled UAH 49.6bn, which is 0.9% more than in January-June 2013.

The level of execution of the annual revenue plan approved by local councils amounted to 45.4% vs. 46.0% according to last year's data. The level of execution of the Ministry of Finance 2014 estimate amounted to 44.1% (45.2% in 2013).

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

Table 3.4.1

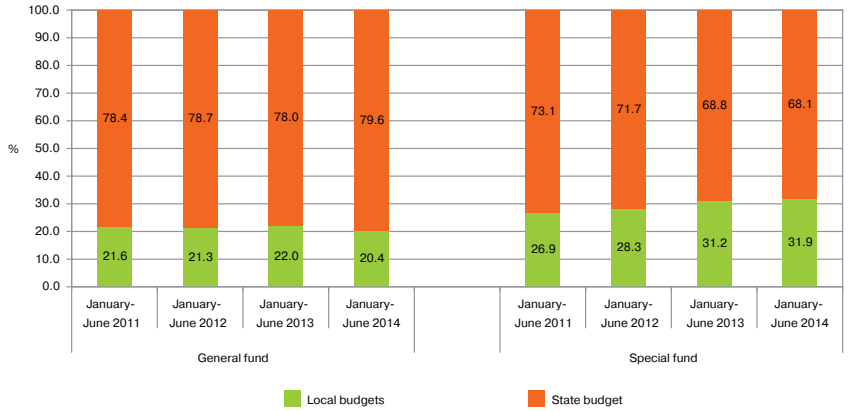
Intake of Local Budget Revenues (without Inter-Budget Transfers) in January-June 2012-2014

Revenues	Actual in January-June 2012	Actual in January-June 2013	MOF 2014 estimate	Approved by local councils for 2014	Actual in January-June 2014	Execution of MOF estimates, %	Execution of plans approved by local councils, %
Total, UAH mn, including:	**46 485.8**	**49 200.7**	**112 652.2**	**109 422.3**	**49 650.2**	**44.1**	**45.4**
– General Fund	37 989.0	40 039.8	90 563.4	90 563.2	38 876.3	42.9	42.9
– Special Fund	8 496.8	9 160.9	22 088.8	18 859.1	10 773.9	48.8	57.1

The share of local budget revenues in the consolidated budget amounted to 22.1% (which is 0.9ppt less year-on-year). Also, changes occurred in the structure of revenues by budget fund. Thus, the share of local budget revenues for the General Fund decreased by 1.6ppt, while that for the Special Fund increased by 0.7ppt (see Chart 3.4.1).

Chart 3.4.1

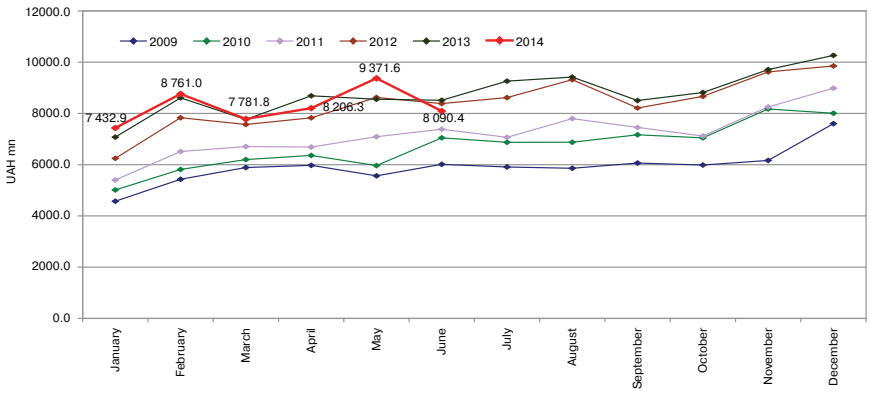
Share of Revenues by Fund of the State and Local Budgets in the Consolidated Budget Revenues in January-June 2011-2014



The dynamics of monthly local budget revenues is generally similar to the trend of recent years except for sagging of the revenue amount in June (see Graph 3.4.1).

Graph 3.4.1

Dynamics of Monthly Local Budget Revenues (without Inter-Budget Transfers) in 2009-2014

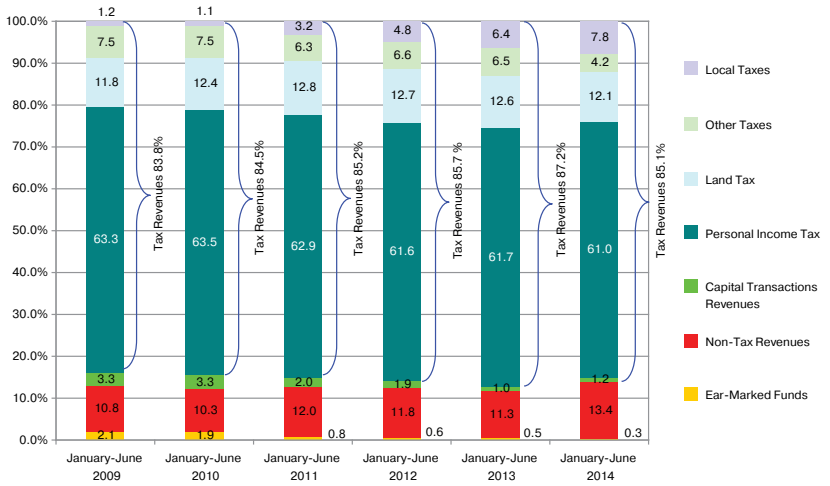


Due to a decline in the shares of nearly all components of local budget tax revenues, except local taxes and fees, the share of tax revenues is observed in the structure of local budget revenues fell compared to last year. Still, the share of local taxes and fees continued growing by another 0.8ppt in the six months under review.

The growth of proceeds from the single tax is the main driver behind the increase of this share (see Chart 3.4.2).

Chart 3.4.2

Structure of Local Budget Revenues in January-June 2009-2014



TAX REVENUES

Tax revenues account for 85.1% of local budget revenues (without inter-budget transfers). Their amount totals UAH 42.2bn, which is 1.6% less year-on-year.

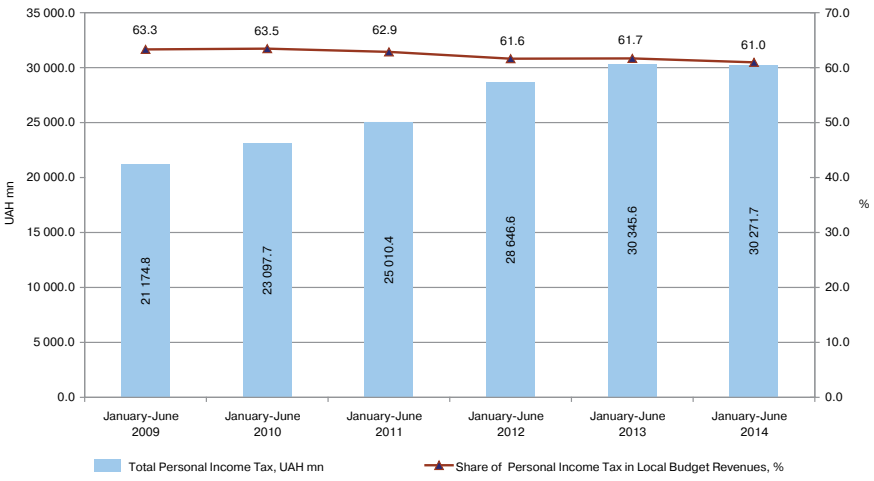
PERSONAL INCOME TAX

The personal income tax continues to be the single most important source of local budget revenues. However, its share reached its lowest value since 2008, at 61.0%. This tax provided UAH 30.3bn in revenues, which is 0.2% less year-on-year.

The dynamics of proceeds from the personal income tax is summarized in Chart 3.4.3.

Chart 3.4.3

Dynamics of Revenues from Personal Income Tax in January-June 2009-2014

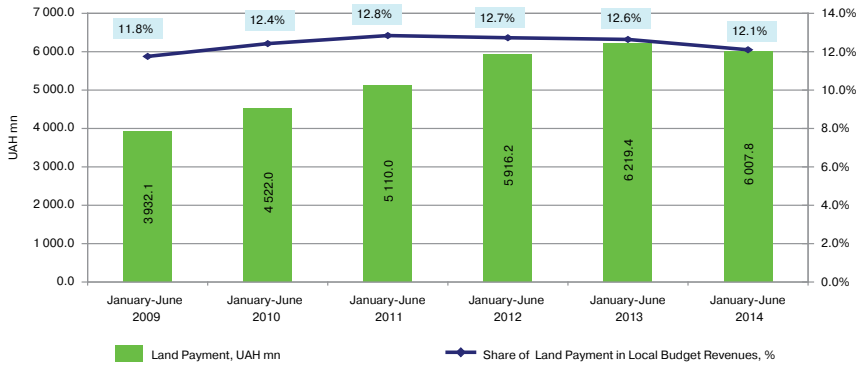


PAYMENT FOR LAND

As usual, **payment for land** is the second most important source of local budget revenues. This source generated UAH 6.0bn, which is 0.2% less than the respective indicator of last year (see Chart 3.4.4).

Chart 3.4.4

Dynamics of Revenues from Payment for Land in January-June 2009-2014



A trend is observed in the structure of payment for land toward increasing the land rent and respective decrease of the land tax. In the first half of 2014, this trend continued, in particular, the land tax proportion decreased, while the rent share increased by 0.8ppt (see Chart 3.4.5).

Chart 3.4.5

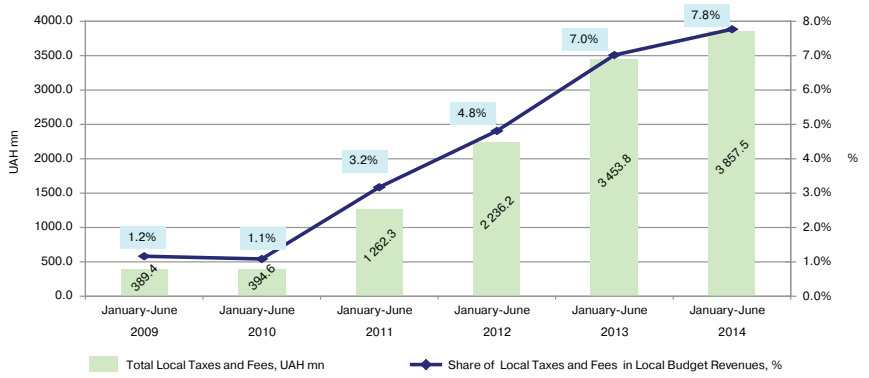
Dynamics of Revenues from Land Tax and Rent in January-June 2009-2014

LOCAL TAXES AND FEES

Local budgets received UAH 3.9bn from **local taxes and fees** in January-June 2014, which is 11.7% more year-on-year. Their share in the structure of local budget revenues increased to 7.8% (see Chart 3.4.6).

Chart 3.4.6

Dynamics of Revenues from Local Taxes and Fees in January-June 2009-2014



Due to the adoption of the Tax Code of Ukraine in 2011, the structure of local taxes and fees changed significantly, namely, the number of local taxes and fees decreased from 14 to just five. However, the inclusion of the single tax in their number provided increase in the share of this component in the structure of local budget revenues.

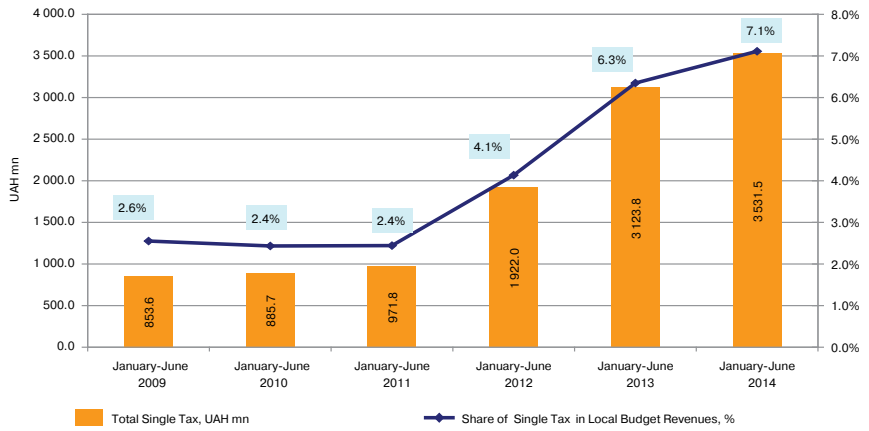
SINGLE TAX ON SMALL BUSINESSES

The single tax was the most weighty from among local taxes and fees totaling UAH 3.5bn, which is 13.1% more than in the first half of 2013 (see Chart 3.4.7).

It should be noted that this growth mainly occurred thanks to growth in the number of taxpayers – both individuals and small business entities.

Chart 3.4.7

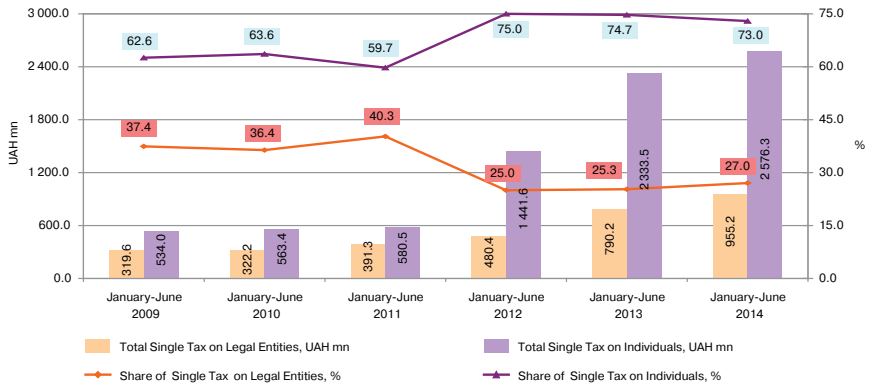
Dynamics of Revenues from Single Tax on Small Businesses in January-June 2009-2014



Shown in Chart 3.4.8 is the dynamics of revenues from the single tax on legal entities and in dividuals.

Chart 3.4.8

Dynamics of Revenues from Single Tax on Legal Entities and Individuals in January-June 2009-2014



ECOLOGICAL TAX

The national **ecological tax**[15]**,** which replaced the former charge for environmental pollution, was introduced in the 2011 Tax Code of Ukraine. In the period under review, this source provided UAH 0.6bn to local budgets, and it accounted for 1.3% of revenues.

By the end of 2012, this tax had been charged at 50% of the rate set by the Tax Code. In 2013, 75% of the rate was applied, and 100% is charged as of 1 January 2014.

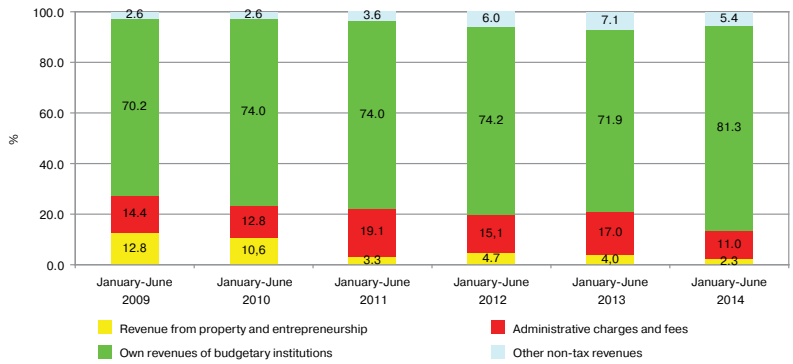
NON-TAX REVENUES

The amount of **non-tax revenues** of local budgets totaled UAH 6.7bn, which is 19.3% more year-on-year.

The share of own-source revenues of government-funded institutions grew by 9.4ppt in the structure of non-tax revenues; at the same time, the shares of its other components decreased: income from property and business activity by 1.7ppt; administrative changes and fees by 6.0ppt; and other non-tax revenues by 1.7ppt (see Chart 3.4.9).

Chart 3.4.9

Structure of Non-Tax Revenues of Local Budgets in January-June 2009-2014



15 *As of 1 January 2011, the ecological tax is paid by all those using fuel for motor vehicles, including economic entities, citizens of Ukraine, foreigners, and persons without citizenship using automobiles. The Tax Code provides for collection of the ecological tax for emission of pollutants in the atmospheric air by mobile sources of pollution via the tax agents engaged in wholesale and retail trade in motor fuel.*
Thus, the ecological tax is paid by taxpayers at the time of fuel purchase, is withheld by the tax agents selling fuel, and then remitted to the budget.

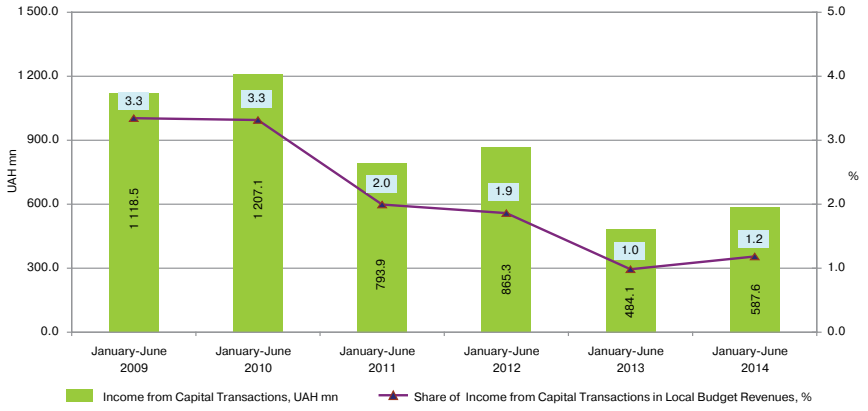
As usual, **own-source revenues of government-funded institutions** is the largest item of non-tax revenues of local budgets. They totaled UAH 5.4bn, which is UAH 1.4bn or 34.9% more year-on-year.

INCOME FROM CAPITAL TRANSACTIONS

In the first half of 2014, the amount of **income from capital transactions** increased somewhat year-on-year. They totaled UAH 0.6bn, which is 21.4% more than in 2013. This has increased the share of revenues from capital transactions in local budget revenues by 0.2ppt to 1.2% (see Chart 3.4.10).

Chart 3.4.10

Dynamics of Income from Capital Transactions in January-June 2009-2014



DEVELOPMENT BUDGET

The development budget revenues of local budgets (with funds received from the General Fund of the budget into the development budget) totaled UAH 4.8bn in the first half of 2014, which is 12.6% less year-on-year. In January-June 2014, the share of these revenues in the overall structure of local budget revenues decreased to 9.7%, which is 1.5ppt less than the respective 2013 figure (see Chart 3.4.11 and Chart 3.4.12).

Chart 3.4.11

Share of Development Budget Revenues in Local Budget Revenues (without Inter-Budget Transfers) in January-June 2013

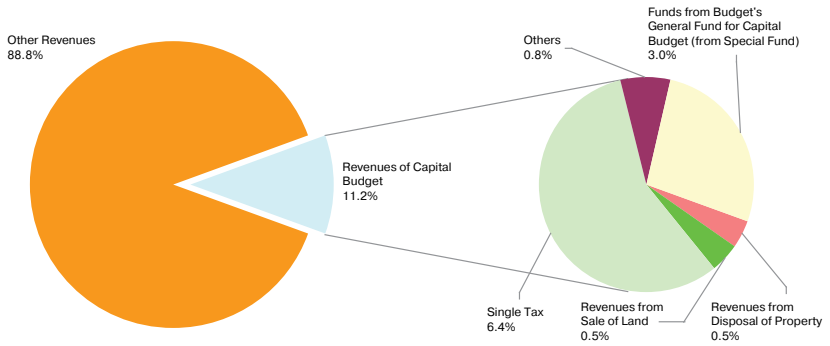
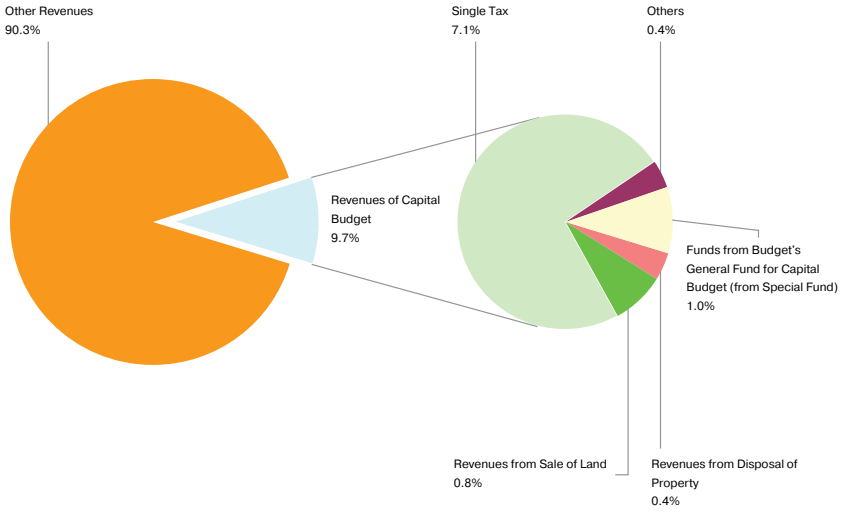


Chart 3.4.12

Share of Development Budget Revenues in Local Budget Revenues (without Inter-Budget Transfers) in January-June 2014



According to the new version of the Budget Code of Ukraine, the proceeds from levying the single tax have been credited to the development budget as of 1 January 2011. Based on the results of the first half of 2014, these revenues have become the main source at 73.6% of all development budget revenues.

The second and third most important sources of revenues are the funds received from the General Fund of the budget into the development budget (UAH 474.5mn or 9.9%) and proceeds from sale of land (UAH 387.5mn or 8.1%).

The proceeds from the alienation of municipal property totaled UAH 195.0mn, which amounts to 4.1% of all development budget revenues.

The receipts from other types of revenues amounted to 4.4% of all development budget revenues of local budgets.

LOCAL BUDGET EXPENDITURES

The amount of local budget expenditures (with the funds transferred from local budgets to the State budget) totaled UAH 110.2bn, which is 1.8% more year-on-year.

Local budget expenditures (without the funds transferred from local budgets to the State budget) totaled UAH 109.2bn, which is 1.5% more year-on-year. The Ministry of Finance 2014 estimates were fulfilled by 46.5%, including by 45.7% for General Fund expenditures, and by 53.9% for Special Fund expenditures. This equals 43.3% of the plan approved by local councils for 2014.

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

Table 3.4.2

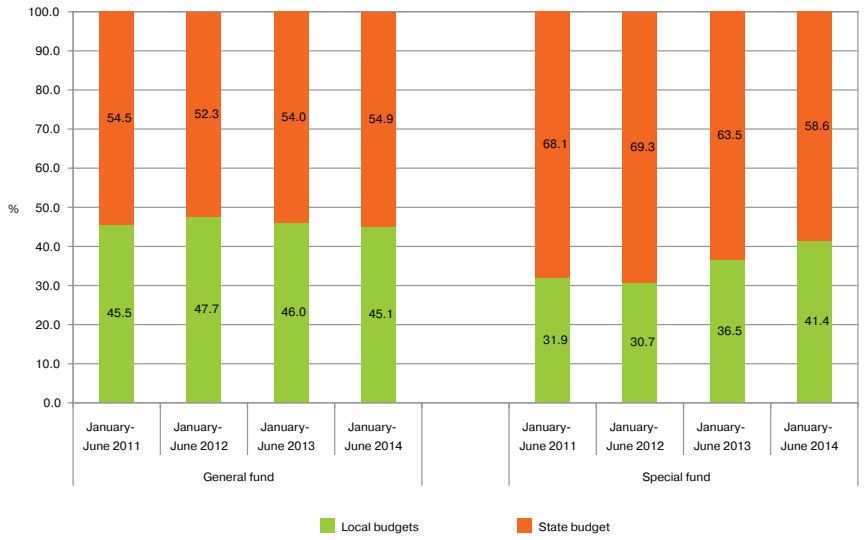
Expenditures of Local Budgets (without the Funds Transferred from Local Budgets to the State Budget) in January-June 2012-2014

Expenditures	Actual in January-June 2012	Actual in January-June 2013	MOF 2014 estimates	Approved by local councils for 2014	Actual in January-June 2014	Execution of MOF estimates, %	Execution of plans approved by local councils, %
Total, UAH mn, including:	**98 421.8**	**107 530.1**	**234 905.9**	**252 010.9**	**109 175.5**	**46.5**	**43.3**
– General Fund	89 267.4	97 721.0	213 254.2	210 697.8	97 502.2	45.7	46.3
– Special Fund	9 154.4	9 809.1	21 651.7	41 313.1	11 673.3	53.9	28.3

Local budget expenditures accounted for 44.7% of consolidated budget expenditures, which is 0.3ppt less year-on-year. Also, the share of General Fund expenditures decreased by 0.9ppt year-on-year and amounted to 45.1%, and the share of Special Fund expenditures increased by 4.9ppt to 41.4% (see Chart 3.4.13).

Chart 3.4.13

Share of Expenditures by Fund of the State and Local Budgets in the Consolidated Budget Expenditures in January-June 2011-2014

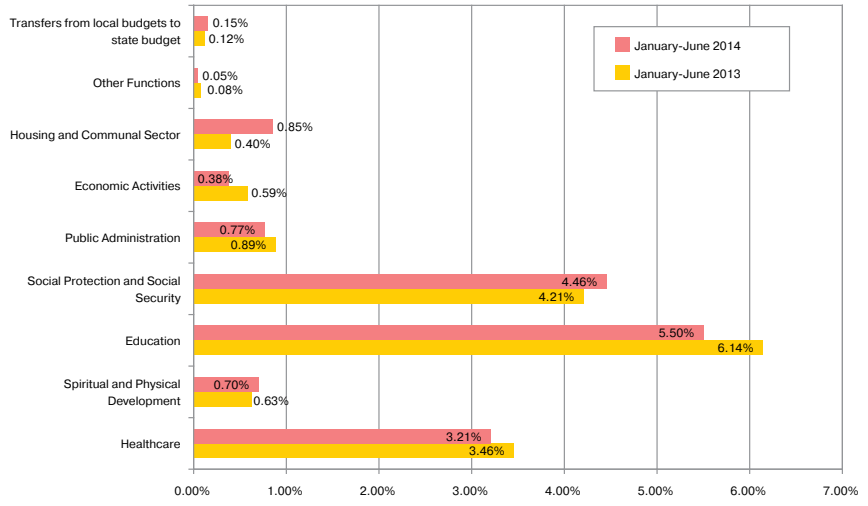


The level of GDP redistribution via the local budgets of Ukraine[16] in the first half of 2014 amounts to 16.07%, which is 0.44ppt less year-on-year. The highest growth of this indicator was in expenditures for the housing and communal services sector and social protection and social security (+0.45ppt and +0.25ppt, respectively). The greatest decline of the share occurred in expenditures for education (by 0.64ppt), healthcare (by 0.25ppt), and economic activity (by 0.21ppt) (see Chart 3.4.14).

16 Share of local budgets in GDP.

Chart 3.4.14

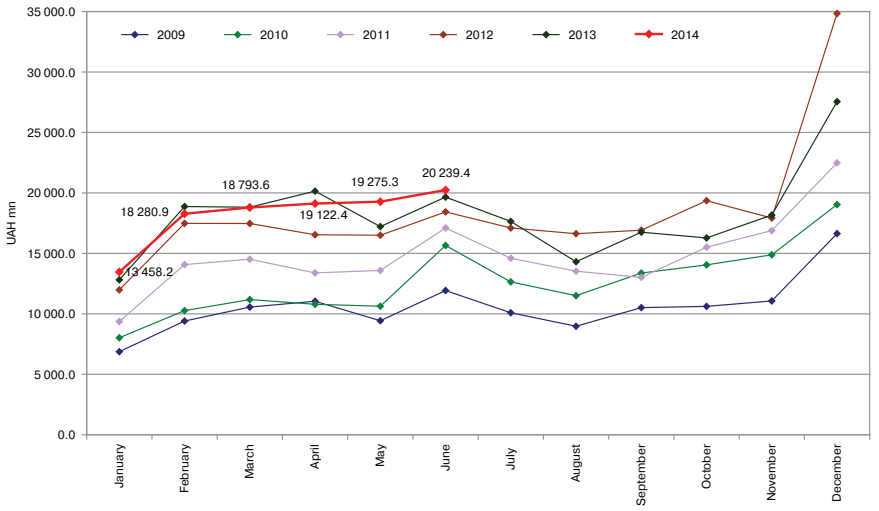
Share of Local Budget Expenditures in GDP in January-June 2013-2014



At the beginning of the year, the nature of monthly changes in the amounts of local budget expenditures was on the whole similar to last year's dynamics. Also, some decline in the amount of expenditures was observed in February and April year-on-year. At the same time, unlike the dynamics of recent years, there was a slight increase of expenditures in May (see Graph 3.4.2).

Graph 3.4.2

Dynamics of Actual Monthly Expenditures of Local Budgets in 2009-2014



GENERAL FUND AND SPECIAL FUND

The General Fund expenditures of local budgets totaled UAH 97.5bn. They decreased by 0.2% year-on-year. This equals 46.3% of the planned annual indicators approved by local councils, which is 3.2ppt below last year's figure.

Expenditures of the Special Fund of local budgets were funded at UAH 11.7bn, which is 19.0% more year-on-year. The level of execution of the planned annual indicators approved by local councils amounted to 28.3%, which is 0.5ppt less than in January-June 2013.

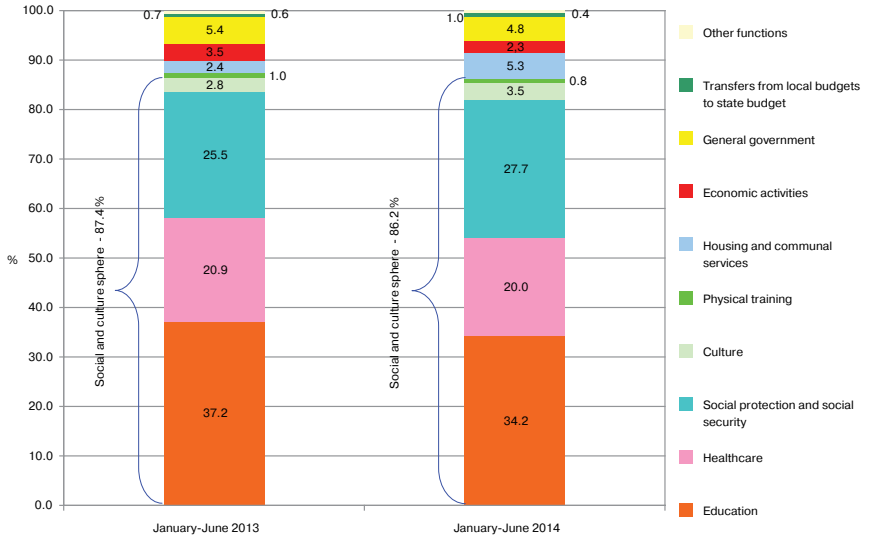
STRUCTURE OF EXPENDITURES BY FUNCTIONAL CLASSIFICATION

The majority of local budget expenditures are commonly allocated for the social and cultural sector (education, healthcare, social protection and social security, culture and arts, physical culture and sport). In the reporting period, the aggregate of those expenditures in the total structure of local budget expenditures amounted to 86.2%, which is 1.2ppt less year-on-year (see Chart 3.4.15).

Certain changes occurred in the structure of local budget expenditures by functional classification. For instance, the share of expenditures for social protection and social security increased by 2.2ppt to 27.7%. It should be noted that this increase was due to growth in social subventions at a rate higher than other expenditures.

Chart 3.4.15

Structure of Local Budget Expenditures by Functional Classification in January-June 2013-2014

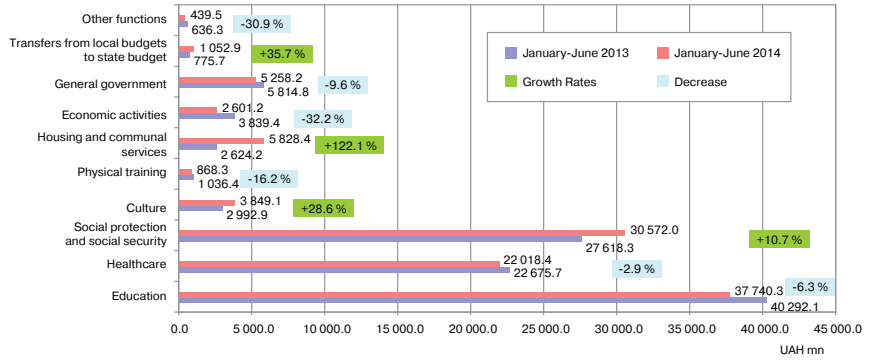


The shares of expenditures for education, economic activity, and healthcare decreased by 3.0ppt, 1.2ppt, and 0.9ppt, respectively. The total amount of expenditures for the social and cultural sector was nearly the same as last year and amounted to UAH 95.0bn.

Expenditures for education are the largest among those at UAH 37.7bn (or 34.2% of all local budget expenditures), with nearly UAH 30.6bn (or 27.7%) for social protection and social security, and UAH 22.0bn (or 20.0%) for healthcare (see Chart 3.4.16).

Chart 3.4.16

Expenditures of Local Budgets by Functional Classification in January-June 2013-2014



Expenditures for public administration were funded at UAH 5.3bn, which is 9.6% less than in January-June 2013. Their share in the structure of local budget expenditures decreased by 0.6ppt to 4.8%.

Expenditures for culture and arts increased by 28.6% to UAH 3.8bn.

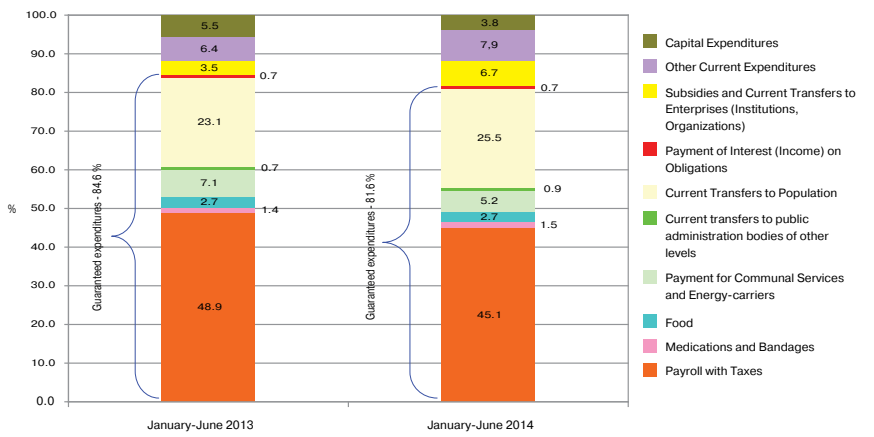
Also, local budget expenditures for housing and communal services nearly doubled. They totaled UAH 5.8bn in January-June. The main reason for this growth was the granting of a State budget subvention to local budgets in the first half of the year for the repayment of debt from the difference in tariffs at the amount of UAH 3.8bn, while expenditures under that subvention only amounted to UAH 0.1bn in the respective period of 2013.

STRUCTURE OF EXPENDITURES BY ECONOMIC CLASSIFICATION

In terms of economic classification, 81.6% of all local budget expenditures were protected items, which is 3.0ppt less than the respective 2013 indicator (see Chart 3.4.17).

Chart 3.4.17

Structure of Local Budget Expenditures by Economic Classification in January-June 2013-2014



The share of expenditures for payroll with taxes is commonly the largest of all local budget expenditures. It decreased by 3.8ppt year-on-year and amounted to 45.1%. Also, the amount of these expenditures decreased by UAH 3.2bn or by 6.1% and totaled UAH 49.7bn.

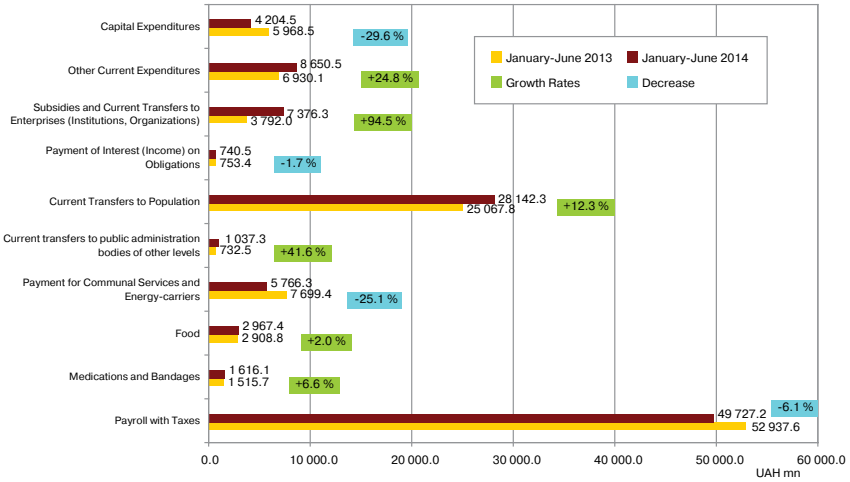
The next largest share of local budget expenditures is current transfers to the population for social security at 25.5%, which is 2.4ppt more than last year.

The cost of communal services and energy decreased by 1.9ppt to 5.2%.

On the whole, current expenditures of local budgets totaled over UAH 106.0bn, which is 3.6% more than in January-June 2013. Capital expenditures were funded at UAH 4.2bn, and their amount decreased by UAH 1.8bn or by 29.6% (see Chart 3.4.18).

Chart 3.4.18

Expenditures of Local Budgets by Economic Classification in January-June 2013-2014



INTER-BUDGET TRANSFERS FROM STATE BUDGET TO LOCAL BUDGETS

According to the State Treasury of Ukraine, **inter-budget transfers from the State budget to local budgets** totaled UAH 62.5bn in January-June 2014, which amounts to 48.8% of the annual plan. Of those, the General Fund of local budgets received 45.0% of the annual plan. The Special Fund received 3.7% of the planned annual amount.

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

Table 3.4.3

Inter-Budget Transfers from the State Budget to Local Budgets in January-June 2012-2014

Inter-budget transfers	Actual in January-June 2012	Actual in January-June 2013	Plan for 2014	Actual in January-June 2014	Plan execution, %
Total, UAH mn, including:	**49 552.4**	**53 840.9**	**128 166.6**	**62 493.4**	**48.8**
– General Fund	48 446.4	52 756.5	118 031.7	57 683.1	48.9
– Special Fund	1 106.0	1 084.4	10 134.9	4 810.3	47.5

The share of inter-budget transfers in the structure of local budget revenues amounted to 55.7%, which is 3.4ppt more year-on-year (see Chart 3.4.19).

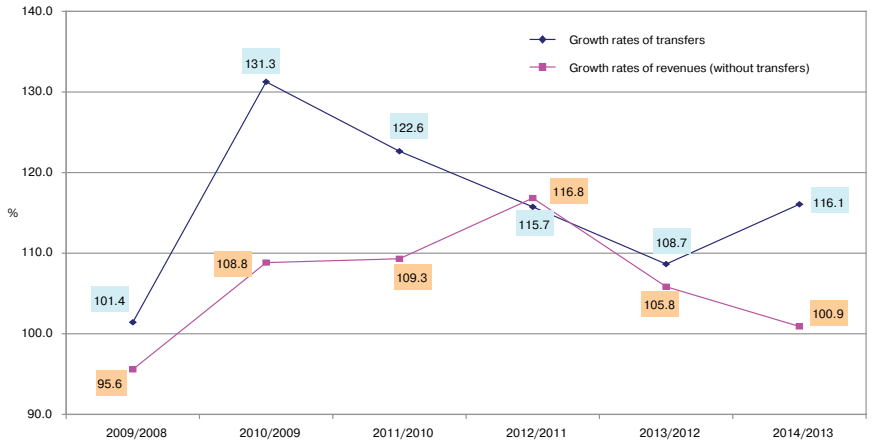
Chart 3.4.19

Dynamics of Remittance of State Budget Transfers to Local Budgets in January-June 2009-2014

Growth in the amounts of inter-budget transfers equaled 16.1% year-on-year. It should be noted that they were growing at a faster pace than local budget revenues. (see Graph 3.4.3).

Graph 3.4.3

Rates of Growth of Transfers and Local Budget Revenues in January-June 2009-2014



At 47.7%, the equalization grant has the largest share of transfers (it amounted to 50.8% in January-June 2013). This share decreased by 3.1ppt year-on-year, while the share of other subventions increased by 4.3ppt and amounted to 8.0% (see Chart 3.4.20

and Chart 3.4.21). As has already been mentioned, a State budget subvention to local budgets was provided in January-June 2014 to repay the debt from the difference in tariffs at the amount of UAH 3.8bn, whereas expenditures under this subvention only amounted to UAH 0.1bn in the respective period of 2013.

Chart 3.4.20

Structure of State Budget Transfers to Local Budgets in January-June 2013

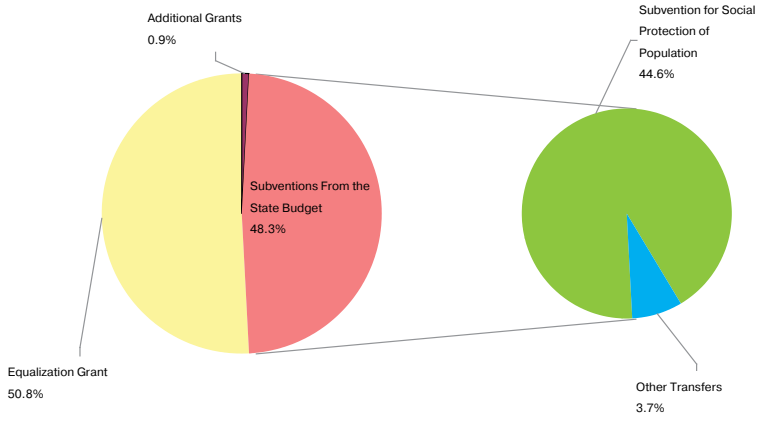
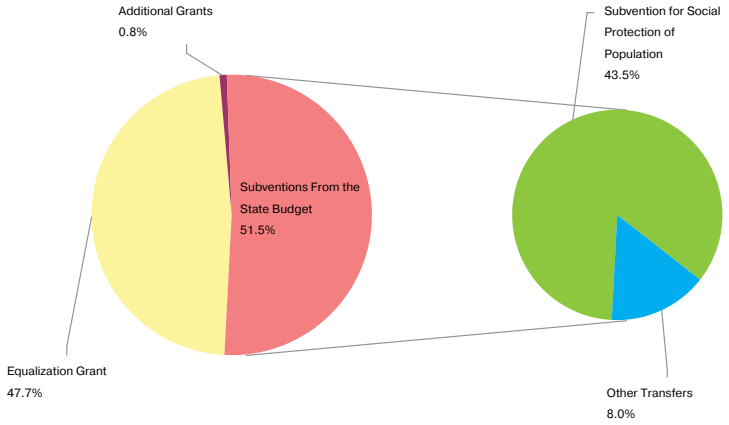


Chart 3.4.21

Structure of State Budget Transfers to Local Budgets in January-June 2014



EQUALIZATION GRANT

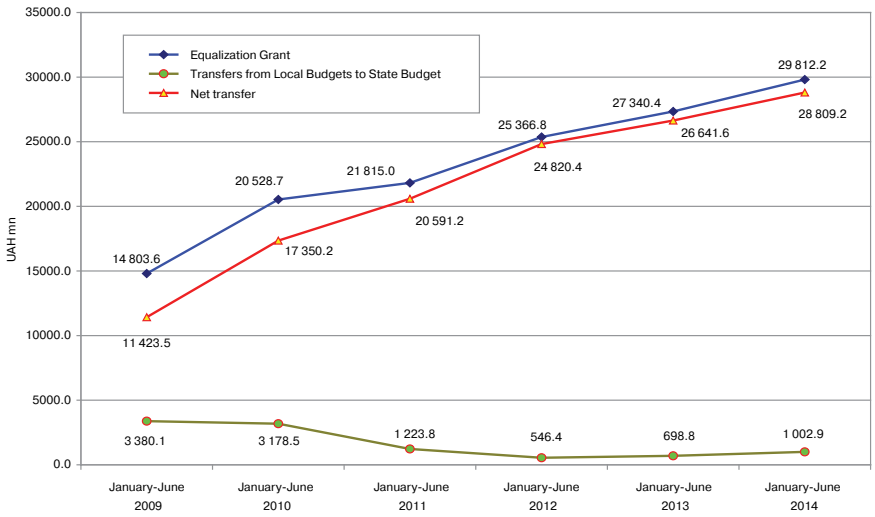
The equalization grant was remitted at the amount of UAH 29.8bn, which amounts to 48.9% of the annual plan; the respective indicator of January-June 2013 amounted to UAH 27.3bn or 43.5% of the annual plan. (see Graph 3.4.4).

At the same time, the amount of funds transferred by local budgets to the State budget also increased. Therefore, the net equalization transfer[17] amounted to more than UAH 28.8bn (see Graph 3.4.4), which is 8.1% more year-on-year.

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

Graph 3.4.4

Price Indices in 2009-2012 Dynamics of Remittance of the Equalization Grant and Local Budget Transfers to the State Budget in January-June 2009-2014



OTHER GRANTS

In the first half of 2014, the following **additional grants** were remitted from the State budget to local budgets:

- for equalizing the financial adequacy of local budgets (the annual plan totals UAH 1.1bn) – 33.4% of the annual amount funded;
- for compensating losses of local budget revenues due to the State's granting tax remissions in payment of land tax to space research and aircraft manufacturing, shipbuilding and cinematography entities (the annual plan totals UAH 149.1mn) – 45.7% funded;
- to the Slavutych city budget for the maintenance of the city's social infrastructure (the annual plan totals UAH 10.0mn) – 50.0% funded.

Also, at the beginning of the year, additional grants were funded, which were revoked by the Law of Ukraine of 27 March 2014, No. 1165-VII "On Amending the Law of Ukraine 'On the State Budget of Ukraine for the Year 2014'":

- to the Donetsk Oblast budget for expenditures related to the implementation of activities of improving the level of provision of public services – the plan totaled UAH 120.0mn at the beginning of the year (UAH 21.8mn funded);
- for compensation of the loss of revenues due to stationing of the Russian Federation's Black Sea Fleet in the territories of the cities of Sevastopol, Feodosiya, and the urban-type of settlement Hvardiyske, Simferopol district – the plan totaled UAH 119.4mn at the beginning of the year (UAH 21.7mn funded);
- for the performance of powers established by the Law of Ukraine "On Approving the Constitution of the Autonomous Republic of Crimea" – the plan totaled UAH 99.1mn (UAH 18.0mn funded).

SUBVENTIONS FOR SOCIAL PROTECTION OF THE POPULACE

Social subventions were remitted at the amount of UAH 27.2bn in January-June 2014, including:

- subvention for paying allowances to families with children, low-income families, persons disabled since childhood, disabled children, and the temporary State allowance to children – UAH 21.9bn, which amounts to 51.3% of the annual plan;
- subvention for the provision of benefits and housing subsidies to the populace for paying electric energy, natural gas, services of heat and water supply, and water removal, apartment rent, removal of solid municipal waste and liquid waste – UAH 3.6bn or 42.4% of the annual plan;
- subvention for the provision of benefits in telecommunications services, other benefits envisaged by law (except for benefits related to the provision of medicines, dental prosthetics, payment for electric energy, natural and liquefied gas for household needs, solid and liquid household furnace fuel, service of heat and water supply, and water removal, apartment rent (maintenance of buildings and structures, and adjacent territories), removal of solid municipal waste and liquid waste), for compensation of the loss of part of income due to the cancellation of the tax on owners of motor vehicles and other self-propelled machines and mechanisms, and the respective increase in the rates of excise tax on fuel, and for compensation for the preferential fare of certain categories of citizens – UAH 830.9mn or 42.9% of the annual plan;
- subvention for granting benefits and housing subsidies to the population for purchasing solid and liquid household furnace fuel and liquefied gas – UAH 456.1mn or 56.5% of the annual plan;
- State budget subvention to local budgets for paying 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 according to the "money follows the child" principle – UAH 258.2mn or 46.4% of the annual plan.

OTHER SUBVENTIONS

According to the data of the State Treasury Service, in addition to social subventions, 13 types of **other subventions** are to be provided to local budgets in 2014 (see Appendix B). In general, they were funded at nearly UAH 5.0bn or 44.9% of the annual plan.

The following subventions had the highest percentages of funding:

- for procuring consumables for healthcare institutions and medicines for inhalation anesthesia – 90.5% of the annual plan;
- for conducting elections of deputies to local councils and village, settlement, and city mayors – 71.2% of the annual plan;
- for implementation of activities of radiation and social protection of the population of the city of Zhovti Vody – 66.9% of the annual plan;

- for repayment of the debt from the difference in tariffs for heat energy, services of centralized water supply and water removal, which were produced, transported, and supplied to the populace, which debt accrued due to a mismatch between the actual cost of the heat energy and services of centralized water supply and water removal and the tariffs approved by and/or agreed to by government authorities or local governments – 56.6% of the annual plan.

TRANSFERS FROM LOCAL BUDGETS TO THE STATE BUDGET

The State budget of Ukraine received nearly UAH 1.1bn in **inter-budget transfers from local budgets**.

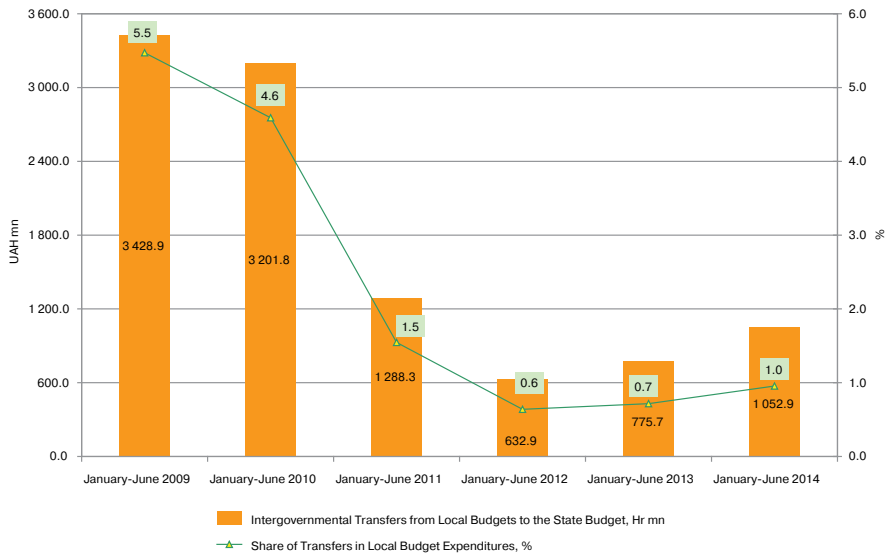
The funds transferred from local budgets to the State budget totaled UAH 1.0bn or 50.1% of the annual plan.

In addition, the inter-budget transfers provided from local budgets include subventions for implementation of programs for socioeconomic and cultural development of the regions. Such subventions were remitted at nearly UAH 50.0mn, which is 35.1% less than in the first half of 2013.

In general, the total transfers to the State budget increased by UAH 277.2mn year-on-year and amounted to 1.0% of all local budget expenditures (see Chart 3.4.22).

Chart 3.4.22

Dynamics of Remittance of Transfers from Local Budgets to the State Budget in January-June 2009-2014



Appendix A

State Budget Expenditures by Program Classification in January-June 2012-2014

Expenditures by program classification	January-June 2012			January-June 2013			January-June 2014		
	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Ministry of Internal Affairs of Ukraine	**13 006.1**	**5 793.6**	**44.5**	**16 333.3**	**6 991.1**	**42.8**	**21 043.1**	**8 490.0**	**40.3**
Ensuring protection of the rights and freedoms of citizens, society, and the state from unlawful encroachments, protection of public order, and prevention of illegal migration	11 398.6	5 048.4	44.3	12 706.3	5 350.6	42.1	11 479.3	4 936.1	43.0
Training personnel of internal affairs bodies by higher educational institutions of accreditation levels III and IV	663.0	315.5	47.6	660.1	318.2	48.2	678.0	310.4	45.8
Material and technical provision for the State Border Guards Service of Ukraine and maintenance of its personnel	2 173.1	995.5	45.8	2 228.8	1 009.9	45.3	2 254.5	978.7	43.4
Participation of interior troops in the protection of public order and fighting crime, guarding arrested and convicted individuals, and protection of especially important facilities	1 272.6	570.5	44.8	1 343.6	593.7	44.2	1 351.9	567.9	42.0
Ensuring implementation of tasks and functions in the field of citizenship, immigration, and registration of individuals	366.4	52.4	14.3	435.9	179.6	41.2	742.8	218.8	29.5
Ministry of Energy and Coal Industry of Ukraine	**10 502.3**	**5 311.0**	**50.6**	**10 222.5**	**7 286.5**	**71.3**	**14 017.2**	**6 726.7**	**48.0**
Restructuring of the coal and peat industries	1 149.3	378.3	32.9	1 051.0	285.6	27.2	943.1	237.4	25.2
State support of coalmining enterprises for partial coverage of cost price of the finished marketable coal products	7 801.8	4 492.1	57.6	7 801.8	6 650.8	85.2	12 168.0	6 130.0	50.4
State support for thebconstruction of coal and peat enterprises, technological re-equipment of said enterprises	575.3	89.7	15.6	364.3	41.2	11.3	3 653.9	0.0	0.0
Ministry of Economic Development and Trade of Ukraine (with general government expenses)	**3 177.2**	**614.0**	**19.3**	**2 190.4**	**500.0**	**22.8**	**1 369.8**	**487.2**	**35.6**
Maintenance of State material reserves	153.5	75.0	48.9	135.0	59.4	44.0	138.8	57.3	41.3
Accumulation (gains) of material valuables of the State material reserves	1 019.3	123.6	12.1	248.6	24.6	9.9	262.5	4.7	1.8
State statistics reform	16.1	0.6	3.9	82.3	3.8	4.6	60.0	29.1	48.5
Ministry of Foreign Affairs of Ukraine	**1 327.5**	**526.4**	**39.7**	**1 121.1**	**517.6**	**46.2**	**1 091.3**	**576.7**	**52.8**
Operation of foreign diplomatic missions of Ukraine and expansion of the network of Ukrainian properties for the needs of these institutions	1 050.6	407.0	38.7	860.7	399.2	46.4	891.8	461.9	51.8
State Committee for TV and Radio Broadcasting of Ukraine	**1 416.2**	**511.3**	**36.1**	**878.8**	**347.5**	**39.5**	**840.5**	**317.9**	**37.8**

Expenditures by program classification	January-June 2012			January-June 2013			January-June 2014		
	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Production and broadcasting of TV and radio programs for government needs, collection, processing, and dissemination of official information products, creation and operation of the Ukrainian-language version of the EuroNews international channel	874.9	316.8	36.2	774.5	317.9	41.0	757.9	285.7	37.7
Ministry of Culture of Ukraine (with general government expenses)	**2 420.1**	**1 044.7**	**43.2**	**2 552.4**	**1 174.7**	**46.0**	**2 511.3**	**1 110.8**	**44.2**
Training of personnel for the culture and arts sector by higher educational institutions of accreditation levels III and IV	538.2	290.7	54.0	558.8	294.8	52.7	615.1	296.5	48.2
Financial support to national theaters	477.9	229.2	48.0	533.9	269.5	50.5	547.4	274.2	50.1
Financial support of national and State art collectives, philharmonic and circus organizations	305.4	154.5	50.6	379.3	181.2	47.8	368.1	188.1	51.1
Library and museum services, exhibition activities, cultural-information and cultural-educational activities	314.4	136.9	43.5	322.7	150.2	46.5	314.3	139.4	44.4
Preservation of historical, cultural, and architectural heritage in reserves, implementation of activities of protection of cultural heritage, certification, stock-taking, and restoration of architectural and cultural monuments	246.1	105.9	43.0	246.0	112.2	45.6	242.5	94.3	38.9
State Agency of Forest Resources of Ukraine	**660.1**	**307.2**	**46.5**	**698.2**	**279.8**	**40.1**	**586.8**	**249.0**	**42.4**
Managing forestry and game-preserves, protection and safeguarding of forests in the forest fund	605.0	282.1	46.6	643.2	255.1	39.7	534.2	224.7	42.1
Ministry of Defense of Ukraine	**16 454.4**	**5 805.7**	**35.3**	**15 346.5**	**5 700.0**	**37.1**	**20 221.1**	**7 334.3**	**36.3**
Providing for operations of the Ukrainian Armed Forces and troops training	11 926.8	4 657.9	39.1	11 852.1	4 673.7	39.4	11 917.0	5 210.4	43.7
Medical treatment, rehabilitation, and sanatorium provision of personnel of the Ukrainian Armed Forces, veterans of military service, and members of their families, and war veterans	1 017.1	414.1	40.7	1 140.3	432.9	38.0	1 107.1	389.6	35.2
Training of military specialists at higher educational institutions of accreditation levels I-IV, enhancing qualifications and retraining of military specialists and public servants, basic military training of youth	887.7	403.6	45.5	938.8	414.7	44.2	972.7	421.8	43.4
Development of weapons and military equipment for the Ukrainian Armed Forces	1 481.6	71.7	4.8	919.0	69.9	7.6	563.5	69.7	12.4
Construction/acquisition of housing for military servicemen of the Ukrainian Armed Forces	500.0	100.2	20.0	22.7	1.5	6.6	516.0	9.1	1.8

Expenditures by program classification	January-June 2012			January-June 2013			January-June 2014		
	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Taking urgent measures to ensure national security	0.0	0.0		0.0	0.0		4 587.9	945.8	20.6
Ministry of Education and Science of Ukraine	**22 973.2**	**11 433.3**	**49.8**	**25 703.4**	**12 041.7**	**46.8**	**25 235.8**	**11 274.7**	**44.7**
Research, scientific and scientific-technological developments, implementation of works under targeted State programs, and State orders, implementation of international scientific and scientific-technological programs and projects by higher educational institutions and scientific institutions, training of scientific personnel, financial support of scientific infrastructure and scientific facilities of national importance	526.8	250.4	47.5	476.6	241.6	50.7	529.0	234.1	44.2
Training of workforce at vocational educational institutions, vocational institutions of social rehabilitation and adaptation, other educational institutions, training of junior specialists at higher vocational educational institutions, centers of vocational education, and their methodological provision	1 201.5	612.5	51.0	1 433.9	719.8	50.2	1 453.0	636.5	43.8
Training of personnel by higher educational institutions of accreditation levels I and II and providing for operation of their apprenticeship bases	3 472.7	1 718.2	49.5	3 713.9	1 723.5	46.4	3 981.4	1 875.9	47.1
Training of personnel by higher educational institutions of accreditation levels III and IV, and providing for the operation of their apprenticeship bases	15 302.5	7 924.1	51.8	16 591.1	8 081.8	48.7	17 207.3	7 829.2	45.5
Providing methodological and logistical support to the operation of educational institutions	685.4	258.3	37.7	518.6	223.6	43.1	376.7	39.5	10.5
Training of personnel by Kyiv Taras Shevchenko National University	816.8	393.4	48.2	900.2	387.1	43.0	904.2	390.8	43.2
Ministry of Health of Ukraine (with general government expenses)	**10 007.1**	**3 552.3**	**35.5**	**10 090.4**	**3 574.5**	**35.4**	**9 495.7**	**3 267.6**	**34.4**
Training and enhancing qualifications of medical and pharmaceutical, scientific and scientific-pedagogical personnel by higher educational institutions of accreditation levels III and IV	1 877.2	998.8	53.2	2 207.7	1 072.5	48.6	2 400.8	1 054.4	43.9
Specialized and highly specialized medical aid provided by national healthcare institutions	992.0	434.5	43.8	1 103.1	484.6	43.9	1 184.5	576.6	48.7
Diagnostics and treatment of diseases with the introduction of experimental and new medical technologies at healthcare institutions of scientific research institutions and higher educational medical institutions of the Ministry of Health of Ukraine	424.0	209.6	49.4	510.7	231.8	45.4	648.5	266.7	41.1

Expenditures by program classification	January-June 2012			January-June 2013			January-June 2014		
	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Sanatorium treatment of TB patients and children and teenagers with somatic diseases	474.4	188.3	39.7	611.9	226.0	36.9	394.1	132.2	33.5
Providing for medical activities of individual State programs and comprehensive activities of programmatic nature	1 902.4	59.2	3.1	2 178.6	239.5	11.0	2 178.8	54.3	2.5
Operation of institutions of the State Sanitary-Epidemiological Service and activities of epidemics control	0.0	0.0		1 328.9	402.9	30.3	1 018.3	497.8	48.9
State budget subvention to local budgets for the purchase of medicines and medical goods for emergency medical aid	323.1	85.8	26.6	323.1	117.0	36.2	138.0	28.5	20.7
Ministry of Environment and Natural Resources of Ukraine	**5 380.5**	**1 885.8**	**35.0**	**4 237.1**	**1 271.8**	**30.0**	**6 223.3**	**1 382.1**	**22.2**
Implementation of nature protection activities	624.6	230.3	36.9	982.7	200.1	20.4	886.5	84.5	9.5
Financial provision for targeted projects of ecological modernization of enterprises	0.0	0.0		481.0	0.0	0.0	677.6	0.0	0.0
Compensation for losses related to the disposal of motor vehicles	0.0	0.0		0.0	0.0		1 019.8	0.0	0.0
Operation of State water economy and management of water resources	1 639.8	789.9	48.2	1 818.8	816.6	44.9	1 721.3	718.0	41.7
Maintaining the power unit and the Shelter facilities ina safe condition, and activities of preparation of the Chornobyl NPP for decommissioning	741.8	316.9	42.7	728.3	336.8	46.3	745.3	290.0	38.9
Ministry of Social Policy of Ukraine (with general government expenses)	**70 540.2**	**33 114.2**	**46.9**	**89 181.9**	**44 500.0**	**49.9**	**89 254.1**	**44 305.3**	**49.6**
Annual lump sum cash allowances to war veterans and victims of Nazi persecutions	760.7	759.1	99.8	821.3	820.4	99.9	819.0	763.3	93.2
Social protection of victims of the Chornobyl disaster	2 592.7	1 225.7	47.3	2 623.2	1 104.9	42.1	2 623.2	991.5	37.8
Grant for payment of pensions, surcharges and bonuses to pensions assigned under various pension programs	49 170.2	24 085.5	49.0	61 469.8	30 734.9	50.0	65 693.7	32 142.9	48.9
Covering the deficit of the Pension Fund of Ukraine for payment of pensions, including for covering the costs related to servicing of debt obligations	15 323.9	6 257.2	40.8	21 763.8	10 881.9	50.0	18 102.6	9 756.0	53.9
Fund for the Social Protection of Disabled Persons	1 088.4	242.2	22.3	941.5	376.3	40.0	899.1	242.8	27.0
Ministry of Regional Development, Construction, and Housing and Communal Services of Ukraine (with general government expenses)	**8 572.9**	**367.4**	**4.3**	**6 971.1**	**607.7**	**8.7**	**7 316.9**	**3 947.3**	**53.9**
Implementation of the national targeted program “Drinking Water of Ukraine”	206.6	36.7	17.8	0.0	0.0		31.9	0.0	0.0

Expenditures by program classification	January-June 2012			January-June 2013			January-June 2014		
	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %
State budget subvention to local budgets for repaying the debt from the difference in tariffs for heat energy, services of centralized water supply and water removal, which were produced, transported, and supplied to the population, which debt accrued due to a mismatch between the actual cost of heat energy and services of centralized water supply and water removal and the tariffs approved by and/or agreed to by government authorities or local governments	4 575.1	0.0	0.0	5 125.6	86.8	1.7	6 700.0	3 789.8	56.6
Ministry of Agrarian Policy and Food of Ukraine	**11 215.3**	**3 274.0**	**29.2**	**8 952.0**	**3 468.9**	**38.8**	**6 976.3**	**2 423.9**	**34.7**
Training of agribusiness personnel by higher educational institutions of accreditation levels I and II	1 040.2	490.5	47.2	1 123.0	494.3	44.0	964.5	419.4	43.5
Training of agribusiness personnel by higher educational institutions of accreditation levels III and IV; methodological provision for activities of the educational institutions	1 826.5	818.5	44.8	1 422.5	579.7	40.8	1 352.9	508.3	37.6
State support to the development of hop-growing, vegetable-growing, planting of new fruit orchards, vineyards, berry fields, and their cultivation	1 075.0	164.7	15.3	100.0	65.9	65.9	100.0	0.0	0.0
State support to the animal-farming sector	732.0	0.6	0.1	650.0	166.4	25.6	888.0	0.0	0.0
Organization and regulation of the activities of institutions in the system of State Veterinary and Phytosanitary Service of Ukraine	1 666.7	826.1	49.6	1 927.0	801.7	41.6	1 824.7	773.5	42.4
Ministry of Infrastructure of Ukraine	**1 588.3**	**709.2**	**44.7**	**1 581.0**	**727.7**	**46.0**	**1 600.2**	**715.8**	**44.7**
Medical services for the staff and passengers of rail transport	993.1	524.6	52.8	1 070.5	535.5	50.0	1 102.6	538.9	48.9
State Agency of Automobile Roads of Ukraine (with general government expenses)	**13 066.6**	**6 988.0**	**53.5**	**22 678.1**	**6 347.5**	**28.0**	**22 126.8**	**5 860.9**	**26.5**
Development of the network and maintenance of general-purpose automobile roads, including UAH 200,000,000 for equipping unregulated pedestrian crossings with domestic integrated systems of lighting, signage, and road markings	5 744.4	4 315.1	75.1	11 867.9	2 887.8	24.3	8 416.6	988.4	11.7
Performance of debt obligations under the loans received under State guarantees for the development of the network of general-purpose automobile roads	5 095.8	1 660.7	32.6	8 408.3	2 584.4	30.7	11 157.7	3 886.3	34.8
State budget subvention to local budgets for the construction, reconstruction, repair, and maintenance of streets and municipal roads within localities	2 213.3	1 007.5	45.5	2 390.9	870.5	36.4	2 542.2	981.3	38.6

Expenditures by program classification	January-June 2012			January-June 2013			January-June 2014		
	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Ministry of Revenue and Duties of Ukraine	**6 062.8**	**2 591.0**	**42.7**	**5 916.0**	**2 387.2**	**40.4**	**5 915.2**	**2 676.6**	**45.2**
Ministry of Youth and Sport of Ukraine	**1 189.5**	**375.3**	**31.6**	**1 009.2**	**335.4**	**33.2**	**905.6**	**282.3**	**31.2**
Development of sports for disabled persons and their physical culture and sports rehabilitation	138.7	51.1	36.8	161.6	57.8	35.7	170.0	44.2	26.0
Development of physical culture, high performance sports, and reserve sports	725.6	272.6	37.6	573.1	245.0	42.7	566.4	159.9	28.2
Ministry of Finance of Ukraine (with general government expenses)	**145 119.4**	**62 752.2**	**43.2**	**152 422.6**	**67 856.6**	**44.5**	**171 134.5**	**78 872.0**	**46.1**
Reserve Fund	1 172.5	0.0	0.0	1 462.2	0.0	0.0	1 091.9	0.0	0.0
Grants	56 184.4	26 190.1	46.6	57 007.5	27 805.0	48.8	62 296.6	30 332.1	48.7
State capital expenditures allocated by the Cabinet of Ministers of Ukraine	11.9	0.0	0.0	102.0	0.0	0.0	2 000.0	0.0	0.0
State debt servicing	29 582.9	11 554.1	39.1	34 966.5	14 664.2	41.9	46 014.8	20 846.1	45.3
State Regional Development Fund	1 644.9	87.4	5.3	987.5	117.2	11.9	1 000.0	0.0	0.0
Implementation of European Union assistance programs	609.5	0.0	0.0	549.0	0.0	0.0	1 079.5	0.0	0.0
Subventions	45 068.1	21 688.6	48.1	51 876.9	24 297.7	46.8	54 892.6	27 035.2	49.3
Ministry of Justice of Ukraine	**4 963.4**	**2 114.4**	**42.6**	**5 147.1**	**2 278.7**	**44.3**	**5 729.5**	**2 195.5**	**38.3**
Execution of punishments by penitentiary service institutions and agencies	2 707.8	1 250.5	46.2	2 782.4	1 238.8	44.5	2 807.9	1 164.6	41.5
State Service of Ukraine for Emergency Situations / Ministry of Emergency Situations of Ukraine (with general government expenses)	**4 246.9**	**1 629.5**	**38.4**	**5 756.7**	**2 503.5**	**43.5**	**3 993.6**	**1 879.8**	**47.1**
Providing for operation of civil defense forces	2 959.0	1 351.8	45.7	3 329.5	1 525.9	45.8	3 324.6	1 569.8	47.2
State Environmental Investment Agency of Ukraine	**2 795.1**	**10.7**	**0.4**	**2 883.6**	**1 048.0**	**36.3**	**1 783.8**	**92.0**	**5.2**
State support of activities aimed at reducing emissions (increased absorption) of greenhouse gases, including for the heat insulation of social security institutions, development of international cooperation on the issues of climate change	2 787.3	7.7	0.3	2 873.8	1 044.2	36.3	1 774.1	87.1	4.9
State Space Agency of Ukraine	**889.5**	**281.2**	**31.6**	**1 242.1**	**291.1**	**23.4**	**2 637.4**	**476.0**	**18.0**
Performance of debt obligations under the loans attracted under State guarantees for implementation of the Cyclone-4 and Creation of the National Satellite Communication System projects	349.3	109.6	31.4	684.7	123.7	18.1	2 333.4	357.5	15.3
National Agency for Preparation and Hosting in Ukraine the European 2012 Football Championship Finals and Implementation of Infrastructure Projects	**7 452.8**	**4 355.9**	**58.4**	**1 215.0**	**711.6**	**58.6**	**2 133.5**	**855.7**	**40.1**

Expenditures by program classification	January-June 2012			January-June 2013			January-June 2014		
	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Performance of debt obligations under the loans attracted under State guarantees used for implementation of tasks and activities envisaged by the State Targeted Program of Preparation and Hosting in Ukraine of the European 2012 Football Championship Finals	857.7	396.2	46.2	828.5	592.6	71.5	1 482.8	852.8	57.5
Central Election Commission (including general government expenses)	**1 297.8**	**29.5**	**2.3**	**96.5**	**30.9**	**32.1**	**1 326.7**	**620.7**	**46.8**
Conducting elections of the President of Ukraine	0.0	0.0		0.0	0.0		1 175.0	568.3	48.4
Other key spending units	**32 669.7**	**12 676.6**	**38.8**	**30 215.0**	**12 666.6**	**41.9**	**25 600.6**	**11 138.7**	**43.5**
Total	**398 994.8**	**168 054.3**	**42.1**	**424 642.0**	**185 446.6**	**43.7**	**451 070.8**	**197 559.4**	**43.8**

Appendix B

Status of Remittance of State Budget Subventions to Local Budgets in January-June 2014

(UAH thousand)

Description	General Fund		Special Fund		Total	
	Plan	Actual	Plan	Actual	Plan	Actual
State budget subvention to local budgets for payment of allowances to families with children, low-income families, persons disabled from childhood, disabled children, and temporary State allowances for children	42 674 503.8	21 900 840.7	0.0	0.0	42 674 503.8	21 900 840.7
State budget subvention to local budgets for the provision of benefits and housing subsidies to the population for payment for electric energy, natural gas, services of heat and water supply and water removal, apartment rent (maintenance of buildings and structures and adjacent territories), removal of solid municipal waste and liquid waste	8 863 043.9	3 759 119.3	0.0	0.0	8 863 043.9	3 759 119.3
State budget subvention to local budgets for the provision of benefits in telecommunications services, other benefits envisaged by the legislation (except the benefits in supply of medicines, dental prosthetics, payment for electric energy, natural and liquefied gas for household needs, solid and liquid furnace household fuel, services of heat and water supply and water removal, apartment rent (maintenance of buildings and structures and adjacent territories), removal of solid municipal waste and liquid waste), compensation for the loss of part of income in connection with cancellation of the tax on owners of motor vehicles and other self-propelled machines and mechanisms and respective increase in the rates of excise tax on fuel, and for compensation for preferential fare of certain categories of citizens	1 935 524.0	830 854.8	0.0	0.0	1 935 524.0	830 854.8
State budget subvention to local budgets for the provision of benefits and housing subsidies to the population for purchase of solid and liquid furnace household fuel and liquefied gas	807 439.7	456 114.8	0.0	0.0	807 439.7	456 114.8
State budget subvention to the Zhovti Vody city budget for implementation of activities of radiation and social protection of the population of the city of Zhovti Vody	8 480.1	5 669.1	0.0	0.0	8 480.1	5 669.1
State budget subvention to local budgets for reimbursing part of the interest rates on attracted loans for renewal of the bus and trolleybus fleets of the host-cities in preparing for hosting in Ukraine the European 2012 Football Championship Finals	39 100.0	18 168.1	0.0	0.0	39 100.0	18 168.1
State budget subvention to local budgets for purchase of medicines and medical goods for ensuring emergency medical aid	137 992.3	28 535.9	0.0	0.0	137 992.3	28 535.9
State budget subvention to local budgets for purchasing consumables for healthcare institutions and medicines for inhalation anesthesia	18 972.6	17 174.1	0.0	0.0	18 972.6	17 174.1
State budget subvention to local budgets for construction, reconstruction, repair, and maintenance of streets and municipal roads in localities	0.0	0.0	2 542 204.2	981 285.3	2 542 204.2	981 285.3

Description	General Fund		Special Fund		Total	
	Plan	Actual	Plan	Actual	Plan	Actual
State budget subvention to local budgets for implementation of activities of socioeconomic development of certain territories	500 000.0	0.0	0.0	0.0	500 000.0	0.0
State budget subvention to local budgets for development of the socioeconomic sphere of the city of Sevastopol and other localities, where military units of the Russian Federation's Black Sea Fleet are stationed in the territory of Ukraine	25 308.2	25 308.2	39 172.4	39 172.4	64 480.6	64 480.6
State budget subvention to local budgets for partial compensation of the cost of medicines for treatment of hypertensive patients	138 890.1	30 454.9	0.0	0.0	138 890.1	30 454.9
State budget subvention to local budgets for financing activities of socioeconomic compensation of the risks to the population living in the surveillance zone	0.0	0.0	183 758.0	0.0	183 758.0	0.0
State budget subvention to local budgets for holding events to commemorate the 200th anniversary of Taras Shevchenko birth	0.0	0.0	5 000.0	0.0	5 000.0	0.0
State budget subvention to local budgets for payment of 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	556 808.0	258 152.0	0.0	0.0	556 808.0	258 152.0
State budget subvention to local budgets for repayment of the debt from difference in tariffs for heat energy, services of centralized water supply and water removal, which were produced, transported, and supplied to the population, which debt accrued due to a mismatch between the actual cost of the heat energy and services of centralized water supply and water removal and the tariffs approved by and/or agreed to by government authorities or local governments	0.0	0.0	6 700 000.0	3 789 833.8	6 700 000.0	3 789 833.8
State budget subvention to local budgets for holding elections of deputies to local councils and village, settlement, and city mayors	29 000.0	20 635.1	0.0	0.0	29 000.0	20 635.1
State budget subvention to the local budget of the city of Dnipropetrovsk for completing construction of the metro underground railway in the city of Dnipropetrovsk	0.0	0.0	664 800.0	0.0	664 800.0	0.0
Subventions total	**55 735 062.70**	**27 351 026.98**	**10 134 934.60**	**4 810 291.42**	**65 869 997.30**	**32 161 318.40**