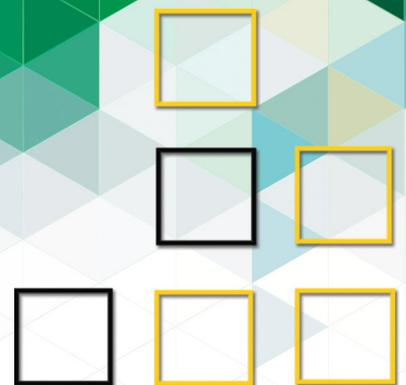




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**MUNICIPAL FINANCE STRENGTHENING
INITIATIVE (MFSI-II) ROLL-OUT**

BUDGET MONITORING: **ANALYSIS OF BUDGET EXECUTION IN 2014**



BUDGET MONITORING:

Analysis of Budget Execution
in 2014

Budget Monitoring

This publication was 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 2014

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CONTENTS

Executive Summary.....	9
SECTION 1. REVIEW OF THE REGULATORY AND LEGAL FRAMEWORK ON BUDGET IN DECEMBER 2014 THROUGH MARCH 2015	12
1.1. State Budget Revenues	12
1.2. State Budget Expenditures and Budget Process	15
1.3. Local Budgets and Inter-Budget Relations.....	18
SECTION 2. ANALYSIS OF MACROECONOMIC INDICATORS IN 2014	21
SECTION 3. ANALYSIS OF BUDGET INDICATORS IN 2014.....	27
3.1. Execution of Consolidated and State Budget Revenues in 2014	27
3.2. Financing of State Budget Deficit and State Debt in 2014	35
3.3. Analysis of Consolidated and State Budget Expenditures and Lending in 2014.....	40
3.4. Execution of Local Budgets in 2014	51
Appendix A. State Budget Expenditures by Program Classification in 2012-2014	69
Appendix B. Status of Remittance of State Budget Subventions to Local Budgets in 2014	75

LIST OF TABLES

Table 2.1	Nominal and Real Wages by Region of Ukraine in 2012-2014	23
Table 3.1.1	Revenues of Consolidated, State, and Local Budgets in 2011-2014	27
Table 3.1.2	Structure of Consolidated and State Budget Revenues in 2012-2014.....	28
Table 3.2.1	State Budget Deficit Financing Indicators in 2010–2014	36
Table 3.2.2	Budget Expenses for Repayment and Servicing of the State Debt in 2012–2014	38
Table 3.3.1	Expenditures of Consolidated, State, and Local Budgets in 2012-2014	40
Table 3.3.2	Growth Rates of Certain Expenditure Types of the Consolidated, State, and Local Budgets in 2012-2014 Compared to Previous Period	43
Table 3.3.3	State Budget Expenditures by Functional Classification of Expenditures and Lending in 2012-2014.....	45
Table 3.3.4	Comparison of State Budget Expenditures by Functional Classification of Expenditures and Lending in 2012-2013.....	46
Table 3.3.5	Expenditures of the State Budget (with Inter-Budget Transfers) by Economic Classification in 2012-2014	47
Table 3.3.6	Budget Loan Provision and Repayment Indicators in 2012-2014	50
Table 3.4.1	Intake of Local Budget Revenues (without Inter-Budget Transfers) in 2012-2014.....	51
Table 3.4.2	Local Budget Expenditures (without the Funds Transferred from Local Budgets to the State Budget) in 2012-2014.....	59
Table 3.4.3	Inter-Budget Transfers from the State Budget to Local Budget in 2012-2014.....	64

LIST OF GRAPHS

Graph 2.1	Price Indices in 2011–2014	23
Graph 3.1.1	Dynamics of Monthly State Budget Revenues in 2009-2014	28
Graph 3.1.2	Dynamics of State Budget Monthly Revenues from Enterprise Profit Tax in 2009-2014.....	29
Graph 3.1.3	Dynamics of Monthly State Budget Revenues from Value-Added Tax in 2009-2014	30
Graph 3.2.1	Comparison Between State Budget Borrowing and State Debt Repayment Amounts in 2008-2014	37
Graph 3.3.1	Dynamics of Consolidated Budget Monthly Expenditures in 2009-2014.....	41
Graph 3.3.2	Share of Social Expenditures in the Structure of Consolidated, State, and Local Budget Expenditures in 2009-2014	42
Graph 3.3.3	Dynamics of the Share of Special Fund Expenditures of the State Budget without Inter-Budget Transfers in 2009-2014	44
Graph 3.4.1	Dynamics of Monthly Local Budget Revenues (without Inter-Budget Transfers) in 2009-2014.....	52
Graph 3.4.2	Dynamics of Monthly Actual Expenditures of Local Budgets in 2009-2014	60
Graph 3.4.3	Rates of Growth of Transfers and Local Budget Revenues in 2009-2014.....	64
Graph 3.4.4	Dynamics of Remittance of the Equalization Grant and Local Budget Transfers to the State Budget in 2009–2014	66

LIST OF CHARTS

Chart 2.1	Industrial and Agricultural Production Indices in 2012-2014	22
Chart 2.2	Export and Import of Goods and Services in 2013-2014	25
Chart 2.3	Structure of Foreign Trade in Goods by Main Partner-Country in 2013-2014.....	26
Chart 3.1.1	Revenues from Tax on Profit of Enterprises of Various Forms of Ownership in 2013-2014.....	30
Chart 3.1.2	Monthly Revenues from Value-Added Tax and Tax Refunds from the Budget in 2013-2014.....	31
Chart 3.1.3	Structure of State Budget Revenues from Taxes on Foreign Trade and External Transactions in 2013-2014	32
Chart 3.1.4	Structure of State Budget Revenues from Excise Tax in 2013-2014.....	33
Chart 3.1.5	Structure of State Budget Non-Tax Revenues in 2012–2014	34
Chart 3.1.6	Structure of State Budget Revenues from Capital Transactions in 2012-2014.....	35
Chart 3.2.1	Key Performance Indicators of the State Budget of Ukraine in 2009-2014	35
Chart 3.2.2	Structure of State Budget Sources of Financing in 2009-2014	37
Chart 3.2.3	Structure of Financing Sources and Spending Areas in 2014	38
Chart 3.2.4	Structure of State and State-Guaranteed Debt in 2013-2014	39
Chart 3.3.1	Rates of Growth of GDP and Consolidated Budget Expenditures in 2009-2014	41
Chart 3.3.2	Dynamics of State Budget Expenditures by Functional Classification in 2012-2014.....	44
Chart 3.3.3	Structure of State Budget Expenditures by Economic Classification in 2013	48

Chart 3.3.4	Structure of State Budget Expenditures by Economic Classification in 2014	48
Chart 3.4.1	The Share of Revenues by Fund of the State and Local Budgets in the Consolidated Budget Revenues in 2011-2014	51
Chart 3.4.2	Structure of Local Budget Revenues in 2009-2014.....	52
Chart 3.4.3	Dynamics of Revenues from Personal Income Tax in 2009-2014	53
Chart 3.4.4	Dynamics of Revenues from Payment for Land in 2009-2014.....	53
Chart 3.4.5	Dynamics of Revenues from Land Tax and Rent in 2009-2014	54
Chart 3.4.6	Dynamics of Revenues from Local Taxes and Fees in 2009-2014	54
Chart 3.4.7	Dynamics of Revenues from Single Tax on Small Businesses in 2009-2014.....	55
Chart 3.4.8	Dynamics of Revenues from Single Tax on Legal Entities and Individuals in 2009-2014	55
Chart 3.4.9	Structure of Non-Tax Revenues of Local Budgets in 2009-2014	56
Chart 3.4.10	Dynamics of Income from Capital Transactions in 2009-2014	57
Chart 3.4.11	Share of Development Budget Revenues in Local Budget Revenues (without Inter-Budget Transfers) in 2013	57
Chart 3.4.12	Share of Development Budget Revenues in Local Budget Revenues (without Inter-Budget Transfers) in 2014	58
Chart 3.4.13	Shares of Expenditures by Fund of the State and Local Budgets in the Consolidated Budget Expenditures in 2011-2014.....	59
Chart 3.4.14	Shares of Local Budget Expenditures in GDP in 2013-2014	60
Chart 3.4.15	Structure of Local Budget Expenditures by Functional Classification in 2013-2014.....	61
Chart 3.4.16	Local Budget Expenditures by Functional Classification in 2013-2014	62
Chart 3.4.17	Structure of Local Budget Expenditures by Economic Classification in 2013-2014.....	62

Chart 3.4.18	Local Budget Expenditures by Economic Classification in 2013-2014.....	63
Chart 3.4.19	Dynamics of Remittance of State Budget Transfers to Local Budgets in 2009-2014	64
Chart 3.4.20	Structure of State Budget Transfers to Local Budgets in 2013.....	65
Chart 3.4.21	Structure of State Budget Transfers to Local Budgets in 2014.....	65
Chart 3.4.22	Dynamics of Remittance of Local Budget Transfers to the State Budget in 2009-2014	68

EXECUTIVE SUMMARY

Presented herein is the *Budget Monitoring: Analysis of Budget Execution*, a periodical publication prepared by experts of 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 and characterizes the key macroeconomic indicators. A detailed analysis is provided of the results of execution of the consolidated, State and local budgets, which allows determining the impact of the fiscal decisions taken on their health. Special focus is made on evaluating the performance of local budgets, as the key financial mechanism for the provision of social services and social security net to the population.

Real GDP dropped by 6.8ppt in 2014 (in constant 2010 prices vs. respective 2013 period)¹. At the same time, the European Union countries (EU-28) reported a 1.3% growth in real GDP, with Eurozone countries showing a 0.9% growth.

Nominal GDP totaled UAH 1,566.7bn, which is UAH 118.8bn or 7.8% more than in 2013. The foreign market situation remained unfavorable in 2014. This was one of the reasons behind the continued trend of declining industrial output. Thus, the industrial production index amounted to 89.9% in 2014 compared to 95.7% in 2013, and the producer price index increased by 30.1ppt to 131.8%.

The foreign trade balance of Ukraine was positive at \$5.1bn in 2014.

Nominal average monthly wages per full-time employee amounted to UAH 3,476.0 by the end of 2014, which is 6.5% more year-on-year. This is 2.9 times more than the State social standards (minimum wage and able-bodied person's subsistence level, which amount to UAH 1,218).

Real wages decreased by 6.5% (they increased by 8.2% in 2013). Retail and hotel business turnover also decreased. It amounted to UAH 903.5bn, which is 8.6% less than the 2013 figure in comparable prices). This points to shrinking domestic consumer demand due to the lowering of real wages, and, consequently, reduced purchasing power of the populace.

In general, **revenues** in budgets of all levels declined in 2014. Consequently, the shortfall of the State budget of Ukraine totaled UAH 21.0bn or 5.6% of the annual plan. The plan targets were not met for nearly all key tax sources of revenue. In particular, the shortfall of the personal income tax amounted to UAH 1.5bn or 10.9%; that of the value-added tax fell to UAH 10.9bn or by 7.3%; the excise tax on goods made in Ukraine dropped to UAH 3.8bn or by 12.0%; import duty fell to UAH 3.2bn or by 20.7%; and royalties for subsoil use dropped to UAH 2.2bn or by 10.7%. The only significant source of revenues with a surplus over the annual target was the excise tax on goods imported into Ukraine, which totaled UAH 3.8bn or 30.0% more than the plan.

Local budget revenues were also below targets. Consequently, annual revenue reached only 90.9% of the plan approved by local councils. A personal income tax shortfall of

¹ <http://www.ukrstat.gov.ua/>

UAH 4.4bn or 6.1% of the plan was the main reason for the failure to reach the target. However, the situation was somewhat alleviated by revenues from the single tax for small businesses, which exceeded the target by UAH 0.2bn.

The abovementioned features of the budget process with regard to revenue have led to shifts in the structure of revenues of both the consolidated and the State budget. The most significant change involved an increased share of tax revenues (0.7ppt and 1.2ppt, respectively), and decreased share of non-tax revenues (-1.2ppt and -2.4ppt, respectively).

The proportion of tax revenues in the structure of local budget revenues fell compared to 2013. Nevertheless, the share of local taxes and fees continues to grow (by 1.0ppt in the reviewed period). Increased proceeds from the single tax were the main driver of growth.

The State budget deficit totaled UAH 78.1bn, which amounts to 113.8% of the ceiling set by the Law on the State Budget of Ukraine for the year 2014 and to 88.1% of the revised annual plan. Compared to 2013, the State budget deficit increased by UAH 13.4bn or 20.7%.

State budget borrowing totaled UAH 322.4bn (96.9% of the annual plan), including internal borrowing of UAH 227.6bn or 97.2% of the annual plan, and external borrowing of UAH 94.8bn or 94.8%. **State debt repayment** totaled UAH 121.0bn or 98.2% of the annual plan, including internal debt repayment of UAH 68.2bn or 99.6% of the annual plan, and external debt repayment of UAH 52.8bn or 96.5%. The excess of borrowing over repayment increased more than 2.5 times year-on-year.

According to the State Treasury Service, **the loans for covering temporary cash flow gaps of local budgets** provided from the treasury's single account totaled UAH 28.1bn, which is 34.8% less than the respective 2013 figure².

Proceeds from the privatization of State property totaled UAH 0.5bn, which amounts to 2.7% of the amount approved by the Law on the State Budget of Ukraine for the year 2014, and to 100% of the revised plan. In 2013, such proceeds amounted to UAH 1.5bn or 13.6% of the annual plan.

The balance of budget funds totaled UAH 37.1bn at the end of 2014, having increased by UAH 6.3bn from the year's outset. To compare, according to the 2013 budget performance, the balance increased by UAH 3.7bn from the year outset.

The level of execution of the consolidated budget plan of expenditures decreased by 2.6ppt year-on-year and amounted to 88.7%, with the actual amount of expenditures increasing by 3.4% or by UAH 17.2bn.

The rate of growth of consolidated budget expenditures increased by 0.7ppt to 103.4%. Similarly to 2013, they were lower than the GDP growth rate, which increased compared to 2013. The share of consolidated budget expenditures in GDP decreased slightly to 33.4% or by 0.4ppt.

The share of local budget expenditures in expenditures of the consolidated budget decreased by 0.4ppt year-on-year and amounted to 42.7%.

The actual expenditures of the State budget totaled UAH 430.1bn, which amounts to 93.0% of the annual target.

Those best funded were the expenditures for general government functions and defense (96.1% of the annual plan, which is 0.7ppt and 4.3ppt, respectively, more 2013), public order, security, and judiciary (95.5%), inter-budget transfers, social protection, and social security (94.9% each). The lowest level of funding was recorded in expenditures for environmental protection at UAH 2.6bn or 67.5% of the annual plan.

² <http://www.treasury.gov.ua>

The key State policy priorities in the context of increased expenditures of the State budget against 2013 (59.0% of the total increase amount) included expenditures for general government functions (they accounted for 32.5% of all increase of expenditures); inter-budget transfers (30.4%); defense (25.8%); public order, security, and judiciary (11.2%); and housing and communal services sector (0.1%).

Local budget expenditures (with inter-budget transfers) only increased by 2.6% year-on-year and totaled UAH 225.6bn. The actual expenditures of local councils amounted to 84.4% of the annual plan. As usual, the majority of local budget expenditures were directed to the social and cultural sector.

Expenditures grew in 2014 for culture and arts (+9.8%), inter-budget transfers (+31.6%), and housing and communal services (+132.6%). The last's growth was due to granting a State budget subvention to local budgets for repaying the debt from the difference in tariffs totaling UAH 12.4bn compared to just UAH 2.1bn of said subvention expenditures in 2013.

The share of expenditures for payroll with taxes is invariably the largest of all local budget expenditures. It decreased by 5.7ppt year-on-year and amounted to 41.3%. Also, the amount of these expenditures decreased by UAH 10.2bn or by 9.9% and totaled UAH 93.2bn. In general, local budget expenditures totaled nearly UAH 211.7bn, which is 3.0% more than in 2013. Capital expenditures were funded at UAH 13.9bn and their amount decreased by UAH 0.3bn or 2.1%.

SECTION 1. REVIEW OF THE REGULATORY AND LEGAL FRAMEWORK ON BUDGET IN DECEMBER 2014 THROUGH MARCH 2015

1.1. STATE BUDGET REVENUES

THE LAW OF UKRAINE OF 28 DECEMBER 2014, NO. 71

The Law of 28 December 2014, No. 71 “On Amending the Tax Code of Ukraine and Certain Legislative Acts on Tax Reform” introduced a number of changes intended for ensuring the implementation of the annual plan of the 2015 State budget with regard to revenues. Changes were made to the rules of administration of the majority of key taxes, including:

Tax on profit:

The tax liability amount for the profit tax shall be determined based on the financial result adjusted by the tax differences, the number of which is significantly reduced. Notably, a full use of financial accounting (i.e., with no regard to tax differences) is envisaged for taxpayers with an annual income below UAH 20mn. Accordingly, supervisory bodies are authorized to audit the accuracy of book-keeping, as well as to determine the financial result according to appropriate standards.

A quite liberal provision, from the perspective of practical application of tax legislation, calls for the non-imposition of penalties based on the verification of the tax declarations for profit tax for the year 2015.

A tax declaration for profit tax shall be submitted before 1 June, starting with the 2015 tax declaration.

As before, the tax rate is 18%. The system of paying the tax through advance payments will continue to be used.

Value Added Tax:

The changes related to the value-added tax mostly dealt with procedural matters of its administration (including the so-called *electronic VAT administration*)

In particular:

- a threshold for VAT payer mandatory registration is raised from UAH 300,000 to UAH 1 million;
- the deadline for inclusion of a VAT invoice in the tax credit is reduced to 180 days;
- grain export transactions are tax exempt;
- tax exemption extended for the transactions of supply of ferrous and non-ferrous scrap;

- VAT payers are granted the right to declare a negative tax value for a budget refund in the month of obtaining such a negative value (not in the next month, as was the case before).

The introduction of electronic VAT administration using a special-purpose account opened with Treasury offices and the calculation of a formula that limits the registration of VAT invoices, has been postponed from 1 February to 1 July 2015.

The changes also impose rather substantial sanctions for any violation of the deadlines for registration of VAT invoices in the Single Invoice Register ranging from 10% to 40% depending on the length of the registration deadline violation.

Single tax:

The number of payer groups for this tax has been reduced, the criteria of assigning to a specific group changed, and the tax rates reduced.

Group I includes natural persons who are not using hired labor and are engaged exclusively in sale of goods on markets and provide consumer services to the population with income below UAH 300,000. The tax rate is 10% of the minimum wage amount.

Group II covers natural persons who have up to ten employees and income of up to UAH 1.5 million. The tax rate for this group is up to 20% of the wage amount.

Group III includes natural persons and legal entities with the income of up to UAH 20 million. The tax rate for this group is up to 2% of income where VAT is paid, and 4% without VAT.

As before, the single tax payers shall pay the single social contribution from the tax base, which is determined by the payer on its own, but not below the minimum insurance contribution amount.

Group IV covers the payers of the abolished fixed agricultural tax with similar taxation terms and conditions.

Personal income tax:

The upper tax rate (with regard to the income whose total monthly amount exceeds ten minimum wages as of 1 January of the year (UAH 12,180)) is raised from 17% to 20%.

Separate rates will apply to passive income, irrespectively of the tax base amount, namely, 5% for dividend income from shares and profit participation rights assessed by resident payers of profit tax (except dividends); and 20% for all other types of passive income.

Military tax:

The period of administration of the military tax has been extended until the effective date of the decision of the Verkhovna Rada of Ukraine on completion of reform of the Ukrainian Armed Forces. The tax rate remains unchanged, and the tax base is expanded to include the personal income tax base, where in 2014,

it was limited to just salaries and wages and payments under civil contracts.

Excise tax:

The excise tax on the sale of securities is abolished. Instead, electricity and thermal energy have been categorized as excisable goods by means of inclusion in the excise tax of a charge in the form of special surcharge to the existing electricity and heat tariff.

In addition, a new tax is introduced: an excise tax on retail sale of alcoholic beverages, tobacco products, and fuel, which will operate as local sales tax on certain types of excisable goods (see below).

Transport tax:

Actually, a new tax is introduced on automobiles with engine capacity over 3,000cm³ and less than five years old to be levied at UAH 25,000.

Local taxes and fees:

The amendments to the Tax Code of Ukraine contain a number of innovations, which will influence the financial resources of local budgets.

Both the list of local taxes and fees, and approaches to their administration have been modified. The immovable property tax base has been expanded by inclusion of non-residential properties. In addition, a local sales tax is introduced in the form of an excise tax on the retail sale of alcoholic beverages, tobacco products, and fuel. Aside from an apparent potential of increasing the budget proceeds, these two new sources also contain certain risks.

Tax on immovable property other than land:

The tax on immovable property other than land is to be levied at the rate of up to 2% of the minimum wage amount per 1m² of taxable property's floor area.

Despite initial plans to include all residential and non-residential properties in this tax, the final text of the law retains taxable floor area deductibles of 60m² for apartments and by 120m² for private houses. In addition, village, settlement, and city councils can raise this deductible. The Law also calls for tax exemptions for residential properties of orphaned children, children left without parental care, and disabled children brought up by single mothers/fathers. As regards commercial properties, hardscape elements, structures of outdoor markets, industrial buildings, including warehouses, as well as agricultural buildings are excluded from the scope of this tax.

As such, ***the provisions of this Law extend the existence of an inefficient system of immovable property taxation***, which

was adopted in the initial version of the Tax Code back in 2010 and which has never actually worked in Ukraine.

The excise tax on retail sale of alcoholic beverages, tobacco products, and fuel:

A local excise tax on the retail sale of alcoholic beverages, tobacco products, and fuel has been introduced with rates ranging from 2% to 5% of their value, including value-added tax.

The Law came in force as of 1 January 2015.

1.2. STATE BUDGET EXPENDITURES AND BUDGET PROCESS

THE LAWS OF UKRAINE OF 28 DECEMBER 2014, NO.79, AND OF 2 MARCH 2015, NO.212

The Laws of Ukraine dated 28 December 2014, No.79 “on Amending the Budget Code of Ukraine Regarding Inter-Budget Relations Reform”, dated 15 January 2015, No.118 “on Amending the Budget Code of Ukraine Regarding Clarification and Bringing Certain Provisions in Conformity with the Provisions of the Current Legislation”, and dated 2 March 2015, No.212 “On Amending the Budget Code of Ukraine” have introduced changes to the Budget Code of Ukraine.

The changes implement a radical reform of inter-budget relations, including:

Decentralization of spending powers and introduction of new spending areas. Expenditures for holding individual events and financing of social and cultural institutions will be transferred to the regional and local levels.

In addition, own powers of all local budgets are expanded with regard to the financing of municipal public order maintenance formations to be set up pursuant to the Law on such formations.

The revenue base of local budgets changes. The following provisions have been introduced:

- transfer of the fee for administrative services and stamp duty from the State budget;
- share in the ecological tax increased from 35% to 80%;
- new standard ratios for personal income tax (for the budgets of oblast-subordinated cities and district budgets the standard ratio is decreased from 75% to 60%, for oblast budgets from 25% to 15%; the tax will not be remitted to the budgets of villages, their associations, settlements, and district-subordinated cities [previously, up to 25%], and the standard ratio for the City of Kyiv budget is reduced from 50% to 40%). Accordingly, up to 60% of the tax paid in the Kyiv city territory will be remitted to the State budget, and 25% of the tax collected in the territories of other local budgets.
- transfer of 10% of the private-sector enterprise profit tax from the State budget to oblast budgets;

- the excise tax on sale by retail trade establishments of excisable goods (beer, alcoholic beverages, tobacco products, petroleum products), which is credited into the budgets of amalgamated territorial communities and city budgets;
- expanding the immovable property tax base by inclusion of commercial / non-residential properties starting in 2015.

Providing incentives for the amalgamation of local communities. If amalgamated, then territorial communities (district-subordinated cities, villages, and settlements) could change to direct inter-budget relations with the State budget and obtain powers of oblast-subordinated cities (with an appropriate increase in financial resources).

Establishing a new system of equalization and introducing new types of transfers. The equalization / deduction grants have been abolished and basic and reverse grants introduced, as well as new subvention types: educational subvention, subvention for the training of the regular labor force, medical subvention, subvention for medical activities of certain national programs and comprehensive activities of a programmatic nature.

The basic and reverse grants will be used for the horizontal equalization of the fiscal capacity of territories. The basic grant is a State budget transfer to local budgets, and the reverse grant is a transfer from local budgets to the State budget. The horizontal equalization of the fiscal capacity of local budgets shall be implemented for personal income tax and profit tax separately. The remaining local budget revenues shall not be subject to equalization and shall remain at the full disposal of local budgets.

The mechanism of distribution and use of the abovementioned new subvention types by respective local budgets will be realized based on a formula approach to be set by the Cabinet of Ministers of Ukraine. The amount of these subventions shall be approved in the State budget of Ukraine for each of the respective local budgets separately.

The Cabinet of Ministers is allowed to carry out the distribution and redistribution of targeted subventions among local budgets upon coordination with the Committee on Budget of the Verkhovna Rada of Ukraine.

At the same time, it is stipulated that any balance of unused funds of these subventions will not be withdrawn to the State budget at the end of the budget year and can be used for renewing the facilities and resources of relevant institutions.

In addition, note should be made of certain new provisions of the Budget Code, namely:

- expenditures for local debt servicing are categorized as protected expenditures;
- the mayor of a district-subordinated city is authorized to perform the functions of a local financial authority, which significantly expands his / her powers (placement of temporarily unused funds in deposits, incurring local debt etc.);

- restrictions lifted for local external borrowing depending on population size;
- risks reduced of unfounded delays in approval by the Ministry of Finance of local borrowing from International Financial Institutions (IFIs) and local guarantees under IFI loans: If Minfin fails to make a decision regarding said approval within a month, the respective local borrowing or local guarantee shall be deemed approved without objection.

Increased accountability for the formation and execution of performance program budgets and improved transparency of budget execution.

The accountability of key spending units for the timeliness and reliability of the formulation of budget program passports will be strengthened. Annual public presentation and publication is required of the budget information by budget program and performance indicator, as well as the publication of budget program passports for the current budget period and reports on passport implementation for the reporting budget period.

The Law also stipulates that **the performance program budgeting method in the budget process at the level of local budgets that have direct relations with the State budget, shall apply starting with the preparation of draft local budgets for the year 2017.**

Timely approval of local budgets. The deadline for the adoption of local budgets has been set as standard by 25 December of the year preceding the planning year. Simultaneously, the procedures have been prescribed to be followed by local councils if no Law on the State Budget of Ukraine is approved by that time.

Possibility for local budgets' development budget funds and own-source revenues of government-funded institutions to be serviced by State-owned banks. The procedure of servicing such funds at banks, as well as special features of accounting and reporting shall be set by the Cabinet of Ministers of Ukraine upon coordination with the National Bank of Ukraine.

It is stipulated, however, that if local budget funds are placed on deposit with banks and / or funds of the local budget with regard to the development budget and own-source revenues of government-funded institutions are serviced by banks, then such local budget shall lose the right to obtain interest-free loans for covering temporary cash gaps arising in the General Fund from offices of the State Treasury Service.

**THE LAWS OF
UKRAINE OF
28 DECEMBER 2014,
NO.80, AND OF
2 MARCH 2015,
NO.217**

The Law of Ukraine “On the State Budget of Ukraine for the Year 2015”, No.80 was approved on 28 December 2014, and then amended by the Law of Ukraine dated 2 March 2015, No.217. The Law (as amended) sets the revenues of the State budget of Ukraine at UAH 502.3bn, and expenditures of the State budget of Ukraine at UAH 566.9bn. The ceiling of the State budget deficit was approved at UAH 75.8bn.

A new system for equalizing local budgets is introduced.

The procedure is set for allocation of the medical and educational subventions among local budgets, as well as the subvention for the training of the regular labor force. Formulas are established for calculating the amounts of such subventions and allocation amounts approved for the distribution of these subventions among the regions.

To cover any possible actual disparities when implementing the new model of relations between the State budget and local budgets, a stabilization grant of UAH 2.0bn is provided for the year 2015. It is approved by the Law as a lump sum, without any allocation among the regions.

The Law sets social standards for the year 2015:

- per capita monthly subsistence level set at UAH 1176 as of 1 January 2015, and at UAH 1330 as of 1 December, and those for the main social and demographic groups in the population:
 - children younger than six years: UAH 1032 as of 1 January 2015, and UAH 1167 as of 1 December;
 - children aged six through 18: UAH 1286 as of 1 January 2015, and UAH 1455 as of 1 December;
 - able-bodied persons: UAH 1218 as of 1 January 2015, and UAH 1378 as of 1 December;
 - persons who have lost their working ability: UAH 949 as of 1 January 2015, and UAH 1074 as of 1 December.
- minimum wages:
 - monthly: UAH 1218 as of 1 January, and UAH 1378 as of 1 December;
 - hourly: UAH 7.29 as of 1 January, and UAH 8.25 as of 1 December.

1.3. LOCAL BUDGETS AND INTER-BUDGET RELATIONS

**DECREE
OF THE CABINET
OF MINISTERS OF
UKRAINE OF
14 JANUARY 2015,
NO. 6**

The Decree of the Cabinet of Ministers dated 14 January 2015, No.6 “Certain Issues of Provision of the Educational Subvention from the State Budget to Local Budgets” approved the Procedure and conditions of provision of the educational subvention from the State budget to local budgets.

Among other things, it is stated that the subvention shall be used for current expenditures of certain types of educational institutions, as well as for activities of optimization of the network of such educational institutions.

**DECREE OF THE
CABINET OF
MINISTERS OF
UKRAINE OF
14 JANUARY 2015,
NO.7**

The Decree of the Cabinet of Ministers dated 14 January 2015, No.7 “Certain Issues of Provision of the Subvention for Training of Regular Labor Force from the State Budget to Local Budgets” approved the Procedure and conditions of provision of the subvention for the training of the regular labor force from the State budget to local budgets.

It is stipulated that the subvention shall be used for the current expenditures of educational institutions engaged in training the regular labor force. The subvention could be used for implementing activities aimed at optimizing the network of vocational educational institutions.

**DECREE OF THE
CABINET OF
MINISTERS OF
UKRAINE OF
23 JANUARY 2015,
NO.11**

The Decree of the Cabinet of Ministers dated 23 January 2015, No.11 “Certain Issues of Provision of the Medical Subvention from the State Budget to Local Budgets” approved the Procedure and conditions of provision of the medical subvention from the State budget to local budgets.

The Procedure stipulates that the subvention shall be used for the current expenditures of healthcare institutions and public health programs, as well as for the activities of optimizing the network of healthcare institutions.

At the same time, it should be noted that all the three Decrees of the Cabinet of Ministers (Nos.6, 7, and 11) set the same approaches to the provision and use of each subvention. These are the following standard provisions:

- The procedure for allocating each subvention and its amounts by region is determined by the Law of Ukraine “On the State Budget of Ukraine for the Year 2015”.
- Each subvention shall have a reserve of funds not to exceed 1% of the total subvention amount for the expenditures, which could not be anticipated at the time of applying the formula for allocation of the subvention among local budgets.
- Any additional allocation and reallocation of each subvention amounts among local budgets shall be carried out by the Cabinet of Ministers.
- A significant provision is that any balance of funds of each subvention shall be retained in the accounts of the relevant local budgets at the end of the budget period and shall be used in the next budget period with due account for the targeted allocation of these subventions and for the renewal of facilities and resources of the institutions funded by such subventions.
- The subventions shall be remitted by offices of the Treasury into the respective accounts of local budgets.
- The oblast and Kyiv City State administrations shall submit the following on a monthly basis:
 - reports on the use of the educational subvention and subvention for training the regular labor force to the Ministry of Education and Science by the 10th day of every month; and
 - a report on the use of the medical subvention to the Ministry of Health by the 15th day of every month.
- The Ministry of Education and Science and the Ministry of Health shall inform the Ministry of Finance about the use of the subventions by the 20th day of every month.

**DECREE OF THE
CABINET OF
MINISTERS OF
UKRAINE OF
23 JANUARY 2015,
NO. 12**

The Decree of the Cabinet of Ministers dated 23 January 2015, No.12 “On Amending the Procedure of Remittance of Inter-budget Transfers” presented a new version of the Procedure for the remittance of inter-budget transfers originally approved by the Decree of the Cabinet of Ministers dated 15 December 2010, No.1132.

The new version of the Procedure prescribes the mechanism of remittance of inter-budget transfers from the State budget to local budgets (basic grant, subventions, stabilization grant and additional grants), and the reverse grant and inter-budget transfers between local budgets.

Among other things, it is stated that the basic grant and subventions from the State budget specified by paragraphs 6 through 8 of Part One of Article 97 of the Budget Code of Ukraine shall be remitted by offices of the Treasury to all local budgets for which the State budget has inter-budget transfers allocated, every ten days in equal parts, on the last day of the ten-day period according to the State budget implementation sheet.

Other State budget subventions to local budgets shall be remitted within the amounts set by the Law on the State Budget of Ukraine for the current year into the accounts of the respective local budgets opened with offices of the Treasury according to the State budget implementation sheet (if remitted from the special State budget fund, they shall also be within the scope and at the expense of the respective proceeds).

The reverse grant to the State budget from oblast, city (City of Kyiv and oblast-subordinated cities), district budgets, and other local government budgets for which inter-budget transfers are provided in the State budget, shall be remitted by offices of the Treasury every ten days in equal parts on the last day of every ten-day period in accordance with the State budget implementation sheet at the expense of the actual intake of revenues of the General Fund of local budget.

The offices of the Ukrainian Treasury shall remit subvention funds within two transaction days after the presentation of the payment documents of the respective financial authorities.

The amount of State budget subventions left unused at the end of the budget period shall be remitted on the last business day of such period by offices of the Treasury to the State budget, unless otherwise provided by the Budget Code of Ukraine.

SECTION 2. ANALYSIS OF MACROECONOMIC INDICATORS IN 2014

GDP

Real GDP decreased by 6.8ppt in 2014 (in comparable 2010 prices against the respective period of 2013)³.

Notably, in the European Union countries (EU-28), real GDP grew by 1.3%, and in the Eurozone countries by 0.9% in this period. Real GDP increased by 3.6% in Hungary, by 3.5% in Malta, by 3.3% in Poland, by 2.9% each in Lithuania and Romania, by 2.6% each in Slovenia and UK, by 2.4% each in Latvia and Slovakia, by 2.2% in Norway, by 2.1% in Estonia, and by 2.0% in the Czech Republic. It should be noted that real GDP decreased in the following countries: Cyprus (by 2.3%), Croatia and Italy (0.4% each), and Finland (by 0.1%)⁴, which was due to crises in these countries.

Nominal GDP totaled UAH 1,566.7bn, which is UAH 111.8bn or 7.8% more than in 2013. The foreign market situation remained unfavorable in 2014. This was one of the reasons behind a continued trend of reduced industrial output. As such, the industrial production index amounted to 89.9% in 2014 compared to 95.7% in 2013. Industrial output in the majority of industries continued to decline in 2014.

Industrial output fell significantly in the sectors with the highest sales of industrial products:

in the metallurgy industry and the production of finished metal products, except machines and equipment (19.2% of sales in the manufacturing industry total) by 14.5%, including by 14.7% in the metallurgy industry;

in the machine-building industry (7.9% of total manufacturing industry sales) by 20.6%, including the production of motor vehicles, trailers, and semi-trailers, and other transport vehicles – by 35.7%.

Despite the negative overall trend, growth did occur. This happened in sectors such as: production of foodstuffs (up 4.0%, including the production of oil and animal fat by 21.6%), sugar (up 66.8%), production of tobacco products (up 4.5%), production of textiles (up 3.9%), as well as woodworking and the production of wood and cork products, except furniture; manufacture of products made of straw and weaving plant materials (up 3.0%).

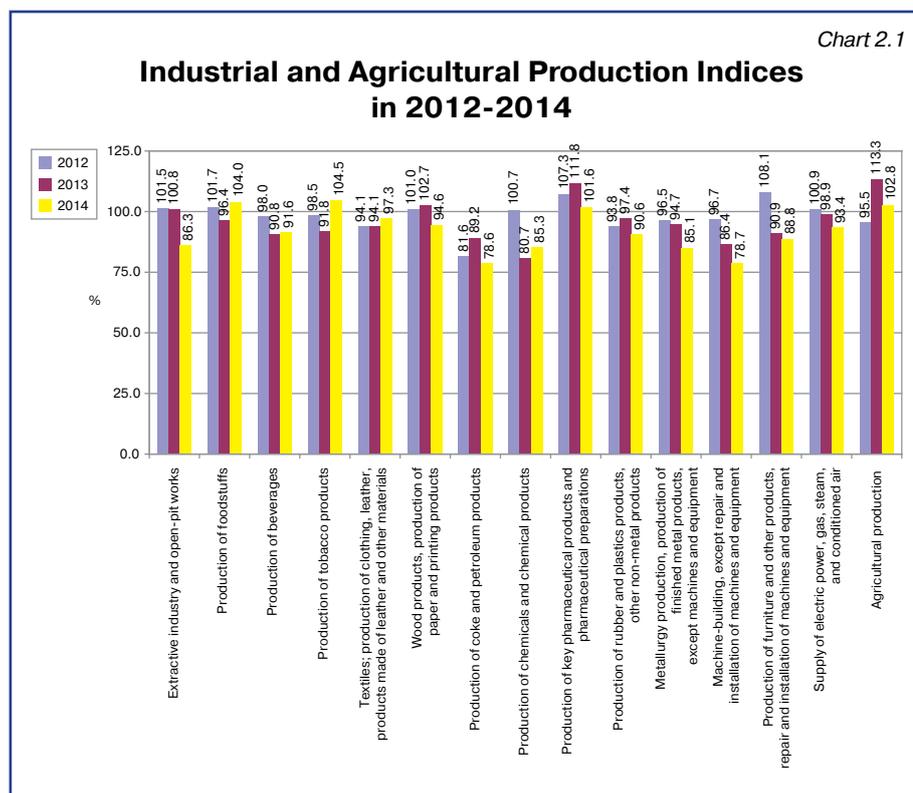
However, the production of motor vehicles, trailers and semi-trailers, and other transport vehicles decreased by 35.7%; production of coke and petroleum products decreased by 21.4%; metals production and production of finished metal products, except the production of machines and equipment, by 14.9%. The production

³ <http://www.ukrstat.gov.ua>

⁴ <http://ec.europa.eu>

of chemical substances and chemical products also decreased by 14.7%, and the extraction industry in general and open pit mining decreased by 13.7%. The agricultural production index did grow by 2.8%, as did the production of food, beverages, and tobacco products (by 2.5%).

The dynamics of the industrial and agricultural production indices are summarized in Chart 2.1.



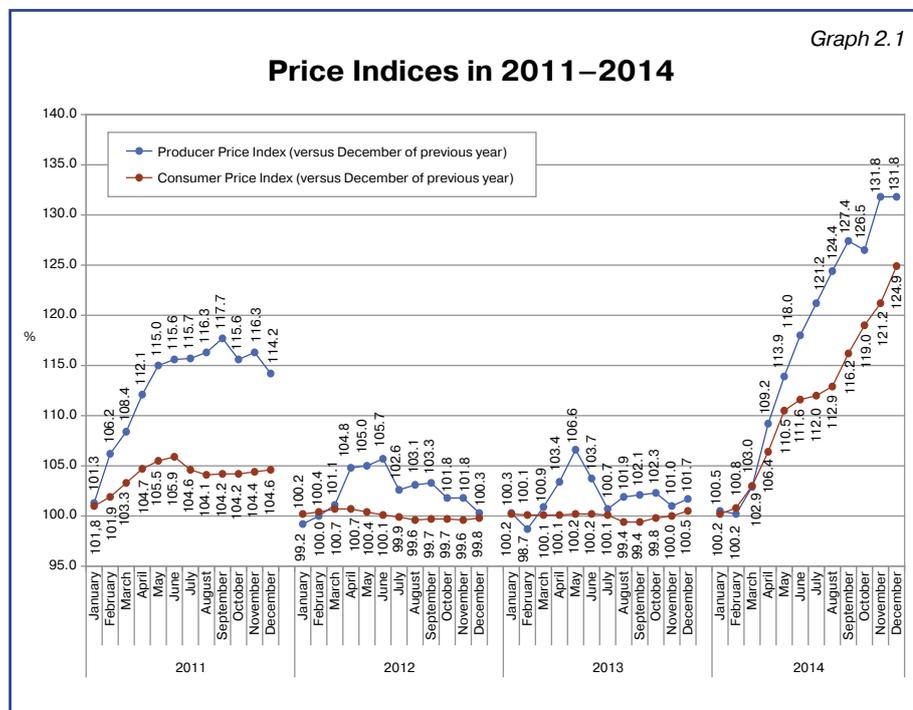
These indicators increased in such industry sectors as: sawmill and surfaced lumber sector by 4.2%; garment industry by 2.0%; production of basic pharmaceutical products and preparations by 1.6%; and production of electrical equipment by 0.9%.

CONSUMER AND PRODUCER PRICE INDICES

The Consumer Price Index (CPI) amounted to 124.9% vs. 100.5% in 2013 (see Graph 2.1). Prices of all goods and services increased in the period under review, with the highest growth noted for: sugar by 46.3%; natural gas by 41.9%; fuel and lubricants by 37.0%; motor vehicles by 34.8%; sewer services by 32.4%; fruits by 24.8%; pharmaceuticals, medical goods and equipment by 23.9%; water supply services by 22.0%; fish and fish products by 17.1%; and passenger rail transport by 16.3%.

The Producer Price Index (PPI) increased by 30.1ppt to 131.8%. In general, all producer prices increased with significant growth noted for: the production of sugar by 37.7%; production of petroleum products by 31.0%; production of metals and finished metal products except for machines and equipment,

by 26.3%; production of chemical substances and chemical products by 26.0%; production of coke and products by 25.0%; production of rubber and plastics products by 20.4%; and production of basic pharmaceutical products and pharmaceutical preparations by 19.0%⁵, respectively.



PERSONAL INCOME AND SPENDING

The nominal average monthly wage per full-time employee amounted to UAH 3,476.0 at the end of 2014, which is 6.5% more than in 2013 (see Table 2.1). Also, the minimum wage level and subsistence level of an able-bodied person equaled UAH 1,218 according to the Law of Ukraine “On the State Budget of Ukraine for the Year 2014” (amended), which is 2.9 times less than the average monthly wage; however, the minimum wage has been adjusted upward for inflation by 3% to UAH 1,254.54 (see clarification by the Ministry of Social Policy)⁶, and, therefore, the nominal average monthly wage is 2.8 higher than the social standards.

Table 2.1

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

Name of administrative-territorial unit	Average monthly wage (per 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
Vinnitsya Oblast	2 432.0	2 651.0	2 810.0	109.0	106.0	118.0	110.0	94.9
Volyn Oblast	2 339.0	2 580.0	2 721.0	110.3	105.5	117.9	111.0	93.5
Dnipropetrovsk Oblast	3 138.0	3 336.0	3 641.0	106.3	109.1	112.0	106.7	97.1
Donetsk Oblast	3 495.0	3 755.0	3 857.0	107.4	102.7	112.2	106.3	89.4
Zhytomyr Oblast	2 369.0	2 561.0	2 763.0	108.1	107.9	115.1	109.6	95.7
Zakarpattia Oblast	2 351.0	2 553.0	2 744.0	108.6	107.5	114.2	109.4	95.6

⁵ www.ukrstat.gov.ua

⁶ www.mlsp.gov.ua/labour/control/uk/publish/article?art_id=160990&cat_id=107177

Name of administrative-territorial unit	Average monthly wage (per 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
Zaporizhzhya Oblast	2 927.0	3 142.0	3 432.0	107.3	109.2	112.0	108.1	96.6
Ivano-Frankivsk Oblast	2 540.0	2 679.0	2 875.0	105.5	107.3	114.9	106.6	95.2
Kyiv Oblast	3 157.0	3 351.0	3 489.0	106.1	104.1	114.4	107.2	91.8
Kirovohrad Oblast	2 428.0	2 608.0	2 789.0	107.4	106.9	115.3	109.0	94.8
Luhansk Oblast	3 090.0	3 337.0	3 148.0	108.0	94.3	111.7	107.6	86.4
Lviv Oblast	2 578.0	2 789.0	2 961.0	108.2	106.2	114.4	109.2	93.3
Mykolaiv Oblast	2 822.0	3 094.0	3 344.0	109.6	108.1	116.1	109.8	95.8
Odesa Oblast	2 700.0	2 947.0	3 129.0	109.1	106.2	113.0	109.3	93.2
Poltava Oblast	2 850.0	2 988.0	3 179.0	104.8	106.4	115.5	106.1	94.9
Rivne Oblast	2 575.0	2 844.0	3 033.0	110.4	106.6	117.6	111.5	93.9
Sumy Oblast	2 503.0	2 702.0	2 877.0	108.0	106.5	115.1	109.5	94.8
Ternopil Oblast	2 185.0	2 359.0	2 527.0	108.0	107.1	117.3	109.3	95.1
Kharkiv Oblast	2 752.0	2 975.0	3 144.0	108.1	88.0	114.2	109.3	93.9
Kherson Oblast	2 268.0	2 464.0	2 617.0	108.6	116.8	115.3	109.4	94.5
Khmelnyskyi Oblast	2 425.0	2 641.0	2 878.0	108.9	109.0	116.6	109.6	96.8
Cherkasy Oblast	2 508.0	2 682.0	2 829.0	106.9	105.5	116.0	107.9	93.7
Chernivtsi Oblast	2 329.0	2 484.0	2 578.0	106.7	103.8	118.0	108.0	93.2
Chernihiv Oblast	2 308.0	2 504.0	2 690.0	108.5	107.4	118.4	110.0	94.9
City of Kyiv	4 607.0	5 007.0	5 376.0	108.7	107.4	112.5	107.8	94.5
Ukraine	3 025.0	3 265.0	3 476.0	107.9	106.5	114.4	108.2	93.5

According to Eurostat, the highest minimum wages among EU countries are those in Luxembourg (€1,923.0), Belgium (€1,502.0), and Germany (€1,473.0).

The lowest minimum wages in the EU in Euro equivalent are recorded in Romania (€218.0) and Bulgaria (€184.0).

In Ukraine, the minimum wage in Euro equivalent equals €40.0 (according to the National Bank official Hryvnya exchange rate against the Euro of UAH 31.4 as of 29 December 2014), which is 48.1 times less than the highest minimum wage in the European Union (Luxembourg) and 4.6 times less than the lowest minimum wage in Bulgaria.

As usual, the highest average monthly wage level is recorded in the City of Kyiv (UAH 5,376.0). The oblasts with the highest average monthly wages include: Donetsk (UAH 3,857.0), Dnipropetrovsk (UAH 3,641.0), Kyiv (UAH 3,489.0), Zaporizhzhya (UAH 3,432.0), and Mykolaiv (UAH 3,344.0) oblasts.

The lowest average monthly wages were recorded in Kherson (UAH 2,617.0), Chernivtsi (UAH 2,578.0), and Ternopil (UAH 2,527.0) oblasts.

The economic activities with the highest nominal wages in the period since the year outset include air transport (UAH 14,023.0), financial and insurance activities (UAH 8,171.0), professional, scientific, and technological activities (UAH 6,461.0), as well as information and telecommunications (UAH 5,935.0).

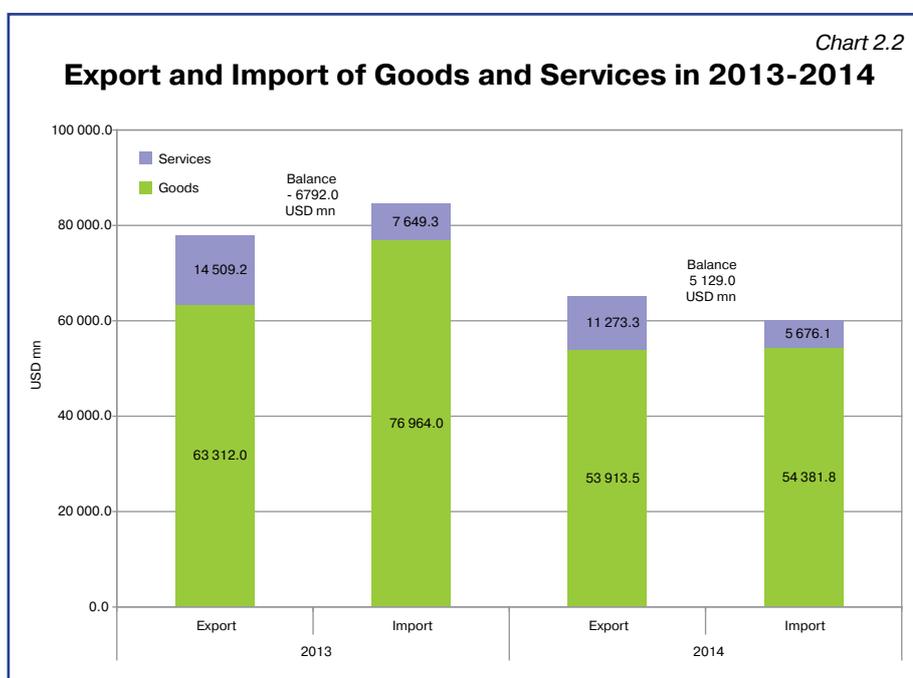
Real wages decreased by 6.5% (they increased by 8.2% in 2013). The reduction is noted in all regions, with especially significant declines in Luhansk and Donetsk oblasts of -13.6% and -10.6%, respectively.

At the same time, retail and restaurant trade turnover totaled UAH 903.5bn, which is 8.6% less than the 2013 figure in comparable prices. This testifies to a shrinking domestic consumer demand caused by lower real wages and, hence, the weaker purchasing power of the populace.

FOREIGN TRADE

The foreign trade balance of Ukraine was positive, and stood at \$5.1bn in 2014 (see Chart 2.2).

According to the State Statistics Service of Ukraine, **export of Ukrainian goods** was 14.8% down year-on-year and totaled \$54.0bn.

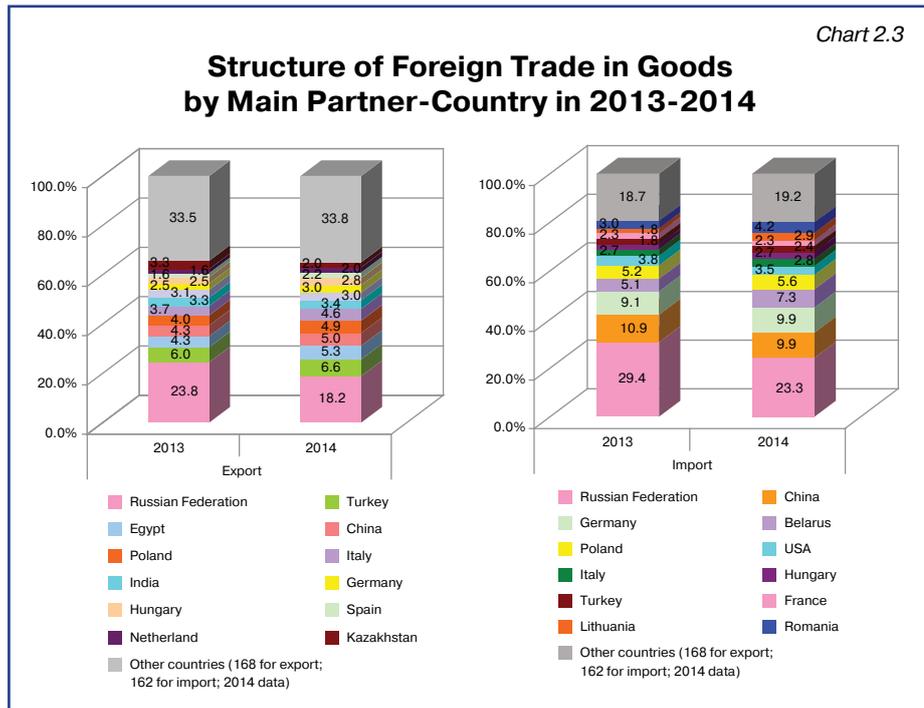


Core Ukrainian commodity exports, namely base metals and products comprised 28.3% of total exports, which is 0.5ppt more than in 2013. Products of plant origin accounted for 16.0% (or 2.0ppt more compared to 2013), cereals for 12.1% (or 2.0ppt more), mineral products for 11.3% (down 0.5ppt against 2013), machines, equipment, and mechanisms for 10.5% (or 0.5ppt less), and chemical products for 5.7% (or 1.1ppt less).

As before, the main consumers of Ukrainian products included the Russian Federation (18.2%), Turkey (6.6%), Egypt (5.3%), China (5.0%), Poland (4.9%), and Italy (4.6%) (see Chart 2.3).

In general, the ratio of import coverage by export amounted to 0.99 (0.82 in 2013). Also foreign trade transactions were conducted with partners from 168 countries worldwide.

Chart 2.3



The import of goods in Ukraine totaled \$54.4bn, which is 29.4% less than the respective 2013 figure (see Chart 2.2).

Mineral products accounted for 29.5% of total imports of goods, which is 0.4ppt more than in 2013. Deliveries of machines, equipment, and mechanisms accounted for 16.0% (down 0.2ppt against 2013), chemical products 12.5% (or 1.5ppt more), polymers, plastics, and products 6.7% (or 0.7ppt more) of all imports.

SECTION 3. ANALYSIS OF BUDGET INDICATORS IN 2014

3.1. EXECUTION OF CONSOLIDATED AND STATE BUDGET REVENUES IN 2014

REVENUES OF CONSOLIDATED AND STATE BUDGETS

The actual intake of consolidated budget revenues totaled UAH 455.9bn in January-December 2014, which is UAH 13.1bn or 3.0% more year-on-year.

This intake equals 93.4% of the annual plan, and results in a shortfall of UAH 32.1bn.

State budget revenues with inter-budget transfers totaled UAH 357.0bn, which is UAH 17.7bn or 5.2% more than the respective 2013 figure. Of this amount, the General Fund of the State budget received UAH 310.7bn and the Special Fund received UAH 46.3bn.

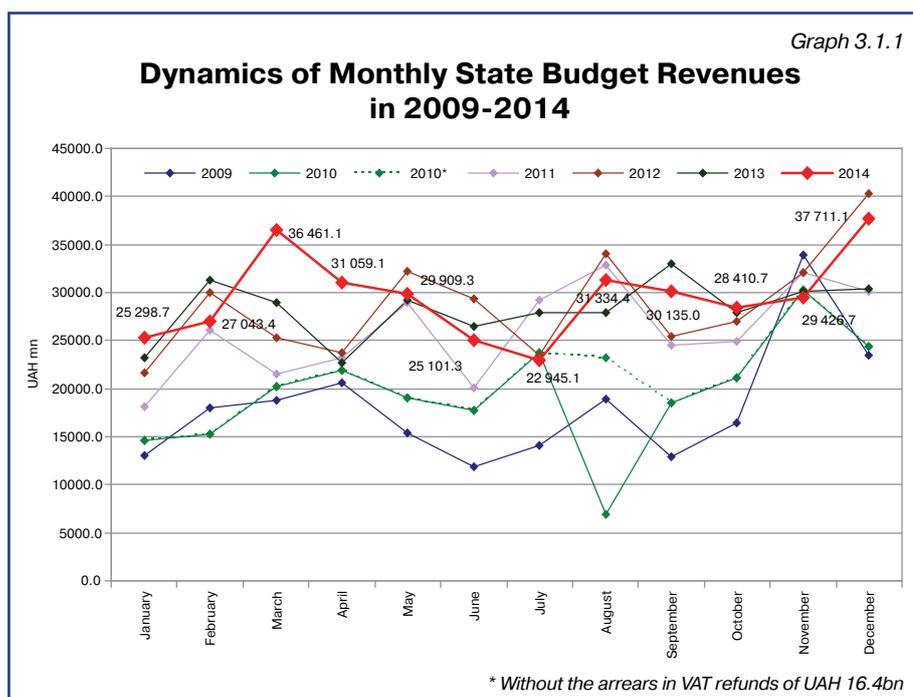
The actual intake of State budget revenues without inter-budget transfers totaled UAH 354.8bn, which is UAH 17.2bn or 5.1% more year-on-year (see Table 3.1.1).

Table 3.1.1

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

Indicators	2011	2012	2013	2014	2014 vs. 2013	
					Absolute growth, UAH bn	Growth rate, %
Consolidated budget, UAH bn, including:	398.3	445.5	442.8	455.9	13.1	3.0
– General Fund	334.7	369.7	375.0	388.9	13.9	3.7
– Special Fund	63.6	75.8	67.8	67.0	–0.8	–1.2
State budget (without inter-budget transfers), UAH bn, including:	311.8	344.7	337.6	354.8	17.2	5.1
<i>share in consolidated budget revenues, %</i>	<i>78.3</i>	<i>77.4</i>	<i>76.2</i>	<i>77.8</i>	x	x
– General Fund	263.3	288.5	290.1	308.7	18.6	6.4
– Special Fund	48.5	56.2	47.5	46.1	–1.4	–3.0
Local budgets (without inter-budget transfers), UAH bn, including:	86.5	100.8	105.2	101.1	–4.1	–3.9
<i>share in consolidated budget revenues, %</i>	<i>21.7</i>	<i>22.6</i>	<i>23.8</i>	<i>22.2</i>	x	x
– General Fund	71.4	81.2	84.9	80.2	–4.7	–5.5
– Special Fund	15.1	19.6	20.3	20.9	0.6	3.0

The State budget received UAH 21.0bn or 5.6% less revenue than envisioned in the annual plan (amended). In particular, the personal income tax shortfall amounted to UAH 1.5bn or 10.9%; value-added tax shortfall – UAH 10.9bn or 7.3%; excise tax on goods made in Ukraine – UAH 3.8bn or 12.0%; import duty – UAH 3.2bn or 20.7%; and subsoil royalties – UAH 2.2bn or 10.7%. The enterprise profit tax shortfall amounted to UAH 0.3bn or 0.9%. The excise tax on goods imported in Ukraine was the only significant source of revenues with a recorded surplus over the annual target, which generated UAH 3.8bn in revenues or 30.0% more than the plan.



STRUCTURE OF CONSOLIDATED AND STATE BUDGET REVENUES

An increase in the share of tax revenues should be noted in the structure of revenues of both the consolidated and State budgets (0.7ppt and 1.2ppt, respectively), and a decrease in the share of non-tax revenues (-1.6ppt and -2.4ppt, respectively).

The share of tax revenues in the overall structure of revenues of the **consolidated budget** increased by 0.7ppt year-on-year due to growth in the share of the value-added tax by 1.5ppt, excise tax by 1.6ppt, and personal income tax by 0.2ppt. The share of enterprise profit tax decreased by 3.6ppt compared to 2013. Changes in the shares of the remaining tax sources were negligible.

The share of non-tax revenues of the **consolidated budget** decreased by 1.6ppt and amounted to 17.6%. The main reason was a UAH 5.5bn reduction in the amount of funds remitted by the National Bank of Ukraine into the budget throughout the year.

The share of tax revenues in the overall structure of **State budget** revenues increased by 1.2ppt. Changes in the structure of State budget revenues are generally similar to those in the structure of consolidated budget revenues.

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

Table 3.1.2

Structure of Consolidated and State Budget Revenues in 2012-2014

(%)

Revenues	Consolidated budget			State budget		
	2012	2013	2014	2012	2013	2014
Tax revenues, including:	80.9	79.9	80.6	79.7	77.8	79.0
– personal income tax	15.3	16.3	16.5	2.0	2.2	3.6
– enterprise profit tax	12.5	12.4	8.8	16.1	16.1	11.3
– fees for special use of natural resources, including:	3.9	6.5	7.4	0.7	4.1	5.3
– payment for land	2.8	2.9	2.7	–	–	–

Revenues	Consolidated budget			State budget		
	2012	2013	2014	2012	2013	2014
– value-added tax	31.2	29.0	30.5	40.3	38.0	39.2
– excise tax	8.6	8.3	9.9	10.8	10.5	12.7
– taxes on foreign trade and external transactions	3.0	3.0	2.8	3.8	3.9	3.5
– rent, fees for fuel and energy resources	3.9	1.3	1.3	5.1	1.7	1.7
– other tax revenues	2.5	3.1	3.4	0.9	1.3	1.7
Non-tax revenues, including:	18.2	19.2	17.6	19.8	21.6	19.2
– income from property and business activity	7.4	7.6	6.3	9.3	9.9	8.0
– administrative fees and charges, income from noncommercial and incidental sales	1.6	1.6	1.5	1.6	1.5	1.5
– own-source revenues of government-funded institutions	7.7	8.6	6.9	7.2	8.6	6.2
– other non-tax revenues	1.5	1.4	2.9	1.7	1.6	3.5
Income from capital transactions	0.7	0.4	0.5	0.4	0.1	0.2
Targeted funds	0.2	0.2	0.1	0.1	0.1	0.1
Other revenues	0.0	0.3	1.2	0.0	0.4	1.5

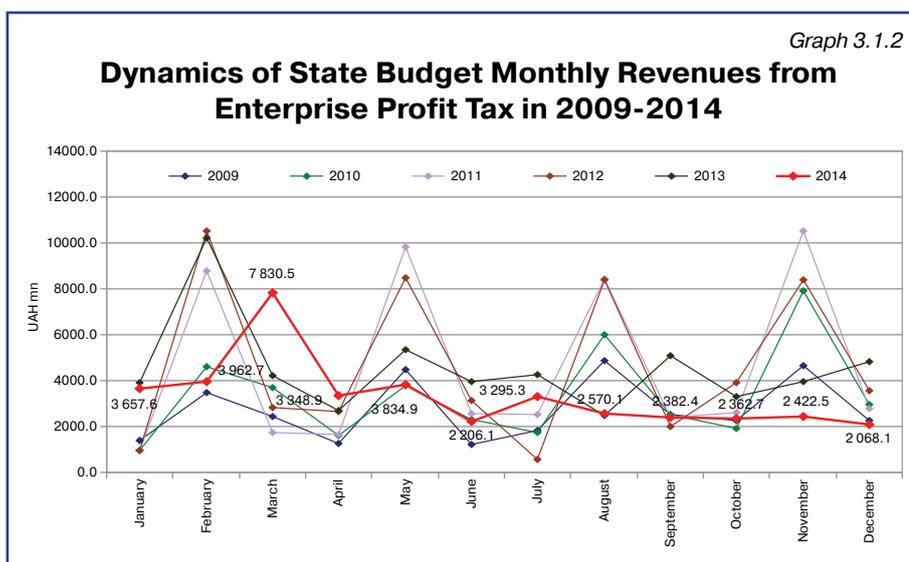
TAX REVENUES OF STATE BUDGET

The State budget received UAH 280.2bn in *tax revenues* in January-December 2014, which is UAH 17.4bn or 0.3% more year-on-year.

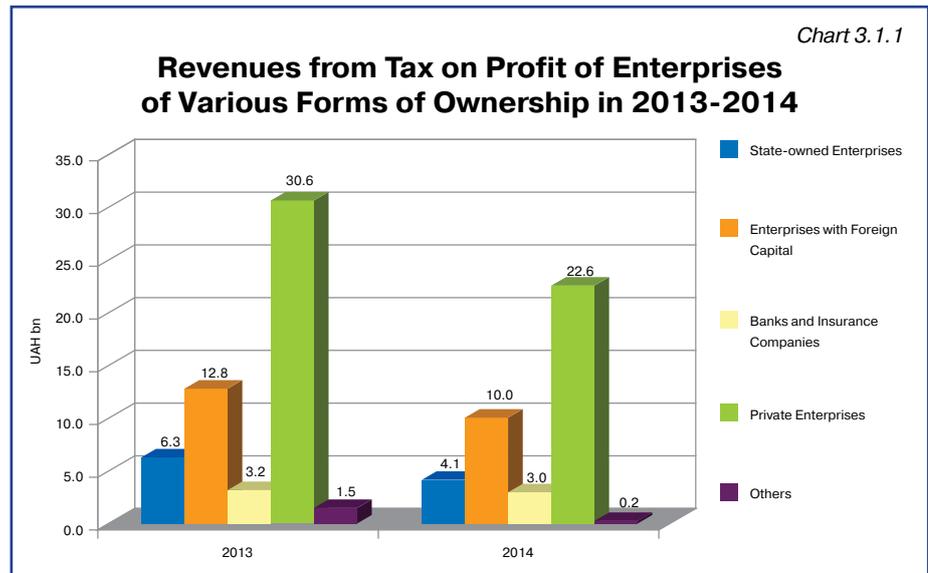
ENTERPRISE PROFIT TAX

The State budget received UAH 39.9bn from *the enterprise profit tax*, which is 26.5% less year-on-year. This drop is linked to advance payments of the tax in the light of the previous year's results. So, where the amount of UAH 38.5bn was paid in advance in 2013, this indicator amounted to UAH 26.3bn in 2014, which is UAH 12.2bn or 31.5% less.

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



Enterprise profit tax proceeds continued to fall for enterprises of all forms of ownership. The tax amounts paid by State-owned enterprises dropped by UAH 2.2bn or 33.9%; companies with foreign capital by UAH 2.8bn or 21.5%; banks and insurance companies by UAH 0.2bn or 6.5%; and private enterprises by UAH 8.0bn or 26.4% (see Chart 3.1.1).

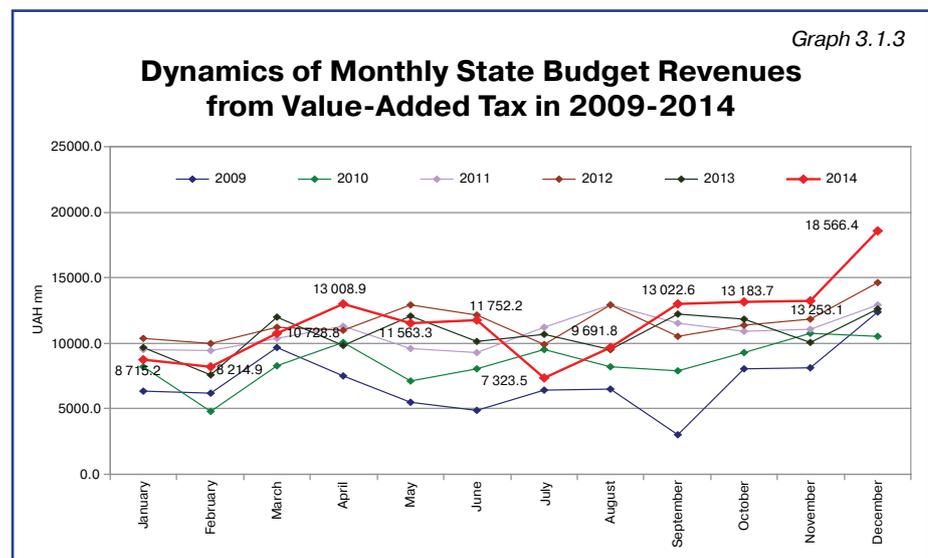


VALUE-ADDED TAX

The State budget received UAH 139.0bn from the *value-added tax* in January-December 2014, which is UAH 10.8bn or 8.4% more year-on-year. The greater proceeds from the tax were provided by a UAH 10.7bn or 11.1% growth in revenues from the value-added tax on goods imported into Ukraine. This growth occurred due to the raised official Hryvnya exchange rate against foreign currencies, which has proportionately increased the tax base. Also, the volume of imports decreased by 28.3% in 2014⁷. **On the other hand, the proceeds from VAT on goods made in Ukraine decreased by UAH 3.3bn or 3.9%, which reflected reduced consumption.**

Revenue from the value-added tax equaled 92.7% of the annual plan; by its individual components, “internal” VAT dropped the greatest percentage at 89.2% of the annual plan, whereas the “import” VAT reached 97.9% of the plan.

The monthly dynamics of revenues from the value-added tax are summarized in Graph 3.1.3.

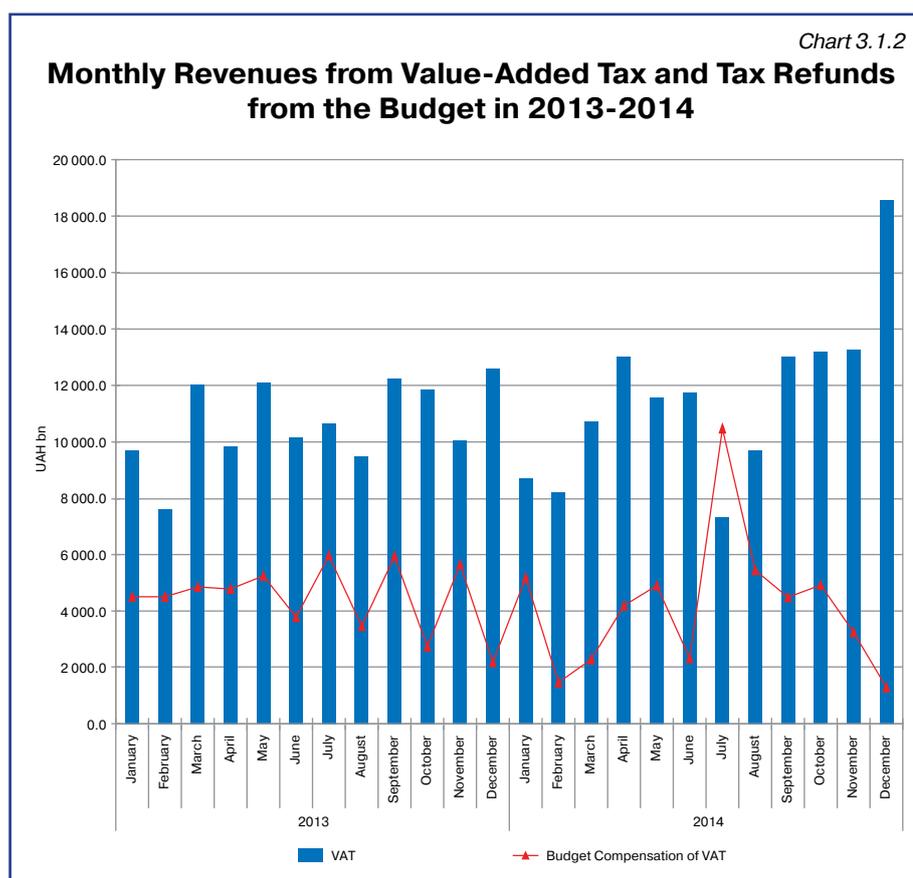


⁷ <http://ukrstat.gov.ua/>

Budget refunds totaled UAH 50.2bn in 2014, which is UAH 1.4bn or 2.6% less than the plan. The reduction in the amount of budget refunds of the tax was another reason behind the increased VAT revenues. In particular, this indicator decreased by UAH 3.2bn or by 6.1% compared to 2013.

Notably, this decrease was significant in November and December, at UAH 3.2bn and UAH 1.3bn, respectively, compared to an average monthly refunded amount of UAH 4.6bn in the first ten months of the year.

The issue of VAT bonds was a special feature in the administration of the value-added tax in 2014. On 8 July 2014, the Ministry of Finance issued internal government bonds for the securitization of refunds of the value added tax according to the Decree of the Cabinet of Ministers dated 21 May 2014, No.139 “On Issue of Internal Government Bonds to Refund the Amounts of Value-Added Tax” and within the scope of the ceiling of UAH 7.0bn set by the Decree of the Cabinet of Ministers dated 18 June 2014, No.187.



TAXES ON FOREIGN TRADE AND EXTERNAL TRANSACTIONS

The State budget received UAH 12.6bn from **taxes on foreign trade and external transactions**, which is UAH 0.7bn or 5.5% less year-on-year.

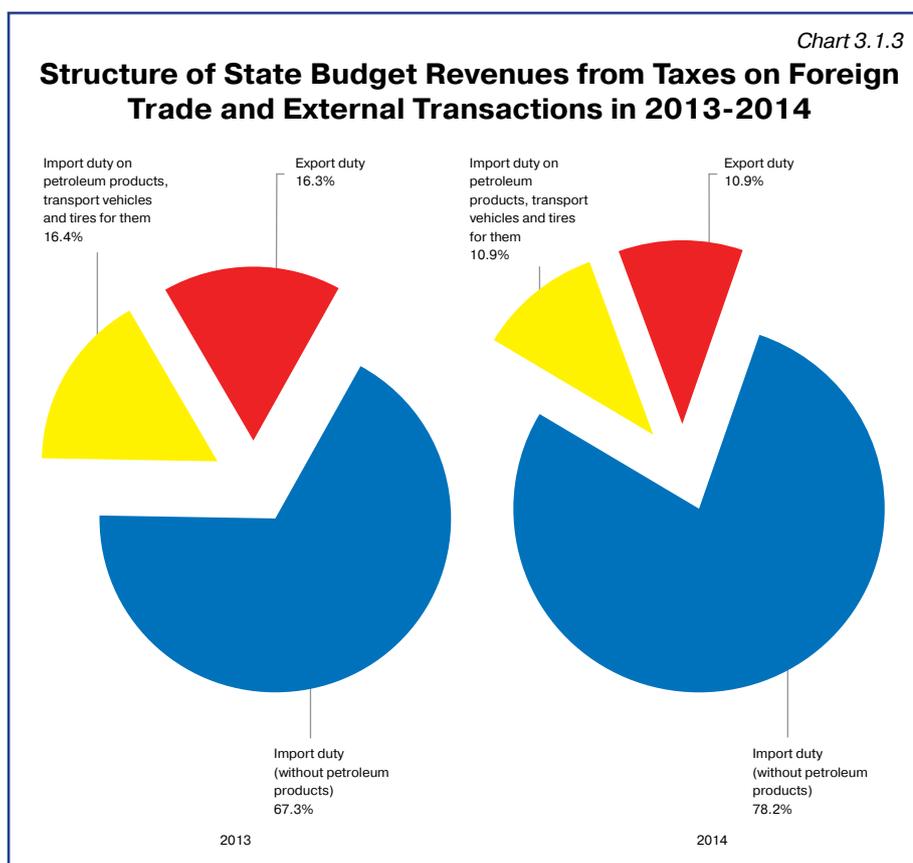
According to the State Fiscal Service of Ukraine, the current situation in Ukraine has a negative impact on the level of tax

revenues for the budget, in particular, those from international activities. Specifically, due to the annexation of the Autonomous Republic of Crimea and the city of Sevastopol, the budget shortfall amounted to UAH 1.8bn, and the military activities in the east of the country have reduced revenues by UAH 3.5bn. Other reasons behind the reduction of revenues included changes in the structure of imports and falling prices on global markets, which has led to a 21.0% drop in the amount of taxable import; that is, the actual absence of import of crude oil (minus 93.0% of the import amount and UAH 400mn in losses) was accompanied by falling prices of crude oil, and, subsequently, of petroleum and petrochemical products⁸.

Therefore, revenues declined specifically for the “import” component of the duty, which decreased by UAH 0.9bn or by 6.6%.

Compared to the respective period of last year, the structure of taxes on foreign trade and external transactions experienced certain changes:

- the share of revenues from import duty (without petroleum products) increased by 10.9ppt;
- the share of revenues from export duty decreased by 5.4ppt;
- the share of import duty on petroleum products, motor vehicles and tires for them decreased by 5.5ppt.
- These summarized changes are shown in Chart 3.1.3.

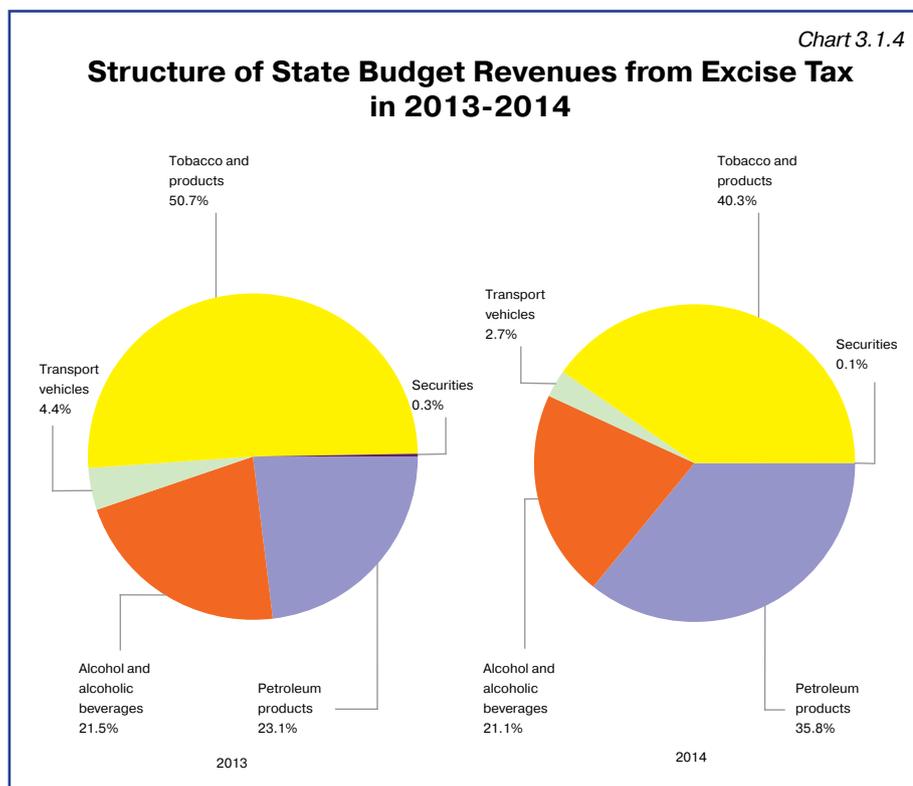


8 <http://rada.gov.ua/news/Novyny/Povidomlennya/102361.html>

EXCISE TAX

Excise tax revenues totaled UAH 44.9bn, which is UAH 9.6bn or 27.3% more year-on-year. The annual plan for revenue from the excise tax on imported goods was exceeded by UAH 3.8bn or by 30.0%. At the same time, revenue from the excise tax on goods made in Ukraine were lower by the same amount.

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



A UAH 7.9bn increase or nearly doubling of tax proceeds from gasoline and other petroleum products was the main driver of growth in budget revenue from this tax. In addition, revenue from the excise tax on alcoholic beverages grew by 25.0%. The “tobacco” excise tax proceeds remained almost at the 2013 level, with an increase of 1.1%, while revenue from the excise tax on motor vehicles decreased by 21.8%.

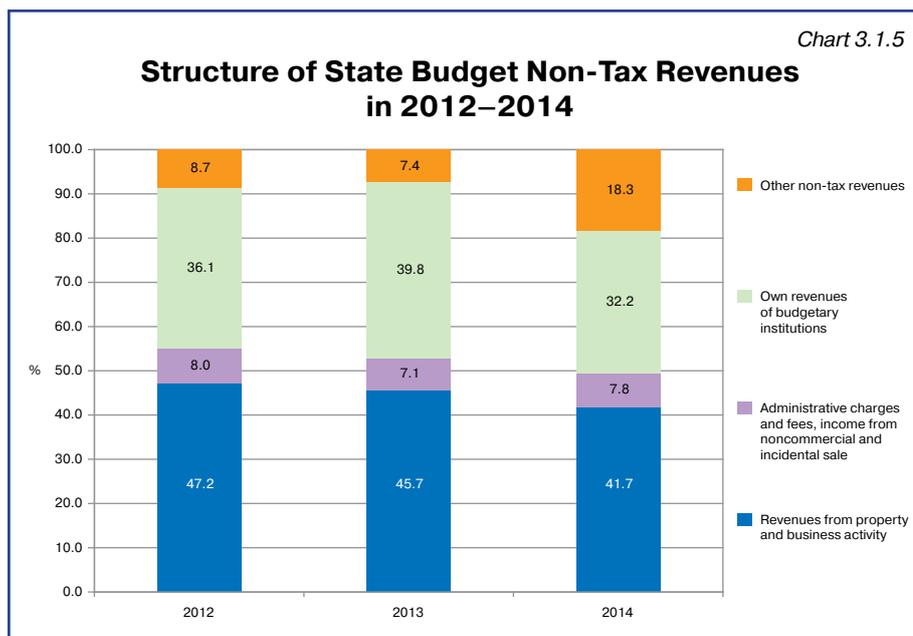
As regards the excise tax on goods made in Ukraine, the most significant drop was recorded for tobacco and tobacco products, down UAH 0.5bn or 9.4%.

**NON-TAX
REVENUES**

The amount of **non-tax revenues** equaled UAH 68.2bn, which is UAH 4.6bn or 6.4% less than the respective 2013 figure. This amount equals 98.3% of the annual plan.

The structure of non-tax revenues changed somewhat, primarily due to an increased share of other non-tax revenues (by 10.9ppt).

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



INCOME FROM PROPERTY AND BUSINESS ACTIVITY

The **income from property and business activity** totaled UAH 28.5bn, which is 14.5% less year-on-year.

The main factor of decreased revenues from property and business activity involved a lower than last year amount of funds remitted by the National Bank of Ukraine into the budget (UAH 22.8bn vs. 28.3bn in 2013).

OWN-SOURCE REVENUES OF GOVERNMENT- FUNDED INSTITUTIONS

The amount of **own-source revenues of government-funded institutions** totaled UAH 22.0bn, which is UAH 7.1bn or 24.4% less than in 2013. This amount equals 103.4% of the planned level for the year.

OTHER NON-TAX REVENUES

The State budget received UAH 12.5bn in **other non-tax revenues**, which is UAH 7.1bn more than in 2013.

The increase of revenues from this source is due to a renewed collection of the charge on foreign currency buying transactions, the proceeds from which totaled UAH 6.7bn.

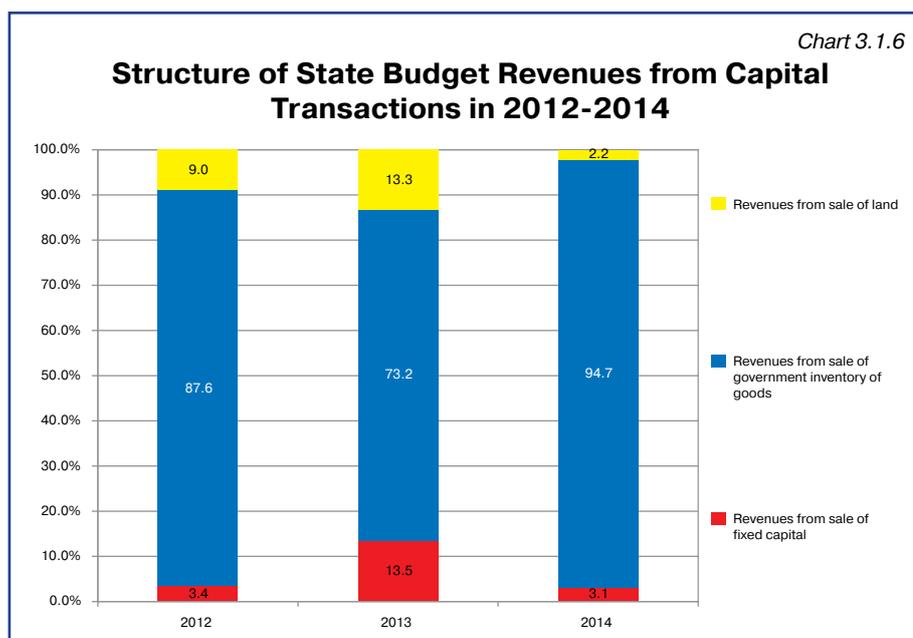
INCOME FROM CAPITAL TRANSACTIONS

The amount of **income from capital transactions** increased in 2014. Thus, the budget received UAH 0.9bn from this item, which is nearly 3.5 times more than the 2013 figure.

The main reason is the growth in revenues from sale of the State inventory of goods by more than 4.5 times.

This has led to changes in the structure of revenues, namely: the share of income from the transactions of sale of State inventory of goods increased by 21.5ppt, and the shares of income from sale of land and sale of fixed assets decreased by 11.1ppt and 10.4ppt, accordingly.

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

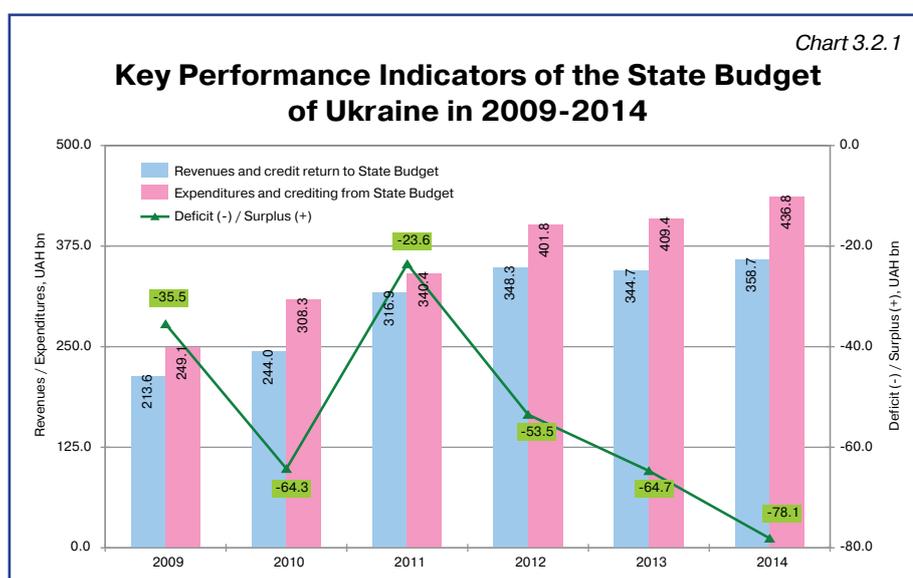


3.2. FINANCING OF STATE BUDGET DEFICIT AND STATE DEBT IN 2014

FINANCING OF BUDGET DEFICIT

The State budget was executed with a deficit of UAH 78.1bn in the period under review (see Chart 3.2.1), which amounts to 113.8% of the ceiling set by the Law on the State Budget of Ukraine for the Year 2014, and 88.1% of the revised annual plan.

The actual deficit exceeding the cap set by the State budget law is related to the issue of internal government bonds for an amount higher than that approved by the law within the scope of internal borrowing. Such issue of government bonds was implemented according to the right granted by the 2014 State budget law to the Cabinet of Ministers of Ukraine (paragraph 2 of Article 16, Articles 23, 23, and 24).



The General Fund deficit of the State budget totaled UAH 61.1bn in 2014, which is UAH 4.0bn less year-on-year. The Special Fund deficit amounted to UAH 16.8bn compared to the 2013 surplus of UAH 0.5bn. The Special Fund deficit emerged due to the issue of internal government bonds in excess of the amounts approved by the 2014 State Budget Law of Ukraine in the amount of UAH 18.0bn. These government bonds have been issued for: providing State subvention funds to local budgets for compensation of the difference in tariffs (for the amount of UAH 11.1bn); and for refunding the value-added tax to the payers who declared their amounts due for refund before 1 January 2014 (for the amount of UAH 6.9bn).

The financing of the State budget under debt transactions totaled UAH 201.6bn, which amounts to 96.1% of the annual target (see Table 3.2.1). Compared to 2013, this indicator increased nearly 2.5 times.

Table 3.2.1

State Budget Deficit Financing Indicators in 2010–2014

Years Indicators	2010	2011	2012	2013	2014		
					Revised annual plan	Actual	Execution, %
General financing, UAH bn, including:	64.3	23.5	53.5	64.7	88.6	78.1	88.1
– General Fund	30.7	20.9	53.3	65.2	62.5	61.2	97.9
– Special Fund	33.6	2.6	0.2	–0.5	26.1	16.9	64.8
Financing under debt transactions, UAH bn	97.6	35.0	41.7	81.1	209.7	201.8	96.2
Borrowing, UAH bn, including:	124.3	80.7	109.8	160.9	332.7	322.6	97.0
– internal borrowing	70.0	53.4	66.8	109.0	234.1	227.6	97.2
share, %	56.4	66.2	60.8	67.7	70.4	70.6	100.3
– external borrowing	54.3	27.3	43.0	51.9	98.6	95.0	96.3
share, %	43.6	33.8	39.2	32.3	29.6	29.4	99.4
Repayment, UAH bn, including:	–26.7	–45.6	–68.1	–79.8	–123.0	–120.8	98.2
– internal obligations	–19.7	–32.1	–38.0	–41.8	–68.3	–68.0	99.6
share, %	73.8	70.3	55.8	52.4	55.5	56.3	101.4
– external obligations	–7.0	–13.5	–30.1	–38.0	–54.7	–52.8	96.5
share, %	26.2	29.7	44.2	47.6	44.5	43.7	98.3
Proceeds from privatization of State property, UAH bn	1.1	11.5	6.8	1.5	0.5	0.5	100.0
Financing under active transactions, UAH bn	–34.4	–23.0	5.0	–17.8	–121.6	–124.2	102.1

The borrowing totaled UAH 322.4bn or 96.9% of the annual target, including UAH 300.3bn for the General Fund. Of that amount, internal borrowing reached 97.2% of the annual plan and external borrowing reached 96.1% of the plan.

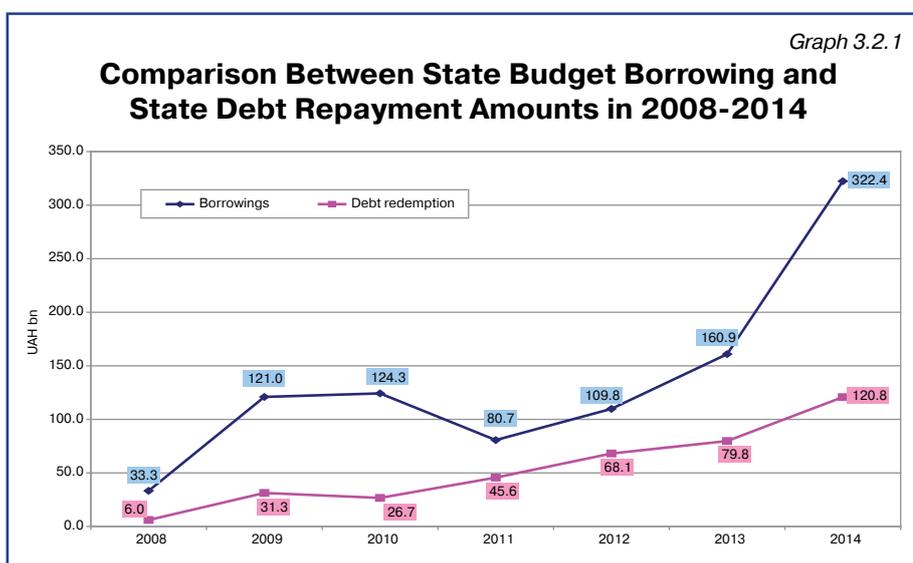
Within the total amount of borrowing for the General Fund of the State budget, internal government bonds were issued for:

- increasing the authorized capital of NAK Naftogaz of Ukraine by UAH 96.6bn;
- increasing the authorized capital of PAT Oschadbank by UAH 11.6bn;

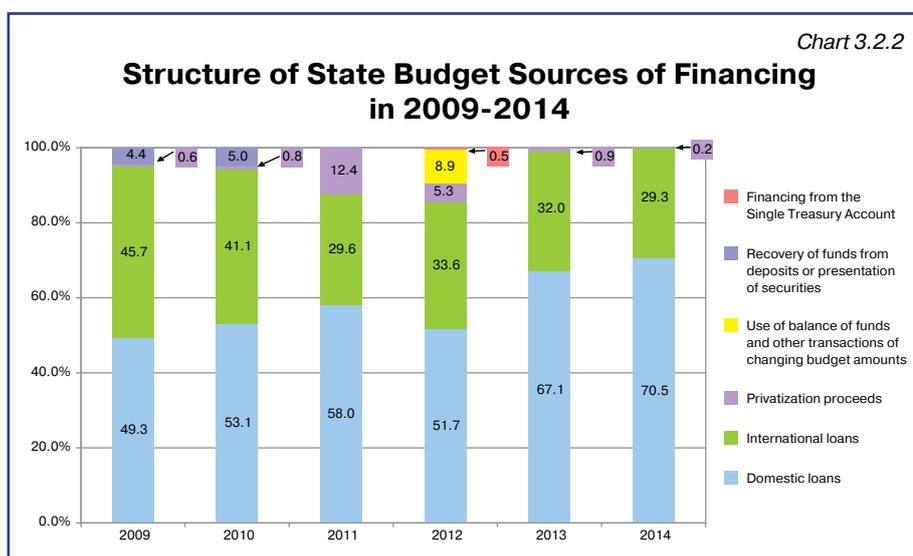
- increasing the authorized capital of PAT State Export-Import Bank of Ukraine by UAH 5.0bn;
- exchanging the promissory notes issued by the Fund for Guaranteeing Deposits of Natural Persons into such bonds for the amount of UAH 10.1bn.

Debt repayment totaled UAH 120.8bn, which is 51.4% more than in 2013 (see Table 3.2.1). This amount equals 98.2% of the annual plan which is 0.3ppt less than the respective 2013 figure. Payment of internal debt amounted to UAH 68.0bn or 99.6% of the annual plan, and external debt to UAH 52.8bn or 96.5%.

The gap gap between the borrowing and debt repayment amounts widened further (see Graph 3.2.1), which could lead to an increased debt burden for the budget in the future.

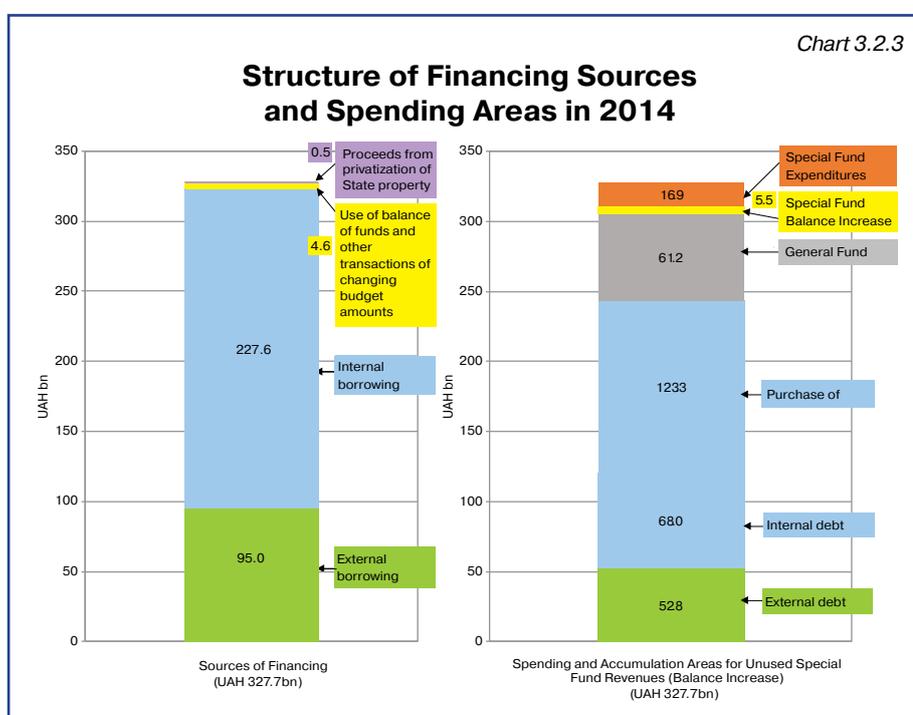


The structure of financing sources remained virtually unchanged in 2014 compared to 2013 (see Chart 3.2.2).



Thus, internal borrowing accounts for two-thirds of the total financing and about one third by external borrowing.

Chart 3.2.3 illustrates the comparison of the amounts of financing and their sources and spending areas at the expense of those sources, and accumulation of unused Special Fund revenues in 2014.



As seen from Chart 3.2.3, a significant proportion of the financing was used for General Fund expenditures (UAH 61.2bn or 18.7% of total spending and accumulation of unused proceeds). Notably, capital expenditures and lending of the General Fund only amounted to UAH 3.1bn or 5.1% of the expenditures funded at the expense of the budget deficit.

EXPENSES FOR REPAYMENT AND SERVICING OF STATE DEBT

Expenditures for servicing the State debt totaled UAH 51.0bn or 98.8% of the annual plan, which is 0.9ppt more than the respective 2013 figure (see Table 3.2.2).

Aggregate expenses for the repayment and servicing of the State debt amounted to UAH 171.8bn or 40.0% of all State budget expenditures.

Table 3.2.2

Budget Expenses for Repayment and Servicing of the State Debt in 2012–2014

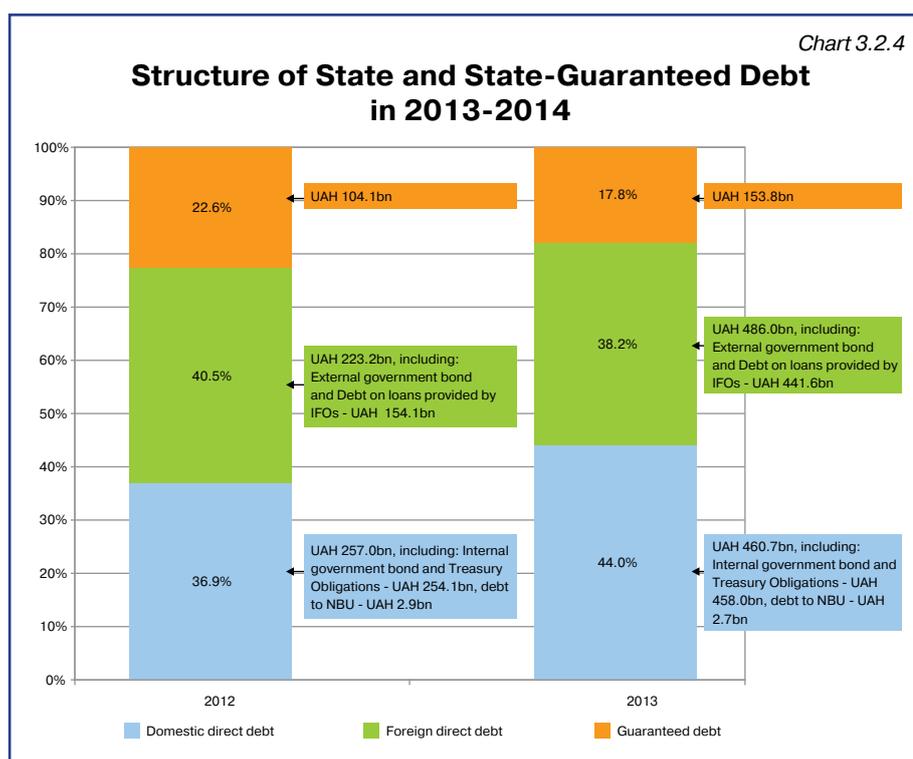
Years Indicators	2012			2013			2014		
	Revised annual plan, UAH bn	Actual, UAH bn	Execution, %	Revised annual plan, UAH bn	Actual, UAH bn	Execution, %	Revised annual plan, UAH bn	Actual, UAH bn	Execution, %
PAYMENTS UNDER STATE DEBT, total, including:	93.4	92.3	98.8	116.2	114.2	98.2	174.6	171.8	98.4
– internal	x	x	x	67.3	65.7	97.7	103.2	102.7	99.5
– external	x	x	x	48.9	48.5	99.0	71.4	69.1	96.8

Years Indicators	2012			2013			2014		
	Revised annual plan, UAH bn	Actual, UAH bn	Execution, %	Revised annual plan, UAH bn	Actual, UAH bn	Execution, %	Revised annual plan, UAH bn	Actual, UAH bn	Execution, %
State debt repayment, total, including:	68.9	68.1	98.8	81.1	79.8	98.4	123.0	120.8	98.2
– internal	38.0	38.0	100.0	43.0	41.8	97.3	68.3	68.0	99.6
– external	30.9	30.1	97.4	38.1	38.0	99.7	54.7	52.8	96.5
State debt servicing expenditures, including:	24.5	24.2	98.8	35.2	34.4	97.9	51.6	51.0	98.8
– internal	x	x	x	24.3	23.9	98.4	34.9	34.7	99.4
– external	x	x	x	10.9	10.5	96.6	16.7	16.3	97.6
BUDGET EXPENSES, total (expenditures, lending, State debt repayment)	508.0	469.9	92.5	528.7	489.2	92.5	564.5	531.0	94.1
Proportion of payments under State debt in budget expenses, %	18.4	19.6	x	22.0	23.3	x	30.9	32.4	x

STATE AND STATE-GUARANTEED DEBT

The State and State-guaranteed debt of Ukraine totaled UAH 1,100.8bn by the end of 2014, including external State and State-guaranteed debt of UAH 611.9bn (55.6%), and internal debt of UAH 488.7bn (44.4%). As a percentage of GDP, the State and State-guaranteed debt amounted to 70.3% at the end of 2014, which is 30.1ppt more than the 2013 indicator. Among other things, this is also related to a significant devaluation of the national currency.

The State debt of Ukraine totaled UAH 947.0bn or 86.03% of the State and State-guaranteed debt combined, including internal debt of UAH 461.0bn (41.8%) and external debt of UAH 486.0bn (44.2%) (see Chart 3.2.4).



The **State-guarantee debt** totaled UAH 153.8bn by the end of 2014 or 13.9% of the State and State-guaranteed debt combined. As before, the guaranteed external debt accounted for the largest share of 11.4% or UAH 125.9bn. The guaranteed internal debt amounted to UAH 27.8bn or 2.5% of the State and State-guaranteed debt combined.

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

CONSOLIDATED BUDGET

The **actual expenditures of the consolidated budget of Ukraine** totaled UAH 523.0bn, which amounts to 88.7% of the annual target, including General Fund expenditures of UAH 443.1bn or 92.8%, and Special Fund expenditures of UAH 79.9bn or 71.0% (see Table 3.3.1).

As seen from Table 3.3.1, the level of execution of consolidated budget expenditures decreased by 2.6ppt year-on-year. Also, General Fund expenditures were executed at a level 3.5ppt below the 2013 figure in the period under review, and Special Fund expenditures at 4.5ppt above.

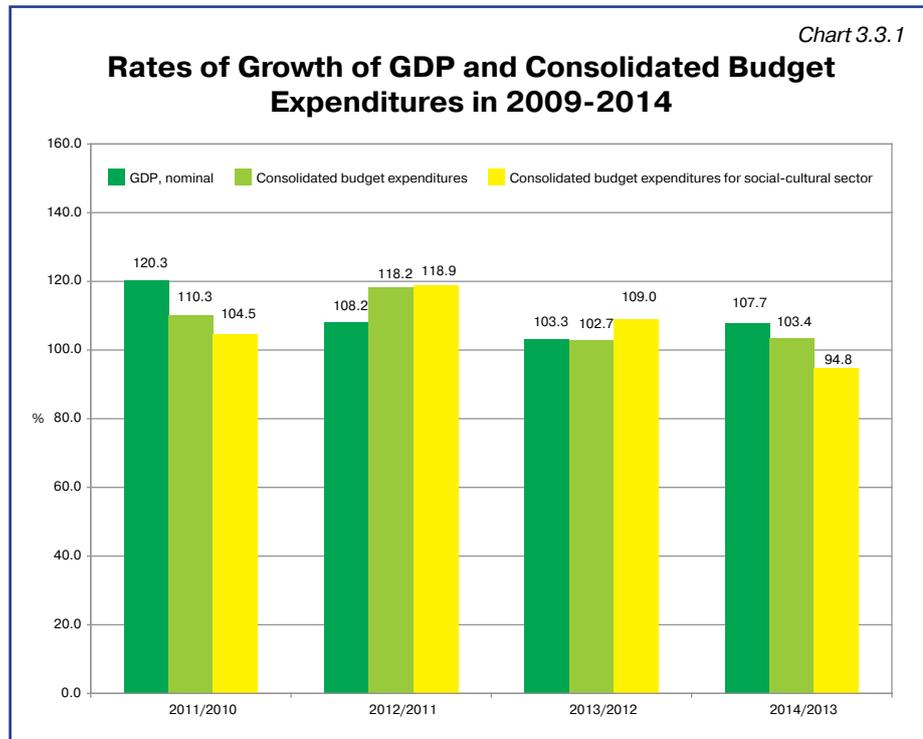
Table 3.3.1

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

Years Expenditures	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, %
Consolidated budget, including:	533 124.3	492 454.7	92.4	554 504.4	505 843.8	91.2	589 807.6	523 004.8	88.7
– General Fund	438 081.7	417 599.8	95.3	459 473.0	442 636.6	96.3	477 323.4	443 135.8	92.8
– Special Fund	95 042.6	74 854.9	78.8	95 031.4	63 207.2	66.5	112 484.2	79 869.0	71.0
State budget (without inter-budget transfers), including:	298 615.4	271 221.9	90.8	310 965.3	287 607.7	92.5	324 954.3	299 508.1	92.2
– General Fund	243 084.1	228 961.2	94.2	256 808.8	247 735.7	96.5	264 461.7	254 370.7	96.2
– Special Fund	55 531.3	42 260.7	76.1	54 156.5	39 872.0	73.6	60 492.6	45 137.4	74.6
Local budgets (without inter-budget transfers), including:	234 508.9	221 232.8	94.3	243 539.0	218 236.1	89.6	264 853.3	223 496.7	84.4
– General Fund	194 997.6	188 638.6	96.7	202 664.2	194 900.9	96.2	212 861.7	188 765.1	88.7
– Special Fund	39 511.3	32 594.2	82.5	40 874.8	23 335.2	57.1	51 991.6	34 731.6	66.8
State budget (with inter-budget transfers), including:	427 040.7	395 681.5	92.7	432 930.9	403 456.1	93.2	462 542.6	430 108.8	93.0
– General Fund	360 737.2	343 586.6	95.2	372 230.0	360 851.8	96.9	384 597.4	371 153.0	96.5
– Special Fund	66 303.5	52 094.9	78.6	60 700.9	42 604.3	70.2	77 945.2	58 955.8	75.6
Inter-budget transfers total	128 425.3	124 459.6	96.9	121 965.6	115 848.4	95.0	137 588.3	130 600.7	94.9

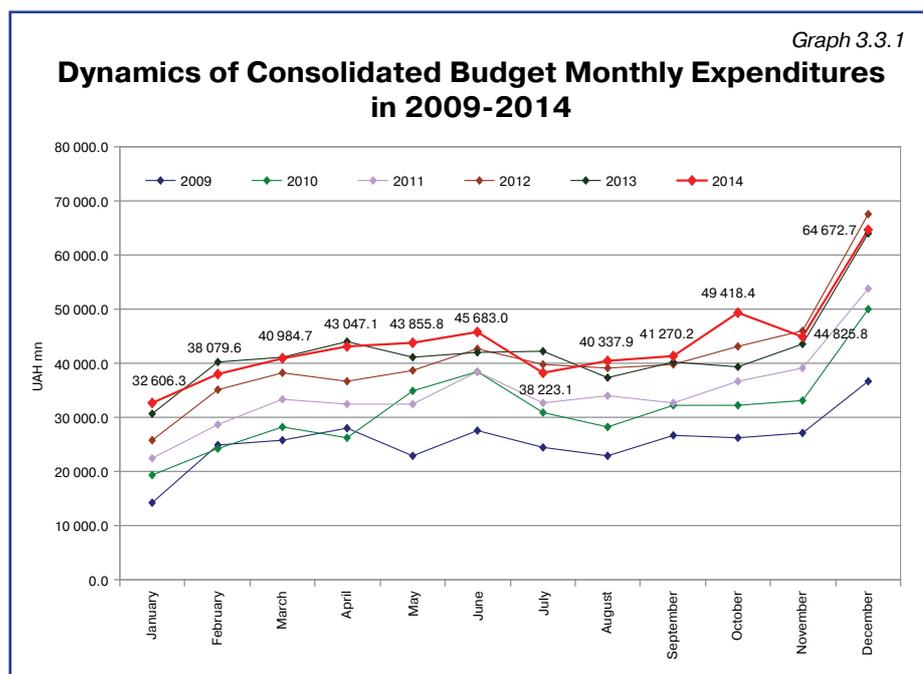
The consolidated budget expenditures growth rate accelerated and amounted to 103.4% compared to 102.7% in 2013, and 118.2% in 2012 (see Chart 3.3.1). The rate of growth of consolidated

budget expenditures is slightly slower than the nominal GDP growth rate. The share of consolidated budget expenditures in the GDP has decreased to 33.4% and it continues to be below the pre-crisis 2008 level of 38.4%.

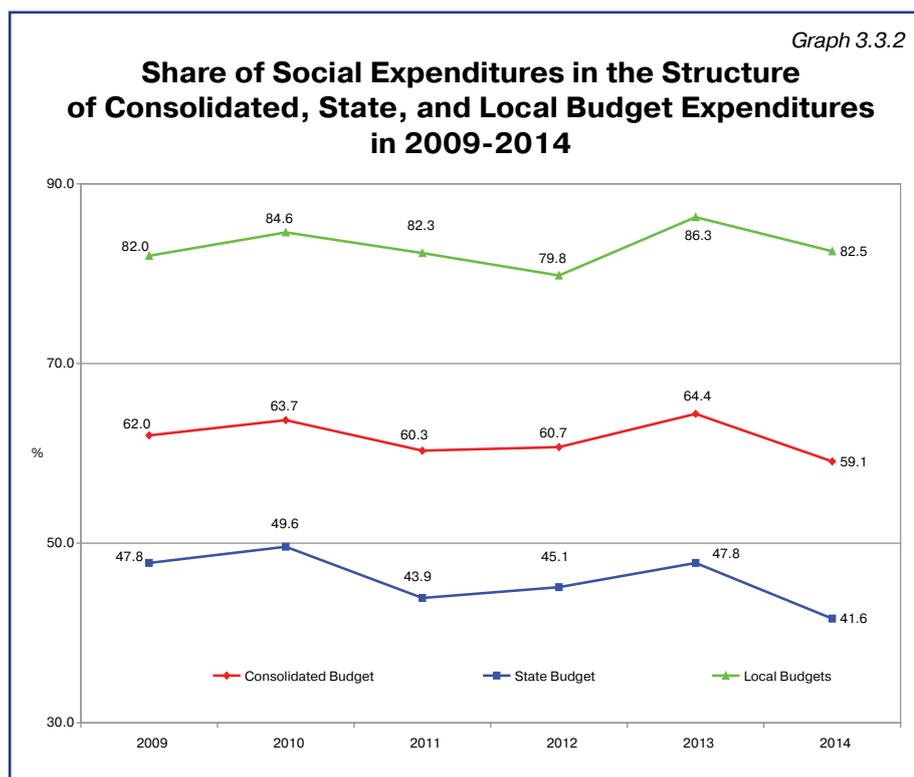


The monthly dynamics of actual expenditures of the consolidated budget in the period under review is presented in Graph 3.3.1.

As usual, the December expenditures were the highest compared to other months.



Social expenditures⁹ of the consolidated budget totaled nearly UAH 309.0bn in 2014, which is UAH 16.8bn or nearly 5.2% less than the respective 2013 figure. They accounted for 59.1% of consolidated budget expenditures, which is 5.3ppt less than in 2013 and is the lowest figure in the last five years (see Graph 3.3.2). The shares of consolidated budget expenditures for education, healthcare, social protection and social security, and spiritual and physical development decreased by 1.7ppt, 1.3ppt, 2.3ppt, and 0.1ppt, respectively.



As seen from Graph 3.3.2, local budgets are allocating a significantly greater portion of expenditures for society and culture compared to the State budget. This is explained by the structure of expenditures of local budgets pursuant to the Budget code of Ukraine. However, the share of these expenditures of local budgets decreased by 3.8ppt year-on-year and amounted to 82.5% in 2014.

This share decreased due to the significant growth of expenditures for the housing and communal services sector (see Table 3.3.2). They totaled UAH 17.8bn in the consolidated budget in 2014, and the share of these local budget expenditures in the consolidated budget increased by 1.9ppt to 3.4%. This is linked to granting a State budget subvention to local budgets in 2014 for repaying the debt from the difference in tariffs totaling UAH 12.4bn compared to UAH 2.1bn provided in the same period of 2013.

⁹ *Social expenditures includes expenditures for healthcare, education, spiritual and physical development, social protection and social security (the Decree No.3358 of the Cabinet of Ministers of Ukraine dated 13 May 2011).*

Also, defense spending increased significantly (by 84.4% or by UAH 12.5bn).

The shares of other local budget expenditures used for the performance of their own functions decreased by 0.3ppt and amounted to 4.1%. In particular, expenditures for general economic, trade, and labor activities, which are directly linked to the livelihood of the populace decreased 3.1 times (or by 0.1ppt less than in 2013).

Table 3.3.2

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

(%)

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 for:	118.1	113.7	124.1	102.7	106.0	98.6	103.4	104.1	102.4
– housing and communal services	231.1	117.1	235.5	38.4	25.5	38.7	231.1	115.2	232.6
– healthcare	119.4	111.1	121.6	105.3	113.4	103.4	92.7	81.3	95.6
– spiritual and physical development	126.8	143.3	117.7	100.2	93.1	104.9	101.4	95.3	105.1
– education	117.7	111.1	120.8	103.9	102.3	104.6	94.9	92.7	95.8
– social protection and social security	118.8	118.4	119.5	115.8	117.7	112.9	95.1	91.0	101.6

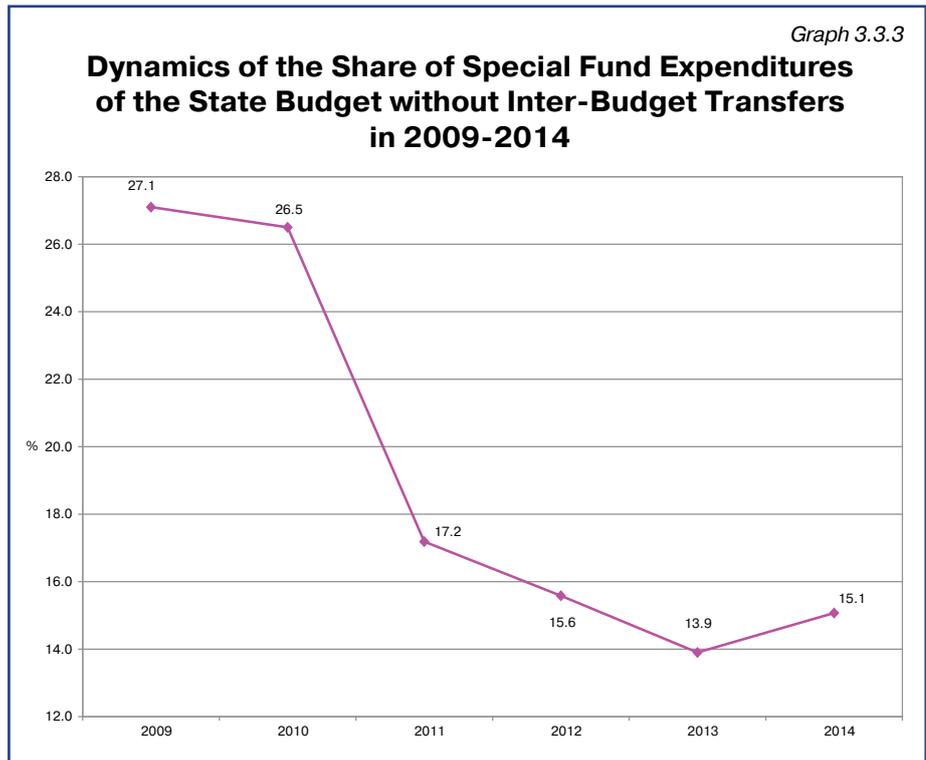
STATE BUDGET

Actual **State budget expenditures with inter-budget transfers** reached 93.0% of the annual plan, which is a decrease of 0.2ppt year-on-year. The amount of these expenditures, however, increased by 6.6% compared to 2013 and totaled UAH 430.1bn (see Table 3.3.1).

Expenditures of the State budget of Ukraine without inter-budget transfers totaled UAH 299.5bn, which is UAH 11.9bn or 4.1% more than last year. This amount equals 92.2% of the annual plan which is 0.3ppt lower than in 2013.

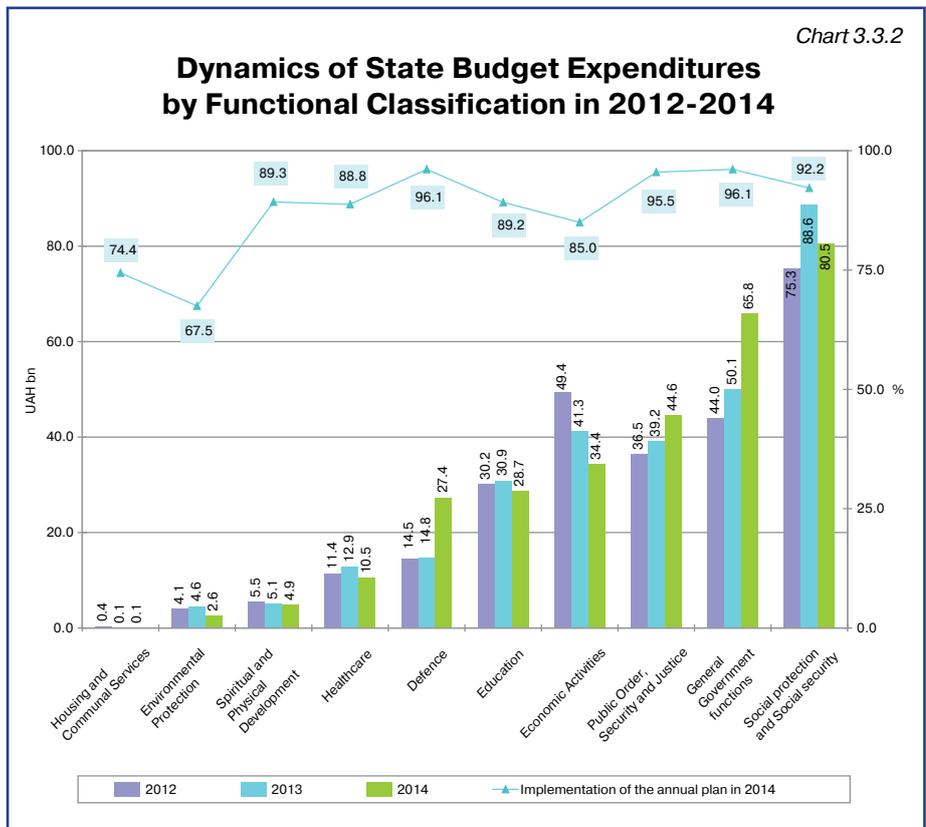
General Fund financing totaled UAH 254.4bn, which is 2.7% more year-on-year and amounts to 96.2% of the annual planned allocations, and the Special Fund financing totaled UAH 45.1bn or 13.2% more year-on-year. This amount equals 74.6% of the planned level for the year (73.6% in 2013).

The increase in the share of Special Fund expenditures of the State budget without inter-budget funds in 2014 is linked to the allocation of additional funds for covering the deficit of the Pension Fund of Ukraine for the payment of pensions, including those for covering the expenses related to servicing debt obligations (at the expense of the charge for mandatory State pension insurance, which is payable in foreign currency cash and/or non-cash buying transactions). This indicator increased in the total amount of expenditures by 1.2ppt compared to 2013 and amounted to 15.1% (see Graph 3.3.3).



EXPENDITURES BY FUNCTIONAL CLASSIFICATION

State budget expenditures in general grew compared to 2013 (see Chart 3.3.2).



The highest growth of expenditures in absolute terms was in the following areas:

- general government functions increased by UAH 15.7bn or 31.4%, including debt servicing expenditures by UAH 16.3bn or 51.5%;
- inter-budget transfers by UAH 14.8bn or 12.7%;
- defense by UAH 12.6bn or 84.4%; and
- public order, security, and judiciary by UAH 5.4bn or 13.8%.

Defense and general government expenditures most closely matched the annual target (96.1% each), followed closely by expenditures for public order, security, and the judiciary (95.5%) (see Chart 3.3.2).

As in 2013, expenditures for environmental protection (implementation level of 67.5%) and housing and communal services (74.4%) were furthest off the mark.

Despite of expenditures for housing and communal services, their absolute amount increased by UAH 14.6mn, which is a positive development. At the same time, expenditures for environmental protection decreased by nearly UAH 2.0bn.

As of The shares of expenditures for social protection and social security, economic activity, and education decreased in the structure of expenditures of the State budget (see Table 3.3.3). In general, the rate of growth of expenditures for social protection and social security decreased by 9.0%, with the growth rate of all expenditures increased by 6.6%.

Table 3.3.3

State Budget Expenditures by Functional Classification of Expenditures and Lending in 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:	46 148.4	44 010.7	11.1	52 527.5	50 101.1	12.4	68 503.2	65 836.5	15.3
• <i>debt servicing</i>	24 492.1	24 196.6	6.1	32 558.0	31 677.1	7.9	48 329.9	47 976.7	11.2
Defense	17 374.1	14 485.7	3.7	16 160.7	14 843.0	3.7	28 472.1	27 363.3	6.4
Public order, security, and judiciary	38 160.8	36 469.8	9.2	41 282.2	39 190.9	9.7	46 712.6	44 617.2	10.4
Environmental protection	7 781.6	4 135.4	1.0	8 285.1	4 595.0	1.1	3 849.1	2 597.4	0.6
Housing and communal services	785.8	379.6	0.1	127.7	96.9	0.0	149.9	111.5	0.03
Healthcare	12 520.6	11 358.5	2.9	14 052.6	12 879.3	3.2	11 801.5	10 475.8	2.4
Spiritual and physical development	6 441.6	5 488.5	1.4	5 531.3	5 111.9	1.3	5 458.1	4 871.8	1.1
Education	32 494.1	30 243.2	7.6	33 580.7	30 943.1	7.7	32 154.1	28 674.6	6.7
Social protection and social security, including:	77 446.5	75 254.4	19.0	89 328.7	88 547.3	21.9	87 375.0	80 549.1	18.7
• <i>social protection of pensioners</i>	64 494.1	64 494.1	16.3	83 233.6	83 233.6	20.6	81 729.7	75 813.9	17.6
Economic activity, including:	59 461.9	49 396.0	12.5	50 088.8	41 299.2	10.2	40 478.6	34 410.8	8.0
• <i>agriculture, forestry and game preserves, and fisheries</i>	10 626.4	7 365.3	1.9	9 550.3	7 560.7	1.9	6 973.1	5 759.1	1.3
• <i>fuel and energy complex</i>	19 529.5	17 270.1	4.4	16 241.9	15 389.2	3.8	10 164.8	9 335.8	2.2

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, %
• transport	14 499.7	12 847.9	3.2	17 930.0	14 202.6	3.5	16 860.6	14 428.9	3.4
• other expenditures for economic activity	14 806.2	11 912.8	3.0	6 366.6	4 146.7	1.0	6 480.1	4 887.0	1.1
Inter-budget transfers	128 425.3	124 459.6	31.5	121 965.6	115 848.3	28.7	137 588.4	130 600.7	30.4
Total	427 040.7	395 681.5	100.0	432 930.9	403 456.0	100.0	462 542.6	430 108.8	100.0

When viewing the expenditures in greater detail some redistribution can be seen in their structure (see Table 3.3.4).

Table 3.3.4

Comparison of State Budget Expenditures by Functional Classification of Expenditures and Lending in 2012-2013

Names of indicators as per functional classification of expenditures and lending	Executed in 2013, UAH mn	Executed in 2014, UAH mn	Change of indicator (+/-) in 2014 vs. 2013, UAH mn	Structure of increase of expenditures in 2014 vs. 2013, %	Growth rate of expenditures in 2014 vs. 2013, %
TOTAL EXPENDITURES, including:	403 456.07	430 108.78	26 652.7	x	106.6
Decrease of expenditures, total, including:	192 812.91	165 545.36	-27 267.5	x	85.9
Mass media outlets	1 016.05	811.47	-204.6	x	79.9
Culture and art	2 120.73	1 538.88	-581.9	x	72.6
Supervision over compliance with laws and representative functions in court	3 556.55	2 810.60	-746.0	x	79.0
Higher bodies of public administration, local authorities and local self-government bodies, financial and foreign policy activities	13 162.11	12 083.10	-1 079.0	x	91.8
Prevention and cleanup of environmental pollution	3 833.92	2 139.09	-1 694.8	x	55.8
Agriculture, forestry and game-preserves, and fisheries	7 560.68	5 759.09	-1 801.6	x	76.2
Fuel and energy complex	15 389.21	9 335.77	-6 053.4	x	60.7
Social protection and social security, including: social protection of family, children, and youth, assistance in resolving the housing issue, social protection in case of disability, social protection of war and labor veterans, social protection of other population categories, social protection of the unemployed, social protection of old-age pensioners	88 504.10	80 517.88	-7 986.2	x	91.0
Healthcare, including: polyclinics and outpatient clinics, first and emergency medical aid, hospitals and rehabilitation and resort institutions, sanitary-prevention and anti-epidemics activities and institutions	9 330.41	7 048.62	-2 281.8	x	75.5
Education, including: preschool education, general secondary education, other institutions and activities in education sector, postgraduate education, extramural education and extra-curricular activities with children, vocational education, higher education, programs of logistics support of educational institutions	30 277.09	28 097.35	-2 179.7	x	92.8
Basic and applied research and development in the areas of spiritual and physical development, healthcare, environmental protection, public order, security, and judiciary, education, social protection, public administration, and in economy sectors	5 994.16	5 275.31	-718.8	x	88.0
Other activities in the fields of housing and communal services, social protection, spiritual and physical development, and information, healthcare, environmental protection, other general functions of public administration	5 327.85	4 604.01	-723.8	x	86.4
Other economy sectors (as part of expenditures for economic activity)	2 227.90	1 224.93	-1 003.0	x	55.0
Other decrease of expenditures	4 512.16	4 299.27	-212.9	x	95.3

Names of indicators as per functional classification of expenditures and lending	Executed in 2013, UAH mn	Executed in 2014, UAH mn	Change of indicator (+/-) in 2014 vs. 2013, UAH mn	Structure of increase of expenditures in 2014 vs. 2013, %	Growth rate of expenditures in 2014 vs. 2013, %
Increase of expenditures total, including:	94 794.84	133 962.71	39 167.9	100.0	141.3
Debt servicing	31 677.09	47 976.72	16 299.6	41.6	151.5
Military defense	11 859.00	24 375.04	12 516.0	32.0	205.5
Activities of maintaining public order, fighting crime, and protection of the national border	16 312.86	22 084.87	5 772.0	14.7	135.4
Other economy sectors	956.37	2 819.18	1 862.8	4.8	294.8
Holding of elections and referenda	110.88	1 388.59	1 277.7	3.3	1252.4
Physical culture and sport	1 874.64	2 452.20	577.6	1.5	130.8
Transport	14 202.57	14 428.94	226.4	0.6	101.6
Other increase of expenditures	17 801.44	18 437.17	635.7	1.6	103.6

EXPENDITURES BY ECONOMIC CLASSIFICATION

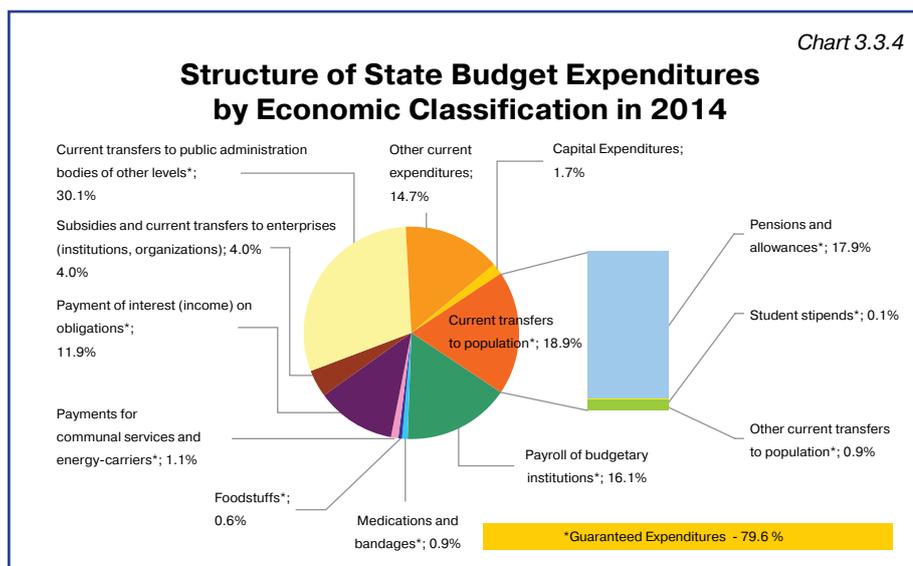
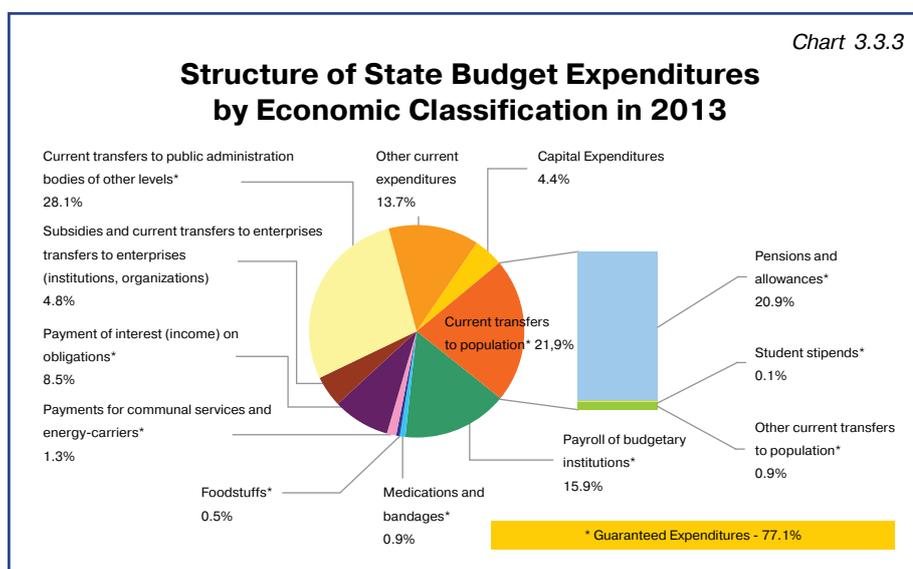
As seen from Table 3.3.5, expenditures increased for the majority of current expenditure items. As in recent years, capital expenditures decreased (by 59.2%). As the result, the share of capital expenditures decreased by 2.7ppt to 1.7% in the total amount of expenditures.

Table 3.3.5

Expenditures of the State Budget (with Inter-Budget Transfers) by Economic Classification in 2012-2014

Years Expenditures by economic classification	2012			2013			2014		
	Plan, UAH mn	Actual, UAH mn	Execution, %	Plan, UAH mn	Actual, UAH mn	Execution, %	Plan, UAH mn	Actual, UAH mn	Execution, %
Current expenditures	381 756.5	366 180.3	95.9	403 147.4	385 611.8	95.7	445 430.6	422 825.5	94.9
Payroll of government-funded institutions	45 769.2	45 272.4	98.9	48 790.7	48 632.7	99.7	59 948.7	52 553.9	87.7
Taxes on payroll	14 794.1	14 501.9	98.0	15 817.8	15 681.0	99.1	16 923.3	16 729.4	98.9
Medicines and bandaging materials	3 250.3	3 197.4	98.4	3 730.8	3 625.1	97.2	4 012.4	3 886.9	96.9
Foodstuffs	2 129.2	2 081.3	97.7	1 965.5	1 923.9	97.9	2 597.6	2 490.6	95.9
Communal services and energy	5 634.8	5 391.8	95.7	5 629.4	5 330.3	94.7	5 030.2	4 615.3	91.8
Servicing of debt obligations	25 989.1	25 753.3	99.1	35 226.9	34 409.3	97.7	51 582.5	51 018.2	98.9
Subsidies and current transfers to enterprises (institutions, organizations)	22 277.6	20 528.7	92.1	20 576.9	19 268.8	93.6	18 934.9	17 111.3	90.4
Current transfers to public administration bodies of other levels	121 817.3	119 610.4	98.2	117 513.6	113 227.7	96.4	134 457.1	129 523.0	96.3
Social security, including:	75 969.0	74 283.5	97.8	88 535.5	88 404.2	99.9	87 919.7	81 492.1	92.7
• <i>pensions and allowances</i>	66 560.3	66 557.2	100.0	84 508.9	84 505.8	100.0	83 076.6	77 148.9	92.9
• <i>educational allowances</i>	285.9	282.5	98.8	294.9	294.2	99.8	282.2	274.4	97.2
• <i>other current transfers to the population</i>	9 122.8	7 443.8	81.6	3 731.7	3 604.2	96.6	4 560.9	4 068.9	89.2
Other current expenditures	64 125.9	55 559.5	86.6	65 360.3	55 108.8	84.3	64 024.1	63 404.8	99.0
Capital expenditures, including:	45 038.2	29 501.2	65.5	29 584.1	17 844.2	60.3	15 720.4	7 283.3	46.3
Capital construction/acquisition	3 599.9	2 609.9	72.5	2 225.3	1 105.2	49.7	1 404.9	730.5	52.0
Capital repairs, reconstruction, and restoration	5 017.8	2 855.0	56.9	3 745.3	1 941.3	51.8	1 553.0	687.5	44.3
Capital transfers	30 191.5	19 973.2	66.2	18 453.8	10 719.7	58.1	8 524.4	2 792.0	32.8
Unallocated expenditures	246.0	0.0	0.0	199.4	0.0	0.0	1 391.6	0.0	0.0
Total expenditures (with inter-budget transfers)	427 040.7	395 681.5	92.7	432 930.9	403 456.0	93.2	462 542.6	430 108.8	93.0

The structure of State budget expenditures by economic classification changed somewhat compared to 2013 (see Chart 3.3.3 and Chart 3.3.4).



Changes in the structure of expenditures by economic classification are primarily linked to the significant worsening of the budget capacity with regard to the implementation of capital investments.

Thus, the share of current expenditures increased to 98.3%, which occurred due to expenditures for servicing debt obligations, the share of which increased by 3.3ppt (they accounted for about a tenth of all State budget expenditures). The current transfers to public administration bodies of other levels accounted for 30.1% of all budget expenditures, and their share increased by 2.0ppt compared to 2013, social security accounted for 18.9% (including 17.9% for the payment of pensions and allowances), and payroll with taxes accounted for 16.1%.

Both the amount and level of execution of capital expenditures decreased. Thus, they totaled UAH 7.3bn, which is UAH 10.5bn or 59.2% less than in 2013. The level of their execution decreased by 14.0ppt to 46.3% of the planned annual amount.

One negative development is the increasing number of protected expenditure items of the State budget by economic classification up to 79.6% of items, which is 2.5ppt more than the respective 2013 figure.

EXPENDITURES BY PROGRAM CLASSIFICATION

The status of execution of expenditures of the State budget of Ukraine by program classification in 2012-2014 is provided in Appendix A.

There were 622 State budget programs implemented in 2014 or 29 budget programs less than in 2013. No funding at all was provided to 37 budget programs approved in the State budget of Ukraine for a total amount of UAH 3.4bn. The highest funding levels of 90.0% to 100.0% were provided to 81 budget programs for a total amount of UAH 10.3bn.

The highest funding levels compared to the annual plan were noted for programs of the following key spending units:

- Principal Intelligence Directorate, Ministry of Defense of Ukraine – 99.9%;
- Secretariat of the Ombudsman of the Verkhovna Rada of Ukraine – 99.9%;
- National Television and Radio Broadcasting Board of Ukraine – 99.7%;
- State Nuclear Regulation Inspectorate of Ukraine – 99.6%;
- National Academy of Arts of Ukraine – 99.6%;
- Security Service of Ukraine – 99.4%;
- State Guard Authority of Ukraine – 99.2%.

The lowest levels of expenditure execution were noted for the following spending units:

- Sevastopol City State Administration – 50.1%;
- Donetsk Oblast State Administration – 65.9%;
- National Agency for Preparation and Hosting in Ukraine of the European 2012 Football Championship Finals and Implementation of Infrastructure Projects – 68.4%;
- State Agency of Environmental Investments of Ukraine – 71.6%;
- Higher Commercial Court of Ukraine – 71.9%;
- Ukragroleasing National Stock Company – 76.7%;
- Ministry of Ecology and Natural Resources of Ukraine – 76.8%.

PROVISION OF BUDGET LOANS / REPAYMENT OF BUDGET LOANS

The amount of loans provided from the State budget totaled UAH 6.7bn or 78.4% of the annual plan, and **the amount of repaid loans** totaled UAH 1.8bn or 52.2%. The level of execution of the loan provision plan increased by 37.5ppt, and that of loan repayment plan by 6.6ppt.

The indicators of State budget loan provision and repayment in the last three years are summarized in Table 3.3.6.

Table 3.3.6

Budget Loan Provision and Repayment Indicators in 2012-2014

Indicators \ Years	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:	-983.2	3 856.3	x	2 548.7	477.5	x	5 130.2	4 919.4	x
– loan provision	12 219.1	6 188.4	50.6	14 655.1	6 000.0	40.9	8 573.2	6 717.5	78.4
– loan repayment	-13 202.3	-2 332.1	17.7	-12 106.4	-5 522.5	45.6	-3 443.0	-1 798.1	52.2

The greatest number of State budget **loans** were provided to the road sector, energy industry, and other economic activity, viz.:

- to the State Motor Roads Agency of Ukraine under the budget program “Development of Highways and Road Sector Reform” – UAH 2.0bn;
- to the Ministry of Finance of Ukraine under the budget program “Performance by the State of Guarantee Commitments for Borrowers that Obtained Loans under State Guarantees” – UAH 0.9bn;
- to the Ministry of Energy and Coal Industry under the budget programs: “Construction of the 750kV Overhead Transmission Line Rivne NPP – Kyiv Oblast” – UAH 865.4mn; “Construction, Reconstruction, and Technological Re-equipment of Fuel and Energy Complex Facilities (Against the Funds Attracted under State Guarantees on a Repayment Basis)” – UAH 546.8mn; “Improving the Reliability of Electric Energy Supplies in Ukraine” – UAH 455.6mn.

The repayment of loans mainly took place under other economic activities in the energy and agriculture sectors.

- In terms of budget programs, the largest loan repayments took place for the following key spending units:
- Ministry of Finance, under the budget program “Repayment of Loans Provided for Financing Development Projects against the Funds Attracted by the State” – UAH 1.2bn;
- Ministry of Energy and Coal Industry, under the budget program “Repayment of Funds Provided to the UkrHydroEnergo Public Stock Company on Repayment Basis for the Implementation of Socioeconomic Development Projects” – UAH 252.3mn;
- Ministry of Agrarian Policy and Food, under the program “Repayment of Funds Provided for the Formation by the Agrarian Fund of the State Intervention Fund, as well as for Procurement of Material and Technological Resources for Agricultural Producers” – UAH 130.7mn.

3.4. EXECUTION OF LOCAL BUDGETS IN 2014

LOCAL BUDGET REVENUES

According to the State Treasury of Ukraine, **the General Fund and Special Fund of local budgets (with inter-budget transfers)** received UAH 231.7bn in 2014, which is 2.9% or UAH 6.5bn more year-on-year.

The amount without inter-budget transfers totaled UAH 101.1bn, which is 3.9% less than in 2013.

The level of execution of the annual revenue plan approved by local councils amounted to 90.9% against 93.5% according to the 2013 data. The level of execution of the Ministry of Finance plan for 2014 amounted to 92.5% (102.0% in 2013).

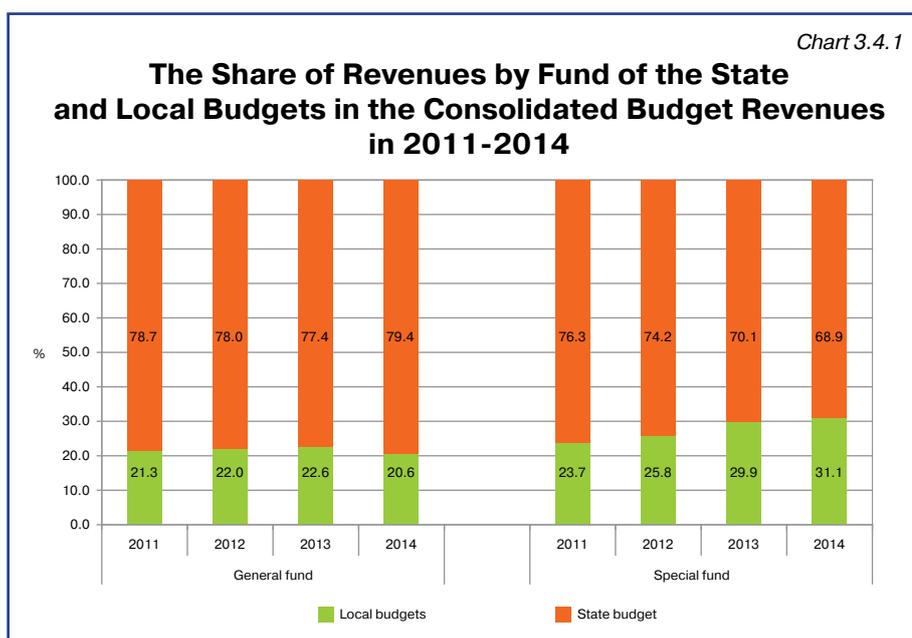
The actual intake of local budget revenues is shown in Table 3.4.1.

Table 3.4.1

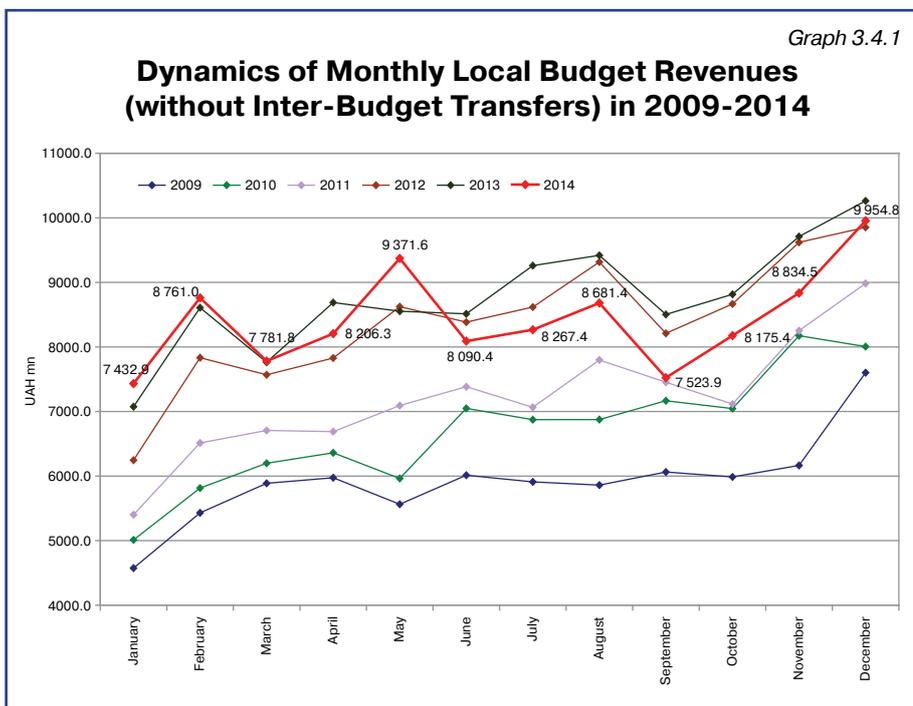
Intake of Local Budget Revenues (without Inter-Budget Transfers) in 2012-2014

Revenues	Actual in 2012	Actual in 2013	MOF 2014 estimates	Approved by local councils for 2014	Actual in 2014	Execution of MOF estimates, %	Execution of plans approved by local councils, %
Total, UAH mn, including:	100 813.8	105 171.1	109 284.8	111 224.9	101 087.6	92.5	90.9
– General Fund	81 207.9	84 892.1	90 767.9	87 964.2	80 230.1	88.4	91.2
– Special Fund	19 605.9	20 279.0	18 516.9	23 260.7	20 857.5	112.6	89.7

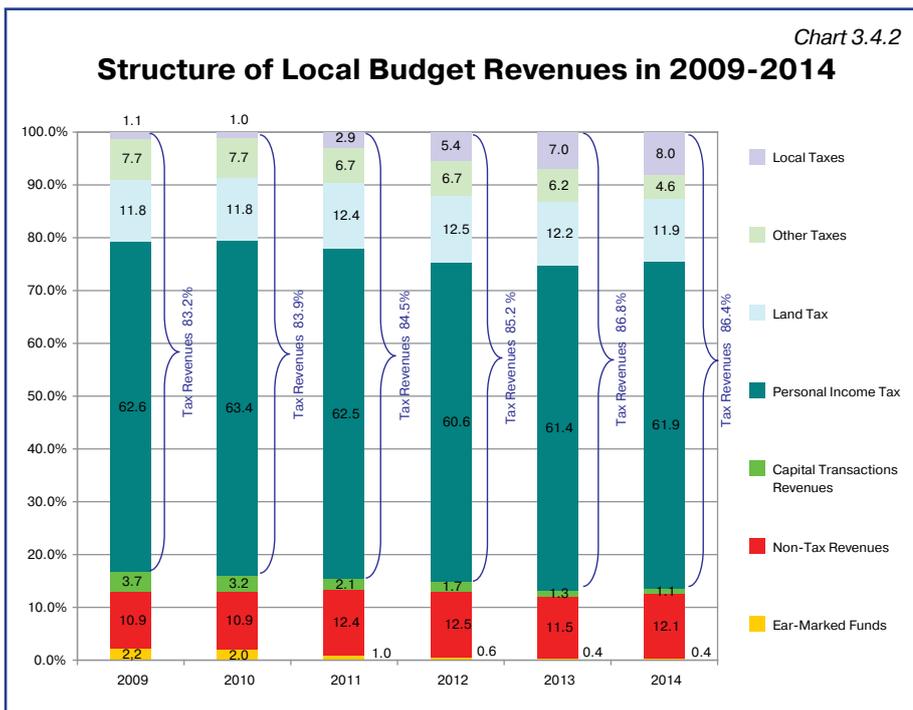
Local budget revenues accounted for 22.2% of consolidated budget revenue in 2014, which is 1.6ppt less than in 2013. At the same time, changes occurred in the structure of revenues by budget fund. Thus, the share of local budget revenues for the General Fund decreased by 2.0ppt and increased for the Special Fund by 1.2ppt (see Chart 3.4.1).



Despite decreased amounts, the dynamics of monthly local budget revenues were in general similar to the trends of recent years (see Graph 3.4.1).



The share of tax revenues decreased in the structure of local budget revenues compared to 2014. Still, the share of local taxes and fees continued to grow in the period under review (by 1.0ppt). An increase in the proceeds from the single tax was the main driver behind this growth (see Chart 3.4.2).



TAX REVENUES

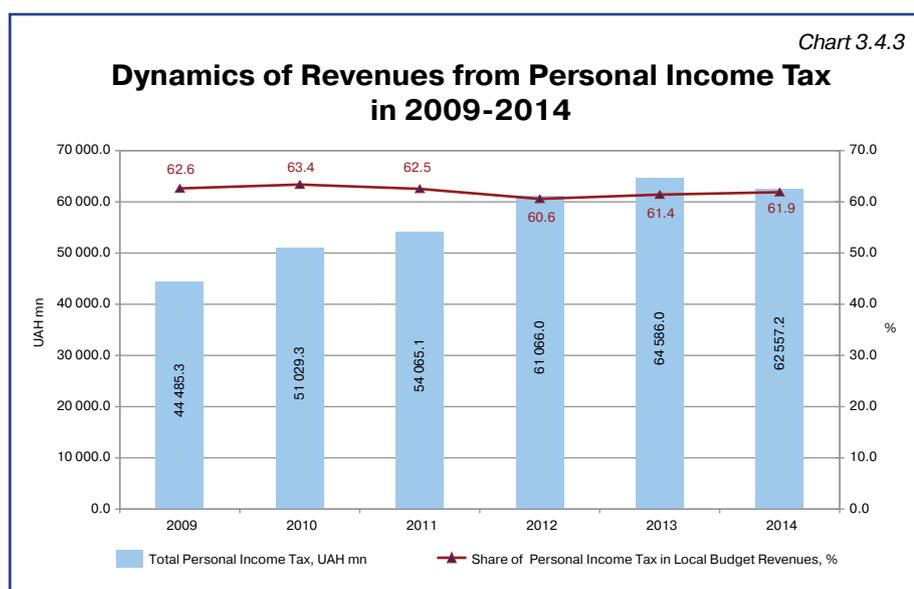
Tax revenues account for 86.4% of local budget revenues (without inter-budget transfers). Their amount totals UAH 87.3bn, which is 4.2% less than the 2013 figure.

PERSONAL INCOME TAX

The personal income tax continues to be the single largest source of local budget revenues with the share of 61.9%. Revenues from this tax totaled UAH 62.6bn, which is 3.1% less year-on-year.

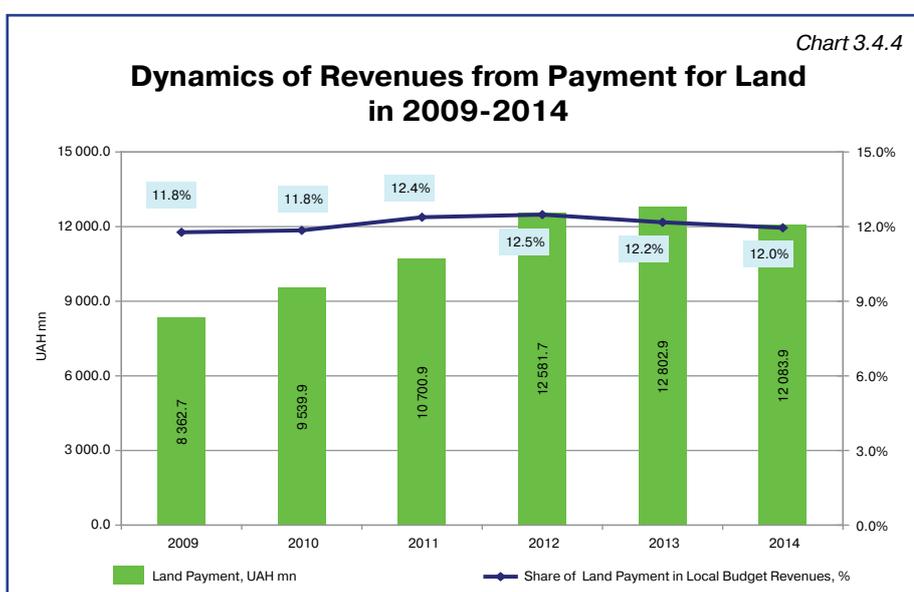
This amount equals 93.4% of the annual plan approved by local councils or UAH 4.4bn below the target.

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

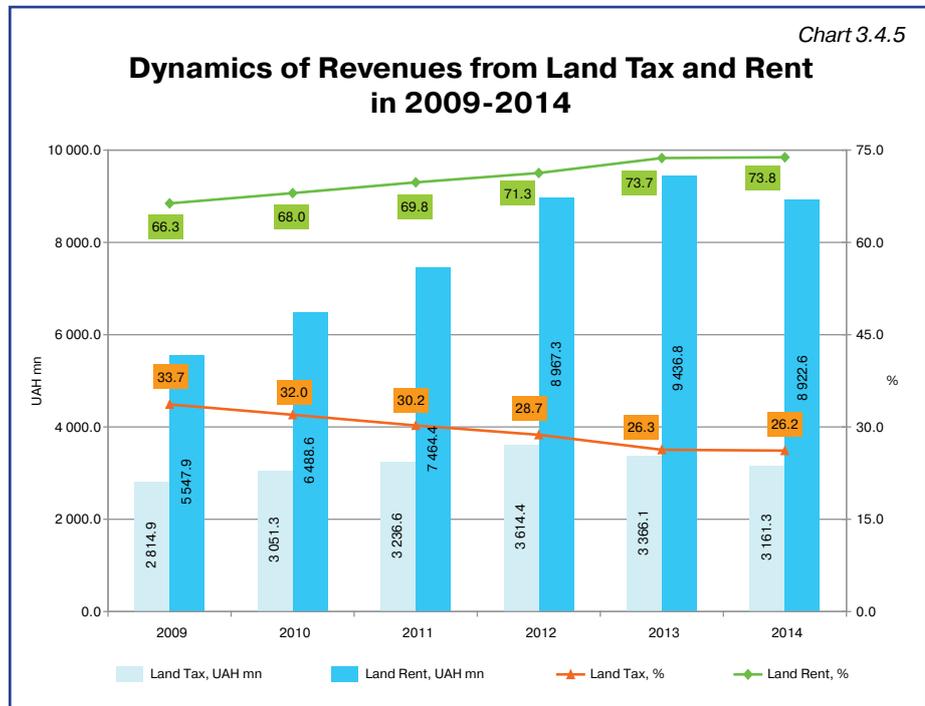


PAYMENT FOR LAND

The payment for land is invariably the second largest source of local budget revenues. This source generated UAH 12.1bn, which is 5.6% less than the respective figure of 2013 (see Chart 3.3.4).

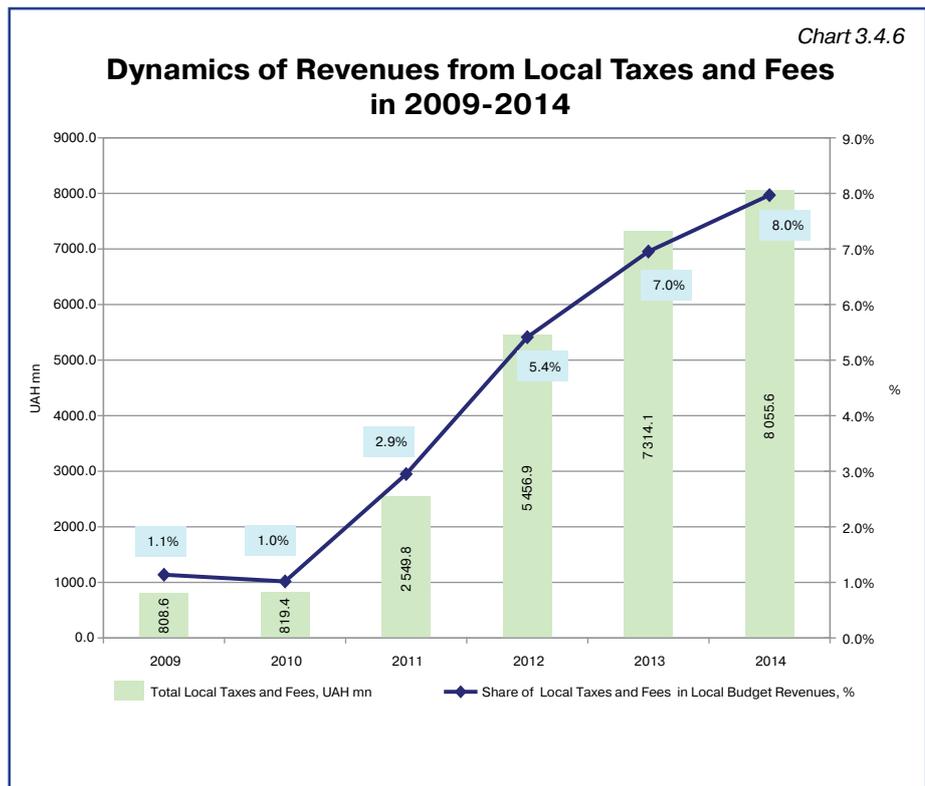


Rent continued to grow in 2014 within the structure of the payment for land a corresponding reduction of the land tax. In particular, the share of the land tax decreased, and the share of the rent increased by 0.1ppt (see Chart 3.4.5).



LOCAL TAXES AND FEES

The proceeds from **local taxes and fees** totaled UAH 8.1bn, which is 10.1% more than the respective 2013 figure. Their share in the structure of local budget revenues increased by 1.0ppt during the year and reached 8.0% (see Chart 3.4.6).



The structure of local taxes and fees underwent significant changes following the adoption of the Tax Code of Ukraine in 2011. Specifically, the number of local taxes and fees was reduced from 14 to five. However, the inclusion of the single tax in their number has increased the share of this component in the structure of local budget revenues.

SINGLE TAX ON SMALL BUSINESSES

The single tax was the largest source among local taxes and fees. It generated UAH 7.4bn in revenue, which is 11.6% more than in 2013 (see Chart 3.4.7).

This growth occurred mainly due to an increase in the number of taxpayers, including individual entrepreneurs and small businesses.

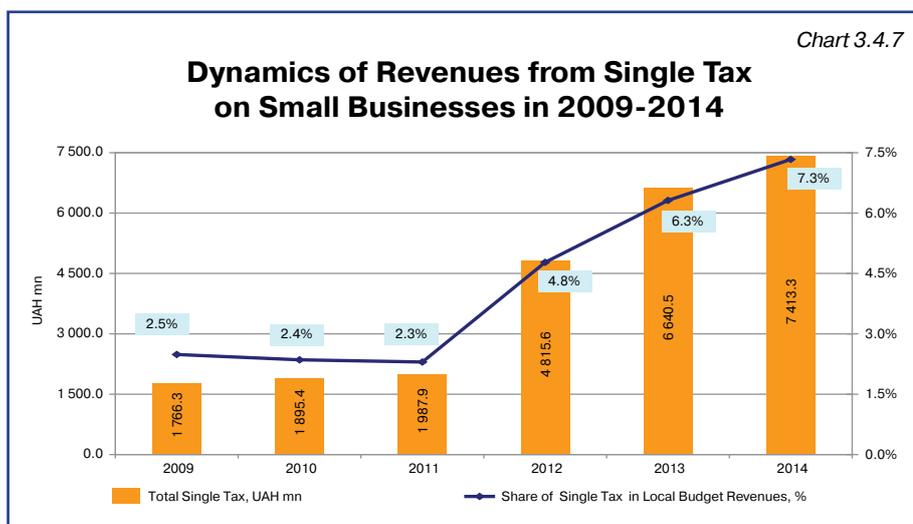
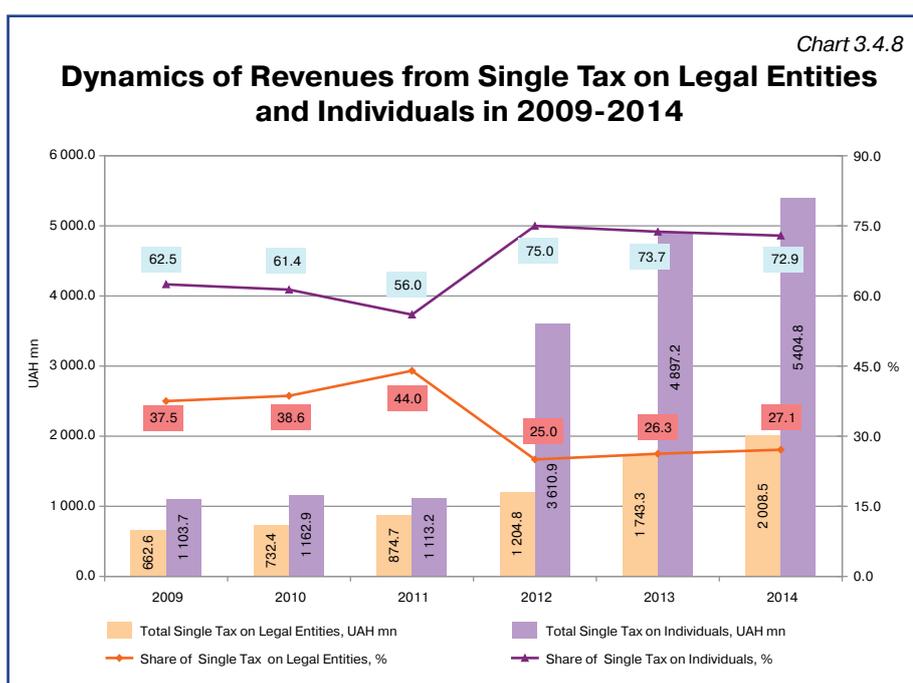


Chart 3.4.8 shows the dynamics of revenue from the single tax for legal entities and individuals.



ECOLOGICAL TAX

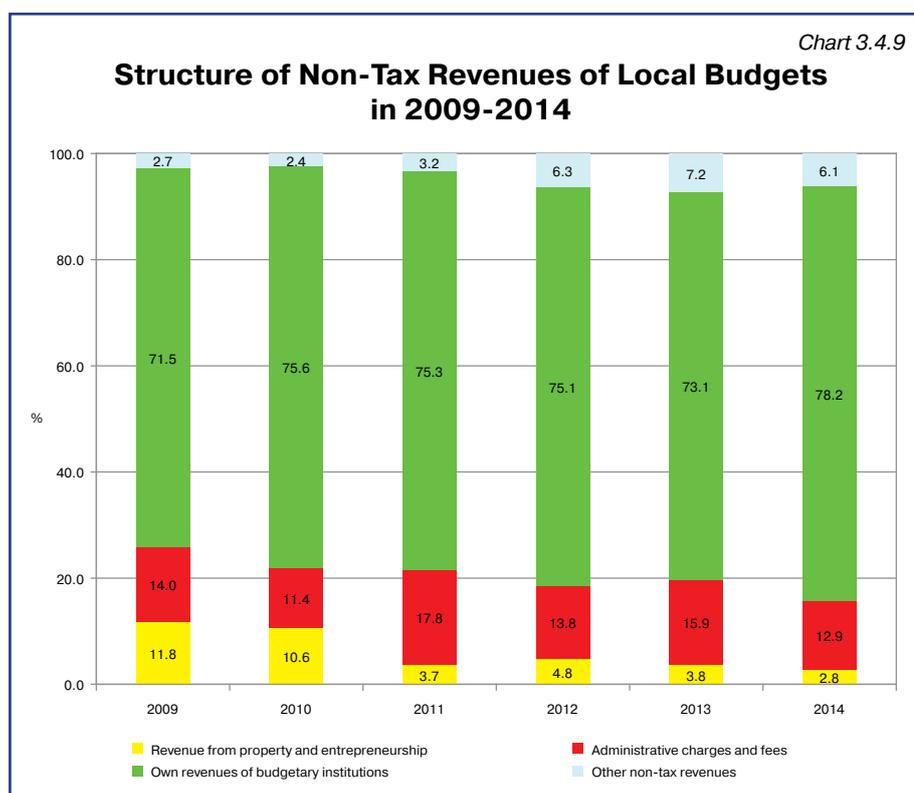
The Tax Code of Ukraine of 2011 introduced a national **ecological tax**¹⁰ to replace the former environmental pollution charge. This source provided UAH 1.2bn for local budgets and its share in the structure of revenues amounted to 1.2%.

Before the end of 2012, this tax was remitted at 50% of the rate set by the Tax Code. In 2013, 75% of the rate was used, and 100% of the rate has been used as of 1 January 2014.

NON-TAX REVENUES

The non-tax revenues of local budgets totaled UAH 12.2bn, which is 1.0% more than in 2013.

The share of own-source revenues of government-funded institutions increased in the structure of non-tax revenues by 5.1ppt, while the shares of other components decreased: income from property and business activity fell by 1.0ppt; administrative charges and fees by 3.0ppt; and other non-tax revenues by 1.1ppt (see Chart 3.4.9).

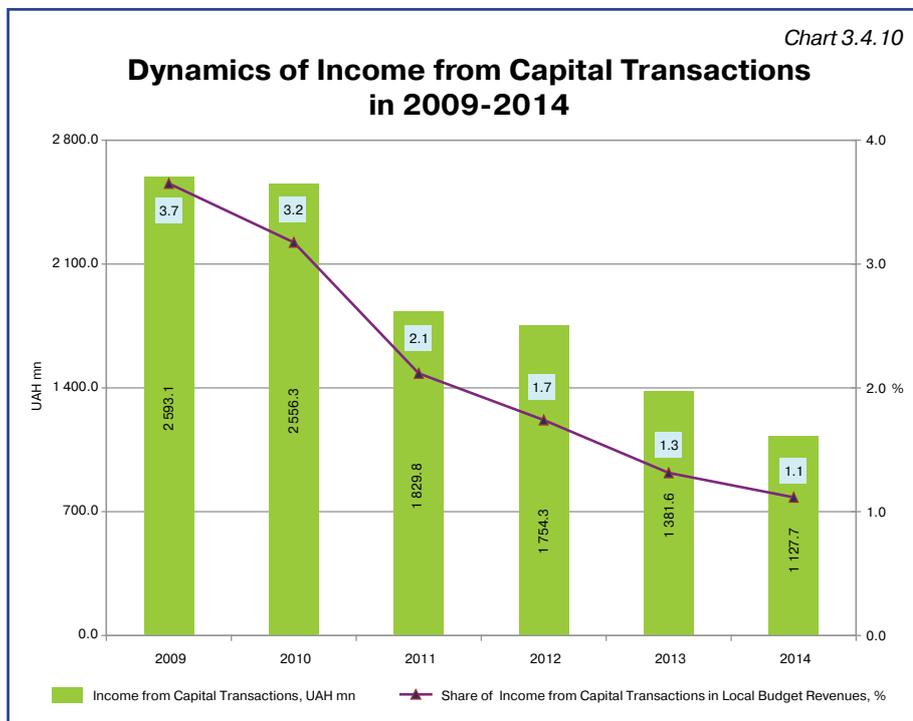


As usual, **the own-source revenues of government-funded institutions** were the largest item non-tax revenues of local budgets. They totaled UAH 9.6bn, which is UAH 0.7bn or 7.9% more year-on-year.

¹⁰ 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.

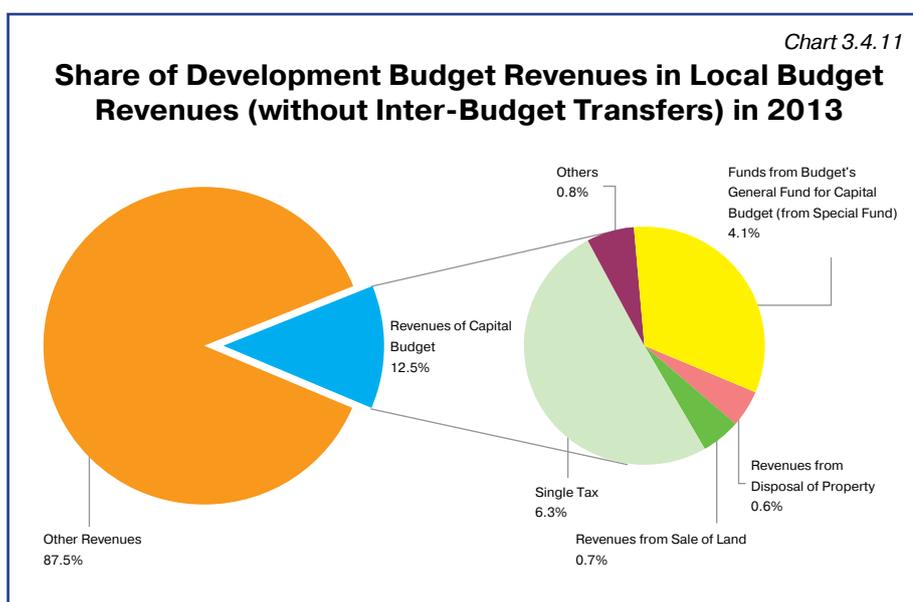
INCOME FROM CAPITAL TRANSACTIONS

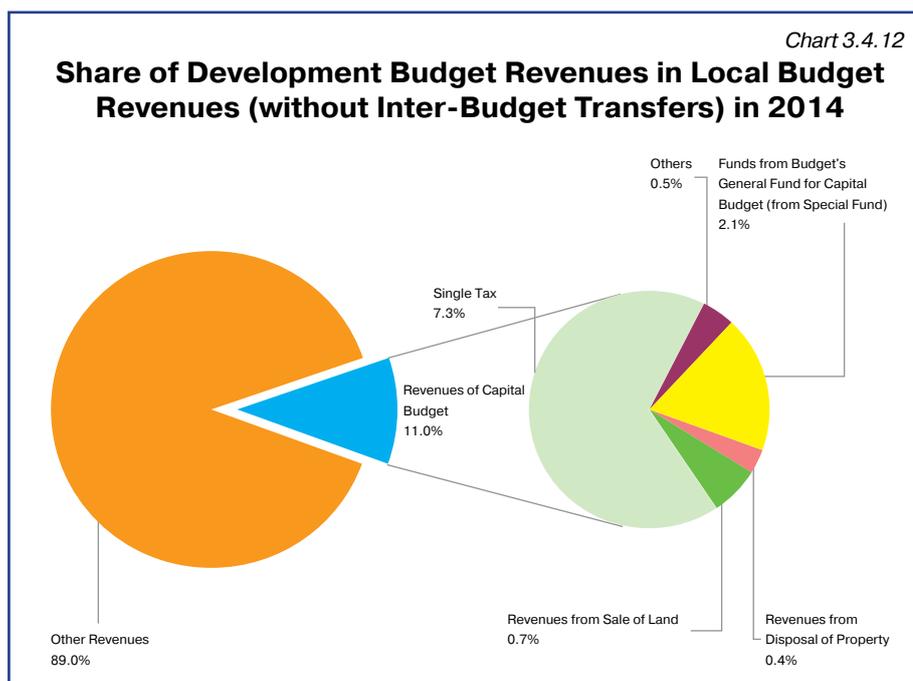
The income from capital transactions decreased in 2014 compared to 2013. It totaled UAH 1.1bn, which is 18.4% less than in 2013. This has decreased the share of said income in the local budget revenues by 0.2ppt down to 1.1% (see Chart 3.4.10).



DEVELOPMENT BUDGET

The development budget revenues of local budgets (including the funds received from the budget’s General Fund into the development budget) totaled UAH 11.1bn in 2014, which is 15.9% less year-on-year. The share of these revenues decreased in the overall structure of local budget revenues to 11.0% in this period, which is 1.5ppt less than the respective 2013 indicator (see Chart 3.4.11 and Chart 3.4.12).





According to the new version of the Budget Code of Ukraine, the proceeds from the administration of the single tax are remitted to the development budget as of 1 January 2011. Based on the 2014 results, these proceeds have become the main source at 66.6% of all development budget revenues.

The second and third most important sources of revenues are the funds remitted from the budget's General Fund into the development budget (UAH 2.1bn or 18.6%) and the proceeds from sale of land (UAH 0.7bn or 6.6%).

The proceeds from the disposal of municipal property totaled UAH 0.4bn, which amounts to 3.4% of all development budget revenues.

The proceeds from other sources amounted to 4.8% of all development budget revenues of local budgets.

LOCAL BUDGET EXPENDITURES

The amount of local budget expenditures (including the funds transferred from local budgets to the State budget) totaled UAH 225.6bn, which is 2.6% more than the respective 2013 figure.

The amount of local budget expenditures (without the funds transferred from local budgets to the State budget) totaled UAH 223.5bn, which is 2.4% more than in 2013. The Ministry of Finance estimates were implemented by 95.1%, including by 88.5% for General Fund expenditures, and by 160.4% for Special Fund expenditures. The level of execution of the targets approved by local councils for 2014 amounted to 84.4%.

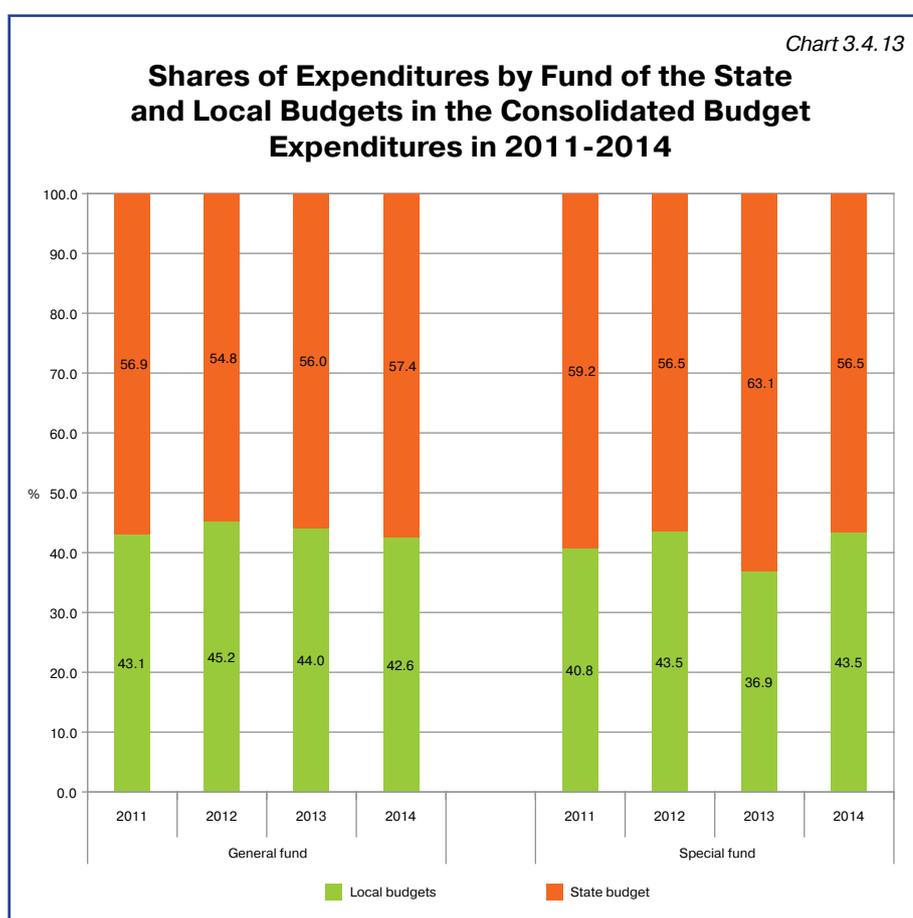
The execution of local budget expenditures is characterized by the data presented in Table 3.4.2.

Table 3.4.2

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

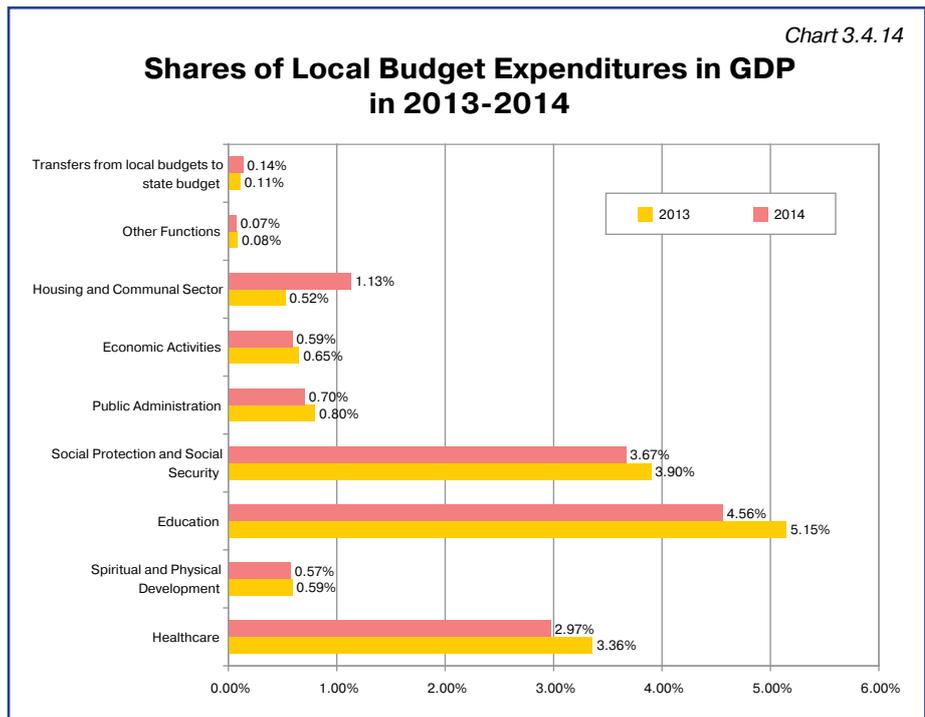
Expenditures	Actual in 2012	Actual in 2013	MOF 2014 estimates	Approved by local councils for 2014	Actual in 2014	Execution of MOF estimates, %	Execution of plans approved by local councils, %
Total, UAH nm, including:	221 232.8	218 236.1	234 905.9	264 853.4	223 496.7	95.1	84.4
– General Fund	188 638.6	194 900.9	213 254.2	212 861.8	188 765.1	88.5	88.7
– Special Fund	32 594.2	23 335.2	21 651.7	51 991.6	34 731.6	160.4	66.8

Local budget expenditures accounted for 42.7% of the consolidated budget, expenditures in 2014, which is 0.4ppt less than in 2013. Also, the share of General Fund expenditures decreased by 1.4ppt year-on-year and amounted to 42.6%, and the share of Special Fund expenditures increased by 6.6ppt to 43.5% (see Chart 3.4.13).

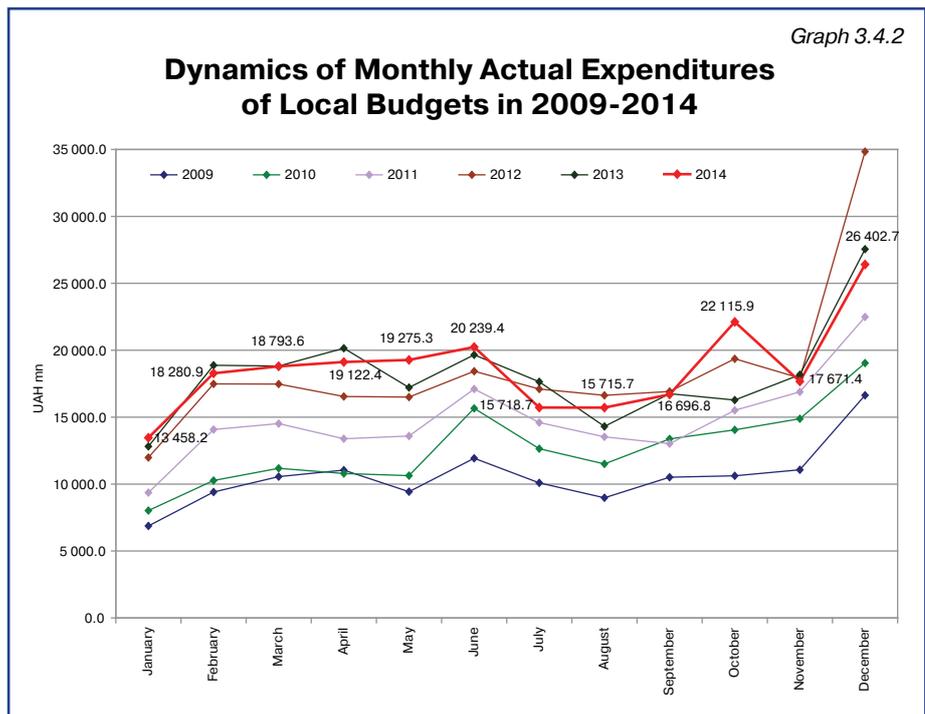


The level of GDP redistribution via the local budgets of Ukraine¹¹ amounted to 14.27% according to the 2014 data, which is 0.79ppt less than last year-on-year. The highest growth was in expenditures for the housing and communal services sector (+0.61ppt). The greatest decline of the share occurred in the expenditures for education (by 0.59ppt), healthcare (by 0.39ppt), and social protection and social security (by 0.23ppt) (see Chart 3.4.14).

¹¹ The share of local budgets in the GDP.



At the beginning of the year, the nature of the monthly variation in the amounts of local budget expenditures was in general similar to the 2013 dynamics. However, the amount of expenditures declined in February and April compared to respective figures of 2013. At the same time, unlike the dynamics of recent years, growth occurred in May and October, and declined in the amount of local budget expenditures in July. The customary growth in expenditures occurred at the end of 2014; however, its rate was lower than the December figures of the two previous years (see Graph 3.4.2).



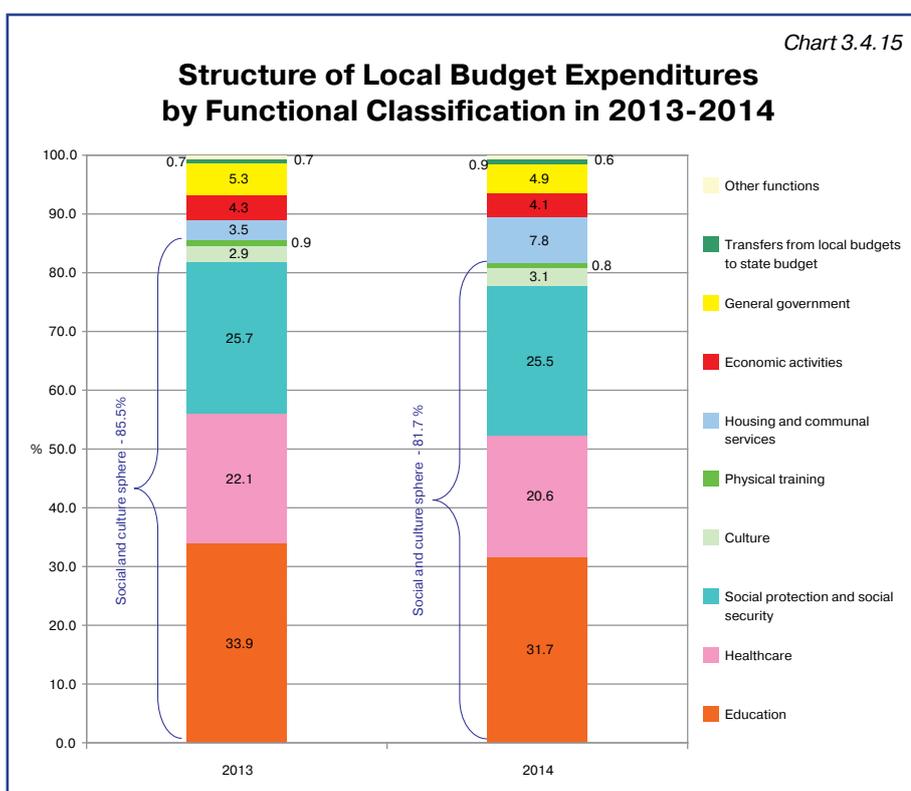
GENERAL FUND AND SPECIAL FUND

Expenditures of the General Fund of local budgets totaled UAH 188.8bn. They decreased by 3.1% compared to the respective figure of 2013. This amount equals 88.7% of the annual target approved by local councils and is 7.5ppt less year-on-year.

Expenditures of the Special Fund of local budgets were funded at over UAH 34.7bn, which is 48.8% more year-on-year. This amount equals 66.8% of the annual targets approved by local councils, which is 9.7ppt more than in 2013.

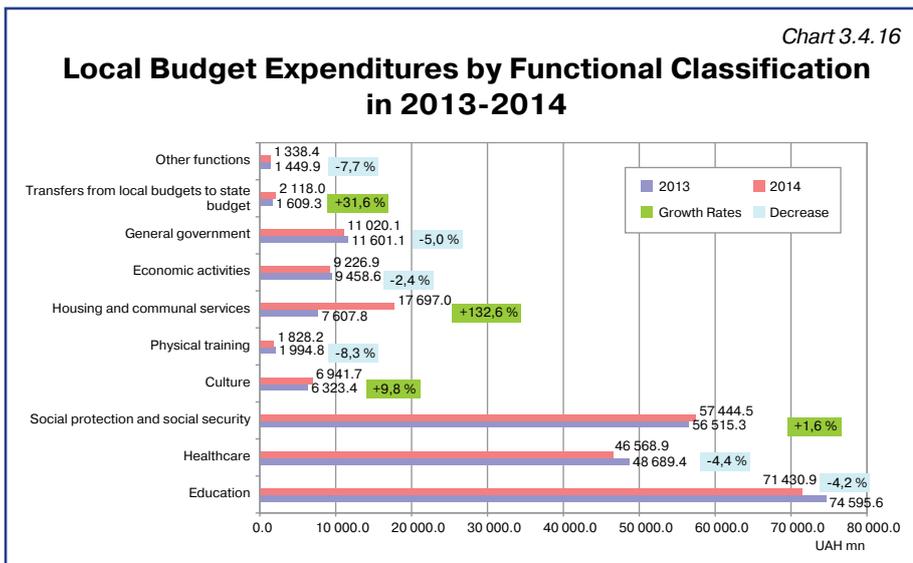
STRUCTURE OF EXPENDITURES BY FUNCTIONAL CLASSIFICATION

As usual, the majority of local budget expenditures are used for society and culture (education, healthcare, social protection and social security, culture and arts, physical culture and sport). The combined share of these expenditures amounted to 81.7% in the structure of local budget expenditures in the reporting period, which is 3.8ppt less year-on-year (see Chart 3.4.15).



Changes occurred in the structure of local budget expenditures by functional classification. The shares of expenditures for education, healthcare, and social protection and social security decreased by 2.2ppt, 1.5ppt, and 0.2ppt, respectively. The total amount of expenditures for the social and cultural sector decreased by 2.1% to UAH 184.2bn.

The largest among those were the expenditures for education (UAH 71.4bn or 31.7% of all local budget expenditures), social protection and social security (UAH 57.4bn or 25.5%), and healthcare (UAH 46.6bn or 20.6%) (see Chart 3.4.16).



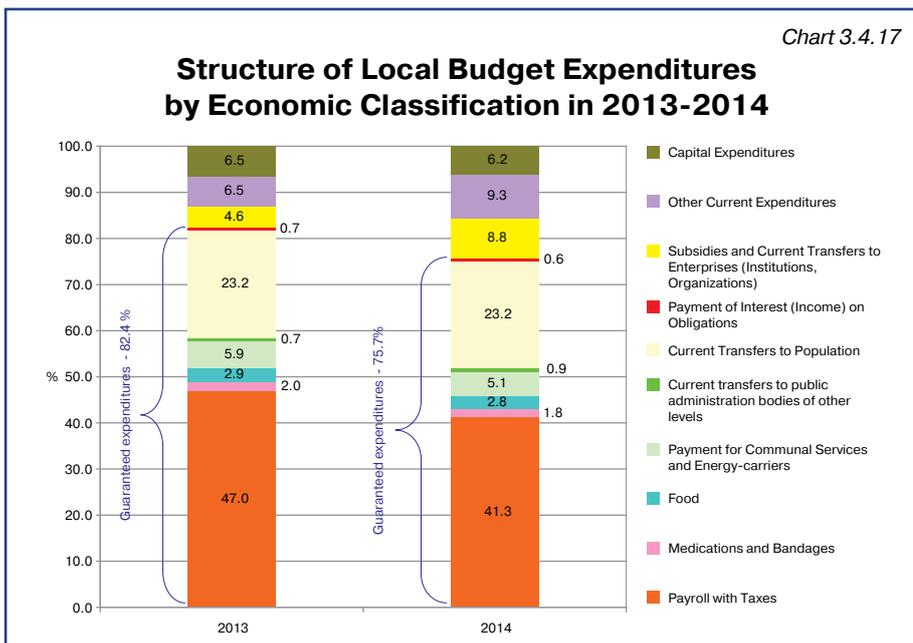
Expenditures for public administration were funded at UAH 11.0bn, which is 5.0% less than in 2013. Their share in the structure of local budget expenditures decreased by 0.4ppt to 4.9%.

Expenditures for culture and the arts increased by 9.8% to UAH 6.9bn.

In addition, expenditures of local governments for housing and communal services increased more than 2.3 times and totaled UAH 17.7bn in 2014. As noted above, the main reason of this growth involved a State budget subvention to local budgets for repaying the debt due to the difference in tariffs totaling UAH 12.4bn, compared to just UAH 2.1bn in expenditures under said subvention in 2013.

STRUCTURE OF EXPENDITURES BY ECONOMIC CLASSIFICATION

In terms of economic classification, protected items accounted for 75.7% of all local budget expenditures, which is 6.7ppt less than in 2013 (see Chart 3.4.17).

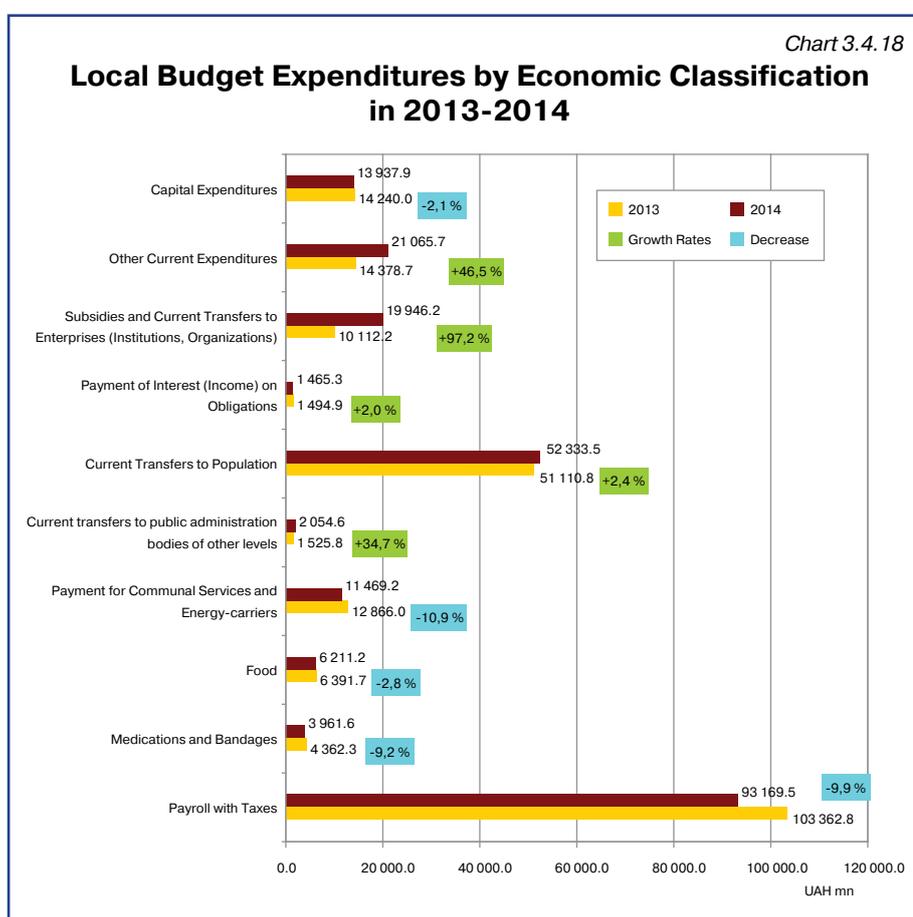


The share of expenditures for payroll with taxes is commonly the largest of all local budget expenditures. Compared to 2013, it decreased by 5.7ppt and amounted to 41.3%. Also, the amount of these expenditures decreased by UAH 10.2bn or by 9.9% to UAH 93.2bn.

The next largest share of local budget expenditures went to current transfers to the populace for social security at 23.2%, which corresponds to the 2013 level.

Another important use of local budget expenditures is the payment for communal services and energy-carriers, the share of which decreased to 5.1% or by 0.8ppt.

The current expenditures of local budgets totaled nearly UAH 211.7bn, which is 3.0% more than in 2013. Capital expenditures were funded at UAH 13.9bn and their amount decreased by UAH 0.3bn or by 2.1% (see Chart 3.4.18).



INTER-BUDGET TRANSFERS FROM STATE BUDGET TO LOCAL BUDGETS

According to the State Treasury, the remittance of **State budget inter-budget transfers to local budgets** totaled UAH 130.6bn, which amounts to 94.9% of the annual plan. Of that amount, the General Fund of local budgets received 97.2% of the annual plan, and the Special Fund received 79.2% of the annual plan amount.

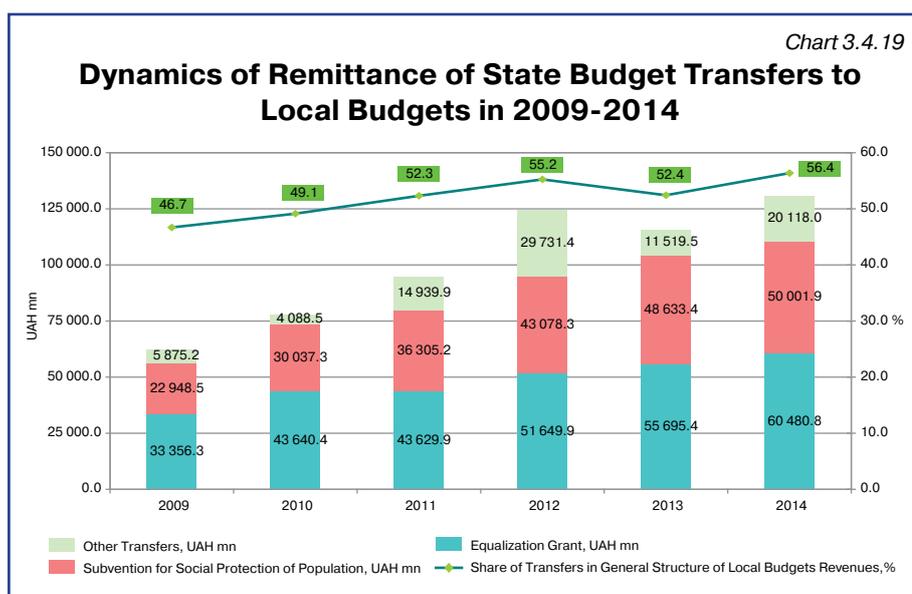
The status of remittance of the State budget transfers to local budgets is shown in Table 3.4.3.

Table 3.4.3

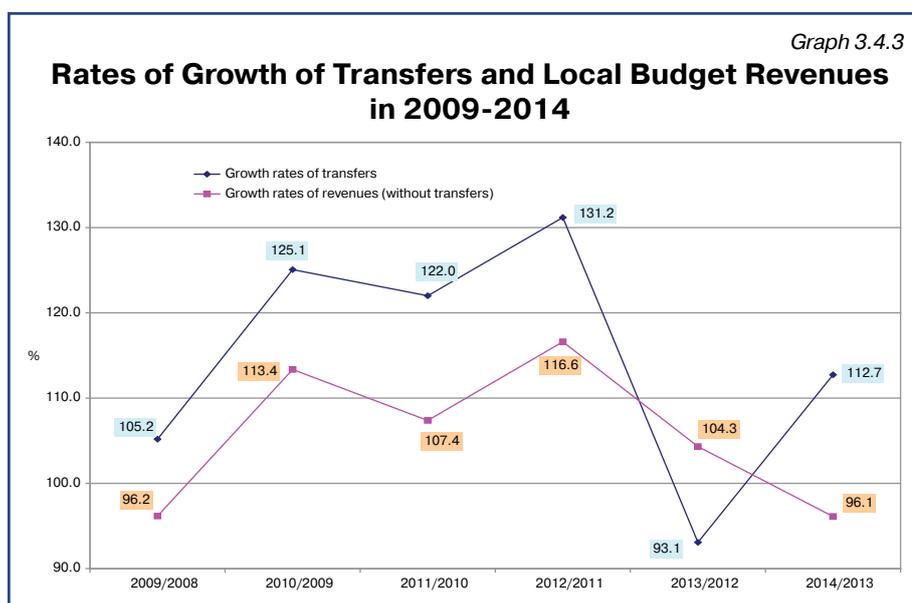
Inter-Budget Transfers from the State Budget to Local Budget in 2012-2014

Inter-budget transfers	Actual in 2012	Actual in 2013	Plan for 2014	Actual in 2014	Plan execution, %
Total, UAH mn, including:	124 459.6	115 848.3	137 588.4	130 600.7	94.9
– General Fund	114 625.4	113 116.1	120 135.7	116 782.3	97.2
– Special Fund	9 834.2	2 732.2	17 452.7	13 818.4	79.2

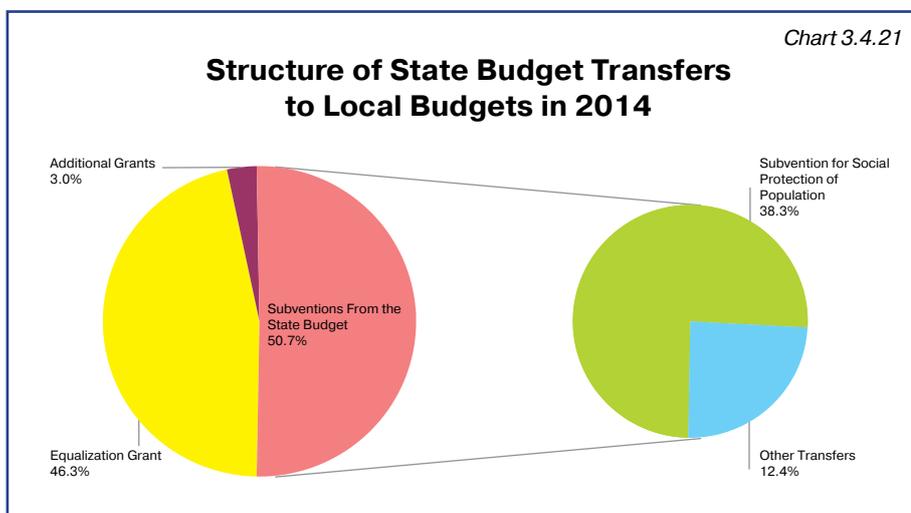
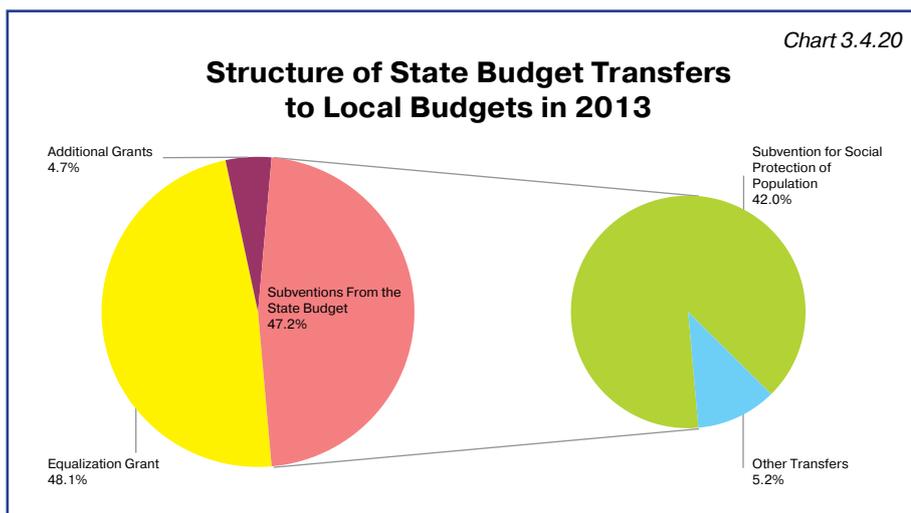
Inter-budget transfers accounted for 56.4% of the structure of local budget revenues, which is 4.0ppt more last year-on-year (see Chart 3.4.19).



The amount of inter-budget transfers increased by 12.7% year-on-year. It should be noted that unlike 2013, their growth occurred at a higher pace than the growth of local budget revenues (see Graph 3.4.3).



As usual, the equalization grant accounts for the greatest share in the structure of transfers at 46.3% (it amounted to 48.1% in 2013). Compared to the 2013 figure, this share decreased by 1.8ppt. At the same time, the share of other subventions increased by 7.2ppt and amounted to 12.4% (see Chart 3.4.20 and Chart 3.4.21). As noted earlier, a State budget subvention to local budgets of UAH 12.4bn for paying the debt due to difference in tariffs was provided in 2014, whereas expenditures under said subvention only amounted to UAH 2.1bn in 2013.

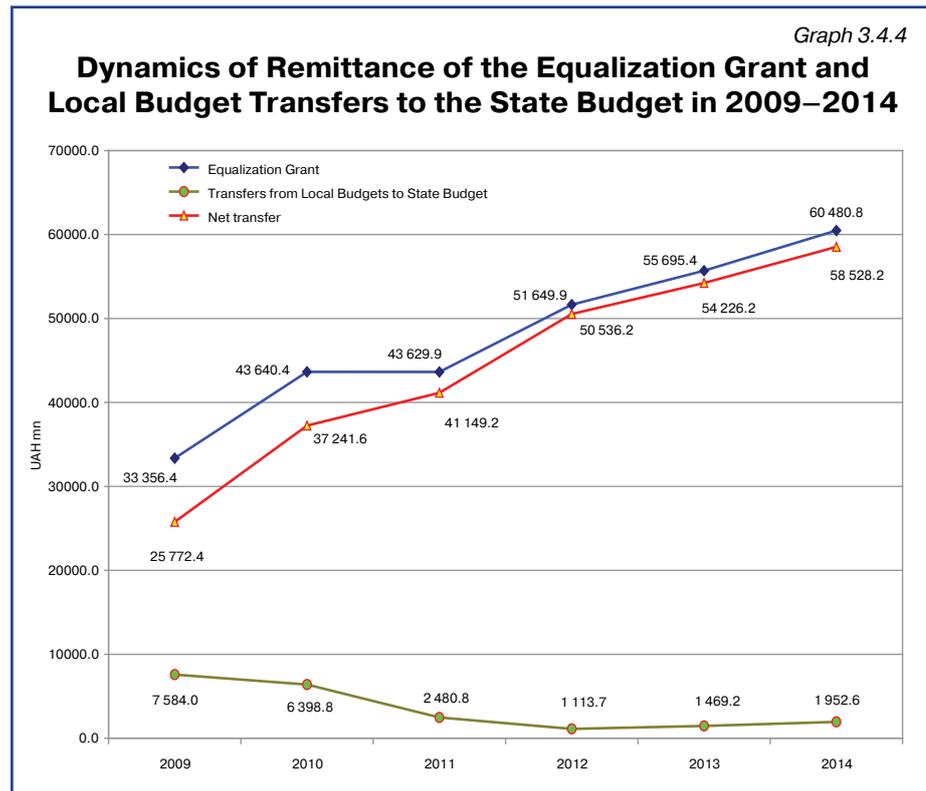


EQUALIZATION GRANT

The equalization grant was remitted at the amount of nearly UAH 60.5bn or 99.3% of the annual plan. The respective 2013 figure totaled UAH 55.7bn and equaled 100.0% of the annual plan (see Graph 3.4.4).

At the same time, the amount of funds transferred from local budgets to the State budget also increased. As the result, the net equalization transfer¹² amounted to more than UAH 58.5bn (see Graph 3.4.4), which is 7.9% more year-on-year.

¹² The net equalization transfer is a difference between the equalization grant and the amount of funds transferred to the State budget.



OTHER GRANTS

In 2014, the State budget remitted to local budgets the following **additional grants**:

- for equalizing the financial adequacy of local budgets (UAH 3.7bn);
- for compensation of losses of local budget revenues due to the State's granting land tax remissions to space research and aircraft manufacturing, shipbuilding and cinematography entities (UAH 149.0mn);
- to the Slavutych city budget for the maintenance of the city's social infrastructure (UAH 10.0mn).

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 implementing improvements to 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 the stationing of the Russian Federation's Black Sea Fleet in the territories of the cities of Sevastopol, Feodosiya, and urban-type settlement Hvardiyske, Simferopol district – the plan totaled UAH 119.4mn at the beginning of the year (UAH 21.7mn funded);
- for the exercise of powers established by the Law of Ukraine "On Approving the Constitution of the Autonomous Republic of Crimea" – the plan totaled UAH 99.1mn at the beginning of the year (UAH 18.0mn funded).

SUBVENTIONS FOR SOCIAL PROTECTION OF THE POPULACE

The remittance of social subventions totaled UAH 50.0bn in 2014, including:

- subvention for the payment of allowances to families with children, low-income families, persons disabled since childhood, disabled children, and temporary State allowance to children – UAH 40.8bn or 97.7% of the annual plan;
- subvention for the provision of benefits and housing subsidies to the populace for the payment for electricity, natural gas, heat and water supply services, and water removal, apartment rent, removal of solid municipal waste and liquid waste – UAH 6.2bn or 82.4% of the annual plan;
- subvention for the provision of benefits in telecommunications services, for compensation of the loss of part of income related to cancellation of the tax on motor vehicle owners, and compensation for preferential fare of certain citizen categories – UAH 1.8bn or 91.2% of the annual plan;
- subvention for the provision of benefits and housing subsidies to the populace for purchasing solid and liquid household furnace fuel and liquefied gas – UAH 714.7mn or 82.4% of the annual plan;
- State budget subvention to local budgets for payment of the 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 510.5mn or 91.7% of the annual plan.

OTHER SUBVENTIONS

According to the State Treasury Service, in addition to the social subventions, the provision of 14 types of **other subventions** was planned for the year 2014 (see Appendix B). In general, they were funded at nearly UAH 16.2bn or 80.3% of the annual plan.

The following subventions had the highest indicators of annual plan execution:

- for partial compensation of the cost of medicines for treating patients with hypertension – 91.9% of the annual plan;
- for implementing radiation and social protection activities of the population of the city of Zhovti Vody – 88.9% of the annual plan;
- 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 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 – 88.6% of the annual plan.

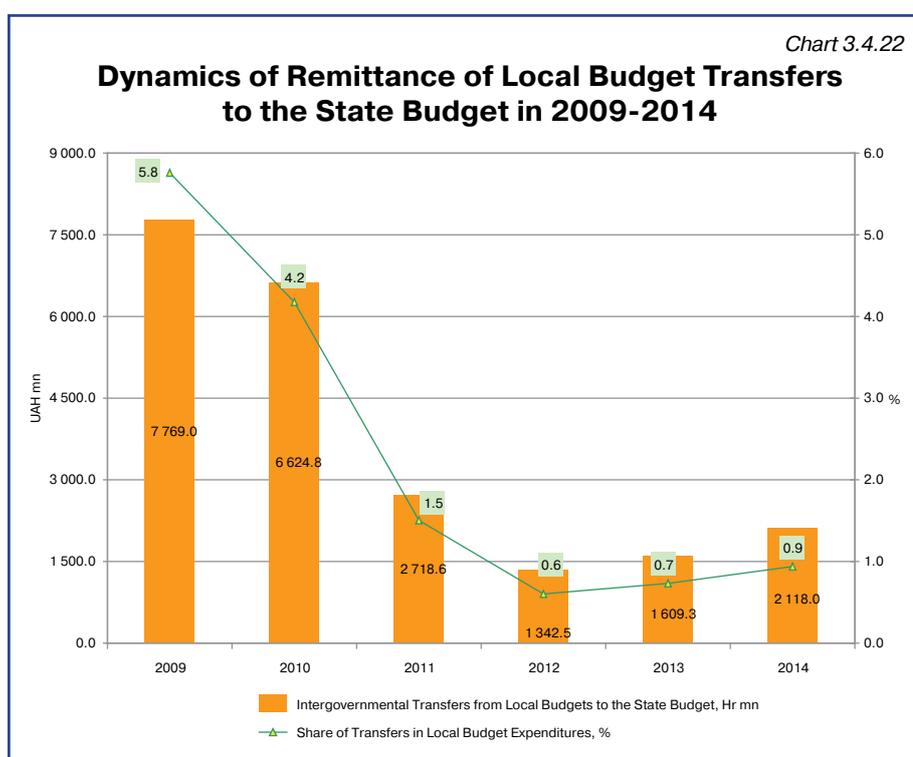
TRANSFERS FROM LOCAL BUDGETS TO THE STATE BUDGET

The State budget of Ukraine received over UAH 2.1bn in inter-budget transfers from local budgets.

The funds transferred from local budgets to the State budget totaled UAH 1.9bn or 97.5% of the annual target.

In addition, the inter-budget transfers remitted from local budgets include the subventions for implementing regional socio-economic and cultural development programs. Such subventions were remitted in the amount of UAH 165.4mn, which is 18.1% more than in 2013.

In general, the total amount of transfers to the State budget increased by UAH 508.7mn year-on-year and amounted to 0.9% of all local budget expenditures (see Chart 3.4.22).



State Budget Expenditures by Program Classification in 2012-2014

Expenditures by program classification	2012			2013			2014		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Ministry of Internal Affairs of Ukraine	18 420.7	17 824.5	96.8	19 165.8	18 393.3	96.0	24 890.5	24 234.4	97.4
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	12 108.0	11 850.6	97.9	12 301.6	12 157.8	98.8	11 020.9	10 777.1	97.8
Training personnel of internal affairs bodies by higher educational institutions of accreditation levels III and IV	696.4	661.3	95.0	736.0	699.4	95.0	662.8	637.4	96.2
Material and technical provision for the State Border Guards Service of Ukraine and maintenance of its personnel	2 193.3	2 160.4	98.5	2 265.8	2 205.9	97.4	2 897.4	2 731.7	94.3
Ensuring implementation of tasks and functions in the field of citizenship, immigration, and registration of individuals	317.0	175.4	55.3	747.6	429.4	57.4	529.8	470.7	88.8
Ministry of Energy and Coal Industry of Ukraine	19 212.6	17 409.2	90.6	16 113.6	15 741.3	97.7	10 488.2	9 859.4	94.0
Restructuring of the coal and peat industries	1 149.3	1 078.2	93.8	1 291.0	1 178.4	91.3	410.7	355.1	86.5
State support of coalmining enterprises for partial coverage of cost price of the finished marketable coal products	10 171.8	10 171.8	100.0	13 301.8	13 301.8	100.0	9 160.7	8 705.4	95.0
State support for the construction of coal and peat enterprises, technological re-equipment of said enterprises, including through the mechanism of provision of cheaper loans and repayment of loans, as well as implementation of the program of mining equipment renovation	2 755.3	1 293.2	46.9	384.3	342.8	89.2	109.3	54.3	49.7
Ministry of Economic Development and Trade of Ukraine (with general government expenses)	3 054.2	1 390.1	45.5	2 283.6	1 353.8	59.3	2 379.0	1 077.2	45.3
Maintenance of State material reserves	159.9	131.1	82.0	145.7	126.3	86.7	180.2	159.2	88.4
Accumulation (gains) of material valuables of the State material reserves	1 019.3	234.7	23.0	248.6	145.6	58.6	620.9	9.3	1.5
State statistics reform	16.1	8.3	51.4	82.3	61.6	74.9	59.8	29.3	48.9
Ministry of Foreign Affairs of Ukraine	1 366.6	1 220.6	89.3	1 191.6	1 103.8	92.6	1 304.7	1 219.3	93.5
Operation of foreign diplomatic missions of Ukraine and expansion of the network of Ukrainian properties for the needs of these institutions	1 074.1	956.4	89.0	873.3	833.9	95.5	1 088.4	1 035.9	95.2
State Committee for TV and Radio Broadcasting of Ukraine	1 499.4	1 351.7	90.1	1 107.0	1 001.1	90.4	901.5	783.6	86.9

Expenditures by program classification	2012			2013			2014		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
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	957.1	873.6	91.3	995.9	919.3	92.3	829.6	715.8	86.3
Ministry of Culture of Ukraine (with general government expenses)	2 568.1	2 401.1	93.5	2 799.9	2 548.0	91.0	2 448.5	2 214.6	90.4
Training of personnel for the culture and arts sector by higher educational institutions of accreditation levels III and IV	42.0	37.0	88.2	44.3	38.6	87.1	48.8	27.1	55.5
Financial support to national theaters	497.4	486.7	97.8	558.9	558.3	99.9	535.5	531.8	99.3
Financial support of national and State art collectives, philharmonic and circus organizations	315.4	313.4	99.3	379.3	348.2	91.8	346.9	341.6	98.5
Library and museum services, exhibition activities, cultural-information and cultural-educational activities	339.8	322.1	94.8	328.1	316.4	96.4	320.0	305.8	95.6
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	285.1	254.6	89.3	323.8	257.8	79.6	243.7	220.9	90.6
State Agency of Forest Resources of Ukraine	668.5	649.9	97.2	719.2	644.5	89.6	517.6	498.5	96.3
Leadership and management in the forest sector	42.6	42.2	99.0	44.9	44.2	98.5	41.2	40.8	99.0
Managing forestry and game-preserves, protection and safeguarding of forests in the forest fund	613.5	595.5	97.1	660.6	586.7	88.8	462.6	444.3	96.0
Ministry of Defense of Ukraine	16 511.8	14 048.1	85.1	15 228.0	13 935.4	91.5	27 475.2	26 509.9	96.5
Providing for operations of the Ukrainian Armed Forces and troops training	11 960.7	10 508.5	87.9	11 816.1	10 951.3	92.7	12 059.8	11 846.9	98.2
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	998.6	967.9	96.9	1 098.5	1 043.6	95.0	960.9	961.7	100.1
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	879.1	856.1	97.4	957.7	925.1	96.6	925.3	913.7	98.7
Development of weapons and military equipment for the Ukrainian Armed Forces	1 406.7	890.7	63.3	919.5	686.4	74.6	659.8	648.3	98.3

Expenditures by program classification	2012			2013			2014		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Construction/acquisition of housing for military servicemen of the Ukrainian Armed Forces	510.5	304.4	59.6	92.1	31.2	33.9	596.7	162.0	27.1
Ministry of Education and Science of Ukraine	24 210.2	22 617.2	93.4	25 712.6	23 839.6	92.7	24 262.1	21 891.4	90.2
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, outpatient medical care for the staff of the Crimean Astrophysical Observatory	625.8	587.5	93.9	599.1	552.7	92.3	530.5	484.8	91.4
Training of workforce at vocational educational institutions, vocational institutions of social rehabilitation and adaptation, other educational institutions and their methodological provision	1 211.6	1 177.4	97.2	1 415.9	1 377.4	97.3	1 389.8	1 284.1	92.4
Training of personnel by higher educational institutions of accreditation levels I and II and providing for operation of their apprenticeship bases	3 553.2	3 430.5	96.5	3 961.1	3 768.1	95.1	3 872.0	3 487.6	90.1
Training of personnel by higher educational institutions of accreditation levels III and IV, and providing for the operation of their apprenticeship bases	16 295.9	15 127.1	92.8	17 316.7	15 845.4	91.5	16 730.4	15 040.8	89.9
Providing methodological and logistical support to the operation of educational institutions	651.8	609.7	93.5	509.4	497.5	97.7	241.7	178.5	73.9
Training of personnel by Kyiv Taras Shevchenko National University	892.2	864.0	96.8	904.8	884.6	97.8	877.5	854.9	97.4
Ministry of Health of Ukraine (with general government expenses)	10 664.0	9 487.2	89.0	11 585.7	10 508.7	90.7	10 151.2	8 906.1	87.7
Training and enhancing qualifications of medical and pharmaceutical, scientific and scientific-pedagogical personnel by higher educational institutions of accreditation levels III and IV	2 333.6	1 952.2	83.7	2 521.9	2 057.1	81.6	2 722.0	1 947.8	71.6
Specialized and highly specialized medical aid provided by national healthcare institutions	1 005.6	969.3	96.4	1 138.7	1 087.2	95.5	1 282.1	1 249.8	97.5

Expenditures by program classification	2012			2013			2014		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
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	451.7	437.0	96.8	546.9	520.5	95.2	692.7	647.0	93.4
Sanatorium treatment of TB patients and children and teenagers with somatic diseases	482.3	451.1	93.5	593.0	561.3	94.7	375.0	300.0	80.0
Providing for medical activities of individual State programs and comprehensive activities of programmatic nature	1 912.4	1 864.3	97.5	2 292.1	2 161.6	94.3	2 318.0	2 229.0	96.2
Operation of institutions of the State Sanitary-Epidemiological Service and activities of epidemics control	0.0	0.0		1 170.1	1 068.6	91.3	1 089.4	1 019.0	93.5
State budget subvention to local budgets for the purchase of medicines and medical goods for emergency medical aid	323.1	313.1	96.9	323.1	268.3	83.0	138.0	121.7	88.2
Ministry of Environment and Natural Resources of Ukraine	6 198.9	4 997.6	80.6	6 018.9	4 326.8	71.9	4 673.0	3 586.7	76.8
Implementation of nature protection activities	876.0	534.3	61.0	1 123.3	388.9	34.6	558.4	209.2	37.5
Operation of State water economy and management of water resources	1 908.4	1 841.1	96.5	2 067.3	1 942.1	93.9	2 031.7	1 839.3	90.5
Maintaining the power unit and the Shelter facilities in a safe condition, and activities of preparation of the Chornobyl NPP for decommissioning	732.9	727.9	99.3	728.3	721.8	99.1	744.2	631.6	84.9
Ministry of Social Policy of Ukraine (with general government expenses)	70 603.8	70 307.9	99.6	89 250.1	88 833.2	99.5	87 692.9	81 160.5	92.6
Annual lump sum cash allowances to war veterans and victims of Nazi persecutions	760.5	760.3	100.0	822.9	822.5	100.0	768.7	761.5	99.1
Social protection of victims of the Chornobyl disaster	2 594.5	2 588.5	99.8	2 623.2	2 617.0	99.8	2 623.2	2 435.5	92.8
Grant for payment of pensions, surcharges and bonuses to pensions assigned under various pension programs	49 170.2	49 170.2	100.0	61 469.8	61 469.8	100.0	64 604.0	61 130.6	94.6
Covering the deficit of the Pension Fund of Ukraine for payment of pensions	15 323.9	15 323.9	100.0	21 763.8	21 763.8	100.0	17 125.7	14 683.2	85.7
Fund for the Social Protection of Disabled Persons	1 147.8	1 034.4	90.1	1 009.6	862.0	85.4	964.1	815.1	84.5
Ministry of Regional Development, Construction, and Housing and Communal Services of Ukraine (with general government expenses)	19 204.7	16 611.0	86.5	7 617.8	3 693.6	48.5	14 750.1	12 792.7	86.7

Expenditures by program classification	2012			2013			2014		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
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	15 914.1	14 442.8	90.8	5 138.5	2 052.5	39.9	14 017.7	12 423.1	88.6
Ministry of Agrarian Policy and Food of Ukraine	11 356.5	8 005.5	70.5	9 063.0	7 193.5	79.4	6 614.9	5 500.1	83.1
Training of agribusiness personnel by higher educational institutions of accreditation levels I and II	1 055.6	1 027.6	97.4	919.8	889.4	96.7	895.1	868.8	97.1
Training of agribusiness personnel by higher educational institutions of accreditation levels III and IV; methodological provision for activities of the educational institutions	1 807.8	1 725.4	95.4	1 222.6	1 142.4	93.4	1 125.2	1 060.6	94.3
State support to the development of hop-growing, vegetable-growing, planting of new fruit orchards, vineyards, berry fields, and their cultivation	1 075.0	309.2	28.8	500.0	94.8	19.0	99.9	43.9	44.0
State support to the animal-farming sector	732.0	238.9	32.6	1 239.8	721.0	58.2	888.0	371.2	41.8
Organization and regulation of the activities of institutions in the system of State Veterinary and Phytosanitary Service of Ukraine	1 945.1	1 776.8	91.3	2 034.7	1 777.8	87.4	1 934.8	1 658.1	85.7
Ministry of Infrastructure of Ukraine	1 722.4	1 573.3	91.3	1 676.1	1 597.1	95.3	1 643.8	1 546.7	94.1
Medical services for the staff and passengers of rail transport	1 107.8	1 088.6	98.3	1 200.3	1 154.6	96.2	1 210.6	1 126.7	93.1
State Agency of Automobile Roads of Ukraine (with general government expenses)	13 066.6	12 352.1	94.5	19 823.1	15 471.4	78.0	19 213.0	15 645.1	81.4
Expansion of road network and maintenance of public motor roads, including the construction of highway bridges across the Dnipro River in the cities of Zaporizhzhya and Cherkasy	7 272.5	6 975.5	95.9	9 907.9	7 457.7	75.3	5 503.1	3 462.7	62.9
Performance of debt obligations for the loans obtained under guarantee of the Cabinet of Ministers of Ukraine for expansion of the network of public motor roads	3 567.7	3 153.4	88.4	7 435.0	6 199.9	83.4	11 157.7	10 777.3	96.6
State budget subvention to local budgets for the construction, reconstruction, repair, and maintenance of streets and municipal roads within localities	2 213.3	2 213.3	100.0	2 390.9	1 766.4	73.9	2 542.2	1 395.3	54.9

Expenditures by program classification	2012			2013			2014		
	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %	Annual plan, UAH mn	Actual, UAH mn	Annual plan execution, %
Ministry of Revenue and Duties of Ukraine	6 093.4	5 717.5	93.8	6 101.0	5 976.1	98.0	5 726.9	5 467.7	95.5
Ministry of Youth and Sport of Ukraine	1 215.0	1 078.9	88.8	1 007.1	981.3	97.4	838.2	667.2	79.6
Development of sports for disabled persons and their physical culture and sports rehabilitation	153.4	124.4	81.1	157.6	148.9	94.5	170.0	113.0	66.5
Development of physical culture, high performance sports, and reserve sports	742.0	641.9	86.5	521.7	513.0	98.3	530.9	429.6	80.9
Ministry of Finance of Ukraine (with general government expenses)	145 536.3	139 765.6	96.0	148 907.2	144 655.7	97.1	171 395.1	165 308.3	96.4
State debt servicing	24 492.1	24 196.6	98.8	32 558.0	31 677.1	97.3	48 329.9	47 976.7	99.3
Implementation of European Union assistance programs	452.0	0.0	0.0	549.0	0.0	0.0	244.2	0.0	0.0
Ministry of Justice of Ukraine	5 401.1	5 185.8	96.0	5 878.0	5 332.3	90.7	5 693.0	5 058.9	88.9
Execution of punishments by penitentiary service institutions and agencies	2 757.4	2 720.9	98.7	2 862.3	2 820.1	98.5	2 803.9	2 735.3	97.6
State Environmental Investment Agency of Ukraine	3 539.7	1 012.6	28.6	3 638.7	1 843.1	50.7	554.3	397.0	71.6
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	3 531.6	1 004.8	28.5	3 628.6	1 834.0	50.5	545.7	388.5	71.2
State Space Agency of Ukraine	898.3	686.7	76.5	1 274.8	624.3	49.0	3 867.4	3 051.2	78.9
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	220.5	63.1	478.5	256.1	53.5	3 410.6	2 663.8	78.1
National Agency for Preparation and Hosting in Ukraine the European 2012 Football Championship Finals and Implementation of Infrastructure Projects	7 506.9	6 352.8	84.6	1 283.7	1 106.5	86.2	2 560.2	1 751.4	68.4
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	799.0	93.2	828.5	828.5	100.0	1 911.3	1 746.9	91.4
Central Election Commission (including general government expenses)	2 121.6	2 044.0	96.3	145.3	124.7	85.8	1 437.6	1 412.0	98.2
Conducting elections of the President of Ukraine	12.1	9.4	77.2	23.1	13.5	58.4	570.2	570.0	100.0
Other key spending units	34 399.4	31 590.6	91.8	35 339.4	32 626.7	92.3	31 063.9	29 568.9	95.2
Total	427 040.7	395 681.5	92.7	432 930.9	403 456.1	93.2	462 542.6	430 108.8	93.0

Status of Remittance of State Budget Subventions to Local Budgets in 2014

(UAH thousand)

Description	General Fund		Special Fund		Total	
	Annual plan	Actual	Annual plan	Actual	Annual 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	41 794 236.8	40 837 801.0	0.0	0.0	41 794 236.8	40 837 801.0
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	7 493 207.4	6 172 822.6	0.0	0.0	7 493 207.4	6 172 822.6
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	1 766 054.8	0.0	0.0	1 935 524.0	1 766 054.8
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	790 939.7	714 692.3	0.0	0.0	790 939.7	714 692.3
State budget subvention to the Kyiv city budget for implementation of the capital-city functions	1 800 000.0	1 799 990.8	0.0	0.0	1 800 000.0	1 799 990.8
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	7 541.1	0.0	0.0	8 480.1	7 541.1
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	30 214.7	0.0	0.0	39 100.0	30 214.7
State budget subvention to local budgets for purchase of medicines and medical goods for ensuring emergency medical aid	137 992.3	121 694.4	0.0	0.0	137 992.3	121 694.4
State budget subvention to local budgets for purchasing consumables for healthcare institutions and medicines for inhalation anesthesia	18 972.6	16 476.4	0.0	0.0	18 972.6	16 476.4
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	1 395 346.7	2 542 204.2	1 395 346.7
State budget subvention to local budgets for implementation of activities of socioeconomic development of certain territories	500 000.0	227 265.5	0.0	0.0	500 000.0	227 265.5
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	0.0	39 172.4	0.0	64 480.6	0.0
State budget subvention to local budgets for partial compensation of the cost of medicines for treatment of hypertensive patients	129 890.1	119 382.6	0.0	0.0	129 890.1	119 382.6
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	4.7	5 000.0	4.7
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	510 513.0	0.0	0.0	556 808.0	510 513.0

Description	General Fund		Special Fund		Total	
	Annual plan	Actual	Annual plan	Actual	Annual plan	Actual
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	14 017 724.0	12 423 079.2	14 017 724.0	12 423 079.2
State budget subvention to local budgets for holding elections of deputies to local councils and village, settlement, and city mayors	29 000.0	23 452.7	0.0	0.0	29 000.0	23 452.7
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	55 259 459.2	52 347 901.9	17 452 658.6	13 818 430.6	72 712 117.8	66 166 332.5