

## NEWS

### MFSI-II Seminar: Financial Mechanisms of Improved Energy Efficiency in the Government-Funded Sector 25 September

On 25 September 2015, the Municipal Finance Strengthening Initiative (MFSI-II) Roll-out Project delivered a scheduled seminar on Financial Mechanisms of Improved Energy Efficiency in the Government-Funded Sector.

The event was attended by Energy Efficiency (EE) specialists and staff of Finance Departments and Economy Directorates from the Sumy, Kirovohrad, Chernivtsi, Komsomolsk, and Berdychiv city councils.

The participants learned about the updated system of monitoring and evaluating the efficiency of energy expenditures (based on Performance Program Budgeting) and a mechanism of implementing a system of financial incentives for saving funds allocated for energy resources in government-funded institutions.



[more](#)

### Implementation of Energy Saving Activities in Sumy Educational Institutions 24 September



On 24 September 2015, thanks to support from the Municipal Finance Strengthening Initiative (MFSI-II) Roll-out Project, the city of Sumy received approval from the Ministry of Finance of Ukraine to incur a loan for implementing the Improving the Energy Efficiency in Educational Institutions of the City of Sumy project.

The project's main objective is reducing energy consumption in educational institutions of the city of Sumy, as well as introducing energy efficient technologies and equipment.

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### PPB Trainings in Collaboration with Training Centers Continue 24 September

As part of the Municipal Finance Strengthening Initiative (MFSI-II) Roll-out Project's partnership with the Zakarpattia Regional Retraining and Qualifications Enhancement Center, the Project conducted a workshop on practical PPB implementation were held on 24 September 2015. The Project trained specialists and the heads of budget organizations and institutions from Uzhorod Oblast.

The participants were familiarized with the theoretical foundations of PPB, instructional materials, and the practical aspects of PPB application in accordance with the methodological documents developed by the Ministry of Finance of Ukraine.

[more](#)

### MFSI-II and Quality Street Lighting in Chernivtsi 18 September

The joint efforts of the Municipal Finance Strengthening Initiative Roll-out (MFSI-II) Project and the City of Chernivtsi will help improve the quality of street lighting in this city.

Thanks to the advisory support provided by the MFSI-II Project, the Chernivtsi municipal administration has received approval from the Ministry of Finance for the amount and terms of borrowing for financing its investment project Street Lighting in the City of Chernivtsi.



[more](#)

### MFSI-II Takes Part in Drafting the Legislative Amendments to Support Implementation of PPP Mechanisms 28 August

On 28 August 2015, experts of the MFSI-II Project were invited by the Ministry of Economic Development and Trade of Ukraine (MinEconDev) to take part in drafting the legislative amendments to allow implementation of the mechanisms of Public Private Partnership, which enable payments to private partners from budget funds.

The key obstacle to implementation of said mechanisms of Public Private Partnership consists in that public partners are limited to one budget period in terms of their right to conclude agreements.

[more](#)

### MFSI-II Holds Public Events for Citizen Participation in the Budget Process 6 August

MFSI-II conducted a seminar on the topic Innovations and Prospects for Implementation of the Performance Program Budgeting Method at the Local Level, in the city of Lyubashivka, Odesa Oblast, on 6 August 2015. The seminar was conducted as part of the information campaign to support decentralization and the voluntary association of territorial communities.

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### MFSI-II Project Participates in the Process of EITI Implementation in Ukraine 6 August

On 6 August 2015, experts of the MFSI-II Project took part in a scheduled meeting of the Multi-Stakeholder Group (MSG) on the issues of implementation of an international standard of ensuring transparency of revenues from natural resources called the Extractive Industries Transparency Initiative (EITI) in Ukraine.

[more](#)

### The Twelfth Financial and Economic Forum 30 July



The Twelfth Financial and Economic Forum, Implementation of Energy Service Agreements: The Guarantee of Reduced Energy Dependence of the Government-Funded Sector, took place on 30 July 2015. The forum was held under the aegis of the Municipal Finance Strengthening Initiative Roll-out (MFSI-II) Project implemented by the Institute for Budgetary and Socio-Economic Research (IBSER) with support from the United States Agency for International Development (USAID).

[more](#)

### Berdychiv Will be More Comfortable for Living Thanks to MFSI-II 29 July

The City of Berdychiv has obtained approval from the Ministry of Finance for an important energy savings project loan. The ministry approved the amount and terms of the loan for the Overhauling the Street Lighting in the City of Berdychiv investment project, which will help the city achieve significant savings of electricity. The approval is a strong result of the cooperation between the municipality and the Municipal Finance Strengthening Initiative (MFSI-II) Roll-out Project and the city of Berdychiv.



[more](#)

### Seminar on Extractive Industries Transparency Initiative: Practical Significance for Citizens of Ukraine 24 July



On 24 July 2015, experts of the Municipal Finance Strengthening Initiative (MFSI-II) Project supported by the United States Agency for International Development (USAID) delivered a one-day seminar on Extractive Industries Transparency Initiative: Practical Significance for Citizens of Ukraine. The event was attended by representatives of NGOs from the cities of Kyiv, Kharkiv, Lviv, Sumy, Ivano-Frankivsk, Chernihiv, Yenakiyev, Artemivsk, Boryslav, Poltava, officials from the government ministries and departments, as well as the business community.

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### MFSI-II Takes Part in Discussion on How to Improve Budget Forecasting and Planning 22 July

On 22 July 2015, the MFSI-II Project took part in a roundtable on Medium-Term Budget Forecasting and Planning According to Best International Practices. The roundtable was organized with support of the Kyiv School of Economics.

The event was attended by representatives of the Ministry of Finance, Ministry of Economic Development and Trade, National Bank of Ukraine, scholars and experts from nongovernmental think tanks.

The discussion concentrated around the existing system of budget planning in Ukraine and the need to transition to high-quality medium-term forecasts and plans.

[more](#)

## ANNOUNCEMENT

### Request for Applications (RFA) No. MFSI-II 09-2015

Selection of local nongovernmental organizations for participation in the Municipal Finance Strengthening Initiative Roll-out (MFSI-II) Project of the United States Agency for International Development (USAID), which is implemented by the Institute for Budgetary and Socio-Economic Research (IBSER), with regard to providing assistance to realization of the Extractive Industries Transparency Initiative (EITI) in Ukraine.

**Date: 30 September 2015.**  
**Application closing date/time: 4 p.m. on 9 December 2015.**

[more](#)

## ANALYSIS

### Analysis of Budget Execution in January-June 2015

**The macroeconomic situation** remained unfavorable in the first half of 2015. The realGDP fell by 14.6ppt year-on-year (in constant 2010 prices). At the same time, the real GDP increased by 1.6% in the European Union Member-States (EU 28), and by 1.2% in the Eurozone countries.

**The nominal GDP** totaled UAH 817.2bn in the first six months of 2015, which is UAH 131.4bn in 19.1% more year-on-year. This amounts to just 44.2% of the nominal GDP figure used for drawing up the 2015 State budget.

A downward trend in the industrial output continued. The industrial production index amounted to 79.5% compared to 96.0% in the respective period of 2014. The industrial output in the majority of industries continued to shrink in January through June 2015, primarily, in the automotive manufacture and production of finished metal products.

The consumer price index grew to 148.1% from 111.6% in the respective period of 2014. The prices of all goods and services increased in the period under review.

The foreign trade balance of Ukraine was a positive one at \$3.4 billion in January-June 2015, compared to -\$3.7 billion in the respective period of last year.

**The nominal average monthly wage** of one full-time employee amounted to UAH 3,871.00 in the first six months of 2015, which is 7.5% more year-on-year.

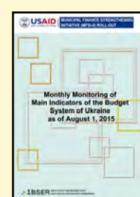
**The real wage** dropped 23.5% in January-June 2015 (up 0.4% in the respective period of 2014).

The levels of **actual intake of revenues of the consolidated and State budgets** demonstrated growth compared to similar indicators of last year. According to official data, the actual intake of revenues of the consolidated budget of Ukraine totaled UAH 298.7bn, which is UAH 74.1bn or 33.0% more year-on-year and amounts to 50.0% of the target. The actual intake of revenues of the State budget of Ukraine totaled UAH 243.2bn, which is UAH 68.3bn or 39.1% more than the respective indicator of last year. Growth of tax proceeds (+46.6%) was the key driver behind increase in budget revenues, in particular as regards the value-added tax (+38.4%), fees for use of sub-soil resources (+58.4%), excise tax on goods made in Ukraine (+39.0%), excise tax on goods imported in Ukraine (+62.4%), and import duty (+192.1%). In addition, remittances of the personal income tax to the State budget increased (+416%). This, however, was due to redistribution of funds between the State budget and local budgets rather than economic factors. Transfer of UAH 25.1bn by the National Bank of Ukraine according to the Law of Ukraine "On the National Bank of Ukraine" was another contributing factor behind the growth of State budget revenues in the first half of 2015. This level of budget execution provides grounds for revising the annual plan towards setting more ambitious targets based on the results of the first half of 2015.

**The local budget revenues (without inter-budget transfers)** totaled UAH 55.5bn, which is 11.8% more than in January-June 2014. The level of execution of the revenue plan approved by local councils amounted to 63.1%. The structure of local budget revenues changed significantly, primarily, due to partial crediting of the personal income tax to the State budget. It is the main reason behind shrinking of this tax's share from 61.0ppt to 43.6ppt, i.e., by 17.4ppt.

[more](#)

## PUBLICATIONS



**Monthly Monitoring of Main Indicators of the Budget System of Ukraine as of August 1, 2015**



**Monthly Monitoring of Main Indicators of the Budget System of Ukraine as of July 1, 2015**