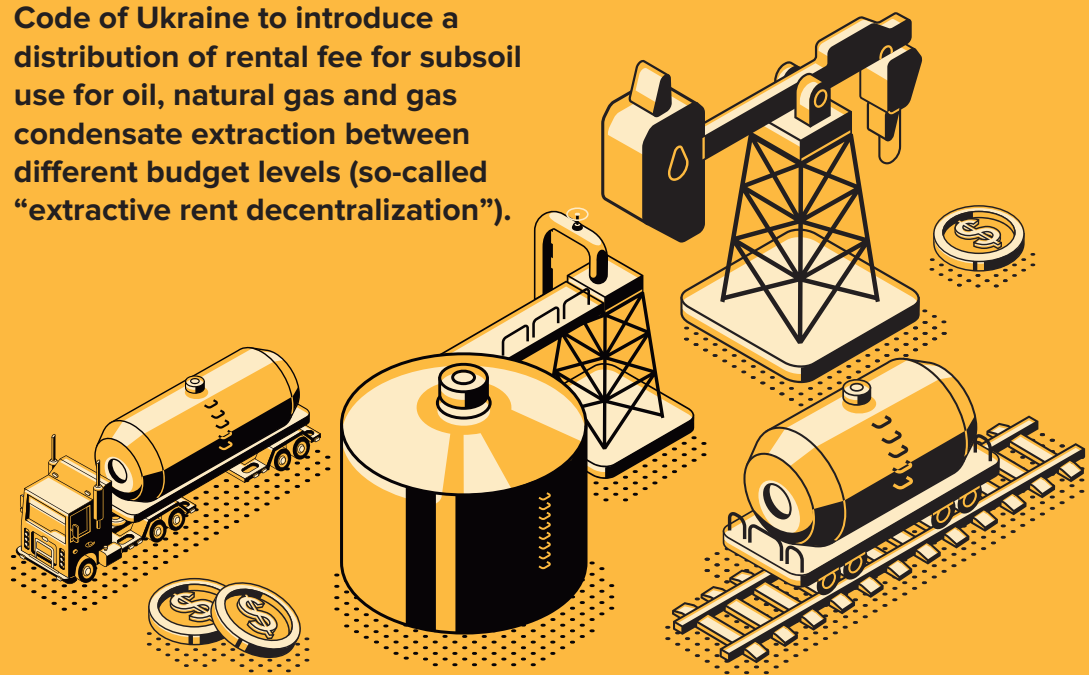


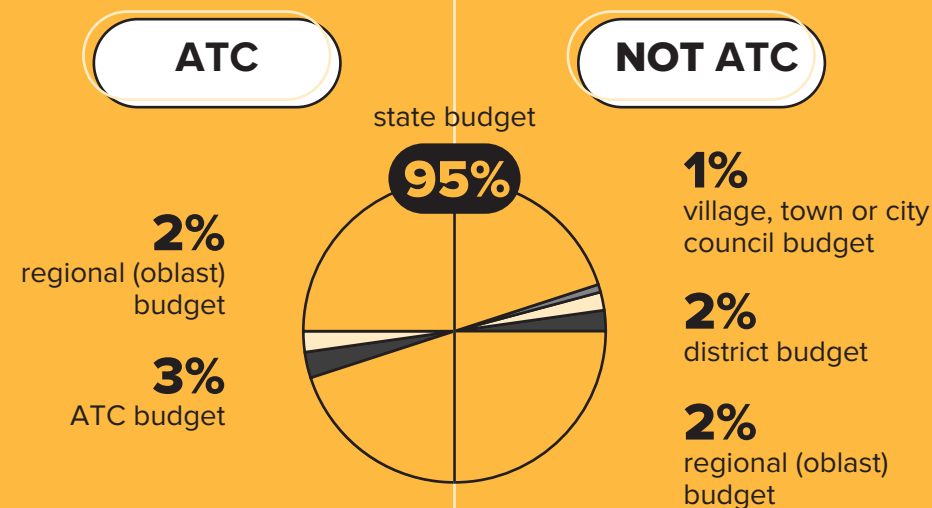
RENT DECENTRALIZATION

TRANSPARENCY AND RENT DECENTRALIZATION STRENGTHEN LOCAL COMMUNITIES IN UKRAINE

On December 20, 2016, the Verkhovna Rada of Ukraine amended the Budget Code of Ukraine to introduce a distribution of rental fee for subsoil use for oil, natural gas and gas condensate extraction between different budget levels (so-called “extractive rent decentralization”).



According to the Law **95%** of the rental fee comes to the state budget, while **5%** is distributed between local budgets of different levels

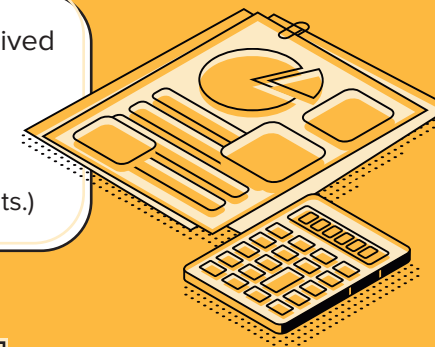


If the extractive site is located on the land pertaining to an amalgamated territorial community (ATC), then ATC budget receives **3%** of the rent. Another **2%** is credited to regional (oblast) budget, and nothing is paid to the district budget.

According to the provisions of the Law on extractive rent decentralization, extractive companies pay rent to local budgets: **2%** - to regional (oblast) budget, **2%** - to district budget, and **1%** - to village, town or city council budget.

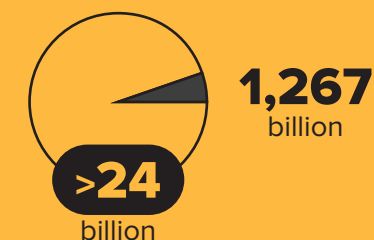
In 2018, the State Budget of Ukraine received over UAH **24 billion** (≈\$900 million) of rent payments in total.

(In 2019, it is planned to levy about UAH **40 billion** (≈\$1.5 billion) in rental fee payments.)



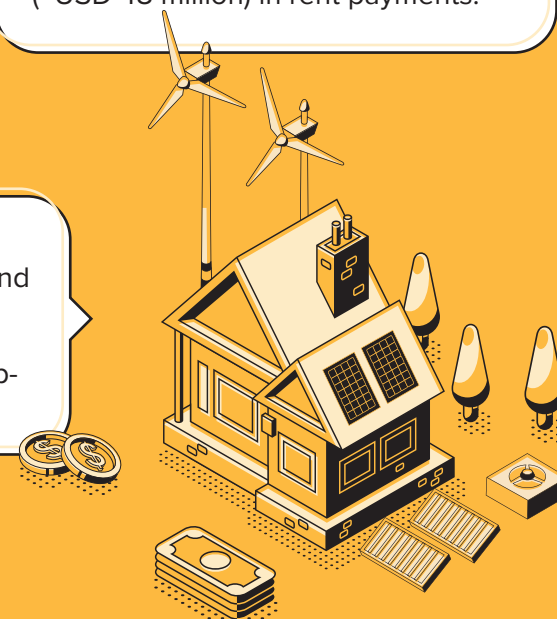
2018

2019



In 2018, local budgets received **1 billion 267 million** (≈USD 48 million) in rent payments.

Local communities allocated extractive rent revenues to fund projects on energy efficiency, improvement of quality of the medical services, and development of social infrastructure.



Rental fees paid for mineral extraction come to budgets of different levels in **11 regions** (oblasts) of Ukraine.

