

— CITY PROFILE —

DROHOBYCH

— DEMOGRAPHIC • ECONOMIC • FISCAL —



Building Capacity in Evidence-Based Economic Development
Planning in Ukrainian Oblasts and Municipalities
International technical assistance project



Dear residents of Drohobych and visitors to our city!

I am proud to present you with this City of Drohobych Profile. Drohobych is a city with a history stretching back many centuries and a bright future ahead.

The residents of Drohobych have always been an industrious people who have worked hard to nurture their city's economic, cultural, and intellectual potential. Drohobych is home to a multi-ethnic population, and it is this diversity that gives the city its energy and unique architecture. Its centuries-old buildings, its beautiful parks, its fine cultural institutions, and its warm-hearted people ensure that Drohobych is a place where creativity blooms.

Drohobych is a major industrial, cultural, artistic, and educational centre of the Lviv region. To further protect and improve the quality of life of Drohobych's residents, we must ensure that city planning and business decisions are based on reliable figures. This requires regular and

complete monitoring of the key municipal development indicators.

The City Profile presented here is the result of the efforts to consolidate all key information on the economic and social environment of Drohobych and to make it accessible to all who need it. The included data are a "must have" for anyone involved in improving or investing in our city.

The creation of the City of Drohobych Profile will help to attract the foreign direct investment, loans, and donor assistance needed to ensure the city's economic growth and improve our standard of living. Accurate and detailed data about the city as presented here will help municipal authorities and experts to determine priority areas for investments and investors to identify the most attractive opportunities.

I would like to express my gratitude to the members of the Executive Committee of Drohobych City Council who took part in putting together the City Profile. And on behalf of the Executive Committee and myself, I want to thank our Canadian and Ukrainian colleagues from the EBED Project who initiated and drafted the Profile, as well as the Canadian International Development Agency for financing the project.

I am confident that the City of Drohobych Profile will prove to be a useful tool for city residents, government officials, investors, scientists, experts, and all others who care about the future of our city.

***Yours faithfully,
Oleksiy Radziyevskyy
Mayor of Drohobych***

Drohobych City Profile: Demographic, Economic, Fiscal.

This document was prepared within the framework of the International Technical Assistance Project “Building Capacity in Evidence-Based Economic Development Planning in Ukrainian Oblasts and Municipalities” (EBED project).

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All the photos used in this document were taken in Drohobych and provided by city council.

The EBED project’s main goal is to ensure the sustainable economic development of the Ukrainian oblasts and cities through building the capacity of oblast and city officials to apply quantitative analysis and forecasting tools to improve the economic development planning of their territories (www.ebed.org.ua).

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INTRODUCTION

Chapter 1

OVERVIEW

- First record of the city ● 1387
- City status obtained (Magdeburg Rights obtained) ● 1422
- Resident population ● 96,589 persons*
- Population density ● 2,194 persons per sq. km*
- City's share in the oblast's population ● 3.82%*
- Area ● 44.5 sq. km
- Key industries ● oil refining, machine building
- Average annual temperature ● +7.6°C

ADMINISTRATIVE AND TERRITORIAL DIVISION



The city's territory is not divided into districts. *The jurisdiction of Drohobych also includes the town of Stebnyk.*

*Data as of January 1, 2011.

LOCAL SELF-GOVERNANCE

The system of local self-government includes the mayor, city council, executive committee, and other executive bodies of city council.

The Drohobych City Council consists of 50 members working in 7 permanent commissions. The city council employs 167 staff members (as of April 1, 2011).

A State Administrator that issues permits and licenses operates in the city.

HISTORICAL BACKGROUND

Drohobych is one of Ukraine's oldest cities, celebrating its 920th anniversary in 2011. Drohobych is the largest city among the neighbouring cities and towns of Boryslav, Truskavets, and Stebnyk (the latter is within the jurisdiction of Drohobych City Council).



One of the famous legends about the founding of the city relates to the Teptiuzh mountain lying between Drohobych and Boryslav. The town of Bych, located on the mountain, was destroyed by the Tatar leader Buniak the Mangy. The citizens then founded another town on the bank of the Tysmenytsia river and named it Druhyy (the second) Bych, which later merged into one word—"Drohobych".

The first record of the city is found in the Municipal Act of Lviv dated November 6, 1387.

Salt was critical to the town's economic welfare; it was sold all over the Kingdom of Galicia-Volynia as well as in many European cities. The municipal coat of arms shows nine piles of salt. Drohobych Saltworks (now Halka-Drohobych CJSC) is the oldest enterprise in Ukraine and Europe.

In the middle of the 14th century, Drohobych was part of Poland. ***In 1422 the city obtained Magdeburg Rights.*** In the 15th century Drohobych became a povit (district) capital.

The first workshops appeared in Drohobych in the second half of the 16th century. By the middle of the 18th century nearly 40 types of craftsmen worked in those workshops. ***After the first partition of Poland in 1722, Drohobych became part of Austria (from 1772 to 1918 it was part of Austria-Hungary).*** In 1775, one of the first Ukrainian gymnasia in Halychyna was opened in Drohobych.

In the middle of the 19th century, the commercial development of ozokerite and later of oil and gas began in the suburbs of Drohobych. ***Between the end of the 19th century and the beginning of the 20th century Drohobych was the centre of a large oil basin*** that was controlled by French, Belgian, and German capital. In 1862 the first oil refinery in Central Europe was built in the city.

In 1918, Drohobych became part of the West Ukrainian People's Republic. From May 1919 to September 1939 the city was part of Poland.

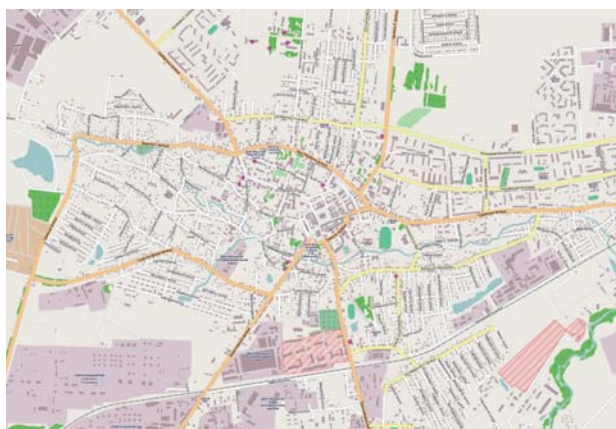
World War II began in Drohobych in September 1939 when German troops entered the city. Several days later, the city fell under the control of the Red Army for a short time. From July 1, 1941 to August 6, 1944, Drohobych was occupied by Germany. In 1944 the city again became a part of the Soviet Union.

From 1940 to 1959 Drohobych was an administrative centre of Drohobyska oblast. Currently it is a city of oblast significance in Lviv Oblast and the second largest city in the oblast.

Drohobych has many listed buildings. Among them are Zhytnytsia Shpykhlir (granary), the 17th-century St. George's Church (the best sample of Ukrainian wooden architecture), the Holy Trinity Cathedral (1690), the Exaltation of the Holy Cross Church, the Catholic Church (12–17th century), and a bell tower (12th century). St. Peter's and St. Paul's Church were built in baroque style in the 1820s. The choral synagogue—the largest in Eastern Europe—was restored. Residential houses of the old city are fine architectural examples of the Austrian-Polish period.

GEOGRAPHIC LOCATION

Drohobych is located on the border of the Naddnistrianska plain and the foothills of the Carpathians on the ***Tysmenytsia River in the southwest area of the Lviv Oblast. The city lies in the middle latitude*** of the Northern hemisphere relative to the equator and in the Eastern hemisphere relative to the Greenwich meridian. The city's coordinates are: 49°21'14" northern latitude and 23°30'58" eastern longitude.



The city's land area is 44.5 sq. km and the city stretches for 8.8 km from north to south and 7.8 km from east to west.

Distance from Drohobych to select cities: Lviv – 90 km; Kyiv – 634 km; London – 2,101 km; Paris – 2,011 km; Berlin – 1,032 km to Brussels – 1786 km, Moscow – 1,494 km; EU border – 103 km.

CLIMATE

The climate of Drohobych is moderate continental with mild winters and warm summers. The city lies in a damp and moderately warm agroclimatic zone. The foothills of the Carpathians significantly influence the climate of Drohobych.

The average annual temperature is +7.2°C. The average temperature in July is +18°C and is –4°C in January. The hottest months are July and August and the coldest month is January. The maximum temperature (+37°C) was recorded in 1921 and the minimum (–33.6°C) in 1929.

The average frost free season is 165 days.

The average annual rainfall varies from 600 to 800 mm. Rainfall is most intense in the warm season. High humidity (70 to 80 per cent in winter and 85 per cent in summer) and low pressure (725–745 mmHg) are typical for the city.

Western winds are most common in the city while northeastern winds are the least common. Wind speed is highest between November and March and lowest in August.

MINERAL RESOURCES

The Drohobych region is rich in mineral resources: oil, gas, ozokerite, salt, and polymetallic (Pb-Zn) ores. There is galena, sphalerite, and sulphur as well as wurtzite, smithsonite, white lead ore, siderite, and some native mercury. Deposits of gypsum, sodium sulphate, sand, and menilite slates have also been mined. Because of the mineral resources, a number of mineral waters with different chemical compositions and therapeutic effects appeared.

Drohobych region has oil and gas bearing formations (in a foothill downfold) where oil, gas, and ozokerite have been mined for more than 100 years. The oilfields include Skhidnytske (deposits are blanket, arched, fault-bounded and one of them is lithologically screened) and Drohobyske and Oriv-Ulychnianske (deposits are arched, fault-bounded, and lithologically screened). The latter lie in the central area of the downfold of the Carpathian foothills (closer to the Carpathians). The gasfields of Oparske (deposits are blanket, arched, fault-bounded, and some of them are also lithologically screened) are located mostly in the outer part of Peredkarpattia tectonic downfold.

Drohobych region is famous for the Stebnyk deposit of potassium salt, which is one of the largest in Peredkarpattia.

SOCIAL AND ECONOMIC OVERVIEW

The industrial sector of the city includes oil refining, mechanical engineering, and vehicle manufacturing.

The diversified industrial sector includes 24 large and medium-sized enterprises that produce a wide range of products. Halychyna Oil Refinery OJSC has the largest share in the city's industrial sector (about 78 per cent).

There are 20 enterprises (of different forms of ownership) that manufacture non-food products in the city and **3 enterprises that manufacture food products in the city.** The construction sector is represented by a plant producing reinforced concrete structures and construction materials.

The city lies on the national Chernivtsi–Nizhankovychi road and Stryi–Sambir railroad line. A number of local roads go through the city including Drohobych–Mostytska, Pisochne–Skhidnytsia, Drohobych–Dovholuka, and Komarne–Drohobych.

The transportation sector of Drohobych and Stebnyk includes 10 enterprises of communal property (with the exception of a train shed and railroad) that provide intercity passenger and freight transportation. Drohobych has a bus station and bus terminal for intercity connections. Five transportation enterprises are operating in Drohobych, Stebnyk, and surrounding areas. Shuttle buses are used for transportation within the city.

There is a Drohobych Railroad Station of the Lviv Railroad in the city. Stryi–Sambir and Lviv–Truskavets suburban electric trains go through the city as well as Truskavets–Kyiv, Truskavets–Kharkiv, and Truskavets–Dnipropetrovsk (and vice-versa) trains.

Drohobych has a local airfield.

Currently there are 17 preschool establishments and 20 compulsory education establishments of all types in Drohobych. The city's education sector includes 3 vocational schools, 5 higher education institutions of I-II accreditation levels, and 2 higher education institutions of III–IV accreditation levels (Drohobych Ivan Franko State Pedagogical University and the Institute of Entrepreneurship and Advanced Technologies under Lvivska Politehnika University).

Drohobych's municipal health unit comprises 9 medical treatment and prevention institutions, including 4 municipal hospitals, a children's hospital, a maternity hospital, an outpatient clinic, and a dental clinic.



DEMOGRAPHIC PROFILE

Chapter 2

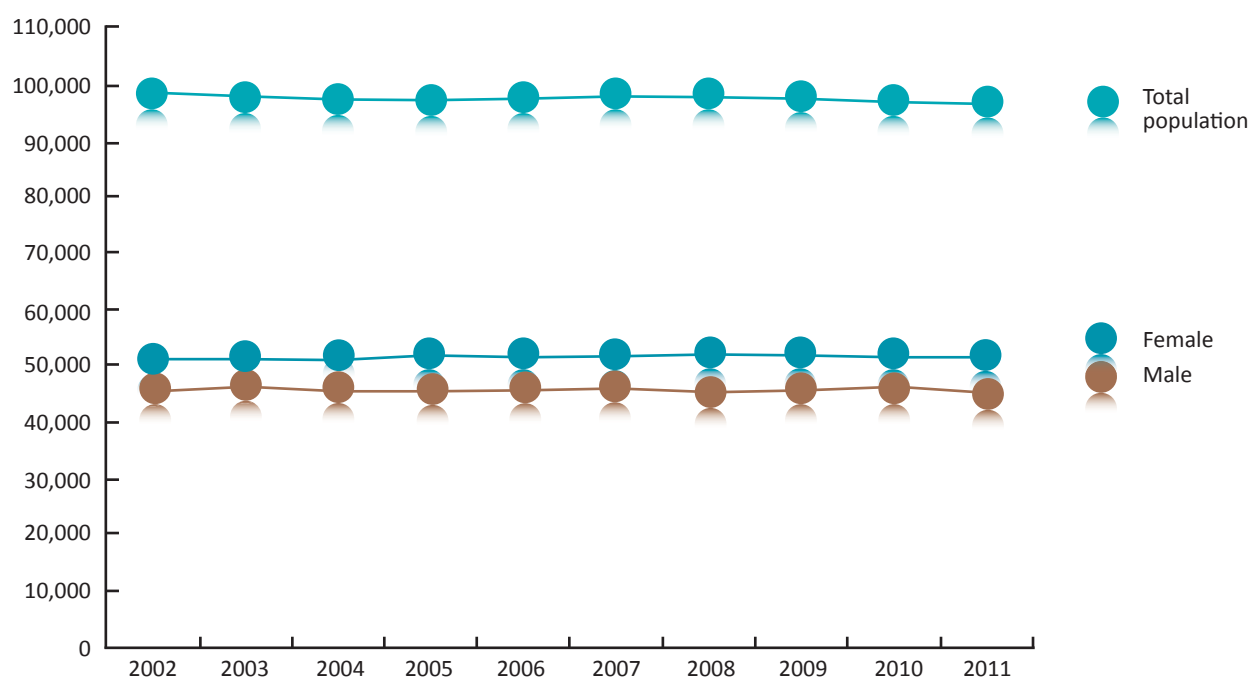
OVERVIEW

- Over the 2002–11 period, Drohobych's population fell by 1.1 per cent, with the male population decreasing slightly faster than the female population.
- The number of deaths has been larger than the number of births in every sample year except 2009.
- The net flow of population out of Drohobych was significant between 2007 and 2009, mostly due to people moving to other parts of Ukraine.
- In 2011, females accounted for 53.3 per cent of Drohobych's population. Females made up an increasingly larger proportion in older age groups. In the 70-and-over age group, females made up 63.8 per cent of the population.
- The average age of the city's population was 38.9 years—slightly younger than the average age in Lviv Oblast. The population of the city has aged over the last five years.

OVERALL POPULATION DYNAMICS

The population of Drohobych is gradually declining. (See Chart 2.1.) From December 2001 to January 2011, the population of the city fell by 1,094 people—from 97,683 to 96,589. ***The number of males declined slightly more than the number of females.*** The share of females in the city's population increased during the 2007 to 2009 period, before stabilizing at 53.3 per cent. (See Table 2.1.) Since 2007, the decline in the population has been mainly due to net migration outflows, primarily to other parts of Ukraine. The natural growth of the population has been generally negative, with the exception of 2009.



CHART 2.1. POPULATION DYNAMICS, 2002–11 (NUMBER OF PEOPLE)¹

Source: Main statistics office in Lviv Oblast.

TABLE 2.1. DROHOBYCH POPULATION, 2006–11

Year	Population, number of people	Population growth, per cent	Males		Females	
			Number of males	Per cent of total population	Number of females	Per cent of total population
2006	97,484	0.03	45,869	47.1	51,615	52.9
2007	97,727	0.25	45,932	47.0	51,795	53.0
2008	97,577	-0.15	45,707	46.8	51,870	53.2
2009	97,391	-0.19	45,513	46.7	51,878	53.3
2010	97,009	-0.39	45,350	46.7	51,659	53.3
2011	96,589	-0.43	45,107	46.7	51,482	53.3

Source: Main statistics office in Lviv Oblast.

The population of Drohobych is affected by two factors: a) the change in the natural population; and b) net migration.

Change in the Natural Population

The change in the natural population is defined as the difference between the number of births and the number of deaths in a particular year. If the number of births is larger than the number of deaths, there is an increase in the natural population. A decrease in the natural population occurs if the number of births is smaller than the number of deaths.

In 2010, the number of births was 7.2 per cent lower than in 2006. (See Table 2.2.) The number of births fell sharply in 2007, remained relatively constant in 2008, and rose in 2009. In 2010, the number of births had fallen back to its 2007–2008 level.

¹ All population data are shown as of January for each year. The only exception is in 2002, when data are based on the national population census of December 5, 2001.

TABLE 2.2. BIRTHS, 2006–10 (NUMBER OF PEOPLE)²

Year	Total number of births	Males	Females
2006	1,006	516	490
2007	930	454	476
2008	938	477	461
2009	988	514	474
2010	933	485	448

Source: Main statistics office in Lviv Oblast.

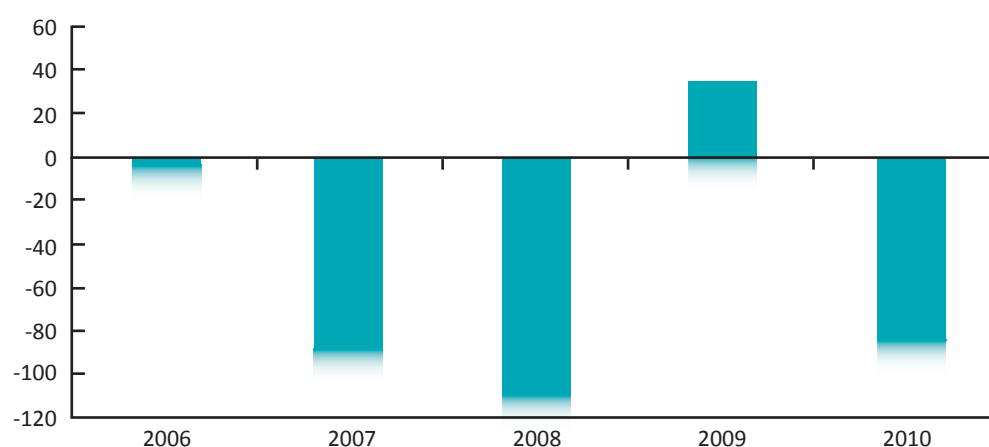
The number of deaths has been fairly stable with the exception of 2009, where there was a significant decline. (See Table 2.3.)

TABLE 2.3. DEATHS, 2006–10 (NUMBER OF PEOPLE)

Year	Total number of deaths	Males	Females
2006	1,010	532	478
2007	1,017	589	428
2008	1,046	582	464
2009	953	483	470
2010	1,016	517	499

Source: Main statistics office in Lviv Oblast.

The only year in the sample period when there was positive natural population growth was 2009. (See Chart 2.2.) This was due to both an increase in births and a decrease in deaths that year.

CHART 2.2. NATURAL POPULATION CHANGE, 2006–10 (NUMBER OF PEOPLE)

Source: Main statistics office in Lviv Oblast.

Net Migration

There are two types of migration—domestic and international. Net domestic migration is the difference between the number of people moving into Drohobych from other parts of Ukraine and the number of people moving out of Drohobych to other parts of Ukraine. Over the sample period, net domestic migration was positive only in 2006. Overall, more males than females moved out of Drohobych to other parts of Ukraine. (See Table 2.4.)

² Data on births, deaths, and migration are annual totals.

TABLE 2.4. DOMESTIC MIGRATION, 2006–10 (NUMBER OF PEOPLE)

Year	Into Drohobych			Out of Drohobych			Net domestic migration		
	Both sexes	Males	Females	Both sexes	Males	Females	Both sexes	Males	Females
2006	1,852	843	1,009	1,580	755	825	272	88	184
2007	1,757	731	1,026	1,801	813	988	-44	-82	38
2008	1,566	693	873	1,649	789	860	-83	-96	13
2009	1,202	518	684	1,633	724	909	-431	-206	-225
2010	1,570	704	866	1,900	912	988	-330	-208	-122

Source: Main statistics office in Lviv Oblast.

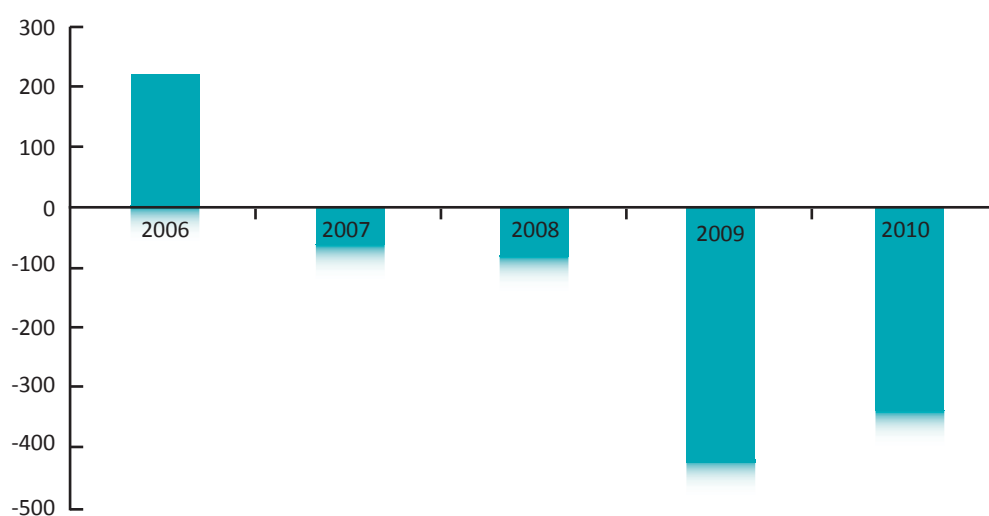
Net international migration is the difference between the number of people moving into Drohobych from other countries and the number of people moving out of Drohobych to other countries. Net international migration has not had a large impact on the overall population of the city. (See Table 2.5).

TABLE 2.5. INTERNATIONAL MIGRATION, 2006–10 (NUMBER OF PEOPLE)

Year	Into Drohobych			Out of Drohobych			Net international migration		
	Both sexes	Males	Females	Both sexes	Males	Females	Both sexes	Males	Females
2006	9	4	5	34	13	21	-25	-9	-16
2007	26	11	15	45	19	26	-19	-8	-11
2008	28	17	11	23	10	13	5	7	-2
2009	28	18	10	14	6	8	14	12	2
2010	23	13	10	30	16	14	-7	-3	-4

Source: Main statistics office in Lviv Oblast.

Total net migration—which is the sum of net domestic and net international migration—was positive only in 2006. (See Chart 2.3.)

CHART 2.3. NET MIGRATION, 2006–10 (NUMBER OF PEOPLE)

Source: Main statistics office in Lviv Oblast.

Summary of Natural Population Change and Net Migration

Overall, demographic trends in Drohobych are not positive. **While the city's population grew in 2006, it has fallen since then**, due mostly to net outward migration. The total population change figures are shown in Table 2.6.

TABLE 2.6. NATURAL AND MIGRATION POPULATION CHANGES, 2006–10 (NUMBER OF PEOPLE)

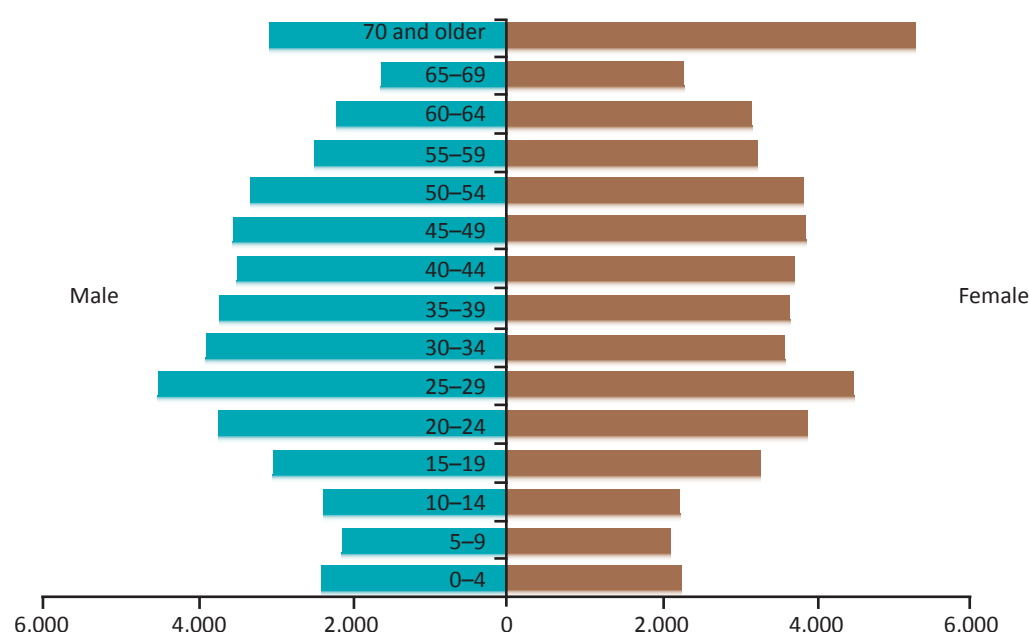
Population Change	2006	2007	2008	2009	2010
Change in the natural population	-4	-87	-108	35	-83
Net migration	247	-63	-78	-417	-337
Total population change	243	-150	-186	-382	-420

Source: Main statistics office in Lviv Oblast.

POPULATION DISTRIBUTION BY AGE AND SEX

The population pyramid in Chart 2.4 shows the distribution of Drohobych's population by five-year age groups for males and females. There is a larger share of males in the younger age group (under 15 years), whereas females make up a slightly larger share in the 15–25 and 25–44 age groups. However, the share of females significantly exceeds that of males in the older age groups. In the 70-and-over age group, females make up 63.8 per cent of the population.

CHART 2.4. DROHOBYCH POPULATION DISAGGREGATED BY AGE AND SEX, 2011 (NUMBER OF PEOPLE)³



Source: Main statistics office in Lviv Oblast.

Table 2.7 represents population data for various age and sex cohorts in Drohobych for 2007, 2009, and 2011. **Between 2007 and 2011, the share of younger people (ages 0 to 14 and 15 to 24) decreased noticeably for both males and females.** The population shares in cohorts over 24 years of age have been steadily increasing. The increase in the population share of the oldest cohort—the group over the age of 60 years—has been more noticeable for females than for males. In 2007, the population in the under-15 age group was larger than the over-60 age group, which is not typical for Ukraine. After 2007, however, the situation reversed itself.

³ Age and sex distribution is shown as of January 1, 2011.

TABLE 2.7. POPULATION DISAGGREGATED BY AGE AND SEX, 2007, 2009, AND 2011⁴

Age and Sex	2007		2009		2011	
	Number of people	Per cent of total population	Number of people	Per cent of total population	Number of people	Per cent of total population
Males 0–14 years	7,454	7.63	7,088	7.28	6,841	7.08
Females 0–14 years	7,262	7.43	6,982	7.17	6,748	6.99
Both sexes 0–14 years	14,716	15.06	14,070	14.45	13,589	14.07
Males 15–24 years	8,217	8.41	7,526	7.73	6,709	6.94
Females 15–24 years	8,571	8.77	8,058	8.27	7,237	7.49
Both sexes 15–24 years	16,788	17.18	15,584	16.00	13,946	14.43
Males 25–44 years	15,105	15.46	15,254	15.66	15,510	16.06
Females 25–44 years	15,447	15.80	15,587	16.00	15,598	16.15
Both sexes 25–44 years	30,552	31.26	30,841	31.67	31,108	32.21
Males 45–60 years	9,514	9.74	9,621	9.88	9,694	10.04
Females 45–60 years	11,689	11.96	11,704	12.02	11,678	12.09
Both sexes 45–60 years	21,203	21.70	21,325	21.90	21,372	22.13
Males over 60 years	5,642	5.77	6,024	6.18	6,353	6.58
Females over 60 years	8,826	9.03	9,547	9.80	10,221	10.58
Both sexes over 60 years	14,468	14.80	15,571	15.98	16,574	17.16

Source: Main statistics office in Lviv Oblast.

As of January 1, 2011, **the average age of Drohobych's population was 38.9 years, which is lower than the average age of 39.0 in Lviv Oblast.** The average age of females was 40.4 years and that of males was 37.2 years.

DEPENDENCY RATIO

The dependency ratio measures the size of the “dependent” population in relation to the “working-age” population. The dependent population is defined as those typically not in the labour force—the youth population (0 to 15 years) and elderly population (55 and over for females and 60 and over for males). The working-age population is defined as those aged 16 to 54 for females and 16 to 59 for males. The dependency ratio is expressed as the number of dependents for every 1,000 people of working age.⁵

Drohobych's dependency ratio in 2011 was 586 dependent people for every 1,000 people of working age.⁶ This total was made up of 242 people younger than the working age and 344 people older than the working age.

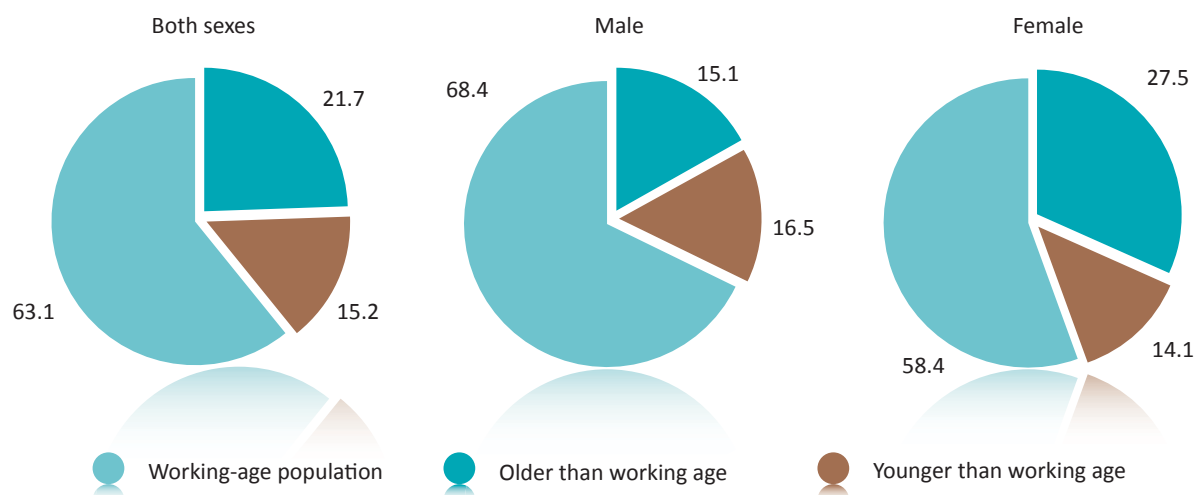
In 2011, 63.1 per cent (60,911 people) of Drohobych's population were of working age, 15.2 per cent (14,714 people) were younger than the working age, and 21.7 per cent (20,964 people) were older than the working age.⁷ (See Chart 2.5.) **The number of males older than the working age was less than the number of males younger than the working age. In contrast, the number of females older than the working age was twice that of females younger than the working age.** Part of the reason for this is the earlier retirement age for females. Yet, even if we calculated the male elderly dependent population using the same retirement age as that of females (55 and over rather than 60 and over), the female elderly dependent population would still be 1.4 times that for males. This is due to the longer life expectancy for females.

⁴ Age and sex distribution is shown as of January 1 for each year.

⁵ Working age is defined as of January 1, 2011.

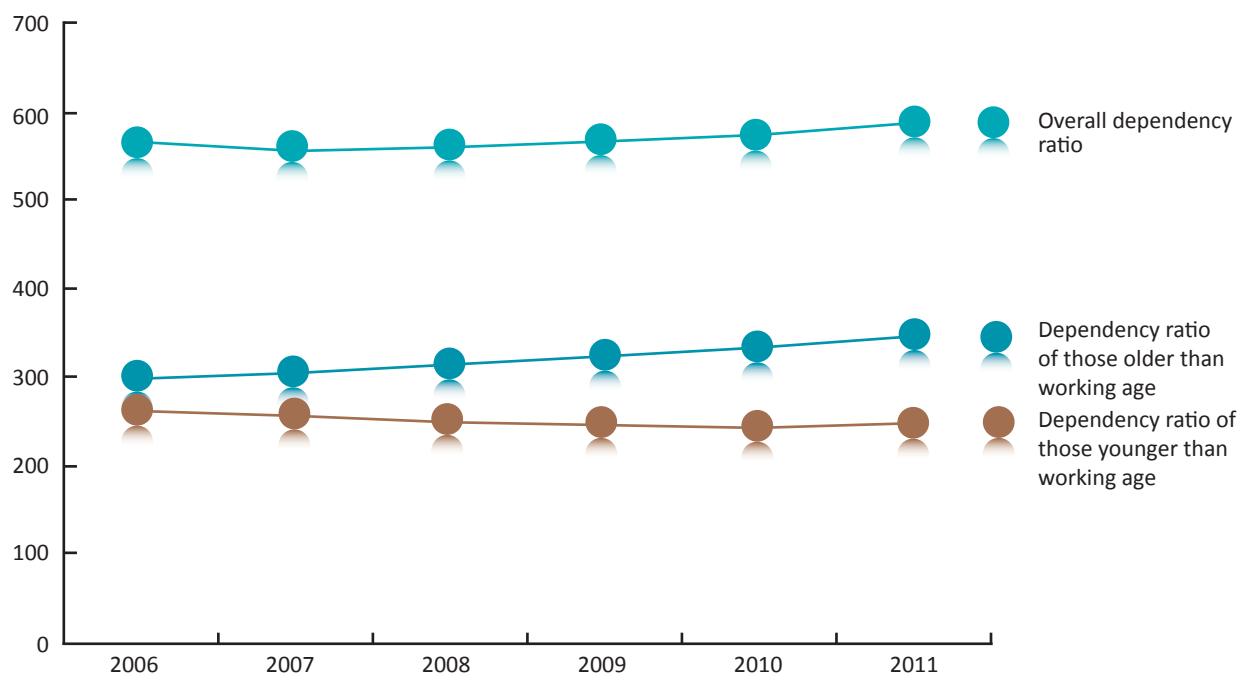
⁶ Dependency ratio is shown as of January 1, 2011.

⁷ Age distribution is shown as of January 1, 2011.

CHART 2.5. POPULATION BY WORKING AND DEPENDENT AGE, 2011 (PER CENT)


Source: Main statistics office in Lviv Oblast.

The dependency ratio has increased since 2007, mainly due to a higher dependency ratio of those older than the working age. (See Chart 2.6.) The dependency ratio of those younger than the working age has been falling.

CHART 2.6. DEPENDENCY RATIO, 2006–11 (NUMBER OF DEPENDENTS PER 1,000 WORKING-AGE POPULATION)⁸


Source: Main statistics office in Lviv Oblast.

⁸ Dependency ratio is shown as of January 1 for each year.

INDICATORS OF DROHOBYCH'S DEMOGRAPHIC SITUATION

Table 2.8 compares the situation of Drohobych with that of Ukraine as a whole on five key demographic indicators. ***The natural population decline is much smaller in Drohobych than in Ukraine in general, but net outward migration is much higher.*** The dependency ratio in Drohobych is much lower than for the whole of Ukraine, as is the share of population over the age of 60 years. The proportion of males and females in Drohobych's population is more balanced than for Ukraine in general.

TABLE 2.8. KEY DEMOGRAPHIC INDICATORS

Indicator	Drohobych	Ukraine	Relative position of Drohobych
Rate of natural population change in 2010	-0.9 per 1,000 people	-4.4 per 1,000 people	Stronger
Net migration rate in 2010	-3.5 per 1,000 people	0.3 per 1,000 people	Weaker
Dependency ratio as of January 1, 2010	576 per 1,000 people of working age	659 per 1,000 people of working age	Stronger
Share of females in population as of January 1, 2011	53.30 per cent	53.87 per cent	Stronger
Share of population over 60 years as of January 1, 2010	16.61 per cent	19.33 per cent	Stronger

Source: Main statistics office in Lviv Oblast.

ECONOMIC PROFILE

Chapter 3

OVERVIEW

- Drohobych's economy is dominated by manufacturing and, more specifically, crude oil refining, which generates over half of the city's output.
- The main sectors of the city's economy in terms of employment are manufacturing, education, health care, and transport.
- Registered unemployment is roughly equally distributed among men and women.
- The infrastructure continues to age, as the output of the construction sector and real residential investment in the city decreased over the 2000–10 period.
- Retail sales in real terms increased between 2002 and 2010 at only half the average oblast growth rate.
- Wages per employee have risen steadily. Adjusted for inflation, wages grew by per cent between 2005 and 2011.
- Drohobych has not attracted much foreign direct investment (FDI); over the 2005–10 period, its share in oblast FDI never reached 1 per cent.

ECONOMIC STRUCTURE

Sales of Goods and Services

One way in which the structure of an economy can be measured is through sales. Table 3.1 shows sales of goods and services in Drohobych over the 2005–10 period. The table illustrates that industry (and, more specifically, oil refining) plays a dominant role in the city's economy. The largest single non-industry contributor is trade, especially wholesale trade. **Over the 2005–10 period, manufacturing accounted for between 39 and 79 per cent of all sales in Drohobych, with an average share equal to 67 per cent.** The large fluctuation in manufacturing output was caused by the change in output of a single enterprise—Halychyna Oil Refinery OJSC. This extreme dependence on a single industry sector can be risky for the city's economy. Competition from imported fuels has weakened the oil refining industry's recovery from the economic crisis. Despite the economic recovery, nominal sales by the oil refining industry in 2010 were still below 2006 levels.

Other important contributors in terms of sales are trade (25 per cent on average over 2005–10), transport and communications (3 per cent), and construction (2 per cent). There are other manufacturing industries in the city—chiefly, machine building.

TABLE 3.1. SALES OF GOODS AND SERVICES, 2005–10 (UAH THOUSANDS, CURRENT PRICES)¹

Economic activity	2005	2006	2007	2008	2009	2010
Total city economy	2,773,010	4,181,672	4,332,252	6,472,157	5,398,040	4,153,708
Agriculture, forestry, and fishing	14,384	28,916	34,108	34,759	43,057	48,860
Industry	2,211,553	3,199,485	2,388,049	2,586,980	4,222,857	3,239,096
Mining and quarrying	5,141	1,984	2,256	4,589	4,082	3,767
Manufacturing	2,183,289	3,167,736	2,346,870	2,536,920	4,163,449	3,172,199
Manufacture of food products, beverages, and tobacco	33,548	38,911	44,946	53,530	63,317	64,223
Coke industry, oil refining	1,883,552	2,783,602	1,741,285	1,914,236	3,766,552	2,953,197
Metallurgy and metal working	2,685	8,151	143,489	148,165	82,473	50,524
Mechanical engineering	121,025	123,775	5,810	5,826	26,219	15,775
Production and distribution of electricity, gas, and water	23,123	29,765	38,923	45,471	55,326	63,130
Construction	88,317	119,577	123,630	155,479	60,323	38,054
Wholesale and retail trade; repair of motor vehicles and motorcycles	359,219	711,648	1,636,365	3,520,853	874,442	564,583
Accommodation and food service activities	6,094	6,517	6,736	7,458	6,854	9,055
Transport and communications	58,686	79,693	101,108	118,488	151,168	180,010
Financial and insurance activities	1	1,900	2,459	3	24	9,076
Real estate, engineering, legal, and accounting activities	24,767	24,049	28,745	34,344	25,989	52,974
Education	1,863	554	817	1,191	1,526	2,097
Health care and social assistance	2,919	3,129	4,166	2,993	3,133	4,627
Other services	5,207	6,204	6,070	9,611	8,668	5,277

Source: Main statistics office in Lviv Oblast.

Employment

Another way of looking at the structure of an economy is through employment. Table 3.2 shows staff employment by economic activity and sex in 2009.² **The industry sector not only clearly dominated in terms of sales in Drohobych, but was the largest employer, with 33 per cent of total employment in 2009.** Two other sectors with high employment were education (22 per cent) and health care (12 per cent).

¹ Sales values are given excluding VAT and excise duties.

² Beginning in 2010, data on the distribution of wages and employment by sex at the city level are no longer being collected.

TABLE 3.2. NUMBER OF STAFF EMPLOYEES BY ECONOMIC ACTIVITY AND SEX, 2009
(NUMBER OF PEOPLE)³

Economic activity	Both sexes	Males	Females
Number of staff employees, in total	22,159	10,805	11,354
Agriculture, hunting, and forestry	236	129	107
Industry	7,353	4,977	2,376
Construction	1,137	946	191
Wholesale and retail trade; repair of cars, home appliances, and personal use items	994	494	500
Hotels and restaurants	160	25	135
Transport and communications	2,189	1,385	804
Financial activity	293	99	194
Real estate, leasing, engineering, and services to businesses	727	353	374
Public administration	715	243	472
Education	4,985	1,343	3,642
Health care and social assistance	2,657	504	2,153
Other economic activity	713	307	406

Source: Main statistics office in Lviv Oblast.

Table 3.3 presents details of staff employment in the sectors that make up Drohobych's industrial sector by sex for 2009. The sectors with the largest employment figures in 2009 were manufacturing of transportation equipment (22 per cent of total industry employment), crude oil processing industry (20 per cent); metallurgy and metal working (20 per cent), and the production of coke, refined products, and nuclear fuel (20 per cent). Overall, industrial employment was clearly dominated by men (68 per cent of people employed in industry were men).⁴ Most manufacturing sectors were dominated by men, although Table 3.2 reveals that, in overall employment, men and women are nearly equally represented and women dominate in two large employment sectors: health care and social assistance (81 per cent) and education (73 per cent).

TABLE 3.3. NUMBER OF STAFF EMPLOYEES BY INDUSTRY AND SEX, 2009
(NUMBER OF PEOPLE)

Industry sector	Both sexes	Males	Females
Number of staff employees, in industry	7,353	4,977	2,376
Mining industry	283	189	94
Manufacturing	6,147	4,153	1,994
Food industry and agricultural processing industry	335	146	189
Production of coke, refined products, and nuclear fuel	1,437	1,108	329
Metallurgy and metal working	1,469	1,054	415
Manufacture of transportation equipment	1,602	1,241	361
Other industries (combined)	1,304	604	700
Production and distribution of electricity, gas, and water	923	635	288

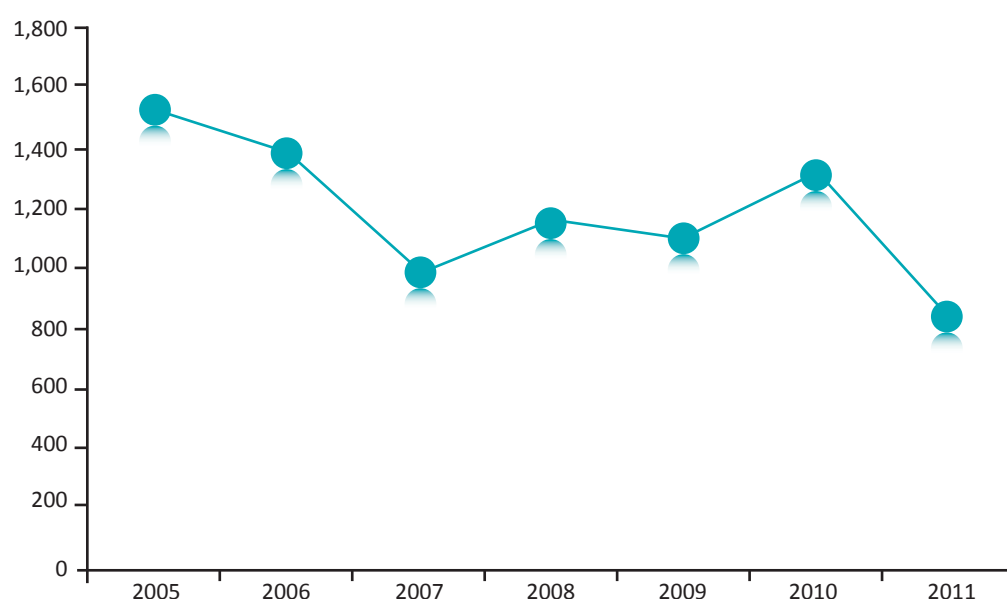
Source: Main statistics office in Lviv Oblast.

³ Yearly average.⁴ The criteria for dominating employment in a sector is if that sex makes up at least two-thirds of employment in that sector.

Unemployment

Even before the global crisis of 2008–09, the Drohobych economy was hit by problems at the city's main employer, the crude oil refinery, which since 2005 has faced competition with imports after customs' duties were lowered. Registered unemployment was low in 2007 when enterprises, reacting to strong economic growth, were actively hiring new workers. (See Chart 3.1.) At the end of 2007, registered unemployment stood at 989 people, but by the end of 2008, the number of registered unemployed had increased to 1,159 people. The number of unemployed increased to 1,312 people in 2010—2.1 per cent of the labour force. However, by the end of 2011, the number of unemployed had decreased to 842, its lowest level in a decade. This decline in unemployment may, however, be misleading. An unemployed individual does not receive an unemployment benefit if he or she stays out of the labour force for more than a year. Therefore, the drop in registered unemployment may be the result of a reduction in unemployment registrations, which was due to the lack of any financial incentives to register rather than an improvement in the economic situation.

CHART 3.1. NUMBER OF REGISTERED UNEMPLOYED AT YEAR-END, 2005–11 (NUMBER OF PEOPLE)



Sources: Drohobych's city employment center; main statistics office in Lviv Oblast.

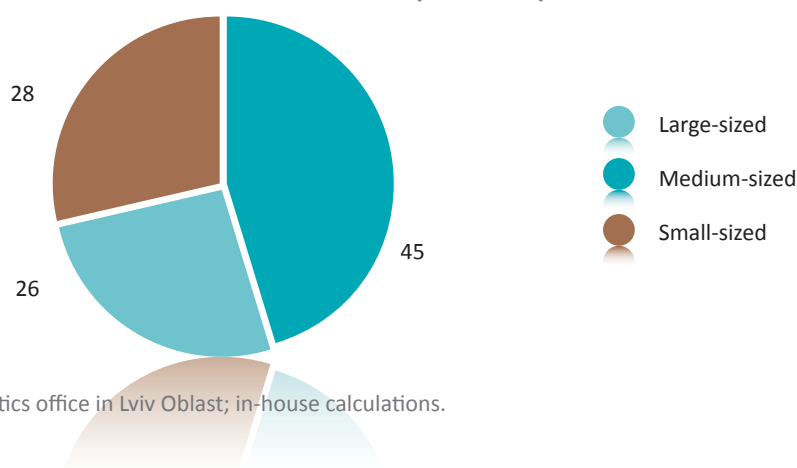
There are substantial differences between the level of registered unemployment reported here and the level of unemployment that would be measured by the internationally recognized methodology used by the International Labour Organization (ILO). Unfortunately, estimates of unemployment using this methodology are not available at the city level. However, looking at differences between the two methodologies at the oblast level can provide some insight into the degree by which registered unemployment underestimates true unemployment. In Lviv Oblast, registered unemployment as a share of the working-age population (16–54 for women and 16–59 for men) was 1.7 per cent in urban areas at the end of 2009. In contrast, **unemployment measured using the ILO methodology suggests that unemployment as a share of the working-age population (15 to 70) was 9.8 per cent in urban areas in 2010.** Using the local definition of working age, 10.1 per cent of the oblast working-age urban population was unemployed in 2010. At the end of 2010, registered unemployment as a share of the working-age population in Drohobych was 2.1 per cent. If it were available, unemployment as measured using the ILO methodology would likely be closer to 9 per cent.

The distribution of registered unemployment shows that unemployment is almost equally distributed between men and women. For example, between 2005 and 2010, 55 per cent of all registered unemployed were women. The difference was less in 2009–10, when 52 per cent of registered unemployed were women. **The average duration of registered unemployment is quite high by Ukrainian standards, and increased sharply from 5 months in 2007 to almost 12 months in 2010.** The duration of registered unemployment for men was higher than that for women.

Size Distribution of Employers

The economic structure of a city has an important effect on the size distribution of enterprises, institutions, and organizations. The distribution of staff employees by size of enterprise/institution in 2009 is illustrated in Chart 3.2.⁵ The chart shows that **staff employment in Drohobych is dominated by medium-sized enterprises/institutions, which in 2009 accounted for 45 per cent of all staff employment in the city,**⁶ followed by small enterprises (28 per cent) and, finally, by large enterprises (26 per cent).

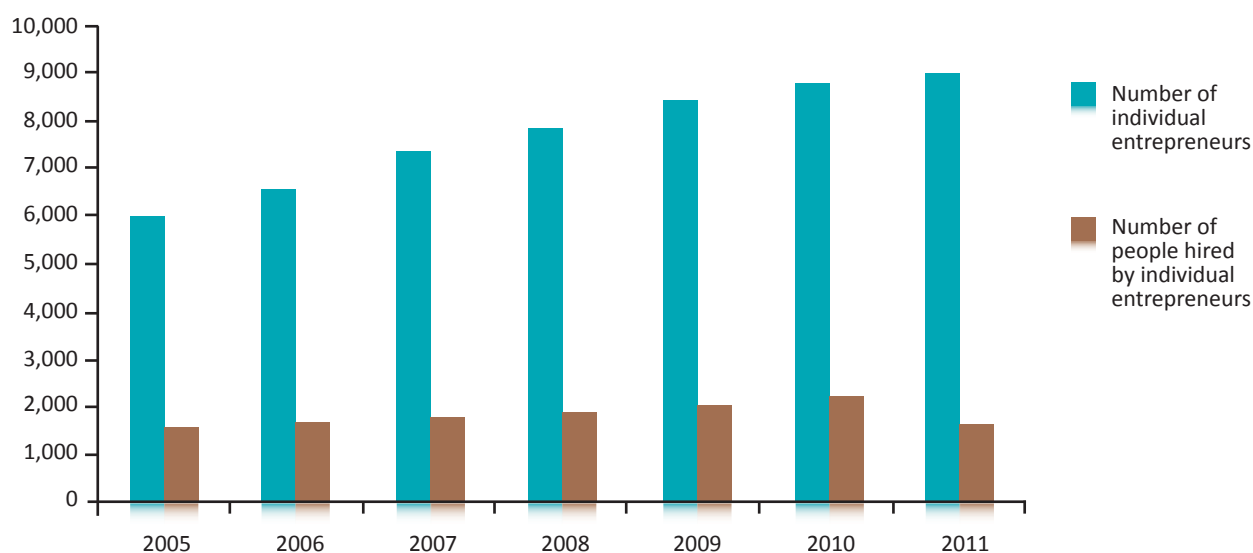
CHART 3.2. DISTRIBUTION OF STAFF EMPLOYEES BY SIZE OF ENTERPRISE/INSTITUTION, 2009 (PER CENT)



Sources: Main statistics office in Lviv Oblast; in-house calculations.

Besides staff employment, the other important category of employment is individual entrepreneurs and their hired workers. From January 2005 to January 2010, the number of individual entrepreneurs and their hired workers grew annually by 7.5 per cent, with the total growth reaching 53.8 per cent over the 2005–09 period. (See Chart 3.3.) During 2010 there was a reduction in the number of hired workers, which meant that, by January 2011, the total number of individual entrepreneurs and their hired workers was 3.7 per cent lower than in January 2010.

CHART 3.3. INDIVIDUAL ENTREPRENEURS AND THEIR HIRED WORKERS, 2005–11 (NUMBER OF PEOPLE)⁷



Source: Drohobych Raion State Tax Inspectorate.

⁵ Beginning in 2010, data on employment by size of employer are no longer being collected at the city level. In some cases, percentage shares do not add up to 100 due to rounding.

⁶ Small-sized enterprises/institutions/organizations include those with 11 to 50 employees; medium-sized, 51 to 250 employees; large-sized, 251 and more employees.

⁷ Data on individual entrepreneurs and their hired workers are given as of January 1 of the respective year.

Key Industries in Drohobych

Processing

The city of Drohobych has a well-developed manufacturing industry. The major industry is crude oil processing, which is undertaken at the Halychyna Oil Refinery—one of four Ukrainian refineries and the sole refinery in western Ukraine. Unlike other major refineries, which work predominantly on imported Russian oil, Halychyna uses mainly local crude oil, which has a smaller share of heavy fractions.

Other key enterprises operate in machine building, namely the production of truck cranes (Drohobych Truck Crane Plant PJSC), the production of rolling cutter bits (Drohobych Drill Bit Plant OJSC, which, since October 2010, is Universal Drilling Equipment Ltd.), and the manufacturing of hard rock drilling tools (Drohobych Machine Building Plant OJSC).

Trade

As the second-largest city of Lviv Oblast, Drohobych has a well-developed trade sector, both wholesale and retail. Eighty-five per cent of trade turnover belongs to the wholesale trade sector. The principal traded commodities are petrol and other local manufacturing products. There is a local network of shops, as well as branches of national networks.

Transport

The city has a public transportation network. The sole type of municipal transport is shuttle buses, which replaced the standard buses that operated in the 1990s. Several city development projects to enhance local transport and build short railroad lines to Boryslav and Lviv are under way.

Education

Along with primary and secondary schools, Drohobych has an oil industry technical institute, the Drohobych project institute, and the state pedagogical university.

Key Enterprises in Drohobych

The city has several key large enterprises. (See Table 3.4.) The table shows the name of the enterprise, its basic activity, the income earned from those basic activities, and the number of employees. Halychyna Oil Refinery OJSC, Drohobych Truck Crane Plant PJSC, Drohobych Drill Bit Plant OJSC (since October 2010 Universal Drilling Equipment Ltd.), and Drohobych Machine Building Plant OJSC are the key industrial firms that contribute to the local budget.

TABLE 3.4. ENTERPRISES WITH THE HIGHEST REVENUES, 2010

Enterprise, organization, institution	Basic activity	Income from basic activity, UAH thousands	Average number of employees
<i>Open joint-stock company</i> Halychyna Oil Refinery	Crude oil distillation	3,666,988	1,454
<i>Closed joint-stock company</i> Drohobych Truck Crane Plant	Truck cranes	51,685	1,259
<i>Open joint-stock company</i> Drohobych Drill Bit Plant (since October 2010 Universal Drilling Equipment Ltd.)	Rolling cutter bits	54,109	1,091
<i>Open joint-stock company</i> Drohobych Machine Building Plant	Hard rock drilling tools, gas equipment, oilfield fishing tools, units and parts for valves, throttles, and pumps, parts for drilling equipment, other products	9,999	182
<i>Private Joint Stock Company</i> Drohobych Bakery	Production of baked products and confectionery items	24,679 (2009)	271 (2009)
<i>Closed joint-stock company</i> Drohobych Meat Processing Plant	Meat and meat products	n/a	n/a
<i>Closed joint-stock company</i> Halka Drohobych	Salt extraction	4,011 (2008)	n/a

Source: www.smida.gov.ua.

INFRASTRUCTURE DEVELOPMENT

Residential Construction Sector

Most of the city's housing stock is relatively old and continues to age due to the inadequate volume of construction works. As the second largest city in the oblast, Drohobych is also second in terms of the overall volume of serviceable residential buildings. **The infrastructure continues to age. This is because, on average over the 2000–10 period, real output in the construction industry decreased by 11.6 per cent per year. Real residential investment in housing has, on average, increased by 9.8 per cent per year.** This investment was, however, greatly affected by the economic crisis and, even in nominal terms, in 2010 they were 62 per cent below the peak of 2008. Real construction output was affected as well, declining by 66.4 per cent in 2009.

TABLE 3.5. MAJOR CONSTRUCTION INDUSTRY INDICATORS IN DROHOBYCH, 2005–10

Indicator	2005	2006	2007	2008	2009	2010
Commissioning of residential buildings, total m ²	27,840	35,275	32,129	37,161	14,396	17,733
Commissioning of individual homes, total m ²	19,890	17,409	17,469	21,349	5,468	6,894
Commissioning of residential buildings, units	97	106	104	113	30	55
Real construction output, % change over previous year	-15.0	3.6	-13.8	-12.0	-66.4	-25.5
Investment in fixed capital into housing construction, UAH thousands	46,952	61,574	66,377	113,163	35,143	42,871
Real investment in fixed capital in housing construction, % change over previous year	15.0	7.3	-12.5	27.8	-72.2	15.8

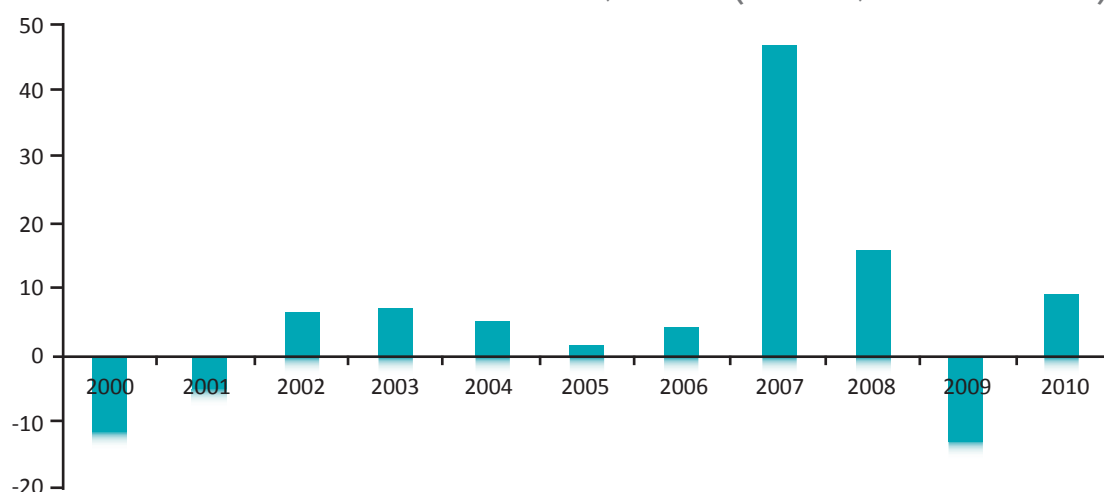
Sources: Main statistics office in Lviv Oblast; in-house calculations.

CONSUMPTION ACTIVITY

At the city level, retail sales data adjusted for inflation are a good indicator of consumption activity. While retail sales in real terms increased between 2002 and 2009 by 5.8 per cent per year on average, this growth was notably slower than the average oblast growth of 13.5 per cent over the same period. In 2009, the recession led to a drop in per capita retail sales due, primarily, to limited access to consumer loans. (See Chart 3.4.)

Per capita retail sales in Drohobych have been 24 per cent below the oblast average for the last decade (2001–2010), due to lower wages and easier access to consumer loans in large cities. In 2010, per capita retail sales in the city were UAH 4,419 per person.

CHART 3.4. RETAIL SALES GROWTH IN DROHOBYCH, 2000–10 (PER CENT, CONSTANT PRICES)



Sources: Main statistics office in Lviv Oblast; in-house calculations.

SERVICES SECTOR

In 2010, services made up 20.8 per cent of the total output of non-financial companies. Except for trade, which dominates the overall services sector, two services stood out as being especially important for the city's economy in 2010. Transport activities represented 66 per cent, and higher education represented 11 per cent of all services sold by the non-financial services sector. (See Table 3.6.) In 2010, Drohobych supplied 2.9 per cent of all non-financial services in the oblast.

TABLE 3.6. AMOUNT OF SOLD SERVICES⁸ BY FIRMS IN THE NON-FINANCIAL SERVICES SECTOR BY TYPE OF ACTIVITY IN DROHOBYCH, IN ACTUAL PRICES, 2010 (UAH THOUSANDS)

Economic activity	Amount of sold services	Share of total
Total	340,874	100.0
Repair of motor vehicles, household goods, and personal items (subsector of Trade)	753	0.2
The activities of hotels and restaurants	764	0.2
Transport and communications	245,365	72.0
Transport activities	225,532	66.2
Travel agency services	17,503	5.1
Organization of cargo transportation	123	0.0
Post and communications	2,209	0.6
Real estate, leasing, engineering, and services to businesses	30,288	8.9
Real estate transactions	17,625	5.2
Research and development	1,590	0.5
Architecture and geodesy-related services	6,360	1.9
Education	41,120	12.1
Primary education	1,828	0.5
Secondary education	846	0.2
Higher education	36,687	10.8
Other education services	1,758	0.5
Health care and social protection	7,837	2.3
Human health protection	7,407	2.2
Provision of communal and personal services, cultural activities, and sports	14,747	4.3
Sanitary services, disposal of litter, and destruction of wastes	10,378	3.0
Culture and sport, recreation, and entertainment	1,930	0.6
Personal services	2,439	0.7

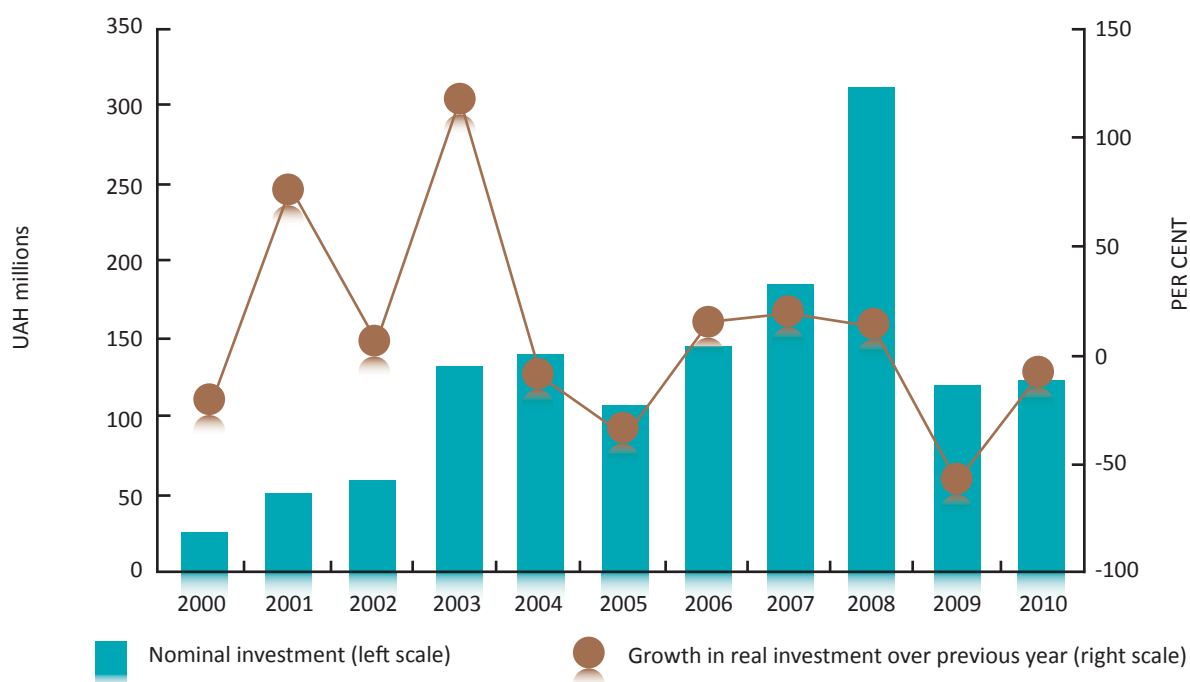
Sources: Main statistics office in Lviv Oblast; in-house calculations.

INVESTMENT

Fixed Capital Investment

Fixed capital investment represents the spending of businesses on the construction of buildings or the purchase of vehicles or equipment. Chart 3.5 illustrates the nominal investment in fixed capital and the growth in real investment in Drohobych over the 2000–10 period. There were notable variations in growth rates, with both massive hikes (for example, 67 per cent nominal and 17 per cent real growth in 2008) and massive drops. **The recession of 2009 led to a substantial 65 per cent drop in real investment in fixed capital in the city.** Although there was an economic revival in the oblast in 2010, where real fixed capital investment increased by 19 per cent, real fixed capital investment in Drohobych did not experience a revival and, in fact, fell a further 6.7 per cent. Capital investments reached UAH 124.1 million in 2010, which is notably below the peak of UAH 312.8 million in 2008.

⁸ Does not include trade and construction, which are described in other parts of this chapter.

CHART 3.5. INVESTMENT IN FIXED CAPITAL, 2000–10 (UAH MILLIONS IN CURRENT PRICES AND REAL PER CENT CHANGE OVER PREVIOUS YEAR)

Source: Main statistics office in Lviv Oblast.

Table 3.7 shows the investment in fixed capital disaggregated by economic activity. Between 2005 and 2010, the main destinations for investments were manufacturing (48 per cent of the total fixed capital investment), real estate and services to enterprises (37 per cent), and transport (5 per cent).

TABLE 3.7. INVESTMENT IN FIXED ASSETS DISAGGREGATED BY ECONOMIC ACTIVITY, 2005–10 (UAH MILLIONS IN CURRENT PRICES)

Economic activity	2005	2006	2007	2008	2009	2010
Total	108.0	146.0	187.4	312.8	120.1	124.1
Agriculture, hunting, and forestry	4.8	3.4	0.9	6.0	1.5	1.2
Industrial sector	35.6	46.9	83.4	156.8	62.4	61.2
Mining	0.1	0.6	0.2	3.4	10.0	0.8
Manufacturing	32.9	44.0	81.1	146.6	48.9	59.2
Utilities	2.6	2.3	2.1	6.8	3.5	1.2
Construction	2.6	3.4	2.1	6.5	2.0	1.8
Wholesale and retail trade; repair of motor vehicles, home appliances, and personal articles	2.9	8.6	10.9	5.9	6.3	1.9
Hotels and restaurants	0.1	0.1	0.0	0.1	0.0	0.0
Transport and communications	7.2	16.5	15.4	10.0	7.9	6.5
Finance	3.0	1.0	0.5	1.4	0.5	0.3
Real estate, leasing, engineering, services for entrepreneurs	47.1	62.3	66.9	114.2	35.7	46.2
Public administration	0.2	0.1	0.1	0.2	0.4	0.0
Education	2.3	1.4	1.8	5.4	1.0	0.6
Health and social care	1.3	2.1	4.4	3.8	1.5	0.1
Utilities and individual services; culture and sports	0.9	0.1	1.2	2.5	0.9	4.3

Source: Main statistics office in Lviv Oblast.

Table 3.8 shows the investment in fixed capital in Drohobych disaggregated by source of funding. The main source of capital investment in 2010 was the own funds of enterprises and organizations (UAH 62.1 million or 57 per cent).

TABLE 3.8. INVESTMENT IN FIXED ASSETS DISAGGREGATED BY SOURCES OF FUNDING, 2005–10
(UAH MILLIONS IN CURRENT PRICES)⁹

Investment sources	2005	2006	2007	2008	2009	2010
Total	108.0	146.0	187.4	312.8	120.1	109.8
State budget funds	0.6	2.8	2.2	10.6	9.9	0.8
Local budget funds	3.8	4.5	3.8	13.1	5.3	0.8
Own funds of enterprises and organizations	48.1	68.6	100.7	165.6	55.3	62.1
Foreign investor funds	0.9	0.6	2.7	0.1	0.2	0.3
Bank credits and other loans	6.8	8.8	7.7	10.7	10.0	2.2
Other sources of funding	47.8	60.7	70.4	112.8	39.3	43.8

Source: Main statistics office in Lviv Oblast.

Direct Foreign Investment

Drohobych has not been a popular destination for foreign direct investment (FDI). Over the 2005–10 period, its share of oblast FDI never exceeded 1 per cent. However, there was clear growth in terms of the yearly nominal inflow of funds. FDI per capita in Drohobych was also quite small, reaching only USD 122.5 by the end of 2010.

TABLE 3.9. FOREIGN DIRECT INVESTMENT IN DROHOBYCH AT YEAR-END, 2005–10

Indicator	2005	2006	2007	2008	2009	2010
Foreign direct investments, USD thousands	2,468	5,372	6,468	7,100	11,735	11,853
FDI growth, USD thousands	336	2,904	1,096	632	4,636	117
Share in total oblast, %	0.6	0.1	0.8	0.8	1.0	0.9

Sources: Main statistics office in Lviv Oblast; in-house calculations.

INTERNATIONAL EXPORTS AND IMPORTS

Exports

Drohobych has significant export potential. In 2006, it managed to increase its exports almost threefold. (See Table 3.10.) However, exports remained roughly unchanged over the next two years before dropping significantly during the recession of 2009. In 2010 there was a further 16.4 per cent decline in exports. Consequently, the level of exports in 2010 was less than half that of 2007.

Imports

Between 2005 and 2009, imports did not show a clear trend. They grew gradually between 2005 and 2006 and then spiked in 2007. (See Table 3.10.) After the 2007 growth spurt, they declined over the 2008–10 time period.

The drop in imports in 2009 in Drohobych was more severe than in the oblast (59 per cent in the city versus 37 per cent for the oblast), as the economic crisis hit the city harder than it did the oblast as a whole. A further drop in imports in 2010, which happened in spite of overall import growth in the oblast, was due to the reduced demand of inputs by the city's industries.

⁹ Beginning in 2010, the State Statistics Service of Ukraine collects data regarding sources of capital investments excluding value added tax (VAT). As a result, data cannot be directly compared with the previous years, when VAT was included.

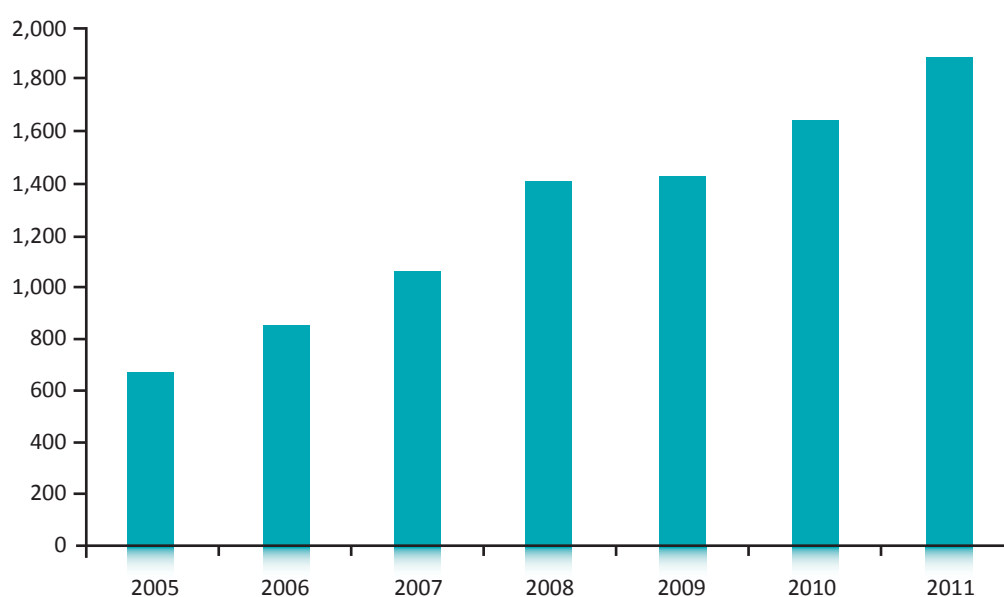
TABLE 3.10. INTERNATIONAL EXPORT AND IMPORT OF GOODS IN DROHOBYCH, 2005–10

Indicator	2005	2006	2007	2008	2009	2010
Exports, USD thousands	54,013	150,333	152,515	140,116	79,320	66,337
Imports, USD thousands	23,830	32,333	73,620	63,001	25,714	19,541
Share of oblast exports, %	8.7	18.7	14.7	14.0	10.0	6.8
Share of oblast imports, %	2.6	2.9	5.0	2.4	1.6	1.0

Sources: Main statistics office in Lviv Oblast; in-house calculations.

WAGES

Nominal wage growth for staff employees in Drohobych was quite robust before the crisis, but stalled as the recession hit in 2009. However, nominal wage growth did recover in 2010 and 2011. The dynamics of average monthly nominal wages for staff employees over the 2005–11 period are illustrated in Chart 3.6. The chart shows that, during the 2005–11 period, **nominal wages per employee rose steadily, averaging 21 per cent growth per year. Adjusted for inflation, wages grew by only 4.7 per cent over the same period.**

CHART 3.6. AVERAGE NOMINAL WAGES, ALL STAFF EMPLOYEES, 2005–11 (UAH PER MONTH)

Source: Main statistics office in Lviv Oblast.

Average nominal wages for staff employees in Drohobych almost tripled over the 2004–09 period. The fastest growth between 2005 and 2009 was in agriculture (43 per cent per year on average); textile manufacture, production of garments, furs, and fur goods industry (42 per cent per year on average¹⁰), metallurgy and manufacture of fabricated metal products (39 per cent per year on average), and education and health care (both by 30 per cent on average per year).¹¹ The slowest growth in wages over the same period was in construction (7 per cent per year on average), wood processing and manufacturing of wood products, except furniture (10 per cent per year on average), and publishing (10 per cent per year on average).

¹⁰ This is due, to a large extent, to a 220 per cent annual growth in 2006.

¹¹ Beginning in 2010, data on wages by sector of the economy are no longer reported at the city level.

Table 3.11 provides details on the dynamics of average monthly nominal wages over the 2005–11 period, as well as details on the differences in average monthly nominal wages between the sexes. **At the aggregate level, the differences between average wages for males and females are substantial.** These differences can reflect differences in employment across economic activities and industries by males and females, in job types within any given economic activity or industry by males and females, and in wages for males and females who have similar jobs.

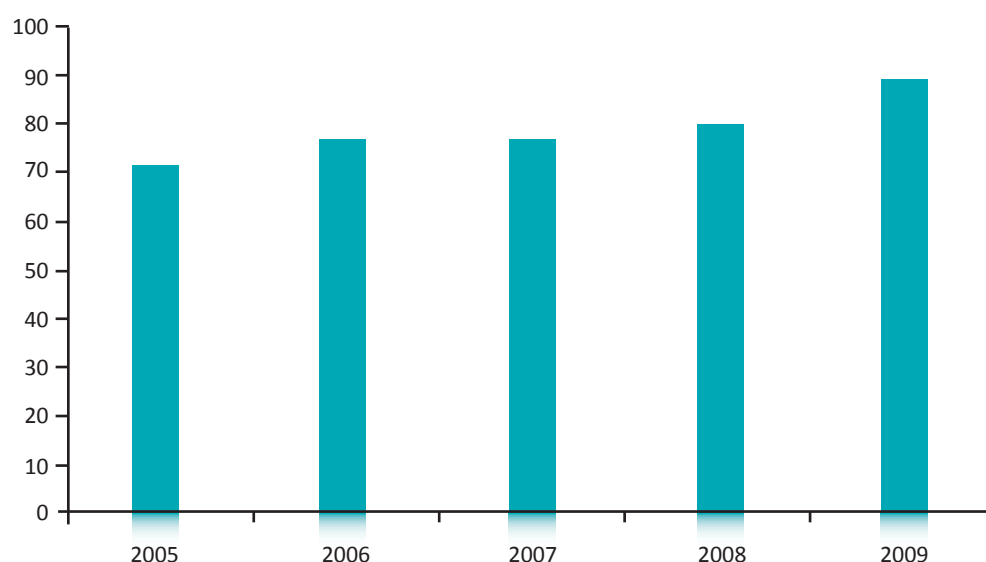
TABLE 3.11. AVERAGE NOMINAL WAGES FOR STAFF EMPLOYEES BY SEX, 2005–11 (UAH PER MONTH)¹²

	2005	2006	2007	2008	2009	2010	2011
Employees, total	681	855	1,067	1,404	1,431	1,649	1,891
Males	789	962	1,206	1,562	1,516	n/a	n/a
Females	569	744	930	1,249	1,350	n/a	n/a

Source: Main statistics office in Lviv Oblast.

Although there are substantial differences between the average wages of male staff employees and female staff employees, Chart 3.7 shows that those differences shrank between 2005 and 2009.

CHART 3.7. RATIO OF AVERAGE NOMINAL WAGES OF FEMALE STAFF EMPLOYEES TO AVERAGE NOMINAL WAGES OF MALE STAFF EMPLOYEES, 2005–09 (PER CENT)



Sources: Main statistics office in Lviv Oblast; in-house calculations.

Table 3.12 provides details on average nominal wages for staff employees by economic activity and sex for 2009. The table illustrates a key point. **The differences in average nominal wages between males and females varied depending upon the economic activity.** For example, the average nominal wage for female staff employees in the health care sector was only 72 per cent that of male staff employees and in the education sector it was only 75 per cent. However, the average nominal wage for female staff employees in the trade sector was 102 per cent that of male staff employees and 110 per cent in construction. **There was much smaller disparity between the wages of men and women in Drohobych than was prevalent in Ukraine as a whole or in the Lviv Oblast.**

¹² Beginning in 2010, data on wages by sex are no longer reported at the city level.

TABLE 3.12. AVERAGE NOMINAL WAGES FOR STAFF EMPLOYEES BY ECONOMIC ACTIVITY, 2009 (UAH PER MONTH)

Economic activity	Both sexes	Males	Females
All sectors	1,431	1,516	1,350
Agriculture, hunting, and forestry	1,118	1,211	1,006
Industry	1,490	1,526	1,416
Construction	617	606	668
Wholesale and retail trade; repair of motor vehicles, household appliances, and personal use	937	927	947
Hotels and restaurants	753	823	741
Transport and communication	1,742	1,885	1,497
Financial activities	2,222	2,525	2,067
Real estate, renting, and services for entrepreneurs	1,204	1,243	1,167
Public administration	2,459	2,516	2,430
Education	1,530	1,870	1,405
Health care and social assistance	1,162	1,506	1,081
Other types of economic activity	n/a	n/a	n/a

Source: Main statistics office in Lviv Oblast.

Table 3.13 provides details on the average nominal wages for staff employees by industry and sex for 2009. The table re-emphasizes the key point made in the preceding table. While there were large differences in nominal wages for male and female staff employees for some industries, these differences were small for other industries.

TABLE 3.13. AVERAGE NOMINAL WAGES FOR STAFF EMPLOYEES BY INDUSTRY, 2009 (UAH PER MONTH)

Economic activity	Both sexes	Males	Females
Industry, total	1,490	1,526	1,416
Mining industry	858	913	748
Food, beverages, and tobacco	1,260	1,087	1,393
Textile manufacture, production of garments, furs, and fur goods	1,528	1,720	1,516
Wood processing and manufacturing of wood products, except furniture	690	670	729
Pulp and paper industry, publishing	574	547	642
Production of coke, refined petroleum products, and nuclear fuel	2,427	2,547	2,025
Chemical industry	1,000	1,119	891
Production of rubber and plastic products	1,914	1,998	1,726
Production of other non-metallic mineral products	1,037	1,016	1,099
Metallurgy and manufacture of fabricated metal products	1,300	1,293	1,318
Manufacture of machinery and equipment	1,512	1,456	1,831
Manufacture of vehicles and equipment	1,036	1,046	999
Other industries	742	774	663
Electricity, gas, and water	1,786	1,756	1,851

Source: Main statistics office in Lviv Oblast.

CONCLUSIONS

Drohobych's economy is dominated by manufacturing, especially crude oil refining. In 2010, crude oil refining accounted for 71 per cent of the city's output by non-financial enterprises and 6.5 per cent of total employment (in 2009). Other major industries are food production (1.5 per cent of total economy sales in 2010) and metallurgy and metalwork (1.2 per cent).

Employment in the city is concentrated in medium-sized enterprises, with 45 per cent of staff employees working in these enterprises. The industry sector is the largest employer, with 33 per cent of total employment in 2009. Two more sectors share high employment: education (22 per cent) and health care (12 per cent).

The city has a well-developed manufacturing sector. The major industry is crude oil processing, which is undertaken at the Halychyna Oil Refinery—one of four large Ukrainian refineries and the sole refinery in western Ukraine. The extreme dependence of overall city performance on this enterprise means that if the firm's expenditures shrink, the city's economic performance will as well.

The infrastructure of Drohobych is rather old and continues to age. Between 2000 and 2010, real output in the construction industry decreased, on average, by 11.6 per cent each year. However, real residential investment in the city increased, on average, by 9.8 per cent each year over the same period. The recession of 2009 led to a 65 per cent drop in real investment in fixed capital in the city. The decline in investment continued into 2010 when investment fell an additional 7 per cent.

INDICATORS OF DROHOBYCH'S ECONOMIC PERFORMANCE

Table 3.14 compares Drohobych's and Ukraine's economic performance on nine key economic indicators. The city's performance is mediocre; Drohobych outperforms the country's average on only one indicator—growth in exports per capita.

Both Ukraine and the city had shrinking employment, which is in line with a declining population and growth in the number of self-employed or illegally employed persons. In Drohobych, however, the drop was much more acute, primary owing to a shrinking demand for labour in manufacturing, particularly in the textile industry, the manufacture of machinery and equipment, and oil refining.

While per capita FDI growth was higher in the city than in Ukraine, this is slightly misleading because the starting volumes of foreign investment are very small, thus per capita FDI in Drohobych, even at the end of 2010, equalled just 12 per cent of the Ukrainian average.

A large share of the city's capital stock and investment is in manufacturing. The weak performance of manufacturing enterprises during 2005–10 has resulted in a drop in real investment and low per capita investment figures. Gross accumulation of fixed capital per capita was almost equal for the city and the country in 2005 (UAH 1,446 in Drohobych vs UAH 1,607 in Ukraine), but by 2010 it had declined to a mere 39 per cent of the Ukrainian average.

Lackluster performance of the economy of Drohobych led to shrinking employment and lower rates of wage growth, which, in turn, affected retail sales.



TABLE 3.14. KEY INDICATORS OF DROHOBYCH'S ECONOMIC SITUATION

Indicator	Drohobych	Ukraine	Relative position of Drohobych
Six-year average of employment growth (2005–10), %	-3.1	-0.8	Weaker
Six-year average of FDI per capita growth (2005–10), %	38.5	33.5	Neutral
Six-year average of FDI per capita (2005–10), USD	77.2	683.0	Weaker
Six-year average of exports per capita growth (2005–10), %	38.0	12.3	Stronger
Six-year average of exports per capita (2005–10), USD	1,099.8	1,012.7	Neutral
Six-year average of retail sales per capita (2005–10), UAH	2,853.1	4,185.3	Weaker
Six-year average of real fixed capital investment per capita growth (2005–10), %	-9.3	1.6	Weaker
Six-year average of nominal fixed capital investment per capita (2005–10), UAH	1,709.4	3,409.6	Weaker
Six-year average of wage growth for staff employees (2005–10), %	22.4	28.8	Neutral

Sources: Main statistics office in Lviv Oblast; State Statistics Service of Ukraine; in-house calculations.

FISCAL PROFILE¹

Chapter 4

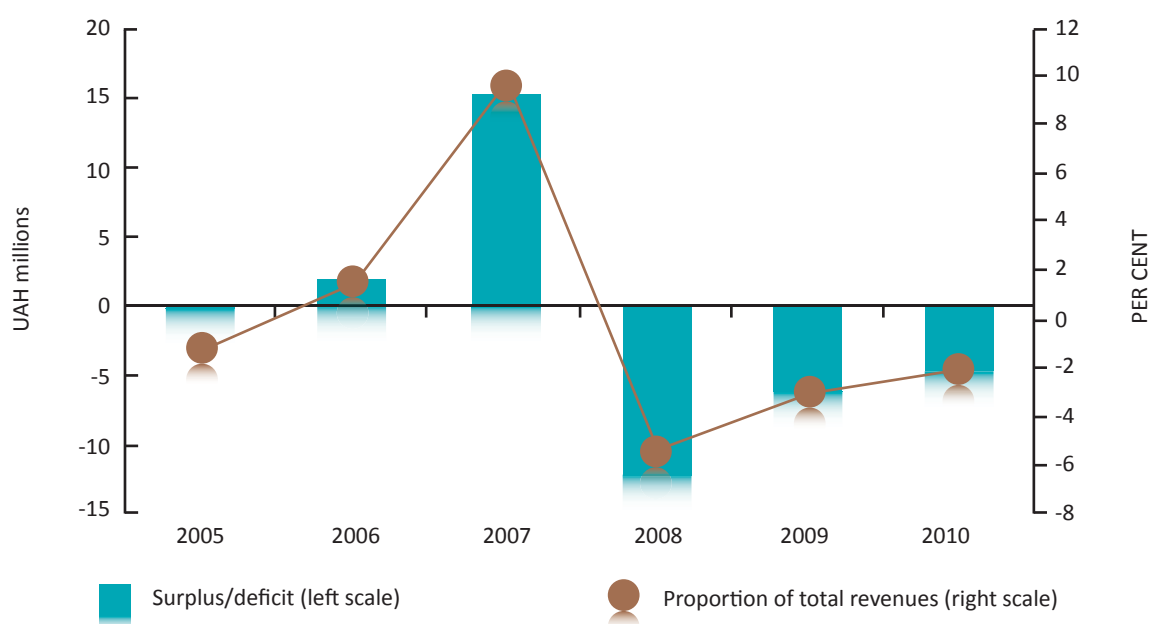
OVERVIEW

- The city incurred three consecutive budgetary deficits from 2008 through 2010. The 2010 deficit, equivalent to 2.0 per cent of total revenues, was funded through internal sources.
- City budget revenues were UAH 232.5 million in 2010. Given the city's population of 97,009 in 2010, this was equivalent to UAH 2,396.8 per capita.
- On a per capita basis, nominal revenues increased from UAH 906.8 in 2005 to UAH 2,396.8 in 2010, which suggests a compound annual growth rate (CAGR) of 21.5 per cent. When adjusted for inflation, this drops to 6.2 per cent.
- From 2005 to 2008, the city depended on official transfers for about half of its revenue. This ratio rose to an average of 59.0 per cent in 2009 and 2010.
- In 2010, the Budget for Development was UAH 9.4 million, which was virtually the same as in 2005 (UAH 9.1 million). As a proportion of total revenues, however, the share of the Budget for Development fell from 10.3 per cent in 2005 to 4.0 per cent in 2010.
- From 2005 through 2010, modifiable revenues averaged 8.2 per cent of total revenues. In 2010, this figure was 8.1 per cent, which was equivalent to UAH 194.1 per person (out of total revenues of UAH 2,396.8 per person).
- Capital expenditures were similar in 2010 (UAH 10.8 million) and 2005 (UAH 11.3 million). As a share of total expenditures, however, they fell from 12.6 per cent in 2005 to 4.5 per cent in 2010.
- Total expenditures per capita grew by a CAGR of 21.7 per cent in nominal terms but only by 6.4 per cent in real terms.

BUDGET SURPLUS/DEFICIT

The city incurred a deficit in four of six years over the 2005–10 period, with the largest deficit occurring in 2008 (5.6 per cent of revenues). (See Chart 4.1.) These deficits were funded through internal sources.

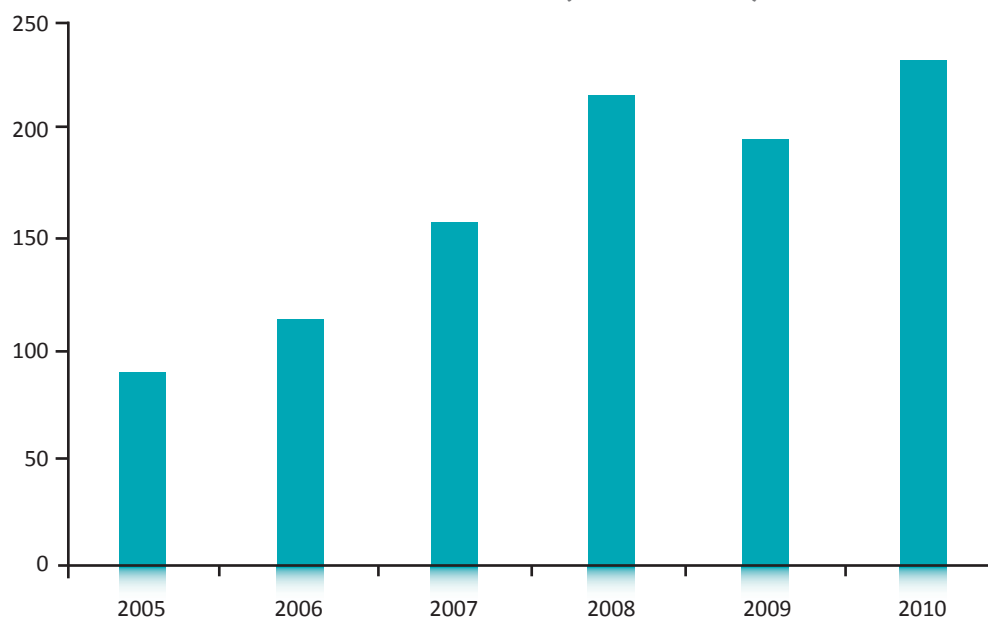
¹ Unless otherwise noted, all figures and statistics in this report are based upon budget information from the State Treasury Reports on Local Budgets Execution for the City of Drohobych for 2005–10, demographic data from the main statistics office in Lviv Oblast, CPI data from the State Statistics Service of Ukraine, and in-house calculations using data from these three sources. In some cases, percentage shares do not add up to 100 due to rounding.

CHART 4.1. BUDGET SURPLUS/DEFICIT, 2005–10 (UAH MILLIONS AND PER CENT)

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

REVENUES

Between 2005 and 2010, the city's revenues increased at a pace of 21.3 per cent each year (compound annual growth rate, or CAGR). (See Chart 4.2.) Revenue growth was interrupted only once—in 2009—with a year-over-year decline of 9.1 per cent, from UAH 216.2 million to UAH 196.6 million. This downturn occurred as a result of a 26 per cent decrease in the city's own revenues (tax revenues and non-tax revenues), and was too large to be offset by the 8.5 per cent rise in intergovernmental transfers (from UAH 106.2 million to UAH 115.3 million). Such a revenue decline suggests that the city was vulnerable to the economic crisis that occurred in 2009, when Ukraine's GDP contracted by 15 per cent in real terms.²

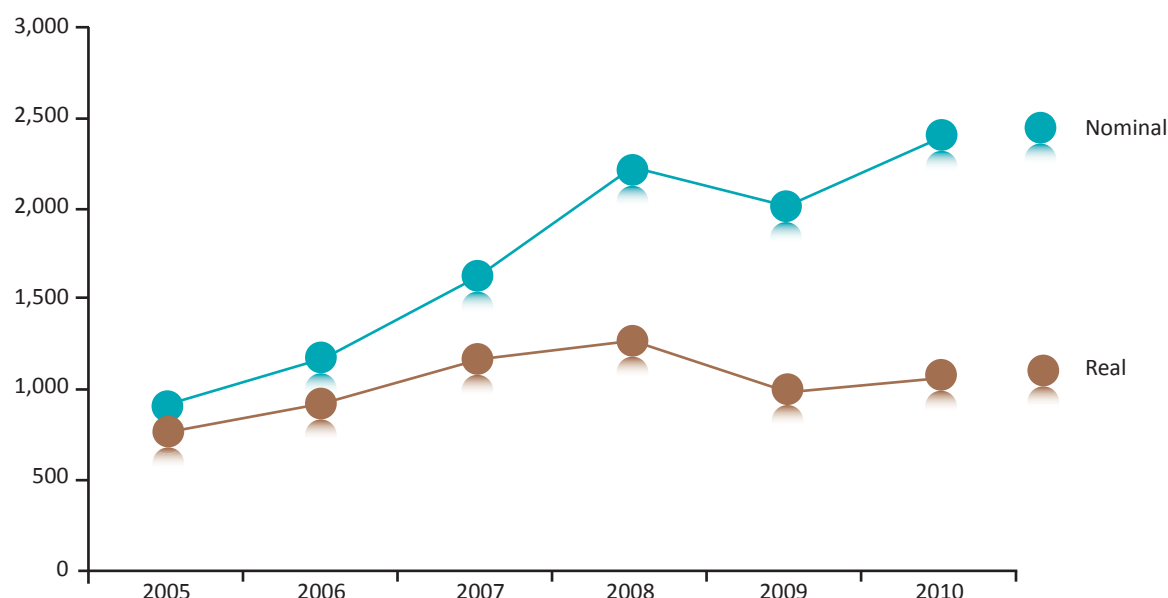
CHART 4.2. REVENUES, 2005–10 (UAH MILLIONS)

Source: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10.

² International Monetary Fund Country Report No. 10/262 (August 2010), p. 33.

Nominal budget revenues per capita grew from UAH 906.8 in 2005 to UAH 2,396.8 in 2010, which suggests a CAGR of 21.5 per cent. When adjusted for inflation, total revenues increased from UAH 798.9 in 2005 to UAH 1,080.9 in 2010, which suggests a CAGR of only 6.2 per cent.³ In fact, after increasing from 2005 to 2008, real per capita revenues declined in 2010 to 85.3 per cent of their 2008 level. (See Chart 4.3.)

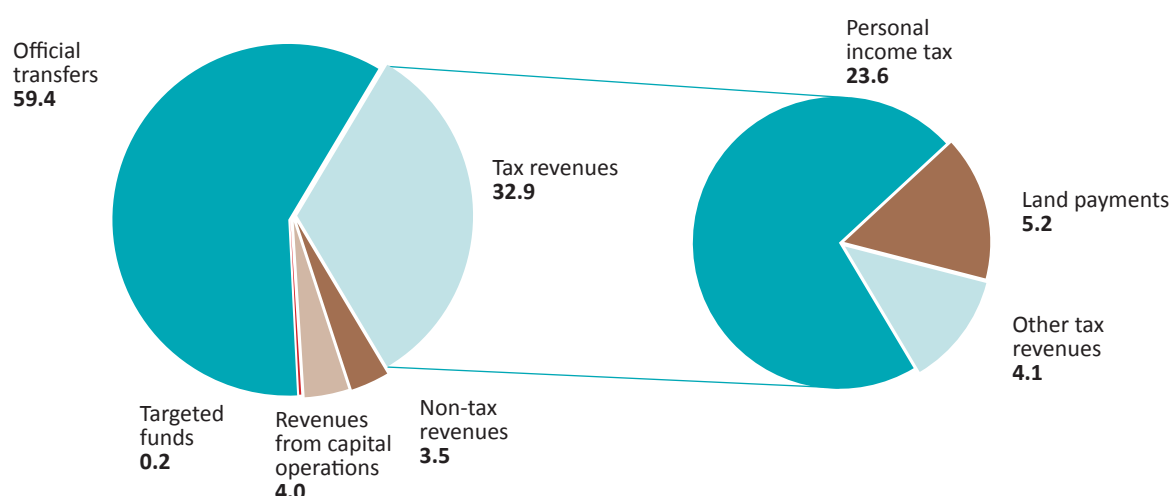
CHART 4.3. PER CAPITA REVENUES, REAL AND NOMINAL, 2005–10 (UAH)



Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; State Statistics Service of Ukraine (CPI data); in-house calculations.

While many Ukrainian cities were dependent on central government transfers for their revenues, Drohobych's proportion of government transfers in total revenues in 2010 was particularly high at 59.4 per cent. (See Chart 4.4.) Tax revenues were 32.9 per cent of the total revenues, with personal income tax accounting for 23.6 per cent, land payments for 5.2 per cent, and other tax revenues for 4.1 per cent of total. Revenues from capital operations (e.g., sales of land and other assets) made up just 4.0 per cent of revenues.

CHART 4.4. REVENUES BY PRINCIPAL CATEGORY, 2010 (PER CENT)

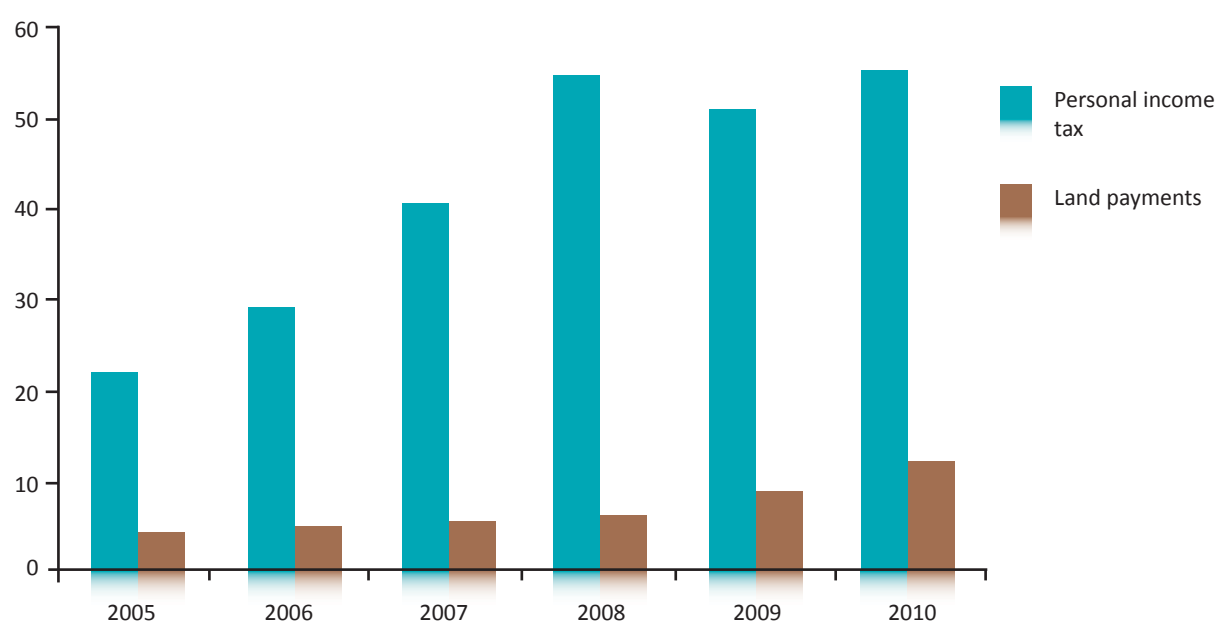


Sources: State Treasury Report on Local Budgets Execution for City of Drohobych; in-house calculations.

³ The cumulative inflation index used for this calculation was developed using annual CPI data from the State Statistics Service of Ukraine for the 2005–10 period.

In 2010, tax revenues consisted mainly of personal income tax and land payments (UAH 54.8 million and UAH 12.2 million, respectively). (See Chart 4.5.) Between 2005 and 2010, personal income tax revenues increased from UAH 21.9 million to UAH 54.8 million, which suggests a CAGR of 20.1 per cent. Only once during this period the growth in this revenue source was interrupted, and that happened in 2009, when personal income tax revenues declined by 7.0 per cent year-over-year, or UAH 3.8 million. Presumably, this decline reflects the sharp economic contraction that occurred in Ukraine that year. Strikingly, in 2010, revenues from personal income tax were only 0.4 per cent higher than in 2008, which suggests that wages had not yet recovered. While land payments receipts were proportionately much smaller, they grew more quickly, at a CAGR of 24.2 per cent. As a proportion of total tax revenues, revenues from personal income tax and land payments together in total tax revenues increased from 79.7 per cent in 2005 to 87.6 per cent in 2010.

CHART 4.5. PERSONAL INCOME TAX AND LAND PAYMENTS, 2005–10 (UAH MILLIONS)



Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

Between 2005 and 2010, both the total value⁴ of official transfers and their share in total revenues increased dramatically. (See Table 4.1.) This increase was the result of higher grants (from 25.8 per cent of total revenues to 34.7 per cent) and subventions (from 22.3 per cent to 24.1 per cent).

Under Ukraine's regulations for municipal finance, a city is either a contributor to or a recipient from the equalization fund. This means that the city either receives equalization grants from the state budget or transfers a portion of the city's revenues to the state budget. Drohobych received equalization grants each year from 2005 through 2010. (See Table 4.1.) The fact that the revenues from equalization grants made up 31.5 per cent of the city's total revenues in 2010, which was nearly double the 17.6 per cent that they made up in 2005, suggests that Drohobych's dependence on the state budget grew dramatically.

Ukrainian municipalities may also transfer revenues from the General Fund to the Budget for Development (via the Special Fund) to fund socio-economic development projects. Between 2005 and 2010, transfers averaged just 1.2 per cent of total revenues. No transfers were made in either 2009 or 2010—likely a result of economic difficulties.

⁴ Consistent with Ukrainian accounting conventions, revenues from budget codes 41020300, 41020900, and 41030500 have been included in "Other Grants and Subventions." The line item 41020300 ("Equalization Payments to Raions") has also been included in "Other Subventions."

TABLE 4.1. STRUCTURE OF OFFICIAL TRANSFERS, 2005–10 (UAH MILLIONS AND PER CENT)

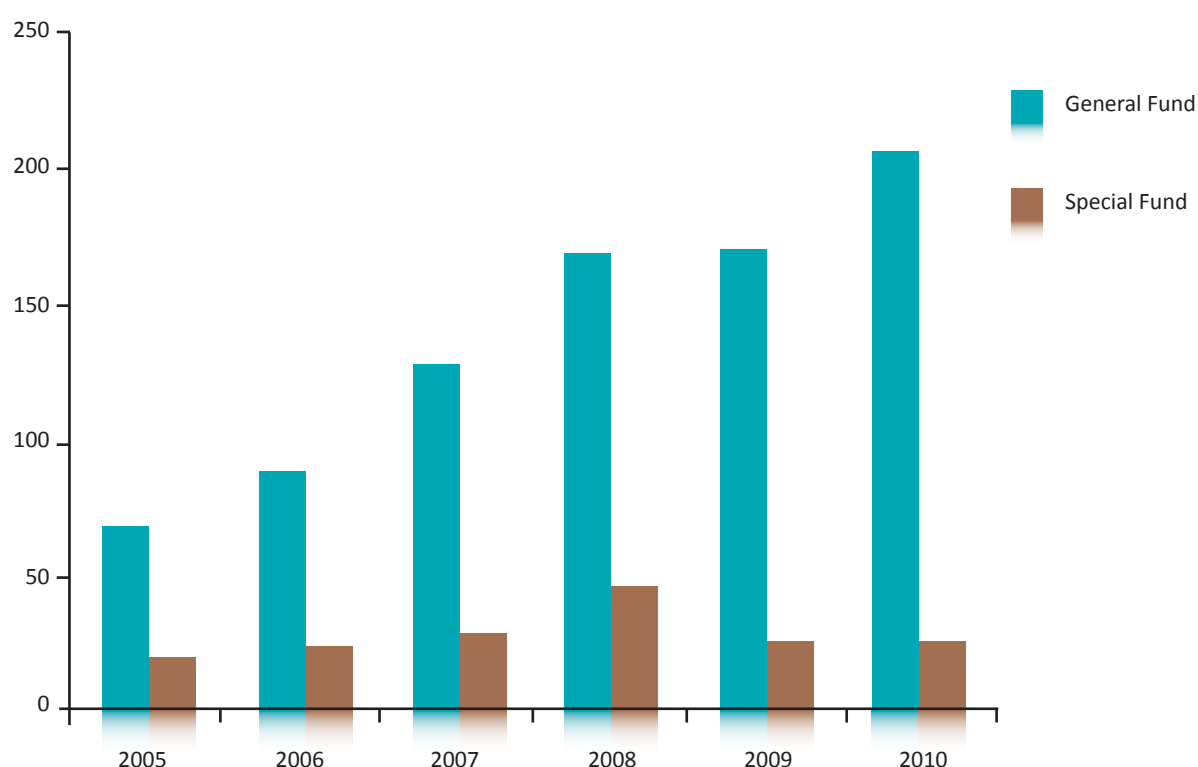
	2005	2006	2007	2008	2009	2010
Total official transfers	44.5	57.6	77.2	106.3	115.2	138.0
Proportion of total revenues, %	50.4	50.9	49.0	49.2	58.6	59.4
Grants	22.8	29.2	40.4	52.8	66.5	80.7
Proportion of total revenues, %	25.8	25.8	25.6	24.4	33.8	34.7
of which equalization grants	15.6	25.0	29.0	47.0	55.9	73.2
proportion of total revenues, %	17.6	22.1	18.4	21.8	28.4	31.5
Subventions	19.7	24.2	32.6	46.6	46.1	55.9
Proportion of total revenues, %	22.3	21.4	20.7	21.6	23.5	24.1
Funds directed to Budget for Development	0.7	2.6	3.2	3.9	0.0	0.0
Proportion of total revenues, %	0.8	2.3	2.0	1.8	0.0	0.0
"Other Grants and Subventions"	1.3	1.5	1.0	2.9	2.6	1.4
Proportion of total revenues, %	1.5	1.3	0.7	1.4	1.3	0.6
Memorandum:						
Total revenues	88.4	113.2	157.7	216.2	196.6	232.5
Transfers to the Equalization Fund	0.0	0.0	0.0	0.0	0.0	0.0

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

SPECIAL FUND

The Budget Code of Ukraine states that the budget can be divided into a General Fund and a Special Fund. (See Chart 4.6.) The Special Fund includes all revenues dedicated or earmarked for certain budget expenditures (including own revenues from budget-funded institutions such as libraries and hospitals). Within the Special Fund, revenues earmarked for socio-economic expenditures (like roads and buildings), are included in the Budget for Development. All revenues not designated for the Special Fund are put in the General Fund.



CHART 4.6. GENERAL AND SPECIAL FUND REVENUES, 2005–10 (UAH MILLIONS)

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

The Special Fund is primarily funded by own revenues from budget-funded institutions, subventions, and revenues earmarked for the Budget for Development. (See Table 4.2.) Total revenues of the Special Fund averaged 18.0 per cent of total revenues over the 2005–10 period.

TABLE 4.2. SPECIAL FUND (UAH MILLIONS AND PER CENT)

	2005	2006	2007	2008	2009	2010
Budget for Development	9.1	12.8	23.6	32.1	6.8	9.4
Property taxes	0.9	1.3	1.6	1.7	1.6	2.0
Own revenues from budget-funded institutions	2.2	2.9	3.2	5.6	4.5	5.6
Targeted funds	0.1	0.1	0.1	0.7	0.3	0.5
Subventions	7.3	6.7	1.0	6.1	11.9	8.3
Other revenues	0.1	0.2	0.2	0.3	0.7	0.5
Total	19.8	24.0	29.5	46.5	25.7	26.3
Memorandum:						
Total revenues	88.4	113.2	157.7	216.2	196.6	232.5
Proportion of total revenues, %	22.4	21.2	18.7	21.5	13.1	11.3

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

Regarding the stability of Special Fund revenues during the 2005–10 period, revenues from targeted funds and property taxes were the most stable (standard deviation of just 0.65 per cent and 1.4 per cent, respectively), followed by revenues of budget-funded institutions (standard deviation of 4.3 per cent), and subventions (standard deviation of 15.8 per cent). Revenues showing the most variance were those earmarked for the Budget for Development (standard deviation of 20.1 per cent).

The high variability of revenues from subventions is partly the result of large payments from the central government for the reimbursement of specific items. These include: repayment for communal services (100 per cent of all subventions paid in 2005 and 36 per cent in 2006); repayment of debts incurred for heating, water, and sewage fees (64 per cent, 77 per cent, and 43 per cent of all subventions in 2006, 2008, and 2009, respectively); reimbursements for the implementation of energy-saving measures (2007 and 2008); and, in 2009 and 2010, the payment of housing subventions.

BUDGET FOR DEVELOPMENT

The Budget for Development is a component of the Special Fund. Revenues from the Budget for Development are earmarked for infrastructure development purposes, including debt repayments (for entities that have debt), subway and gas pipeline construction, and other designated purposes. For this reason, the Budget for Development plays a significant role in the social and economic development of Ukrainian cities.

Revenues of the Budget for Development represented, on average, 9.8 per cent of total revenues over the 2005–10 period. (See Table 4.3.) In order of importance, asset sales contributed the largest proportion of this fund's revenues (averaging 55.0 per cent), followed by land sales (30.4 per cent), transfers from the General Fund (9.0 per cent), and investment subventions (5.6 per cent). The city received no dividends on shares of municipal business entities. There were no transfers from the General Fund in 2009 or 2010, which underscores the city's economic weakness at that time.

TABLE 4.3. BUDGET FOR DEVELOPMENT, 2005–10 (UAH MILLIONS AND PER CENT)

	2005	2006	2007	2008	2009	2010
Receipts from asset sales	6.3	7.7	5.8	10.2	3.9	8.2
Revenues from land sales	1.0	2.2	14.4	17.5	1.8	1.3
Investment subventions	1.1	0.3	0.2	0.6	1.1	0.0
Transfers from the General Fund	0.7	2.6	3.2	3.9	0.0	0.0
Total	9.1	12.8	23.6	32.1	6.8	9.4
Memorandum:						
Total revenues	88.4	113.2	157.7	216.2	196.6	232.5
Proportion of total revenues, %	10.3	11.3	14.9	14.9	3.5	4.0

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

MODIFIABLE REVENUES

Modifiable revenues are taxes or levies that the executive bodies of local self-governance units may modify at will. These include local taxes and duties, as well as income derived from leasing land or buildings.⁵ Between 2005 and 2010 the share of modifiable revenues in the city's total revenues averaged 8.2 per cent.

Drohobych's modifiable revenues consisted mainly of land payments (UAH 12.2 million in 2010, or 64.5 per cent of the total), proceeds of the unified single tax on small entrepreneurs (UAH 3.9 million, or 20.9 per cent of the total), and local taxes and duties (UAH 2.0 million, or 10.4 per cent of the total). Receipts from community property leases contributed 4.2 per cent of the total. (See Table 4.4.)

⁵ In accordance with the new Budget Code of Ukraine, adopted in 2010, modifiable revenues include the unified single tax on small entrepreneurs.

TABLE 4.4. MODIFIABLE REVENUES, 2005–10 (UAH MILLIONS AND PER CENT)

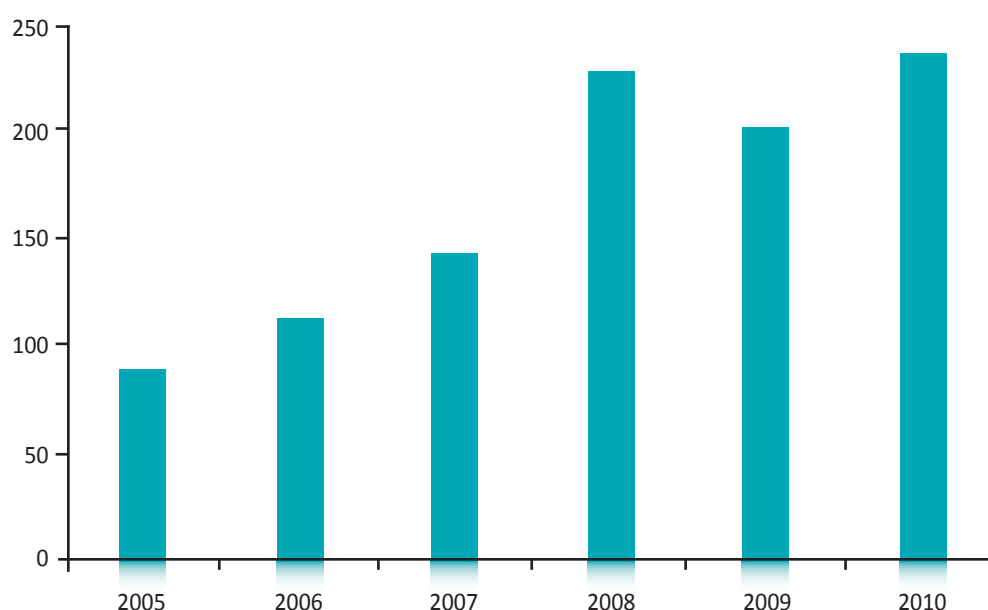
	2005	2006	2007	2008	2009	2010
Land payments	4.1	4.8	5.4	6.1	8.6	12.2
Local taxes and duties	1.1	1.2	1.5	2.1	1.9	2.0
Receipts from community property lease	1.0	1.0	1.4	1.6	1.1	0.8
Unified single tax on small entrepreneurs	3.1	3.1	3.5	3.9	3.9	3.9
Total	9.5	10.2	11.7	13.7	15.5	18.9

Memorandum:						
Total Revenues	88.4	113.2	157.7	216.2	196.6	232.5
Proportion of Total Revenues, %	10.7	9.0	7.4	6.3	7.9	8.1

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

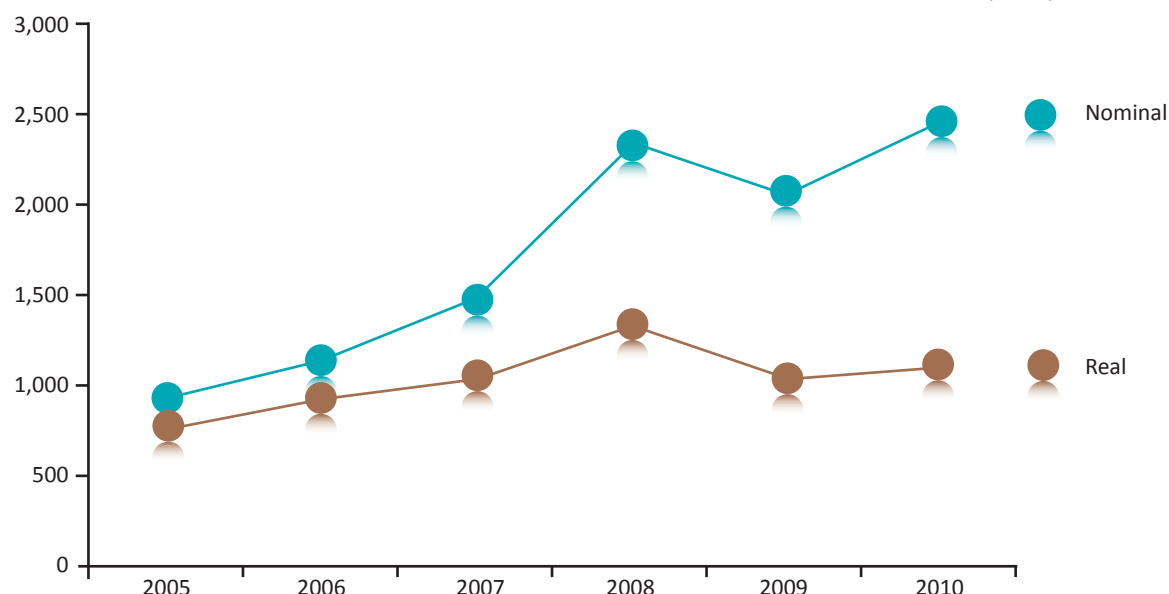
EXPENDITURES

Drohobych's budget expenditures have grown at an average CAGR of 21.6 per cent from 2005 to 2010, from UAH 89.4 million in 2005 to UAH 237.2 million in 2010. (See Chart 4.7.)

CHART 4.7. EXPENDITURES, 2005–10 (UAH MILLIONS)

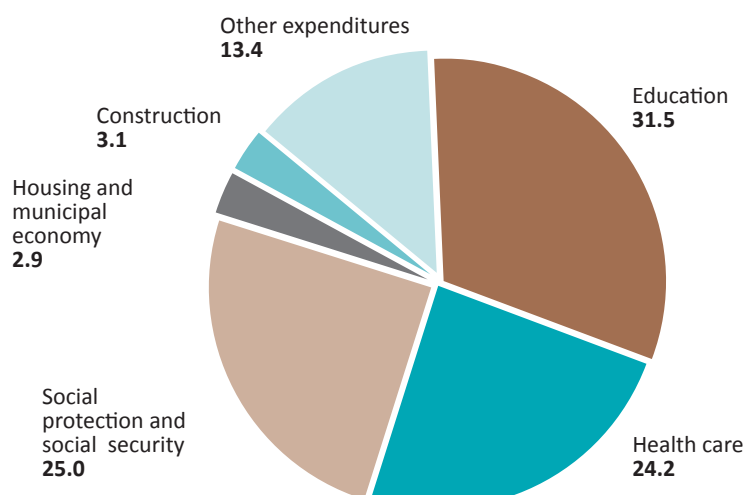
Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

Expressed on a per capita basis, nominal expenditures increased from UAH 916.9 in 2005 to UAH 2,444.8 in 2010, which suggests a CAGR of 21.7 per cent. Adjusted for inflation, expenditures grew far less rapidly—from UAH 807.8 to UAH 1,102.6—which suggests a CAGR of 6.4 per cent. (See Chart 4.8.)

CHART 4.8. PER CAPITA EXPENDITURES, REAL AND NOMINAL, 2005–10 (UAH)

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; State Statistics Service of Ukraine (CPI data); in-house calculations.

In 2010, expenditures were concentrated in three broad categories: education (31.5 per cent), social protection and social security (25.0 per cent), and health care (24.2 per cent), totalling 80.7 per cent of total expenditures. (See Chart 4.9.)

CHART 4.9. EXPENDITURES BY PRINCIPAL CATEGORY, 2010 (PER CENT)

Sources: State Treasury Report on Local Budgets Execution for City of Drohobych; in-house calculations.

The fastest growth in occurred in the social protection and social security category, which increased from UAH 10.8 million in 2005 (12.1 per cent of total expenditures) to UAH 59.4 million in 2010. This suggests a CAGR of 40.5 per cent. (See Chart 4.10.) This increase, which also occurred in other cities in Ukraine at the same time, was due to a review of the basic social standards introduced by the state.

In addition to representing the single largest expenditure item in both 2005 and 2010, education expenditures registered the second-fastest increase (22.7 per cent CAGR). Expenditures on health care ranked third in importance in 2010 (24.2 per cent of the total), and increased by a CAGR of 22.5 per cent over the 2005–10 period. Expenditures on housing and the municipal economy actually declined between 2005 and 2010 (–9.0 per cent CAGR) and were just 2.9 per cent of the total in 2010—down from 12.2 per cent in 2005.

Construction expenditures varied significantly over the 2005–10 period. As a share of total expenditures, this category ranged from a high of 17.6 per cent in 2008 (equivalent to UAH 40.0 million) to a low of 3.1 per cent in 2010 (equivalent to UAH 7.3 million).

Included in “Other expenditures” in Chart 4.9 is spending on culture and art, which witnessed rapid growth over the 2005–2010 period—from UAH 4.1 million (4.6 per cent of total expenditures) to UAH 12.2 million (5.1 per cent of total). This corresponded to a CAGR of 24.2 per cent. Spending on physical education and sport also witnessed rapid growth (CAGR of 29.5 per cent), although this sector represented only 0.9 per cent of expenditures in 2010.

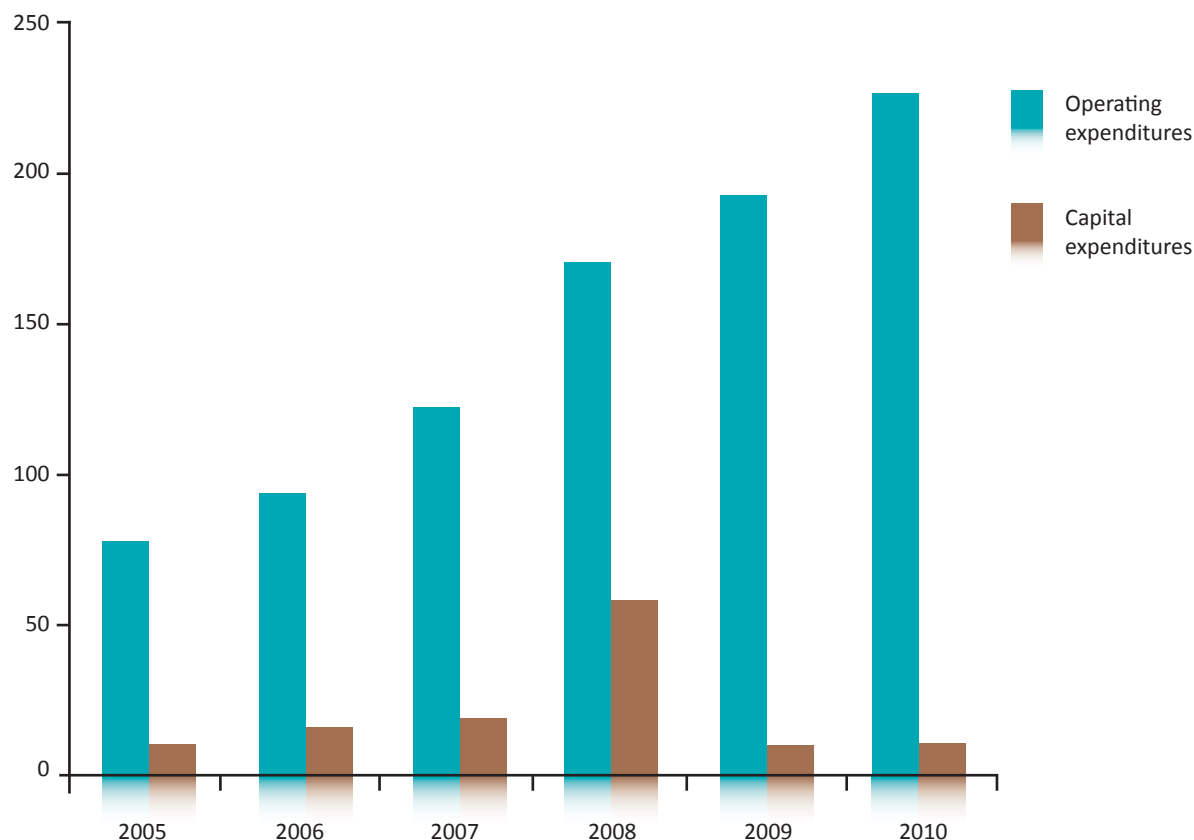
CHART 4.10. LARGEST EXPENDITURES BY CATEGORY, 2005–10 (UAH MILLIONS)



Source: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10.

Total expenditures may also be viewed in terms of operating and capital expenditures. While capital expenditures as a share of total expenditures averaged 16.6 per cent over the 2005–08 period, this fell sharply to 4.7 per cent over the 2009–10 period. Of note, capital expenditures in 2009 and 2010 were lower than in 2005. (See Chart 4.11.)

CHART 4.11. OPERATING AND CAPITAL EXPENDITURES, 2005–10 (UAH MILLIONS)



Source: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10.

INDICATORS OF DROHOBYCH'S FISCAL HEALTH

The fact that the city has no debt service earns it a “strong” rating. However, this attribute is offset by the city’s relatively weak position in all other indicators of fiscal health. The deficit registered in 2010 gives the city a “weak” rating on this indicator, as does the related indicator of total expenditures to total revenues. (See Table 4.5.) Operating expenditures over operating revenues are also “weak,” as they, too, exceed the 100 per cent threshold, which suggests a negative operating surplus and automatically qualifies the “operating surplus/tax revenues” indicator as “weak.” The low level of modifiable revenues compared to operating revenues (8.5 per cent) is also rated “weak,” as is the ratio “budget transfers/operating revenues” in view of the city’s large dependence on transfers. Finally, the “capital expenditures/total expenditures” indicator also registers as “weak” at 4.5 per cent (although just below the 5 per cent threshold required for a “neutral” designation).

Given these ratings, the city’s overall fiscal situation may be characterized as “weak.”

TABLE 4.5. INDICATORS OF THE FISCAL HEALTH OF DROHOBYCH'S CITY BUDGET

	2005	2006	2007	2008	2009	2010	Benchmark				Position (2010)
							Strong		Weak		
Deficit/surplus per capita, UAH	-10.2	19.0	157.2	-124.9	-62.5	-48.1	>	0	<	0	Weak
Total expenditures/total revenues, %	101.1	98.2	90.2	105.5	103.1	102.0	<	95	>	100	Weak
Modifiable revenues/operating revenues, %	12.0	10.4	9.0	7.9	8.2	8.5	>	40	<	10	Weak
Operating expenditures/operating revenues, %	99.4	96.8	94.8	98.7	101.6	101.6	<	100	>	100	Weak
Operating surplus/tax revenues, %	1.5	7.6	12.2	3.0	-4.5	-4.6	>	5	<	2	Weak
Budget transfers/operating revenues , %	56.6	58.7	59.5	61.6	60.7	61.9	<	33	>	50	Weak
Capital expenditures/total expenditures, %	12.6	14.7	13.4	25.5	4.8	4.5	>	15	<	5	Weak
Debt servicing/operating revenues, %	0.0	0.0	0.0	0.0	0.0	0.0	<	10	>	15	Strong
Debt servicing/capita, UAH	0.0	0.0	0.0	0.0	0.0	0.0	No Data	n/a	No Data	n/a	n/a

Sources: State Treasury Reports on Local Budgets Execution for City of Drohobych 2005–10; in-house calculations.

ATTACHMENT 1. MAIN FISCAL INDICATORS OF THE CITY OF DROHOBYCH, 2005–10

Main budget indicators	2005		2006		2007		2008		2009		2010	
	Total, UAH mil	Per capita, UAH	Total, UAH mil	Per capita, UAH	Total, UAH mil	Per capita, UAH	Total, UAH mil	Per capita, UAH	Total, UAH mil	Per capita, UAH	Total, UAH mil	Per capita, UAH
Revenues												
Budget revenues, total	88.4	906.8	113.2	1,160.9	157.7	1,613.9	216.2	2,215.3	196.6	2,018.5	232.5	2,396.8
Budget revenues growth, year-over-year, %	n/a	n/a	28.1		39.4		37.0		-9.1		18.3	
of which city revenues without transfers	43.9	450.1	55.6	570.5	80.5	823.6	109.9	1,126.4	81.3	835.1	94.5	974.1
of which official transfers	44.5	456.7	57.6	590.4	77.2	790.3	106.3	1,088.9	115.2	1,183.3	138.0	1,422.7
of which grants	22.9	234.6	29.7	304.2	40.6	415.0	53.1	544.1	66.6	683.8	80.7	831.6
of which subventions	20.9	214.9	33.5	343.4	37.2	380.4	49.3	505.3	48.7	499.6	57.3	591.0
of which funds directed to Budget for Development from the General Fund	0.7	7.2	2.6	26.9	3.2	32.7	3.9	39.6	0.0	0.0	0.0	0.0
Share of total revenues, %												
of which city revenues without transfers, %	49.6		49.1		51.0		50.8		41.4		40.6	
of which official transfers, %	50.4		50.9		49.0		49.2		58.6		59.4	
of which grants, %	25.9		26.2		25.6		24.6		33.9		34.7	
of which subventions, %	23.7		29.6		21.3		22.8		24.8		24.7	
of which funds directed to Budget for Development from the General Fund, %	0.8		2.3		2.0		1.8		0.0		0.0	
Main city budget revenue items												
of which city revenues without transfers	43.9	450.1	55.6	570.5	80.5	823.6	109.9	1,126.4	81.3	835.1	94.5	974.1
of which personal income tax	21.9	224.6	28.8	295.7	40.4	413.5	54.6	559.1	50.8	521.2	54.8	564.7

of which tax on owners of vehicles and other self-propelled machines and mechanisms	0.9	9.7	1.3	13.2	1.6	16.0	1.7	17.5	1.6	16.0	2.0	20.9
of which land payments	4.1	42.3	4.8	49.7	5.4	55.1	6.1	62.7	8.6	88.5	12.2	125.4
of which payment for trade patents for some types of entrepreneurial activity	1.1	11.6	1.5	15.7	1.6	16.1	2.0	20.5	0.6	6.1	0.6	6.2
of which local taxes and fees	1.1	11.8	1.2	12.8	1.5	15.0	2.1	21.3	1.9	19.9	2.0	20.2
of which unified single tax for small entrepreneurs	3.1	32.2	3.1	31.6	3.5	35.6	3.9	39.7	3.9	39.7	3.9	40.6
of which receipts from lease payments for using integral property complexes and other state property	1.0	10.8	1.0	10.7	1.4	14.5	1.6	16.4	1.1	10.9	0.8	8.2
of which payments for services provided by institutions subsidized from the budget	1.5	15.5	1.8	18.0	2.2	23.0	3.3	34.3	3.5	36.2	4.2	43.5
of which receipts from the disposal of property owned by the Autonomous Republic of Crimea and property owned by municipalities	6.3	64.5	7.7	79.1	5.8	59.1	10.2	104.9	3.9	40.1	8.1	84.0
of which receipts from land sales	1.0	10.3	2.2	22.1	14.4	147.0	17.4	178.8	1.8	18.2	1.3	12.9
of which other budget revenues	1.7	17.1	2.1	22.0	2.8	28.8	6.9	71.2	3.7	38.4	4.6	47.6
of which official transfers	44.5	456.7	57.6	590.4	77.2	790.3	106.3	1,088.9	115.2	1,183.3	138.0	1,422.7
General and Special Funds revenues												
General Fund revenues	68.6	703.6	89.1	914.4	128.2	1,312.0	169.6	1,738.2	170.8	1,754.1	206.2	2,125.6
Special Fund revenues	19.8	203.1	24.0	246.5	29.5	301.9	46.5	477.0	25.7	264.4	26.3	271.2
of which Budget for Development, %	10.3		11.3		14.9		14.9		3.5		4.0	
Expenditures												
Budget expenditures. total	89.4	916.9	111.2	1,140.4	142.2	1,455.1	228.0	2,336.6	202.7	2,081.3	237.2	2,444.8
Budget expenditures growth. year-over-year. %	n/a		n/a		27.9		60.3		-11.1		17.0	
Main budget expenditure items												
of which public administration	3.4	34.7	4.9	50.1	5.8	59.0	9.8	100.7	11.0	112.6	12.4	127.4
of which law enforcement activities and state security maintenance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which education	26.9	275.7	32.9	337.7	42.4	433.9	58.0	594.4	64.7	664.0	74.7	770.0
of which health care	20.8	213.5	25.5	262.1	32.5	332.1	43.8	449.4	50.3	516.3	57.3	590.5
of which social protection and social security	10.8	111.1	14.8	152.3	29.9	305.9	34.5	353.4	43.7	448.4	59.4	612.2
of which housing and municipal economy	10.9	111.4	10.6	109.1	4.6	46.7	10.8	110.9	10.7	110.0	6.8	70.0
of which culture and arts	4.1	42.3	4.9	50.3	6.5	67.0	8.9	91.7	10.5	107.4	12.2	125.8
of which mass media	0.0	0.4	0.1	0.7	0.1	1.4	0.1	1.5	0.1	1.0	0.1	0.9
of which physical education and sport	0.6	5.7	0.7	7.5	1.0	10.0	1.6	16.5	1.8	18.1	2.0	20.8
of which construction	8.4	86.7	10.8	110.7	13.3	136.3	40.0	410.4	6.6	67.5	7.3	75.5
of which agribusiness and forestry, fishing, and hunting	0.0	0.0	0.0	0.0	0.0	0.1	0.2	1.7	0.1	0.9	0.1	0.6

of which transport, public road system, communications, telecommunications, and IT	1.3	12.9	1.1	11.8	1.1	10.9	2.0	20.5	2.6	26.3	2.3	23.7
of which other services related to economic activity	0.4	3.7	0.9	8.9	0.7	7.2	4.1	42.2	0.3	3.1	1.1	11.6
of which environmental protection and nuclear security	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which prevention and elimination of emergency situations and disaster consequences	0.0	0.4	0.2	1.8	0.1	0.6	7.6	77.7	0.0	0.4	0.0	0.4
of which debt service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which targeted funds	0.1	1.5	0.2	2.3	0.2	2.2	0.8	8.3	0.3	3.2	0.2	2.4
of which expenditures not referred to main groups	0.5	4.7	0.6	6.0	0.7	7.1	0.1	1.4	0.0	0.1	0.9	9.7
of which other budget expenditures	1.2	12.2	2.8	29.1	3.4	34.8	5.5	55.9	0.2	1.7	0.3	3.3
General and Special Funds expenditures												
General Fund expenditures	70.0	717.8	88.5	908.0	123.8	1,267.3	170.0	1,742.2	176.5	1,811.8	211.9	2,184.6
Special Fund expenditures	19.4	199.1	22.7	232.3	18.4	187.8	58.0	594.4	26.2	269.4	25.2	260.2
Structure of the budget expenditures based on economic classification												
Operating expenditures, total	78.1	801.1	94.8	972.8	123.1	1,260.0	170.2	1,744.6	192.8	1,980.1	226.4	2,334.1
Capital expenditures, total	11.3	115.8	16.3	167.6	19.1	195.0	58.1	595.6	9.8	100.9	10.7	110.8
Budget surplus/deficit												
Budget surplus/deficit	-1.0	-10.2	1.9	19.0	15.4	157.2	-12.2	-124.9	-6.1	-62.5	-4.7	-48.1
as % of revenues	-1.1		1.6		9.7		-5.6		-3.1		-2.0	
Total population at the beginning of the year, number of people	97,457		97,484		97,727		97,577		97,391		97,009	

Note: Budget Surplus/Deficit is defined here as Revenues minus Expenditures minus Intrabudget Transfers.

Note: The values of "Grants" and "Subventions" in this Addendum differ from those in Table 4.1. Revenues from budget codes 41020300, 41020900 and 41030300 which had been included in "Other Grants and Subventions" category in Table 4.1 have been distributed to "Grants" and "Subventions", as appropriate, in the Addendum.



Building Capacity in Evidence-Based Economic Development in Ukrainian Oblasts and Municipalities Project (EBED project) is a five-year project (2010–2015) that is funded by the Canadian International Development Agency and managed by The Conference Board of Canada. The project provides targeted support to build capacity in evidence-based economic development planning in Ukrainian oblasts and municipalities.

The EBED project is part of the Program of Technical Cooperation with Ukraine run by the Canadian government that emphasizes capacity building at the municipal, oblast, and central government levels. Relationships established with the help of the EBED project create opportunities for the exchange of experiences, methodologies, and knowledge related to economic development planning processes.

The EBED project aims to encourage sustainable development of Ukrainian oblasts and municipalities by building the capacity of local authorities to use quantitative analysis and forecasting tools in economic development planning.

The project provides assistance to Dnipropetrovsk and Lviv oblasts as well as to six Ukrainian cities (Lviv, Chervonohrad, Drohobych, Nikopol, Kryvyi Rih, and Dnipropetrovsk).

In addition to producing a comprehensive analytical report on social and economic development in the above mentioned Ukrainian oblasts and cities, the EBED project will aid the cities and oblasts in designing improved strategic development plans based on benchmarking (comparative analysis) as well as on demographic, fiscal, and economic forecasts.

Thanks to the EBED project, Ukrainian governmental institutions will have an opportunity to engage with Canadian experts and learn from Canadian experience. This will help to identify evidence-based priorities in the economic development of Ukrainian oblasts and municipalities as well as to design realistic economic development plans for Ukrainian oblasts and municipalities. The project also enhances the capacity of officials to defend city and oblast interests before the state government as well as to more effectively attract foreign investment, loans, and donor assistance for economic development.

The EBED project is funded by the Canadian International Development Agency



Canadian International
Development Agency

Agence canadienne de
développement international

