

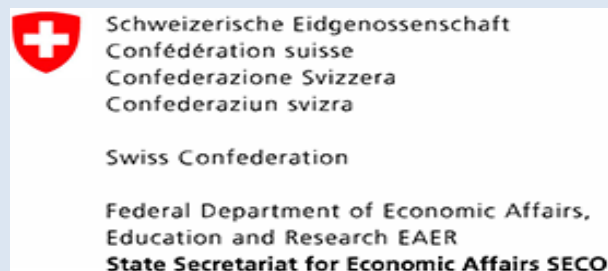


Public Expenditure and Financial Accountability (PEFA)

Assessment of Chernivtsi City Sub-National Government (Ukraine)

Final Report
31st March 2022

Funded by:



Implemented by:



PEFA Check



Public Expenditure and Financial Accountability (PEFA)

Assessment of Chernivtsi City Sub-National Government (Ukraine)

March 2022

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat

March 31, 2022

ASSESSMENT MANAGEMENT, OVERSIGHT, AND QUALITY ASSURANCE

The assessment management framework, oversight, and quality assurance are summarised in Box 1.1 below. The assessment was funded by Swiss SECO under the ELocFin Project. Dr Boris Petkov (Overall Team Leader, Linpico SARL) was the assessment manager, supported by Ms. Sophie Djugeli (Linpico SARL).

Members of the oversight team are: (i) Tatiana Hrytsun - Head of Inter-budgetary Relations and Local Budgets Planning, Inter-budgetary Policy and Local Budgets Department, MoF; (ii) Mr. Yevgen Makhovikov - Chernivtsi Deputy City Mayor, ably supported by Ms Tetiana Tsymbaliuk, Deputy Head of Department and Head of Budget Division of Finance Department. The main donors on the oversight team include: (i) Mr. Thomas Stauffer, Programme Manager, Macroeconomics SECO; (ii) Ms. Ilona Postemska, Senior National Programme Officer, Embassy of Switzerland in Ukraine; (iii) Natalia Starostenko, Sector Manager, Local Development, EU Delegation to Ukraine; and (iv) Iryna Shcherbyna, Senior Public Sector Specialist, Governance Europe and Central Asia, World Bank. Ms Svitlana Khimiichuk, Head of the Office of Community Economic Development of Chernivtsi City was the focal person; she organised all meetings.

PEFA Check

The quality assurance framework has been reinforced as of January 1, 2018 (see PEFA Secretariat Note: PEFA Check: Quality endorsement of PEFA assessments from January 1, 2018, www.pefa.org). The quality assurance process of this report is shown in Box 1.1 below. The first draft report was submitted for peer review on 17th November 2021.

Box 1.1: Assessment management and quality assurance arrangements

PEFA Assessment Management Organization	
<ul style="list-style-type: none"> Oversight Team (OT) — See Table below. Assessment Manager: Rd. Boris Petkov (Overall Team Leader, Linpico SARL) Assessment Team Leader: Charles Komla Hegbor (International PFM/PEFA Expert) Assessment Team Member: Nataliia Ostapiuk (national PFM/PEFA Expert) Ministry of Finance, Ukraine and Chernivtsi City Administration PEFA Secretariat Peer Reviewers: PEFA Secretariat, SECO, EU, WB, Ministry of Finance of Ukraine and Chernivtsi City Administration 	
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- EU (Natalia Starostenko, Sector Manager, Local development, EU Delegation to Ukraine)
- WB (Iryna Shcherbyna, Senior Public Sector Specialist, Governance Europe and Central Asia, World Bank)

Review of concept note and/or terms of reference

- **Date of review - draft concept note by the PEFA Secretariat: 7th August 2021. Concept Note was approved on 29th August 2021**
- **Other invited reviewers (names) who submitted written comments:**
Iryna Shcherbyna (World Bank); Natalia Starostenko (EU); Ilona Postemska and Stefan Bruni (Swiss SECO)
- **National and Sub-national Governments of Ukraine:** Tatiana Hrytsun (MoF Ukraine); Yevgen Makhovikov (Chernivtsi City Deputy Mayor)

Review of the assessment report

- **Peer reviewers (names and institutions):** Iryna Shcherbyna (World Bank), Yevgen Makhovikov (Chernivtsi City – Deputy Mayor), and Tatiana Hrytsun (Head of Inter-budgetary Relations and Local Budgets Planning, Inter-budgetary Policy and Local Budgets Department, MoF)
- **Ministry of Finance and Chernivtsi City Administration**
- **PEFA Secretariat's review - (dates of reviews):** 1st draft – 9th December 2021; 2nd draft – 15th March 2022

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Acronyms and Abbreviations

ACU	Accounting Chamber of Ukraine
ATC	Amalgamated Territorial Community
BCU	Budget Code of Ukraine
CMU	Cabinet of Ministers of Ukraine
CPI	Consumer Price Index
EBU	Extra-budgetary units
EFF	Extended Fund Facility
EU	European Union
GDP	Gross Domestic Product
GFS	Government Finance Statistics
IMF	International Monetary Fund
KSU	Key Spending Unit
MOF	Ministry of Finance
OC	Oblast Capital
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PI	Performance Indicator
PIM	Public Investment Management
PPP	Public Private Partnership
SAS	State Audit Service
SDU	Service Delivery Unit
STS	State Tax Service
SNG	Sub-national Government
SOE	State Owned Enterprise
TSA	Treasury Single Account
WB	World Bank

ASSESSMENT METHODOLOGY

The Swiss State Secretariat for Economic Affairs (SECO) has identified Oblast Capitals (OCs) as the most suitable beneficiaries for ELocFin. Expenditures of OCs amount to almost 50% of total sub-national expenditures and 20% of total public expenditures. At the sub-national level, they also have the highest share of revenues at around 6.5% of GDP. In its selection of target municipalities for the present PEFA assessments, SECO has given priority to OCs with which SECO is already cooperating in the areas of energy efficiency and integrated urban development.

Therefore, the selection criteria for SNGs for this project were based on the existing relationship between SECO (and other development partners) and the oblast cities; these oblast cities have already had experiences in managing development partner grants, including building of technical capacity for its public servants. Additionally, the oblast cities expressed their interest to conduct a PEFA assessment to identify PFM strengths and weaknesses for future improvements. The Oblast Capitals being assessed are: (i) Chernivtsi City, (ii) Lviv City, (iii) Zhytomyr City, and (iv) Vinnytsia City.

The assessment was conducted in line with the PEFA 2016 Framework, as developed by the PEFA Secretariat, and the October 2020 guidance for sub-national PEFA assessments. These documents, as well as other guidance documents available from the PEFA website (www.pefa.org), such as the second edition of the PEFA Handbook - Volume II dated December 2018 were used to conduct the assessment. The assessment adhered to the requirements for PEFA CHECK quality process as of January 2018. The PEFA indicators were assessed covering data for a time period as specified in the PEFA 2016 Framework and with focus on the most up-to-date information possible. In addition to the standard PEFA, the assessment team also assessed the gender-responsiveness of the PFM systems in Chernivtsi City and the service delivery implications of budget policies, using the October 2020 pilot framework for service delivery and the January 2020 guidance for gender-responsive PFM.

The assessment covered 32 performance indicators. The October 2020 guidance on SNG PEFA assessment has introduced two new indicators (HLG-2¹ and PI-9bis²) to the existing HLG-1³ for SNG assessments, and it reformulated PI-14 to include the elements of the standard PEFA PI-15 and PI-16. The reformulated SNG guidance dated October 2020 now excludes the standard PI-15 and PI-16. Thus, the new (pilot) SNG guidance now has 98 dimensions in total. It is important to clarify that some performance indicators/dimensions were not applicable for this SNG PEFA assessment, including but not limited to:

- (i) PI-7 (i.e., transfers to sub-national governments) – because there is no first-tier lower-level government below Chernivtsi City Administration;
- (ii) dimensions 10.2 and 10.3 (i.e., monitoring of sub-national government and contingent liabilities respectively) – because there is no sub-national first-tier of government below Chernivtsi City Administration and no contingent liabilities and PPP arrangements;
- (iii) PI-11 (public investment management) – because capital investment projects do not meet the PEFA definition of “major investment projects”;
- (iv) PI-19 (i.e., tax administration) – because the State (national) Tax Service of Ukraine administers all taxes.

¹ HLG-2 is “fiscal rules and monitoring of fiscal position”

² PI-9bis is “public consultation”

³ HLG-1 is “transfer from higher-levels of government”

Assessment coverage and timing

Annexes 3A and 3B outline a detailed list of information used for this assessment and a list of stakeholders interviewed. No other related surveys and/or analytical work specifically linked to Chernivtsi City were used for this assessment. The SNG PEFA assessment covered the local government budgeted units (specifically Finance Office, Education and Health, Urban Development, and Infrastructure), extra-budgetary units, municipal (public) corporations/enterprises, the Accounting Chamber of Ukraine,⁴ the State Audit Service, local branch office of State Fiscal Service and the City Council (legislature). Currently, there are 37 municipal (public) corporations/enterprises, but there are no social security funds at the level of Chernivtsi City Administration. The FYs for the assessment are 2018, 2019, and 2020. The last budget submitted to the City Council is that of FY2021. Some indicators/dimensions were assessed as of the time of the fieldwork in September 2021 (June 2021 as cut-off period in accordance with the concept note)

Fieldwork

The field mission began on September 6, 2021, and ended on September 21, 2021, with a debriefing and discussion of preliminary scores with SNG officials. The team launched a PEFA training workshop on September 6 and 7, 2021. The workshop was organised to train and prepare key government officials of Chernivtsi administration on PEFA methodology and its application. The workshop was carried out by the PEFA assessment experts recruited by SECO for this assignment. The workshop provided a practical approach to PEFA assessment, using exercises, participative discussion, and case studies to build and/or strengthen knowledge on the planning, implementation, and the use of PEFA 2016 framework and its application at SNG level. Additionally, the PEFA experts provided a training on Gender-responsive PFM as well as the Service Delivery Modules.

The meetings were organised based on a draft meeting schedule submitted by the assessment team to the SNG, ahead of the proposed field mission in September 2021. Ms Svitlana Khimiichuk (Head of the Office of Community Economic Development of Chernivtsi City) was responsible for organising and coordinating all the meetings; she ensured that all planned meetings were attended by the SNG officials, including follow-up meetings. The PEFA experts also submitted a list of data requirements (in English and in Ukrainian) in advance of the fieldwork; Ms Svitlana Khimiichuk ensured that all responsible SNG officials gathered the requested data prior to the arrival of the assessment team. Where data gaps were identified, Ms Svitlana Khimiichuk organised and gathered the additional data for submission to the assessment team. Ms. Yuliia Kochatynska provided translation services.

Fiscal year: 1st January to 31st December

Currency unit = Ukrainian hryvnia (UAH)

EUR1 = UAH31.59647 (as of September 2021)

⁴ Supreme Audit Institution

EXECUTIVE SUMMARY

Rationale and purpose

Ukraine's macroeconomic growth remained on track from 2016 following the 2014-2015 economic crisis, partly due to the first IMF's Stand-By Arrangement (SBA) approved in December 2018 and the second 18-month COVID-19 related SBA request of USD5 billion approved in June 2020, coupled with sound fiscal and monetary policies, which culminated into the reduction of public debt. The country was not spared by the global COVID-19 pandemic; the humanitarian and economic crisis have derailed efforts to stronger and all-inclusive growth.

Several years ago, Ukraine adopted a very bold and elaborative decentralisation agenda, which became a top reform priority of the Government. The reform included the shift of fiscal responsibilities to local governments, which was adequately being followed by the decentralisation of the delivery of key public services such as education, health, and social welfare. As decentralisation gains momentum, sub-national government levels are taking up increasing shares of the overall public expenditure.

In accordance with the Budget Code of Ukraine, the main sources of revenue of the Oblast Capitals (OCs) include: 60% of the personal income tax (PIT), excise tax, 10% corporate income tax (CIT) from communal enterprises, and local taxes. On the other hand, the expenditure responsibilities of the OCs include: pre-school education, secondary education, high-school communal establishments, extra curriculum education, healthcare, local fire department, housing and communal services, transport and road infrastructure, mass media, social services, physical education, palaces of culture, libraries, museums, and communal zoos.

The bold decentralisation drive of the government led to the first sub-national PEFA assessment of Starosynavaska Amalgamated Territorial Community in 2019, followed by other SNG PEFA assessments for Khmelnytsky Oblast, Khmelnytsky Oblast Capital, and Iziaslavskiy Rayon between 2019 and 2020. At the national level, three PEFA assessments have been conducted: in 2012, 2016, and 2019.

This PEFA assessment in selected cities (including Chernivtsi City) is part of a preparatory phase of the "Effective Local Public Financial Management in Ukraine" project (ELocFin), which is planned to be implemented between 2022-2025 with the financial support of the Swiss State Secretariat for Economic Affairs (SECO).

Overall Objectives

The overall objectives of this sub-national PEFA assessment are to:

- (i) Contribute to an up-to-date picture of the quality of sub-national PFM system at OC level in Ukraine;
- (ii) Enable the relevant central and local governments to identify reform priorities based on the findings of the PEFA assessment;
- (iii) Provide the basis for PFM capacity development initiatives in the local governments of Ukraine;
- (iv) Inform possible adjustments to relevant ongoing reforms in the country.

Based on this information, the local governments would be in a stronger position to prepare a list of PFM improvement proposals for submission to the Ministry of Finance (the proposals may include amendments to the budgetary legislation or additional reform initiatives/measures to the PFM Strategy and/or its Action Plan). The assessment results will be used for identification of the PFM strengths and

weaknesses in the respective city, and consequently, for determination of the underlying causes of the PFM performance. On the other hand, as the Ministry of Finance is directly involved in this PEFA assessment as both a member of the Oversight Committee and a peer reviewer, the results can be directly used by the MoF for further adjustments (if necessary) in PFM or in decentralisation reforms.

Specific Objectives

The specific objective of this PEFA assessment is to improve public service delivery through supporting PFM reforms at the sub-national level (OC level) in line with Swiss SECO's ELocFin project. Following an evidence-based approach, in this preparatory stage, the strengths and weaknesses of PFM in the pre-selected OCs will be assessed using the PEFA 2016 methodology, including gender and service delivery modules. On the one hand, the ensuing assessment reports will provide the basis for the final selection of participating OCs as well as for the development of individual reform action plans (including baselines) during the inception stage of the first project phase. On the other hand, they will contribute to an increasingly granular understanding of PFM in Ukraine, which is the basis for the dialogue on PFM reform strategies and priorities both among local stakeholders and with international development partners.

The primary beneficiaries of this PEFA assessment are Ministry of Finance of Ukraine and the Chernivtsi City SNG. The key officials involved in the assessment were trained on the use of the PEFA methodology, gender-responsive PFM, and the service delivery module as part of internal capacity building to facilitate the assessment and communication of results.

Table 1 below provides a summary of PFM performance of each dimension and indicator. Chapter 2 provides a detailed analysis and assessment of PFM performance of each dimension/indicator. Chart 1 shows a graphical presentation of PFM performance at the indicator level.

Main strengths and weaknesses of PFM systems

PFM strengths

PFM laws, regulations, and guidelines established by the central government are strong; they form the basis of strong PFM systems. Not only are the laws strong, but also the compliance levels are high.

The good performance of budget classification and documentation included in the budget proposal enhances transparency. Transparency and publication of fiscal data (budget, execution reports, procurement information, performance information for service delivery, etc.) encourage financial accountability. There is also citizen engagement during the budget formulation and preparation process through public consultation, which further improves transparency.

The public procurement system is strong. The Prozzoro provides a lot of information on procurement, including procurement plans, bids, contract awards, procurement complaints resolution, and procurement statistics. This information is made available to the public promptly. Transparent procurement systems contribute to reducing service delivery cost, leading to efficiency and effectiveness.

There is a strong cash management framework coupled with a good revenue reporting mechanism which ensures the timely release of funds to key spending units for payment of expenditure, thereby eliminating expenditure arrears. The effective cash management system is because of TSA, which allows the City Government to properly track its cash/bank balances.

PFM weaknesses

The huge expenditure reallocations for both economic and functional classification, resulting from higher-level government transfers originally not budgeted for, has a negative impact on the execution of planned sub-national government policies and programmes; the good news, however, is that these activities are predetermined by the central government and therefore cannot be altered.

Though annual financial statements are comprehensive, they are not directly comparable with the approved budget; this makes it difficult to properly track the city government budget.

External oversight carried out by the Accounting Chamber of Ukraine (ACU) is partial as far as external audit of SNG is concerned; it fails to provide a comprehensive independent overview of the operations of the City Government. This is because of the limitations of the legal framework that governs the activities of ACU at SNG level, which means that the independence of ACU is severely undermined. The City Council (legislature) also does not scrutinise external audit reports because these reports are not prepared and submitted to the council for scrutiny.

Impact of PFM performance on budgetary and fiscal outcomes

Aggregate fiscal discipline

Aggregate fiscal discipline is strengthened by the existence of strong PFM laws promulgated by the state government for all levels of government. There is also high compliance with payment rules and procedures, which strengthens the fiscal discipline. Fiscal discipline is also strengthened by the reliability of aggregate and composition revenues. The expenditure budget is reliable at the aggregate level but unreliable at both economic and functional classification levels because of unpredictable and unbudgeted higher-level government transfers; this has a negative impact on fiscal discipline.

At this stage, revenues and expenditures outside the City Government budget and reports are not a threat to fiscal discipline since they represent less than 3% of City Government operations; they could, however, affect fiscal discipline in future if they exceed 3% - in fact, good practice suggests a threshold of no more 1% of revenue and/or expenditure budget. Now, operations outside the City Government are monitored and reported timely.

The city public corporations are fairly monitored with majority of them been audited annually; this reduces the risk of providing additional funding to unprofitable corporations. That said, about 19% by number of public enterprises are on liquidation list due to poor performance – this could be a pointer in terms of strengthening the oversight responsibilities of public corporations. Payroll controls are satisfactory to the extent that they provide reasonable assurance for strengthening fiscal discipline.

The ineffectiveness of the external oversight roles by the Accounting Chamber of Ukraine and the City Council, mainly due to legal limitations of the former and consequently not auditing and submitting external audit reports of the local government for legislative review, has the potential to weaken the internal control framework with a consequential negative impact on fiscal discipline.

Strategic allocation of resources

The City Government's budget classification meets international standards. This good practice coupled with comprehensive budget documentation information enhances the strategic allocation of resources. Resources allocated can be easily traced.

The underlying assumptions for forecasting the budget set the tone for resource allocation in a strategic manner. There is, however, a weakness in terms of the City Government's inability to estimate the fiscal impact of changes in policy proposals. The insufficient time allocation for key spending units to meaningfully prepare their budget proposals reduces KSUs' ability to effectively prioritise their programmes and expenditure requirements. That said, the approval of the annual budget promptly allows key spending units to commence their annual programmes and activities in time to ensure full utilisation of allocated resources for improved service delivery.

The adequacy of resources available to the City Government for the execution of its policies and programmes, through transfers from higher level government though unpredictable, supports the provision of service delivery. The concern, however, is the frequency and significance of budget reallocations within the year; this defeats the purpose of strategic resources allocation. Nonetheless, this negative effect is minimised by pre-determined activities to be funded – this means that funds can only be used for these activities. Strategic resource allocation is strengthened by a good revenue accounting framework and an efficient cash management system, together with ensuring the availability of resources promptly for improved service delivery.

Efficient use of resources for service delivery

The efficiency in the use of resources for service delivery has been positively impacted by good budget classification, which allows strategic allocation of resources. That said, in-year budget virements are significant and frequent, and this has a negative impact on strategic resource allocation leading to inefficient service delivery. This negative impact is reduced by the availability of cash for payment of expenditures/services.

Procurement management systems are good with most procurement activities going through open tender, leading to cost reduction and consequently improved service delivery. There is good public access to service delivery information, both planned and achieved. This has led to citizen engagement for more accountability, resulting in the efficiency of the use of resources for service delivery. Public consultation is equally satisfactory; more public engagement in the design of public service means improvement in the efficient use of resources for service delivery. The existence of proper accountability for resources received in cash and kind has led to improvements in the delivery of primary service.

The efficiency in the use of resources for service delivery is negatively affected by the low internal and external audit coverage. Improved audit coverage ensures that the performance of service delivery is assessed to evaluate its efficiency and effectiveness. The timely preparation and publication of fiscal data (in-year budget execution reports) has led to improvement in public accountability, thereby leading to efficient use of resources for service delivery. Fixed assets that are needed for the delivery of service are well kept, accounted for and monitored; this has a positive impact on the efficiency of service delivery since resources are not wasted.

Performance changes since last assessment

Since this is the first PEFA assessment, there is no tracking of performance changes. This assessment therefore forms the baseline for future assessments.

Conclusions on service delivery

Even though HLG-1, which assesses the performance of transfers from higher-levels of government, performed averagely (rated 'C'), service delivery programs were not negatively affected because actual transfers from the state and oblast governments were timely for payment of SDU expenditures. One

setback in the Ukrainian SNG budget planning, formulation, and preparation process is the exclusion of budget estimates of all transfers from higher-levels of government, the result of which is the frequent budget reallocations within the year once actual subventions are received. That said, this setback appears to have had marginal or insignificant negative impact on SDU programs, principally because all SDU activities/programs to be funded have been predetermined.

Fiscal transparency that shows good performance at the city government level cascades to SDU level with the publication of fiscal data, thereby promoting transparency and accountability. SDU budget classification is in tandem with the City Government's budget classification. Own revenues from SDUs are properly accounted and reported; these elements improve fiscal transparency. SDUs maintain account and report on their respective fixed assets with periodic updates. The involvement of SDUs in public investment management, especially those with direct impact on SDUs, ensures that those investments are made on the basis of value-for-money. The timely approval of the City Government's budget estimates signals positive impact on SDU service delivery programs.

Actual cashflows to SDUs are timely. Furthermore, cash shortages have not been experienced. These are positive signs for SDU programs. SDUs procurements also go through Prozzoro, ensuring competition as much as possible, thereby leading to efficiency in service delivery. The limited internal audit coverage is a concern to the extent that SDUs are neither covered for internal audit nor are their performances independently evaluated to ascertain the efficiency and effectiveness of their programs. This is further compounded by the absence of external audit coverage.

Chart 1: Graphical presentation of PFM performance at the indicator level

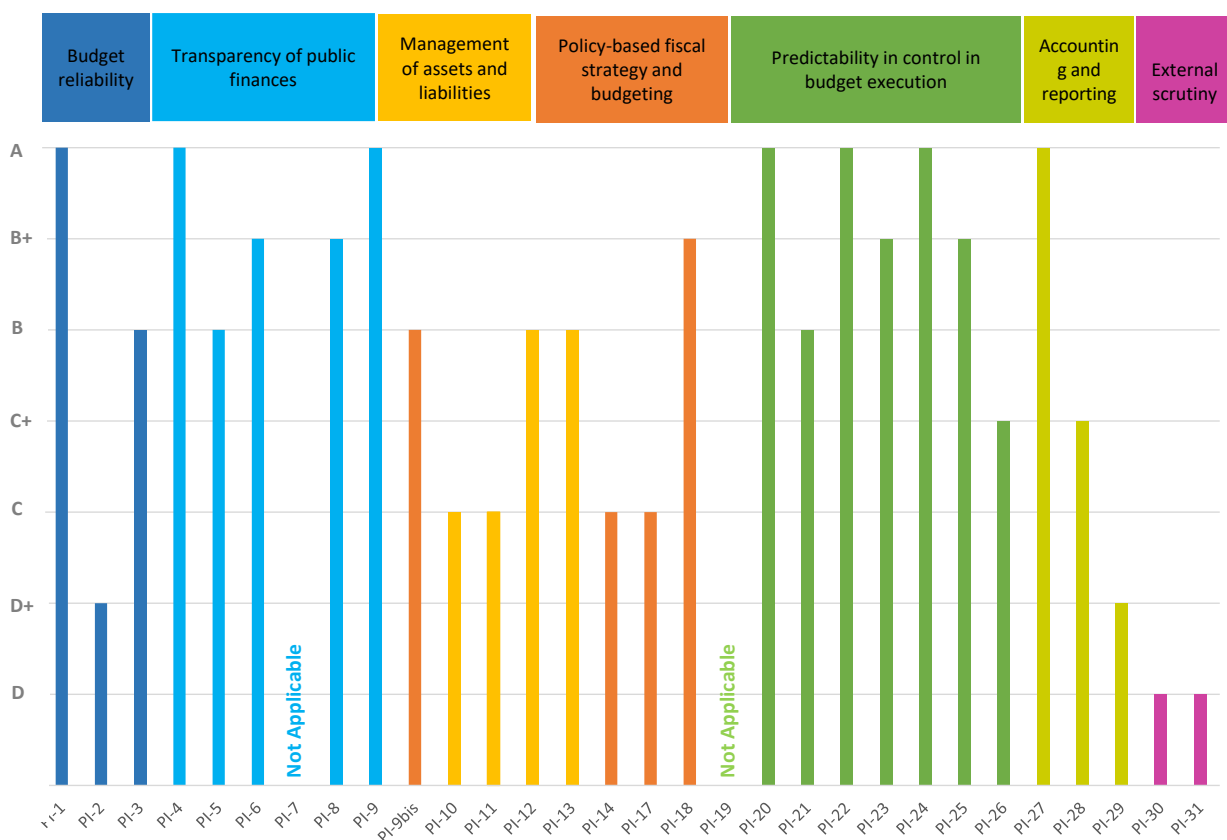


Table 1: Overall summary of PFM Performance Scores 2021

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
SNG Pillar: Intergovernmental fiscal relations							
HLG-1	Transfer from a higher-level government	M2	C	D	A	D	C
HLG-2	Fiscal rules and monitoring of fiscal position	M1	A	A	A		A
Pillar I: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	A				A
PI-2	Expenditure composition outturn	M1	D	D	A		D+
PI-3	Revenue outturn	M2	B	B			B
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside fiscal reports	M2	B	B	A		B+
PI-7	Transfers to sub-national governments	M2	NA	NA			NA
PI-8	Performance information for service delivery	M2	B	B	A	B	B+
PI-9	Public access to key fiscal information	M1	A				A
PI-9bis	Public consultation	M2	A	C	C		B
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	NA	NA		C
PI-11	Public investment management	M2	C	C	C	C	C
PI-12	Public asset management	M2	C	C	A		B
PI-13	Debt management	M2	A	A	D		B
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Medium-term budget strategy	M2	B	D	B	D	C
PI-17	Budget preparation process	M2	C	C	C		C
PI-18	Legislative scrutiny of budgets	M1	B	A	A	B	B+
Pillar V. Predictability and control in budget execution							
PI-19	Tax administration	M2	NA	NA	NA	NA	NA
PI-20	Accounting for revenues	M1	A	A	NA		A
PI-21	Predictability of in-year resource allocation	M2	A	C	A	C	B
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	B	A	A	B	B+
PI-24	Procurement	M2	A	A	A	B	A
PI-25	Internal controls on non-salary expenditure	M2	A	C	A		B+
PI-26	Internal audit	M1	C	C	B	C	C+
Pillar VI. Accounting and Reporting							
PI-27	Financial data integrity	M2	A	NA	A	B	A
PI-28	In-year budget reports	M1	A	A	C		C+
PI-29	Annual financial reports	M1	D	D	B		D+
Pillar VII. External Scrutiny and Audit							
PI-30	External audit	M1	D	D	NA	D	D
PI-31	Legislative scrutiny of audit reports	M2	D	NA	NA	NA	D

1 COUNTRY AND SNG BACKGROUND INFORMATION

1.1 Economic situation

Country economic situation

As a developing economy and with a population of 41.6 million⁵ of which more than 30% is rural, Ukraine's economy has been battered by the COVID-19 global pandemic. Economic growth was a little over 2% in 2016, increased to 3.5% in 2018, and then declined to 3.2% in 2019; this has, however, dropped sharply to -4.0% in 2020 due to the impact of the global COVID-19 pandemic. Unemployment figures were high at 8.8% in 2018, but they declined by 0.6% in 2019 to 8.2%; unemployment in 2020 hit 9.5% mainly from the effects of COVID-19, which slowed down economic activities needed to create more jobs. Inflationary pressures slowed down in 2019 at 4.1% from a high of 9.8% in 2018; it went to 5.0% in 2020 from the lowest of 4.1% within the last three completed fiscal years. Fiscal balance appears to be widening; in 2018, it was negative UAH75.1 billion. It increased further to negative UAH84.5 billion and negative UAH237.1 billion in 2019 and 2020 respectively. The economic imbalances resulted in the central government requesting for an IMF facility in 2018 with an extension in 2020 to help stabilise the economy. Debt levels are high, at 60.9% of GDP in 2018. It decreased to 50.2% of GDP in 2019, but it went up again to 60.9% of GDP in 2020. Table 2 below provides some key national economic indicators.

Table 2: Selected national economic indicators

Economic indicators	2018	2019	2020
GDP	3,560.3	3,977.2	4,191.9
GDP per capita (UAH thousand)	84.0	94.4	100.0
Real GDP growth, at constant market prices (%)	3.5	3.2	-4.0
Unemployment rate (%)	8.8	8.2	9.5
Inflation (consumption price index, %)	9.8	4.1	5.0
Public finance (% of GDP)	41.9	41.6	45.7
Central government budget (GPB)			
Revenues	1,417.7	1,569.0	1,677.0
Expenditures	1,492.8	1,653.6	1,914.0
Fiscal balance (official)	- 75.1	- 84.5	- 237.1
Debt (% of GDP)	60.9	50.2	60.9

Data Source: State Statistics Service of Ukraine (<http://www.ukrstat.gov.ua/>), including:

- ✓ Unemployment: http://www.ukrstat.gov.ua/operativ/vidkryti_dani/menu/rp_vd.htm
- ✓ GDP: http://ukrstat.gov.ua/operativ/operativ2003/vvp/vvp_kv/vvp_kv_u/arh_vvp_kv.html
- ✓ CPI: http://www.ukrstat.gov.ua/operativ/menu/menu_u/cit.htm

Ministry of finance of Ukraine: Budget indexes: [https://mof.gov.ua/storage/files/2_Budget_of_Ukraine_2020_\(for_website\).pdf](https://mof.gov.ua/storage/files/2_Budget_of_Ukraine_2020_(for_website).pdf)

Main facts and economic indicators of the SNG

The main facts and selected economic indicators for the SNG are summarized in the Tables 3 and 4 below:

Table 3: Summary of main facts of the SNG

Name of the SNG	Chernivtsi City
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⁵ <http://www.ukrstat.gov.ua/>

Tier of government	Second tier level of government
Population	265,471
Main characteristics	Regional (Oblast) capital
Economy	Food industry, textile industry, mechanical engineering, electricity, natural gas and water production and distribution
Services provided by the SNG	Education, healthcare, transport, water and sanitation, energy

Data source: Chernivtsi City Government Finance Department

Table 4: Selected economic indicators for the SNG (2018-2020)

Economic indicators	2018	2019	2020*
GDP (UAH'million)	33,903	41,661	38,785
Share of sectors			
Agriculture (UAH'million)	10,741	10,215	10,406
Industry (UAH'million)	15,479	13,629	13,959
Services (UAH'million)	7,622	9,554	12,065
GDP per capita (UAH)	37,441	46,136	43,138
GDP growth rate (%)	4.5%	5.1%	-6.9%

Data source: Chernivtsi City Finance Department, State Statistics Service, MoF

*2020 is projection

1.2 Fiscal and budgetary trends in the SNG

Table 5 below outlines the sub-national government's fiscal and budgetary trends. Actual total revenues increased marginally by 0.2% in FY2019 compared with FY2018, even though the grants decreased by 17.3% in FY2019 compared with FY2018. Total revenues declined by as much as 8.6% in FY2020 in comparison with FY2019 figures, mainly due to a decrease in grants from the state government by as much as 27.7% in FY2020 in relation to FY2019 figures. These decreases were because of the negative impact of COVID-19 on global economic activities which also impacted Ukraine's economic outlook. Own revenues, on the other hand, increased by 13% in FY2019 in relation to FY2018 figures; they further increased marginally by 1.6% in FY2020 compared with FY2019 despite the negative impact of COVID-19. On the expenditure side, total expenditure declined by 3.7% in FY2019 compared with FY2018. It further decreased by 15.9% in FY2020 as compared to FY2019 figures, also due to less government spending from the impact of COVID-19.

Table 5. Aggregate fiscal data of the sub-national government

	2018	2019	2020
Total revenue	2,692,853,851.30	2,698,092,739.95	2,465,367,430.00
Own revenue	1,557,672,924.50	1,759,835,558.25	1,787,138,707.90
Grants	1,135,180,926.80	938,257,181.70	678,228,722.10
Total expenditure	2,818,728,771.97	2,714,880,384.86	2,282,129,185.33
Non-interest expenditure	2,815,564,641.74	2,712,913,392.41	2,277,294,964.51
Interest expenditure	3,164,130.23	1,966,992.45	4,834,220.82
Aggregate deficit (incl. grants)	-125,874,920.67	-16,787,644.91	183,238,244.67
Primary deficit/surplus	-122,710,790.44	-14,820,652.46	178,404,023.85
Net financing	122,710,790.44	14,820,652.46	0.00
External	0.00	0.00	0.00
Domestic	122,710,790.44	14,820,652.46	0.00

Data source: Treasury reports for 2018-2020

1.3 Intergovernmental fiscal arrangements

Assignment of expenditure responsibility

The expenditure responsibilities of the Chernivtsi City Government (Oblast Capital) include: pre-school education, secondary education, high-school communal establishments, extra curriculum education, healthcare, local fire department, housing and communal services, transport and road infrastructure, mass media, social services, physical education, palaces of culture, libraries, museums, and communal zoos.

PFM functions

- Payment - the regional/local governments commit and pay for their expenditure without central government interference;
- Revenue administration – it raises the local revenues and ensures timely and full receipt of local taxes, fees and other local revenues to the local budgets (in fact these revenues go to the Unified Treasury Account) in line with the Budget and Tax Codes of Ukraine; as per the Budget Code of Ukraine, State Tax Service (STS) is responsible for tax and non-tax revenue collection at both central and local government levels;
- Monitoring of lower tiers of sub-national governments - the regional government (oblast) monitors sub-regional (rayon) and local (municipalities) levels, including review of their budget decrees approved by local councils;
- Public investment - public investment management is managed by the respective executive of local council responsible for the economic policy development in a region/territory;
- Management, monitoring and recording of assets - the management, monitoring and recording of fixed assets is decentralized, with each budgetary unit responsible for managing and safeguarding its assets. Disposal of fixed assets requires a resolution/decision of the local council to be issued;
- Debt management – not all local governments are allowed to borrow (village councils have no borrowing powers); Oblast Capitals like Chernivtsi City have borrowing powers but are subject to MoF approval.
- Macroeconomic forecasting – the regional/local governments prepare three years' macroeconomic forecasts of some indicators related to the regional/local level economy;
- Cash monitoring and forecasting – annual cash forecasting is prepared by the Treasury;
- Payroll – payroll system is decentralized, with each budgetary unit managing its own payroll. However, the human resource management system is centralised;
- Procurement - each unit prepares procurement plans and these are published. Data on procurement is available on the website <https://prozorro.gov.ua/>;
- Internal audit – internal audit is decentralized and there is a requirement for each budgetary unit to have either an internal audit unit or a person (an official) responsible for internal audit. They prepare annual and midterm internal audit plans. Annual reports are prepared, but conformity to international standards is low;
- Financial reporting - annual financial reports are prepared however not submitted for external audit;

- External audit – the Accounting Chamber is responsible for conducting an audit of the expenditure and revenue accounts of the local budgets (excluding own revenues and expenditures);
- The State Audit Service, which is a department under the Ministry of Finance of Ukraine, has the most responsibility for auditing the revenues and expenditures of local governments.

Budgetary systems

- Budget Code of Ukraine guides the budget process at both central and local levels;
- Regional and local governments prepare their own budgets. The budget is approved by the regional/local council without central government interference;
- Local budgets of Oblast Capitals are less dependent on actual transfers from the state (national) budget;
- Regional/local governments (local budgets) have their treasury accounts that are kept at the Treasury; regional/local governments are allowed to decide servicing resources of their local investment budget and own revenues of budgetary institutions in public sector banking institutions;
- Not all local governments are allowed to borrow. Only the Supreme Council of Autonomous Republic of Crimea, oblast councils, and city councils can borrow; all borrowings must be approved by the Ministry of Finance.

Institutional (political and administrative) structures

- Regional/local governments are independent enough and experience economic autonomy and judicial powers. They have their own legislatures (local councils) and executive authorities;
- Regional/local governments and local councils approve their budgets and enact decrees, resolutions and regulations for the territory; however, these legal acts must be in line with central government laws;
- Local self-governments have the power to appoint their own executives, budget officers, and accounts officers. The hiring and appointments are in accordance with the Law on Local Self-Governance in Ukraine and the Law on Servicing in Local Self-Governments, which are independent of oblast administrations and the central government;
- The budget and financial management processes at the central and regional/local levels are unified based on the principle of unity of the budgetary system.

Tax revenue sharing

Tax revenue is administered and collected by the State Tax Service of Ukraine. The City Government of Chernivtsi and all local governments in Ukraine have a revenue-sharing arrangement with the State Government. In accordance with the Budget Code of Ukraine, the main sources of revenue of the Oblast Capitals (OCs) include: 60% of the personal income tax (PIT), excise tax, 10% corporate income tax (CIT) from communal enterprises, and local taxes.

Intergovernmental transfer

Prior to FY2021, Ukraine adopted a three-tier intergovernmental fiscal transfer framework. The central government transferred subventions (grants) to oblasts (Regions), and then the oblasts transferred subventions to city/municipal governments, rayons, and village councils. The budget transfer mechanism was reformed and became operational during the fiscal year 2021. This means that a two-tier transfer framework has now been adopted, where the central government transfers subventions/grants straight

to the beneficiary sub-national government, i.e., from central government to city governments, rayons and village councils. Transfers to oblasts are now only meant for oblast operations. The reform is intended to improve the budget efficiency and reduce delays in transfers to beneficiary local governments.

Sub-national borrowing

Article 74 of the Budget Code of Ukraine prescribes the borrowing rules for sub-national governments including oblasts (regions), oblast cities, and rayons. The rules set borrowing limits (not exceeding 10% of expenditures of the general fund of the local budget) for all sub-national government borrowing. The debt limits are strictly monitored by the Ministry of Finance. Though Article 74 allows sub-national government borrowing, Ministry of Finance approval is still required.

1.4 Institutional arrangements for PFM

Overall institutional arrangements for PFM

The responsibilities and functions of public finance management are defined and clearly assigned in accordance with the law. The first among the main legislative and regulatory acts in this field is the **Constitution of Ukraine**, which defines the duties and functions of the executive, legislative and judicial branches of government in the process of public finance management. According to the Constitution, local self-government is recognized and guaranteed in Ukraine, which, in accordance with the Law of Ukraine "On Local Self-Government in Ukraine" (dated May 21, 2019, No. 280/97-VR), is conducted by territorial communities of villages, towns, and cities both directly and through rural village, town, and city councils and their executive bodies.

The **city council is the legislative body** of the community. The Law on Local Self-Government in Ukraine (Articles 27-40) determines the powers of the city council, including in the following areas:

- socio-economic and cultural development, planning and accounting;
- budget and finances;
- management of the communal property;
- housing and utility services, household, trade services, public catering, transport, and communication;
- construction;
- education, healthcare, culture, physical education, and sports;
- regulation of land relations and environmental protection;
- social protection of the population;
- foreign economic activity;
- defence activities;
- resolving the issues of administrative and territorial structure;
- registration of the place of residence of individuals;
- ensuring law, order, protection of rights, freedoms, and interests of citizens;
- provision of free primary legal aid.

The **executive power on the territory of the city is exercised by the executive committee** of the city government, with the city mayor as the chairperson. The executive committee reviews budget proposals of key spending units. Once approved, the estimates are submitted to the city council (legislature) for scrutiny and approval.

Since 2001, the Budget Code of Ukraine (BCU) has been a major piece of legislation governing:

- relations arising in the process of drafting, reviewing, approving, executing budgets of all levels, reporting on their implementation, and monitoring compliance with budget legislation;
- issues of responsibility for violation of budget legislation;
- legal basis for the formation and repayment of public debt including local debt.

Issues directly related to the formation of indicators of local budgets, their planning, approval and implementation, inter-government relations between budgets of different levels and local borrowing are regulated in Section III (Articles 63-108) of the Budget Code of Ukraine (BCU).

The public procurement process is governed by the Law on Public Procurement, which regulates the public procurement process, as well as the responsibilities and functions of its various actors, such as procurement agencies, the responsible authority in this area and the dispute settlement institution (Anti-Monopoly Commission of Ukraine – AMCU).

The issues of collecting and administering taxes and levies, the procedure of their transfer to the budgets of different levels including city budgets, and specifics of the implementation of tax policy at the local level are regulated primarily by the Tax Code of Ukraine. The Customs Code of Ukraine regulates issues related to the customs policy and administration of customs duties.

The list and content of functions and procedures performed by structural subdivisions of territorial bodies of the State Fiscal Service and the assignment of functions and procedures to territorial tax authorities are defined in the Order of the State Fiscal Service of Ukraine dated October 19, 2016, No. 875 "On Functional Powers of Structural Subdivisions of Territorial Bodies of the State Fiscal Service."

The system of state financial control in Ukraine, including internal control, is regulated by:

- the BCU, which defines the general regulatory environment for managerial accountability, internal control, and internal audit within budget spending units (in particular, Chapter 17 of the Code (Articles 109-115) contains provisions for controlling compliance with budgetary legislation including the deadlines for drafting, approval and implementation of local budgets, control of targeted and effective use of their funds, etc.);
- the Law of Ukraine "On Fundamental Principles of Exercising Public Financial Control in Ukraine" (dated 26th January 1993 No. 2939-XII), which regulates the functions and powers of the state financial control body concerning inspections (including audit);
- Cabinet of Ministers Decree No. 1001 of September 28, 2011 "Certain Issues of Internal Audit and Establishment of Internal Audit Units";
- the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" (dated July 16, 1999, No. 996-XIV), according to which accounting departments are assigned with functions in the sphere of internal control.

In Ukraine, public financial control, including internal control, is carried out directly by:

- authorized central bodies of legislative and executive power;
- territorial bodies (subdivisions) of central legislative and executive authorities;
- internal audit units (or officials) that should function within the structures of local self-government bodies.

Pursuant to Article 43 of the BCU, treasury servicing of budget funds is applied when executing local budgets in Ukraine, which involves opening accounts for budgetary institutions at the Treasury. The

Procedure for Treasury Servicing approved by the Order of the Ministry of Finance dated 23rd August 2012 No. 938 regulates the organizational relations between Treasury, local financial bodies, local councils, and their executive bodies, taxpayers, budget spending units, and recipients of budgetary funds.

Accounting and reporting on local budgets execution are among the functions of the Treasury (Part One of Article 43 of the BCU). Accounting of local budgets is based on legislative and regulatory acts that regulate budgetary relations and issues of accounting and reporting in Ukraine. In accordance with the provisions of Part 2 of Article 56 and Part 9 of Article 78 of the BCU, the bodies of the Treasury conduct accounting and reporting on the execution of local budgets in accordance with the procedure established by the Ministry of Finance.

Sub-national institutional arrangements for PFM

Table 6 below outlines the units of Chernivtsi City Government and the number of entities. Chernivtsi City Council as a legislative body of the community together with the Executive Committee of the City Council represent the system of local authorities (at the community level). Local authorities in Ukraine are sufficiently independent in their decision-making including budgetary issues. This has been caused by the numerous reforms in public finance and local government that have been implemented by the Government in recent years. Below are the institutional responsibilities for PFM:

Ministry of Finance of Ukraine (Local Budget Department) - providing the relevant local governments with the guidelines for budget preparation; bringing the indicators of intergovernmental budgetary relations and textual items, as well as organizational and methodological requirements for drafting local budgets as defined in the draft Law on the State Budget of Ukraine for the relevant budgetary period.

Territorial/local unit of the Treasury (playing the same role as State Treasury Service of Ukraine at central government level) - treasury servicing of budgets; control over budgetary powers regarding the entry of budget revenues; control over the compliance of the budget estimates of the spending units with the indicators of the budget allocation plans and compliance of the budget commitments with the budget allocations and the passport of the budget program.

Territorial/local unit of the STS (playing the same role as State Tax Service of Ukraine at central government level) - administration of taxes and duties to local budgets, control over the collection of budget revenues.

Accounting Chamber of Ukraine - responsible for both central and local government external audit only in the part of expenditures determined by the functions of the state and transferred to local self-government based on the principle of subsidiarity.

State Audit Service of Ukraine - control over a targeted, efficient, and effective use of local budget funds (including state financial audit); targeted use and timely repayment of credits (loans) obtained against local guarantees; reliability of determining the need for budgetary funds when drawing up planned budget indicators; compliance of the budget indicators with the passport of the budget program; accounting, preparation of financial and budgetary reports, passports of budget programs and reports on their implementation and other documents.

Oblast state administrations - control over compliance with the budget legislation of the indicators of local budgets approved, the budget allocation plans, the budgetary institution's outlay, and other documents used in the budget process (in particular, according to Article 115 of the BCU, oblast state administrations provide such control in relation to the budgets of rayons, cities of oblast significance and amalgamated communities).

Local councils - review and approval of the decision on the local budget, control over the implementation of the decision on the local budget.

Local financial bodies (Executive Committees of local councils) - development of local budget forecasts and draft local budgets; approval of local budget forecasts and draft local budgets before submission to the local council; control over the observance of budget legislation at every stage of the budget process regarding local budgets.

The City of Chernivtsi thus has a dual accountability framework in accordance with the Budget Code of Ukraine: (i) on the one hand, to the Ministry of Finance of Ukraine, which, in accordance with the BCU, controls the compliance of the state budget and local budgets with budget legislation at each stage of the budget process; (ii) on the other hand, to Chernivtsi Oblast State Administration and its Financial Department, which also exercises such control by reviewing the decisions of Chernivtsi City Council's approval of the city's budget and other documents used in the budget execution process.

According to Article 133 of the Constitution of Ukraine, the system of administrative and territorial structure of Ukraine is composed of: Autonomous Republic of Crimea, oblasts, rayons, cities of oblast and rayon significance, districts and cities, towns, and villages. The structure of the budgetary system of Ukraine, as well as the system of local budgets, are defined by BCU – as per Article 5, the local budget system is represented with the budget of the Autonomous Republic of Crimea, oblast and rayon budgets and budgets of local self-government. The latter include budgets of territorial communities of villages, settlements, cities, and budgets of amalgamated territorial communities.

According to Article 7 of the BCU, all local budgets are independent, and this independence is ensured by the allocation of relevant sources of budget revenues, the right of the relevant authorities to determine the budget expenditure in accordance with the legislation, and the right of the respective local councils to independently debate and approve local budgets. Furthermore, it is forbidden to create extra-budgetary funds or units by state bodies, local self-government bodies and other budgetary institutions. The City of Chernivtsi receives transfers from the state budget as earmarked subventions for specific sectors such as education, health and social services.

Table 6. Units of the SNG – Number of entities – FY2020

	Budgetary units	Extra budgetary units	Public corporations
Number	12	12	37
Expenditure (UAH'000)	2,282,129.19	63,288.50	957,941.8

Data source: Budget documents and Treasury reports FY2020

1.5 Arrangements for service delivery

Implementation of the concept of reforming local self-government and territorial organization of power became the basis for the gradual and partial transfer of authority and responsibility for the provision of public services from the central government to local authorities. At the same time, the process of transfer of the resources to lower-level executive bodies for the powers they have received is being established. The main purpose of these measures was to improve the quality and targeting of public services to residents of local communities.

In the process of the first stage of decentralisation reform (2014-2019), the delegation of several administrative services to local authorities was ensured: registration of residence, issuance of passport

documents, state registration of legal entities and individuals, entrepreneurs, associations of citizens, registration of civil status, property rights, and land issues. In addition, the authority to provide social services has been transferred. The mechanism is currently being worked out at the legislative level for the delimitation of functions of state authorities and local self-government bodies on issues of social protection of the population and protection of children's rights, as well as increasing the efficiency of their activities in this area. Regarding the provision of educational services, as part of the decentralisation agenda, the administration of local educational policy was transferred to local authorities. Although the salaries of teachers are financed from the state budget, the material support of educational institutions is entrusted to local authorities (which, in turn, develop co-financing partnership programs).

The main regulatory and strategic documents on decentralisation including the decentralisation reform implementation in Ukraine are as follows:

- Constitution of Ukraine - Article 132, which states that “the territorial structure of Ukraine is based on the principles of unity and integrity of the state territory, a combination of centralization and decentralisation in the state power execution...”;
- Laws on Amendments to the Budget Code and the Tax Code of Ukraine (due to these changes, the process of fiscal decentralisation is underway in Ukraine (starting 2014));
- Law "On Voluntary Amalgamation of Territorial Communities";
- Methodology of formation of capable territorial communities (Cabinet of Ministers Decree dated April 8, 2015, No. 214);
- Law "On Cooperation of Territorial Communities" created a mechanism for solving common problems of communities: waste treatment and recycling, development of common infrastructure, etc.;
- Law "On the Principles of State Regional Policy" (state support for regional and community infrastructure has increased thirty-nine times during the reform period; over 10,000 projects have been implemented in 2015-2018 in the regions and communities);
- A package of laws extending the powers of local governments and streamlining the provision of administrative services that allow local governments to delegate authority to provide basic administrative services (such as residence registration, issuance of passport documents, state registration of legal entities and individual entrepreneurs, citizens' associations, registration of acts of civil status, property rights, settlement of land issues, etc.);
- Concept of reforming local self-government and territorial organization of government in Ukraine (approved by the Cabinet of Ministers Decree dated 1st April 2014 No. 333-p).

The key legislative act that laid the foundation for fiscal decentralisation in Ukraine was the Law of Ukraine on "Amendments to the Budget Code of Ukraine with regard to the Reform of Intergovernmental Relations" (dated December 28, 2014, No. 79-VIII), which effectively introduced a new model of financial support for local budgets and intergovernmental relations. The main areas of fiscal reform in the context of decentralisation were as follows:

- Ensuring budgetary autonomy and financial independence of local budgets: the innovations have ensured the right of local authorities to develop their local budgets independently, starting on September 15th of the year preceding the budget year based on fixed stable long-term revenue sources and expenditures, and the basic parameters set out in the draft state budget submitted by the Government to Parliament. The BCU only sets the deadline for approval of local budgets as of December 25th of the year that precedes the budget year (Article 77, Part 2). In addition, since 2015, the Ministry of Finance has not defined or submitted to local budgets income

indicators and amounts of the basic and reverse subsidies that can be determined by local authorities based on indicators of the official treasury reports. Furthermore, changes to the BCU have ensured the right of local authorities to independently select institutions (among the Treasury bodies or public sector banks) to serve the local budget development funds and own revenues of budget institutions (Article 78, Part 2).

- Fixing stable sources for local budgets and expanding the existing revenue base: to ensure that local governments execute their spending powers, the sources of replenishment of local budgets have been expanded through: (i) transfer from the state budget of 100% of the fee for administrative services, 100% of the state duty, 10% of the corporate income tax for private sector enterprises (the latter is credited to oblast budgets), and (ii) expansion of the real estate tax base.
- Introducing a new mechanism for budgetary adjustment and equalization: changes to the BCU introduced a fundamentally new system of horizontal equalization, namely the alignment of taxability of territories depending on the level of income per capita (Articles 98 and 99 of the BCU). At the same time, equalization is carried out with only two taxes: the corporate income tax of the private sector (10%) for oblast budgets, and personal income tax for the budgets of cities of the oblast significance, rayon and oblast budgets, and budgets of amalgamated communities. The rest of the payments remain at the disposal of local governments. It is important to note that the new taxability equalization system is more progressive than the previous “balancing” system and aims to promote local authorities’ interest in attracting additional revenues and expanding their existing tax base.
- Decentralisation of expenditure powers by transferring more than 360 institutions and activities in the fields of education, health, culture, physical education, and sports from the state budget to local budgets.
- Transition from a three-tier to a two-tier budget system: currently, there is a three-tier budget system in Ukraine represented by the state budget, local budgets that have direct intergovernmental relations with the state budget from which they receive transfers (oblast, rayon budgets, budgets of cities of oblast significance and the budget of the Kyiv City), and budgets of local self-government bodies (budgets of the cities of rayon significance, towns and villages) that do not have direct relations with the state budget. Changes to the BCU have, in fact, become the bases for motivating communities to amalgamate and increase their capacity through the mechanism of transition of amalgamated communities’ budgets to direct intergovernmental relations with the state budget. The impetus was that under Article 67 of the BCU, amalgamated communities were given the same powers and resources as cities of oblast significance. Instead, territorial communities that do not participate in the amalgamation remain unaffected by this process and are deprived of the right to exercise state-delegated powers of local self-governments in non-amalgamated villages, towns, and cities of rayon significance.
- In accordance with the Budget Code of Ukraine, the main sources of revenue of the Oblast Capitals (OCs) include: 60% of personal income tax (PIT), excise tax, 10% corporate income tax (CIT) from communal enterprises, local taxes. Expenditure responsibilities of the OCs include: pre-school education, secondary education, high-school communal establishments, extra-curriculum education, healthcare, local fire department, housing and communal services, transport and road infrastructure, mass media, social services, physical education, palaces of culture, libraries, museums, and communal zoos.

2 ASSESSMENT OF PFM PERFORMANCE

2.1 SNG Pillar: Intergovernmental fiscal relations

HLG-1 Transfers from a higher-level government

This indicator assesses the extent to which transfers to the sub-national government from higher levels of government are consistent with the originally approved high-level government budgets and are provided according to agreed time frames. The indicator contains four dimensions.

Summary of scores

HLG-1	Indicator/Dimension	Score 2021	Assessment of performance
	Transfers from higher levels of government (M2)	C	
	HLG-1.1 Outturn of transfer from higher-levels of government	C	Actual transfer deviations were 1.6%, 11.7% and 62.3% in FY2018, FY2019, and FY2020 respectively.
	HLG-1.2 Transfer composition outturn	D	Transfer composition variance exceeded 15% in two out of the three years, but it was below 15% in one of the three years. Actual variances were 11.3% in 2018, 25.1% in 2019, and 64.6% in 2020 (<i>please refer to Table HLG.2 below and detailed calculation in Annex 4 Table 1.1</i>).
	HLG-1.3 Timeliness of transfer from higher-levels of government	A	At the start of the new fiscal year, the central government agrees with and makes available the annual disbursement schedule of all budgeted subventions to local governments, including the City Government of Chernivtsi. In all three years under assessment, all (100%) planned disbursements were transferred within the month of disbursement requests.
	HLG-1.4 Predictability of transfers	D	For the first time in FY2021, the central government provided information on subventions with a medium-term perspective (subvention for the budget year 2021 and the following two outer years 2022 and 2023). There were no medium-term subvention forecasts within the assessment period FY2018-FY2020.

Dimension HLG-1.1 Outturn of transfer from higher-levels of government

Table HLG.1 summarises (Annex 4 provided details) the performance of higher levels of government transfers at the aggregate level. The analysis shows that outturn of transfers from central and oblast governments to the City Government was below 3% in one out of the three years under assessment; they were, however, more than 16% in two out of the three years. Actual transfer deviations were 1.6%, 11.7% and 62.3% in FY2018, FY2019, and FY2020 respectively. These deviations were much higher in 2020 due to the COVID-19 pandemic. Nevertheless, the budgeting system in Ukraine does not allow local governments to plan for resources yet to be approved and allocated by the state government.

Table HLG.1 Outturn of transfer from higher-levels of government

	2018	2019	2020
Original budget (UAH)	1,153,324,500.00	1,062,010,035.00	417,929,000.00
Actual transfer (UAH)	1,135,180,926.83	938,257,181.66	678,228,722.11
% Outturn	98.4%	88.3%	162.3%
% Deviation	1.6%	11.7%	62.3%

Source: Budget and Finance Departments of Chernivtsi City Government

The score for this dimension is D.

Dimension HLG-1.2 Transfer composition outturn

There are at least seven subventions received by the City Government from higher levels of government (central and oblast); these are: (i) education, (ii) medical, (iii) socioeconomic development, (iv) utilities, (v) family subvention, (vi) housing, and (vii) road maintenance. In FY2020, the central government introduced COVID-19 subvention as well as election subvention – these are not regular, annual subventions. Any substantial deviations in any of these subventions affect the overall composition variance.

Transfer composition variance exceeded 15% in two out of the three years, but it was below 15% in one of the three years. Actual variances were 11.3% in 2018, 25.1% in 2019, and 64.6% in 2020 (*please refer to Table HLG.2 below and detailed calculation in Annex 4 Table 1.1*). In Ukraine, the budget formulation and preparation framework does not allow sub-national governments to forecast for unknown revenues and expenditures to be funded by the central government. Local governments can only make provision for such revenues and expenditures only after the central government's budget has been approved by the Parliament. Then, information is sent to the local government referencing their share of state (central government) subventions. Delays in the notification process affect local government projections in terms of state subventions.

Table HLG.2 Transfer composition outturn

Year	Higher-levels transfer outturn	Transfer composition outturn
2018	98.4%	11.3%
2019	88.3%	25.1%
2020	162.3%	64.6%

Source: Budget and Finance Departments of Chernivtsi City

The score for this dimension is D.

Dimension HLG-1.3 Timeliness of transfer from higher-levels of government

Cabinet Decree No. 1132 is the legal framework that governs the central government disbursement schedule for all subventions to local governments. Accordingly, at the start of the new fiscal year, the central government agrees with and makes available an annual disbursement schedule of all budgeted subventions to local governments, including the City Government of Chernivtsi. In all three years (FY2018-

FY2020) under assessment, there were no delays in the transfer of actual disbursements from central and oblast governments to the city governments. All (100%) planned disbursements were transferred within the month of disbursement requests.

The score for this dimension is A.

Dimension HLG-1.4 Predictability of transfers

For the first time in FY2021, the central government provided information on subventions with a medium-term perspective (subvention for budget year 2021 and the following two outer years 2022 and 2023). There were no medium-term subvention forecasts within the assessment period FY2018-FY2020.

The score for this dimension is D.

HLG-2 Fiscal rules and monitoring of fiscal position

This indicator assesses the extent to which the central government sets fiscal rules framing the budget and granting sub-national governments the right to borrow. It also assesses the extent to which the central government monitors the financial position of sub-national governments. It contains three dimensions.

Summary of scores

HLG-2	Indicator/Dimension	Score 2021	Assessment of performance
	Fiscal rules and monitoring of fiscal position (M1)	A	
	HLG-2.1 Fiscal rules for sub-national governments	A	Fiscal rules for local governments are set out under Articles 72 and 74 of the Budget Code of Ukraine. Local governments cannot finance their budget (capital budget) deficit with short-term funding whose servicing cost exceeds 10%. The rules also prescribe a 5-year ban for all local governments that fail to comply, in addition to legal prosecution for culprits. These rules are strictly enforced by MoF. Evidence obtained from MoF Local Budget Department indicates that all sub-national governments complied with fiscal rules.
	HLG-2.2 Debt rules for sub-national governments	A	Article 74 of the Budget Code of Ukraine prescribes the debt rules for all sub-national governments including oblasts (regions), oblast cities, and rayons. The debt rules set borrowing limits (not exceeding 10% of expenditures of the general fund of the local budget) for all sub-national governments borrowing. All sub-national governments respect the rules due to strict monitoring and enforcement by MoF. Evidence obtained from MoF Local Budget Department indicates that all subnational governments complied with debt rules for FY2020.
	HLG-2.3 Monitoring of sub-national governments	A	The law provides for up to three months after the end of the previous financial year to submit annual financial statements. Available evidence from the National

		Treasury indicates that all sub-national governments submit their annual financial statements on or before the 31 st day of March following the previous financial year. Each year, the National Treasury also prepares a consolidated report of all local government financial statements.
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Dimension HLG-2.1 Fiscal rules for sub-national governments

Fiscal rules for local governments are set out under Articles 72 and 74 of the Budget Code of Ukraine. The law prohibits budget deficits for all local governments except in the case of capital budget part of the total budget. Per the rule, under no circumstance shall a local government budget be promulgated by the respective local government council (parliament) with deficit financing for a recurrent part of the budget. The law sets a 10% limit for debt servicing for all deficit financing put together; this means that local governments cannot finance their budget (capital budget) deficit with short-term funding whose servicing cost exceeds 10%. The rules also prescribe a 5-year ban for all local governments that fail to comply, in addition to legal prosecution for culprits. These rules are strictly enforced by MoF. Available evidence from MoF Local Budget Department indicates that all sub-national governments complied with fiscal rules for FY2020.

The score for this dimension is A.

Dimension HLG-2.2 Debt rules for sub-national governments

Article 74 of the Budget Code of Ukraine prescribes the debt rules for all sub-national governments including oblasts (regions), oblast cities, and rayons; the rules, however, prohibit Amalgamated Territorial Communities (ATC) otherwise known as villages/village councils from borrowing. According to the law, sub-national governments (oblasts, oblast cities, and rayons) may borrow while being subjected to the approval of the local government council (local parliament), with ultimate authorisation and approval of the central government Ministry of Finance. The debt rules set borrowing limits (not exceeding 10% of expenditures of the general fund of the local budget within any budget year) for sub-national government borrowing. Additionally, the law prescribes the application of sanctions for non-compliance to debt rules. The rules are strictly enforced by the Ministry of Finance across the board without exemption. All sub-national governments submit quarterly financial reports to the Ministry of Finance, containing information on debt and movement of debt (balances as at end of the quarter); additionally, annual financial reports also include information on debt. Evidence obtained from MoF Local Budget Department indicates that all subnational governments complied with debt rules for FY2020.

The score for this dimension is A.

Dimension HLG-2.3 Monitoring of sub-national governments

The Budget Code of Ukraine sets strict timelines for preparation and submission of the local governments' annual financial statements to the National Treasury. The law provides for up to three months after the end of the previous financial year to submit annual financial statements. Available evidence from the National Treasury indicates that all sub-national governments submit their annual financial statements on or before the 31st day of March following the previous financial year. Each year, the Treasury also consolidates all sub-national government annual financial statements into a report.

The score for this dimension is A.

2.2 Pillar I. Budget reliability

Pillar One measures whether the government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

PI-1 Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget outturn reflects the amount originally approved, as defined in the government budget documentation and fiscal reports. There is one dimension for this indicator.

Summary of scores

PI-1	Indicator/Dimension	Score 2021	Assessment of performance
	Aggregate expenditure outturn	A	
	PI-1 Aggregate expenditure outturn	A	As shown in Table 1.1 below (with detailed calculations in Annex 4), aggregate expenditure outturn was between 95% and 105% of the approved original budget in two out of the three fiscal years assessed. Actual outturns were 105.9% in FY2018, 98.0% in FY2019, and 99.1% in FY2020.

As shown in Table 1.1 below (with detailed calculations in Annex 4), aggregate expenditure outturn was between 95% and 105% of the approved original budget in two out of the three fiscal years assessed. Actual outturns were 105.9% in FY2018, 98.0% in FY2019, and 99.1% in FY2020.

Table 1.1: Comparison between originally approved against actual outturn

	2018 UAH	2019 UAH	2020 UAH
Original Budget	2,661,210,500.00	2,770,767,348.00	2,301,875,913.00
Actual Outturn	2,818,728,771.97	2,714,880,384.86	2,282,129,185.33
Actual Outturn %	105.9%	98.0%	99.1%

Source: Budget and Finance Department of Chernivtsi City - Original Approved Budget and Annual Accounts

The score for this dimension is A.

PI-2 Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. Variations in expenditure composition may indicate an inability to spend resources in accordance with the government's plans, as expressed in the originally approved budget.

Summary of scores

PI-2 M1	Indicator/Dimension	Score 2021	Assessment of performance
	Expenditure composition outturn (M1)	D+	

2.1 Expenditure composition outturn by function	D	As shown in Table 2.1 below (and Annex 4 for detailed calculations), actual composition variances by function were 16.6% in FY2018. In FY2019 and FY2020, variances were 16.6% and 14.2% respectively.
2.2 Expenditure composition outturn by economic type	D	As shown in Table 2.2 below (and in Annex 4 for details), variance in expenditure composition by economic classification was more than 15% in all three years under assessment; actual variances were 28.4%, 16.2% and 20.1% in FY2018, FY2019, and FY2020 respectively.
2.3 Expenditure from contingency reserves	A	Actual expenditure charged to contingency budget averaged 0.0% as shown in Table 2.1 above (and Annex 4 for detailed calculation); this means there was no expenditure out of contingency vote within the last three completed fiscal years 2018-2020.

Dimension PI-2.1 Expenditure composition outturn by function

Expenditure composition outturns by functional classification exceeded 15% in all three years under review. As shown in Table 2.1 below (and Annex 4 for detailed calculations), actual composition variances by function were 16.6% in FY2018. In FY2019 and FY2020, variances were 16.6% and 14.2% respectively.

Table 2.1 Result Matrix PI-2.1 & PI-2.3 Composition variance by functional classification and contingency

	for PI-1	for PI-2.1	for PI-2.3
Year	Total expenditure deviation	Composition variance by function	Contingency share
2018	105.9%	16.6%	0.0%
2019	98.0%	16.6%	
2020	99.1%	14.2%	

The score for this dimension is D.

Dimension PI-2.2 Expenditure composition outturn by economic type

Expenditure composition outturns by economic category are not better than composition variance by function. As shown in Table 2.2 below (and in Annex 4 for details), variance in expenditure composition by economic classification was more than 15% in all three years under assessment; actual variances were 28.4%, 16.2% and 20.1% in FY2018, FY2019, and FY2020 respectively.

Table 2.2: Result Matrix PI-2.2 Composition variance by economic classification

Year	Total Expenditure Deviation	Composition Variance by Economic Classification
2018	105.9%	28.4%
2019	98.0%	16.2%
2020	99.1%	20.1%

The score for this dimension is D.

Dimension PI-2.3 Expenditure from contingency reserves

Actual expenditure charged to contingency budget averaged 0.0% as shown in Table 2.1 above (and Annex 4 for detailed calculation). This means there was no expenditure out of contingency vote within the last three completed fiscal years 2018-2020. The City Government's budgeting framework makes provision for contingency, and these provisions are below 2% of City Government budget. In 2018, the contingency budget was 1.6% of total city budget. In FY2019 and FY2020, contingency budgets were 0.9% and 0.4% respectively.

The score for this dimension is A.

PI-3 Revenue outturn

This indicator measures the change in revenue between the original approved budget and the end-of-year outturn. Accurate revenue forecasts are a key input to the preparation of a credible budget.

Summary of scores

PI-3 M2	Indicator/Dimension	Score 2021	Assessment of performance
	Revenue outturn	B	
	3.1 Aggregate revenue outturn	B	As shown in Table 3.1 below (with details in Annex 4 – Tables 4.1-4.3), revenue outturns were between 94% and 112% in all three years under review. Actual outturns were 110.8%, 108.9% and 95.4% in FY2018, FY2019, and FY2020 respectively.
	3.1 Revenue composition outturn	B	Variance in revenue composition was less than 5% in one out of the three years and less than 10% in two of the three years under review. Actual revenue composition variances were 12.1% in FY2018, 9.8% in FY2019, and 7.5% in FY2020.

Dimension PI-3.1 Aggregate revenue outturn

Aggregate revenue outturns show satisfactory performance. As shown in Table 3.1 below (with details in Annex 4 – Tables 4.1-4.3), revenue outturns were between 94% and 112% in all three years under review. Actual outturns were 110.8%, 108.9% and 95.4% in FY2018, FY2019, and FY2020 respectively.

The score for this dimension is B.

Table 3.1: Comparison of approved budgeted revenue against actual outturn

	2018 UAH	2019 UAH	2020 UAH
Original Budget	1,406,259,000.00	1,616,042,013.00	1,872,742,338.00
Actual Outturn	1,557,672,924.50	1,759,835,558.30	1,787,138,707.9
Actual Outturn %	110.8%	108.9%	95.4%
% Deviation	18.8%	8.9%	4.6%

Source: Budget and Finance Department, Original Approved Budget and Annual Accounts

Dimension PI-3.2 Revenue composition outturn

Table 3.2 below summarises the performance of revenue composition outturn. Details of the analysis/calculations are shown in Annex 4 – Tables 4.1-4.3. Variance in revenue composition was less than 5% in one out of the three years and less than 10% in two of the three years under review. Actual revenue composition variances were 12.1% in FY2018, 9.8% in FY2019, and 7.5% in FY2020.

Table 3.2 Revenue composition variance

Year	total revenue deviation	composition variance
2018	110.8%	12.1%
2019	108.9%	9.8%
2020	95.4%	7.5%

The score for this dimension is B.

2.3 Pillar II. Transparency of public finances

Pillar Two assesses whether information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance, and ready access to fiscal and budget documentation.

PI-4 Budget classification

PI-4.1 Budget and accounts classification is consistent with international standards

This indicator assesses the extent to which the government budget and accounts classification are consistent with international standards. There is one dimension for this indicator.

Summary of scores

PI-4	Indicator/Dimension	Score 2021	Assessment of performance
4.1	Budget classification	A	Budget formulation, execution, and reporting are based on every level of details of administrative, economic, and functional (and program) classification. The classification follows GFS 2001 standards.

The Ministry of Finance of Ukraine, through its Order No. 11 “On budget classification” dated January 14, 2011, approved the budget classification. The Ministry of Finance also approved the components of the program classification of expenditures and lending to local budgets (Order No. 793 of the Ministry of Finance of September 20, 2017). The budget classification is as close as possible to the standards of the 2001 IMF Government Finance Statistics (GFS) Manual. The budget classification is unified and used at both central and local government levels. This classification is provided in the form of budget reporting, prepared in accordance with Order No. 12 of the Ministry of Finance of Ukraine dated 17th January 2018 “On the organization of work on the preparation of the State Treasury Service of Ukraine budget reporting on the implementation of local budgets.” The budget is detailed according to the codes of departmental (administrative), functional, and economic classifications during budget formulation, execution, and reporting (monthly in-year reports on the city’s website <http://chernivtsy.eu/portal/vykonannya->

[byudzhetu-shhotyzhneva-zvitnist](#)) stages. Documents used in the budget execution process are also formed using departmental (administrative), economic and functional classifications (detailed by budget programs) prepared in accordance with Order No. 12 of the Ministry of Finance of Ukraine dated 17th January 2018 "On the organization of work on the preparation of the State Treasury Service of Ukraine budget reporting on the implementation of local budgets."

The score for this dimension is A.

PI-5 Budget documentation

PI-5.1 The comprehensiveness of the information provided in the annual budget documentation is measured against a list of 'basic' and 'additional items'

This indicator has one dimension to assess the comprehensiveness of the information provided in the annual budget documentation presented by the Executive to the Council and is measured using a list of "basic" and "additional" elements included in the last budget submitted to the Parliament.

Summary of scores

PI-5	Indicator/Dimension	Score 2021	Assessment of performance
5.1	The comprehensiveness of the information provided in the annual budget documentation is measured against a list of "basic" and "additional" items.	B	Budget documentation (FY2021 – last budget submitted to the city council) meets four basic PEFA elements plus five additional elements.

Table 5.1: Budget documentation benchmarks

No.	Budget documentation benchmarks	Availability	Evidence used/Comments
Basic elements			
1.	Forecast of the fiscal deficit or surplus (or accrual operating result)	Yes	The budget proposal of Chernivtsi City Council contains information on the general fund surplus and the special budget fund deficit (Annex 2 to the draft budget decision). According to the Budget Code of Ukraine, local budgets can be approved with a surplus on the general fund. Surplus from the general fund is used to finance deficit from the special fund.
2.	Previous year's budget outturn, presented in the same format as the budget proposal	Yes	The budget outturn of the previous year has the same format as the budget proposal.
3.	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal	Yes	The current year's budget has the same format as the budget proposal.
4.	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-4), including data for the current and previous year, in addition to	Yes	The budget data contains both revenue and expenditure information at the aggregate level as well as a detailed breakdown by budget classification used in PI-4. This can be found in Annexes 1-4 of the budget document.

No.	Budget documentation benchmarks	Availability	Evidence used/Comments
	the detailed breakdown of revenue and expenditure estimates		
Additional elements			
5.	Deficit financing, describing the anticipated composition	Yes	Same as in basic element one above.
6.	Macro-economic assumptions, including at least GDP growth, inflation, interest rates and exchange rates	N/A	Not applicable; GDP, inflation, interest rates and exchange are forecasted by the central government.
7.	Debt stock, including details at least for the beginning of the current year, presented in accordance with GFS or other comparable standards	Yes	The budget documentation contains information on the beginning balance of accumulated debt as well as the maximum amount of debt guaranteed by the local council.
8.	Financial assets, including details at least for the beginning of the current year, presented in accordance with GFS or other comparable standards	No	Information on financial assets, including details, at least as of the beginning of the current fiscal year is contained in Annex 1 "Balance Sheet" of the Treasury Report, but not in the budget documentation submitted to the City Council (parliament).
9.	Summary information of fiscal risks including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as PPP contracts, etc.	Yes	Information on securing guarantees for borrowers (city enterprises) is contained in Annex 4 to the budget decision.
10.	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs	No	The explanatory note to the annual budget does not state or estimate budget implications of changes in revenues and/or expenditure policies.
11.	Documentation on the medium-term forecasts	Yes	The budget proposal for FY2021 contains medium-term revenue and expenditure forecasts for the next two fiscal years 2022-2023.
12.	Quantification of tax expenditures	Yes	The amounts of tax and fees benefits are provided as footnotes to the budget decision. A detailed analysis of the amounts of benefits that will lead to reduced budget revenues is also provided in the footnote to the budget forecast (chapter on "Revenue capacity of the city budget" - budget losses due to the provision of benefits for the payment of taxes and fees, other payments").

Source: Budget documentation from Chernivtsi City Government, as well as that posted on the website of the Chernivtsi City Council <https://city.cv.ua/>.

The budget documentation (FY2021 – last budget submitted to the city council) meets four basic PEFA elements plus five additional elements.

The score for this dimension is A.

PI-6 Sub-national government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside the sub-national government financial reports.

Summary of scores

PI-6 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
6	Sub-national government operations outside financial reports	B+	
6.1	Expenditure outside financial reports	B	For FY2020, the total expenditures from all medical facilities (hospitals and clinics) that were outside the City Government budgets and reports amounted to UAH 63,288,495.76. This figure represents 2.8% of total City Government expenditure for FY2020.
6.2	Revenue outside financial reports	B	For FY2020, total own revenues that were outside the City Government budgets and financial reports stood at UAH43,224,995.77. This represents 2.4% of total City Government actual revenues for FY2020.
6.3	Financial reports of extra-budgetary units	A	As indicated in Table 6.1 below, extra-budgetary units submit annual financial statements to the Supervising Department of the City Government within two months after the end of the previous financial year. The annual financial statements contain full information on revenues, expenditures (from own resources plus subventions), financial and tangible assets, liabilities, and reconciled cash flow.

Background

Part nine of Article 13 of the Budget Code of Ukraine stipulates that the creation of extra-budgetary funds by public authorities, local governments, and other budgetary institutions is not allowed. The same applies to the opening of extra-budgetary accounts, except when such accounts are opened to service local budgets in terms of development budget and own revenues of budgetary institutions in public sector banks (Part 2 of Article 78 of the BCU) and placement of temporarily free local budgets on deposits (Part 8 of Article 16 of the BCU).

Based on the above, Order No.44 of the Ministry of Finance dated January 24, 2012, provides for the preparation of managers and recipients of budget funds to report on the balance of funds in extrabudgetary accounts mentioned above, and submit it to the relevant financial authorities and the Treasury.

Dimension PI-6.1 Expenditure outside financial reports

The expenditure budgets and actual expenditures of all public schools and other public educational institutions under the City Government of Chernivtsi form an integral part of the budget and financial reports of the Department of Education; therefore, there are no expenditures outside the budget and financial reports of the Department of Education. On the other hand, hospitals, clinics and other medical facilities under the City Government are semi-autonomous. They generate their own revenues besides subventions from the city and state governments and spend accordingly in line with legal provisions; these expenditures from their own revenue are not part of the budgets and reports of the Department of Health. For FY2020, the total expenditures from all these medical facilities that were outside City

Government budgets and reports amounted to UAH 63,288,495.76. This figure represents 2.8% of total City Government expenditure for FY2020 (UAH2,282,129,185.33 – please, refer to PI-1 above).

The score for this dimension is B.

Dimension PI-6.2 Revenue outside financial reports

Own revenues of the hospitals, clinics and other medical facilities under the City Government of Chernivtsi are not part of the Department of Health's budget and reports, neither are they part of the City Government's budget and reports. For FY2020, total own revenues that were outside City Government budgets and financial reports stood at UAH43,224,995.77. This represents 2.4% of total City Government actual revenues for FY2020 (UAH1,787,138,707.9 – please refer to PI-3.1 above).

The score for this dimension is B.

Dimension PI-6.3 Financial reports of extra-budgetary units

The deadlines set for the submission of annual financial statements by all budget and extra-budgetary units is by the 28th February of the year following the reporting year (reference: Resolution No. 419 of the Cabinet of Ministers of Ukraine dated 28th February 2000). This deadline (which is two months after the end of the previous financial year) is complied with as evidenced by the dates of receipts by the Department of Health of annual financial reports of hospitals and clinics (please refer to Table 6.1 below). The annual financial statements contain full information on revenues, expenditures (from own resources plus subventions), financial and tangible assets, liabilities, and reconciled cash flow. These institutions are not allowed to borrow nor issue guarantees on behalf of other institutions.

Table 6.1: List of extra-budgetary units and date of submission of annual financial report FY2020

No	Name	Date of submission of annual financial statements for FY2020
1	First City Polyclinic	28 th February 2021
2	Second City Polyclinic	28 th February 2021
3	Third City Polyclinic	28 th February 2021
4	Fifth City Polyclinic	28 th February 2021
5	City Children's Polyclinic	28 th February 2021
6	First City Hospital	28 th February 2021
7	Third City Hospital	28 th February 2021
8	Fourth City Hospital	28 th February 2021
9	City Children's Clinical Hospital	28 th February 2021
10	Hospital "Sadgora"	28 th February 2021
11	Hospital "Rosha"	28 th February 2021
12	Second Maternity Hospital	28 th February 2021

The score for this dimension is A.

PI-7 Transfers to sub-national governments

This indicator assesses the transparency and timeliness of transfers from the sub-national government to the first-tier lower level government along with fiscal relations with the sub-national government. It reviews the basis for the transfers, including whether the first-tier lower-level government receive timely information about their allocations to facilitate fiscal planning.

Summary of scores

PI-7 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
7	Transfers to sub-national governments	NA	
7.1	System for allocating transfers	NA	This dimension is not applicable, as there is no first-tier lower-level government.
7.2	Timeliness of information on the transfers	NA	This dimension is not applicable, as there is no first-tier lower-level government.

Dimension PI-7.1 System for allocating transfers

This dimension is not applicable, as there is no first-tier lower-level government.

The score for this dimension is NA.

Dimension PI-7.2 Timeliness of information on the transfers

This dimension is not applicable, as there is no first-tier lower-level government.

The score for this dimension is NA.

PI-8 Performance information for service delivery

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information about resources received by service delivery units is collected and recorded.

Summary of scores

PI-8 M2	Indicator/Dimension	Score 2021	Assessment of performance
PI-8	Performance information for service delivery	B+	
8.1	Performance plans for service delivery	B	Available evidence on the city administration website (https://city.cv.ua and http://chernivtsy.eu/portal) as well as on individual websites of key spending units indicates that all SNG institutions (excluding extra-budgetary units representing 2.8% by value) prepare and publish annual performance plans or programme objectives with KPIs and expected outputs; however, there are no planned outcomes. Therefore, 97.2% by value of all spending units prepare and publish performance plans with KPIs and outputs to be produced but not outcomes.

PI-8 M2	Indicator/Dimension	Score 2021	Assessment of performance
8.2	Performance achieved for service delivery	B	Presently, the City Administration and all (100% by value) its KSUs (budgetary and extra-budgetary units) prepare and publish outputs of performance achieved for service delivery; there are no outcomes achieved.
8.3	Resources received by service delivery	A	Information on all resources (cash and kind) received by KSUs is reported; the information is disaggregated by the source of funds. Each KSU prepares a quarterly report using the Treasury Template Form 4.2 for all resources received in kind. They also prepare a monthly report on all cash resources received. The reports are consolidated and submitted to the oblast and then to the National Treasury; the information is compiled into an annual report.
8.4	Performance evaluation for service delivery	B	At present, there is no independent evaluation of the efficiency and/or effectiveness of annual performance programmes. That notwithstanding, at least, the education and health sectors that constitute more than 60% of the City Government's budget conduct evaluation of the effectiveness and efficiency of their service delivery programmes. The evaluation reports are published on the city administration website (https://city.cv.ua and http://chernivtsy.eu/portal) as well as the individual websites of the education and health departments.

Dimension PI-8.1 Performance plans for service delivery

Table 8.1: List of KSUs with performance plans FY2020

No.	Code	Name of KSU	Performance plans with outputs and KPIs published (planned and achieved)
1	0200000	Executive Committee of Chernivtsi City Council	Yes
2	0600000	Department of Education of Chernivtsi City Council	Yes
3	0700000	Department of Health of Chernivtsi City Council	Yes
4	0800000	Department of Social Policy of the Population of Chernivtsi City Council	Yes
5	1000000	Department of Culture of Chernivtsi City Council	Yes
6	1100000	Department of Physical Culture and Sports of Chernivtsi City Council	Yes
7	1200000	Department of Infrastructure and Improvement of Chernivtsi City Council	Yes
8	1600000	Department of Urban Planning and Architecture of Chernivtsi City Council	Yes
9	1900000	Department of Transport and Certain Issues of Public Utilities of Chernivtsi City Council	Yes
10	2700000	Department of Socio-Economic Development and Strategic Planning of Chernivtsi City Council	Yes

No.	Code	Name of KSU	Performance plans with outputs and KPIs published (planned and achieved)
11	3100000	Department of Communal Property of Chernivtsi City Council	Yes
12	3700000	Financial Department of Chernivtsi City Council	Yes

Source: Chernivtsi City Government

Table 8.2: List of extra-budgetary units FY2020

No.	Name of extra-budgetary unit	Performance plans with outputs and KPIs published (planned)	Performance achieved with outputs and KPIs published (achieved)
1	First City Polyclinic	No	Yes
2	Second City Polyclinic	No	Yes
3	Third City Polyclinic	No	Yes
4	Fifth City Polyclinic	No	Yes
5	City Children's Polyclinic	No	Yes
6	First City Hospital	No	Yes
7	Third City Hospital	No	Yes
8	Fourth City Hospital	No	Yes
9	City Children's Clinical Hospital	No	Yes
10	Hospital "Sadgora"	No	Yes
11	Hospital "Rosha"	No	Yes
12	Second Maternity Hospital	No	Yes

Source: Chernivtsi City Government

The Ministry of Finance issued Order No. 836 dated 26th August 2014 requiring all the local government key spending units to prepare annual action plans with key performance indicators (KPIs) on outputs and outcomes to be achieved for the next fiscal year. The Order also requires the publication of such information for the benefit of the public. Available evidence on the city administration website (<https://city.cv.ua> and <http://chernivtsy.eu/portal>) as well as on individual websites of key spending units indicates that all (at least 90% by value; please refer to Table 8.1 above) budget institutions prepare and publish annual performance plans or programme objectives with KPIs and expected outputs; however, there are no planned outcomes. Extra-budgetary units, on the other hand, do not systematically prepare and publish performance plans with KPIs (please, refer to Table 8.2 above); with reference to PI-6 above, total expenditure of extra-budgetary units is 2.8% of total City Government's expenditure budget – this has no effect on the percentage of KSUs that publish performance plans. Therefore, 97.2% by value of all spending units prepare and publish performance plans with KPIs and outputs to be produced but not outcomes. For budget units, the information on performance plans is disaggregated by programme. Some of the programme codes are:

- (i) 0610160 – Governance in Education (maintenance of the education structural division)
- (ii) 0611010 – Pre-school education
- (iii) 0611020 – Secondary Education
- (iv) 0611110 – Training by vocational education institutions and other educational institutions
- (v) 0611090 – Extracurricular (out-of-school) Education
- (vi) 0611150 – Methodical support to the Educational Institutions

- (vii) 0611161 – Other Educational Institutions costs
- (viii) 0615031 – Youthful and reserve sport development

The score for this dimension is B.

Dimension PI-8.2 Performance achieved for service delivery

All key spending units (including local governments KSUs) are required by law (MoF Order No.836 issued in 2014) to report on performance achieved in terms of outputs and outcomes.

The national MoF has issued clear guidelines and legal provisions with regards to how key spending units (KSU) should report on their outputs and outcomes; these are contained in Order No.836 issued in 2014. According to the Order, all KSUs are mandated:

- to submit performance reports to the local financial bodies following the deadlines established by the MoF for consolidated budgetary reporting (usually by the end of February of the year following the reporting period) – *Paragraph 2, Sub-paragraph 2*;
- to publish performance reports on their official websites – within three working days after the day of submission of these reports to the local financial bodies – *paragraph 2, subparagraph 3*

Presently, the City Administration and all (100% by value) its KSUs (budgetary and extra-budgetary units) prepare and publish outputs of performance achieved for service delivery; there are no outcomes achieved nor publication of outcomes achieved. [Tables 8.1 and 8.2 above provide lists of budgetary and extra-budgetary units with published performance achieved.](#)

The score for this dimension is B.

Dimension PI-8.3 Resources received by service delivery

Reporting on resources received in cash and in-kind is required by law (Budget Code of Ukraine – for resources received in cash and MoF Order No.938 dated 8th August 2021 – for resources received in-kind). Information on all resources (cash and kind) received by KSUs is reported; the information is disaggregated by the source of funds. Each key spending unit (KSU - budgetary and extra-budgetary unit) prepares monthly report on all resources received in cash. For resources received in kind, each KSU prepares a quarterly report using the Treasury Template Form 4.2. Extra-budgetary units submit their reports to their respective supervising budget department; these reports are then consolidated and submitted to the City Treasury for consolidation and onward submission to the Oblast Treasury. All this information is submitted to the National Treasury and compiled into an annual report.

The score for this dimension is A.

Dimension PI-8.4 Performance evaluation for service delivery

The performance evaluation of local government service delivery programmes is guided by the following regulatory frameworks:

- Ministry of Finance Order No.608 dated 17th May 2011 “On approval of the Methodological recommendations for the evaluation of the effectiveness of budget programs”;
- Ministry of Finance Guidance for the Local Governments “Methodology of the comparative analysis for evaluation of the effectiveness of the local budget programs.”

At present, there is no independent evaluation of the efficiency and/or effectiveness of annual performance programmes. That notwithstanding, at least, the education and health sectors that constitute more than 60% of the City Government’s budget conduct evaluation of the effectiveness and efficiency of their service delivery programmes. The evaluation reports are published on the city

administration website (<https://city.cv.ua> and <http://chernivtsy.eu/portal>) as well as the individual websites of the education and health departments. The evaluation reports dated 1st March 2019, 28th February 2020, and 2nd March 2021 for FYs 2018, 2019, and 2020 respectively provide a comparison between annual performance plans and programs with actual performance achieved. The reports also provide information on reasons for not meeting performance plans and measures to improve on future performance.

The score for this dimension is B.

PI-9 Public access to fiscal information

This indicator assesses public accessibility to fiscal information. It has only one dimension.

Dimension PI-9.1 The comprehensiveness of fiscal information available to the public

Summary of scores

PI-9	Indicator/Dimension	Score 2021	Assessment of performance
9.1	Public access to fiscal information	A	The sub-national government makes available to the public four basic elements and two additional elements within the required PEFA timeframe as described in Table 9.1 below. Elements 5 and 7 are not applicable since external audits are under the purview of the central government Supreme Audit Institution

As indicated in Table 9.1 below, the sub-national government makes available to the public four basic elements within the specified PEFA timeframe. These four basic elements are: (i) the annual executive budget proposal, (ii) the enacted budget, (iii) the in-year budget execution reports and (iv) the annual budget execution reports. Additionally, the pre-budget statement and the citizens' budget are also made available to the public within the stipulated time.

Table 9.1: Public access to key fiscal information

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
Basic elements			
1.	Annual Executive Budget Proposal documentation: A complete set of executive budget proposal documents (as assessed in PI-5) is available to the public within one week of the executive submitting them to the legislature.	Yes	On Chernivtsi City's website within 24 hours: 23 November 2019 for FY2020 budget proposals and https://city.cv.ua and http://chernivtsy.eu/portal
2.	Enacted Budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Yes	Published on the website with one week after promulgation: 26 December 2019 for FY2020 budget https://city.cv.ua and http://chernivtsy.eu/portal

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
3.	<i>In-year budget execution reports:</i> The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28.	Yes	Published within one month after the end of previous month: for instance, November 2020 report was published on the 28 th of December 2020, and December 2020 report was published on the 25 th of January 2021; https://city.cv.ua and http://chernivtsy.eu/portal
4.	<i>Annual budget execution report:</i> The report is made available to the public within six months of the fiscal year's end.	Yes	Published on the website within three months after the end of the previous financial year; 3 February 2021 for FY2020 annual budget execution report; https://city.cv.ua and http://chernivtsy.eu/portal
5.	<i>Audited annual financial report, incorporating, or accompanied by the external auditor's report:</i> The report(s) are made available to the public within twelve months of the fiscal year's end.	NA	Not applicable. External audits are under the purview of the central government Supreme Audit Institution.
Additional elements			
6.	<i>Pre-Budget Statement:</i> The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	Yes	Pre-budget statement is published four months before the start of the new fiscal year; 2 September 2020 https://city.cv.ua and http://chernivtsy.eu/portal
7.	<i>Other external audit reports:</i> All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.	NA	Not applicable. External audits are under the purview of central government Supreme Audit Institution.
8.	<i>Summary of the Budget Proposal:</i> A clear, simple summary of the Executive's Budget Proposal or the Enacted Budget accessible to the non-budget experts, often referred to as a 'citizens' budget', and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the Executive Budget Proposal's submission to the legislature and within one month of the budget's approval.	Yes	Citizens' budget (Budget of Chernivtsi Local Territorial Community) is published within two weeks after submission to the city council; 4 January 2021 for FY2020 budget http://chernivtsy.eu/portal/wp-content/uploads/BYUDZHET_2021.pdf

The score for this dimension is A.

Ongoing reforms

None.

PI-9bis Public consultation

This indicator assesses the extent to which the sub-national government conducts public consultation in preparing the budget, designing service delivery programs, and planning investments. It contains three dimensions.

Summary of scores

PI-9bis (M2)	Indicator/Dimension	Score 2021	Assessment of performance
Public consultation		B	
9bis.1	Public consultation in budget preparation	A	For FY2021 (the last budget submitted to the City Council), the City Government conducted public consultation during the budget formulation and preparation stage. Simplified budget information, as well as results of the public consultation, were published on the website. The publication also includes a clarification (or an explanation) of ways in which inputs received from the public have shaped the final budget proposals submitted to the City Council. The design of the City Government's website also gave opportunity and user-friendly access to visually impaired citizens to contribute to the budget formulation and preparation process. The public consultation process appears to be timely; it allowed at least 5 days for public consultation/participation (please refer to Item 12 on the budget calendar - Table 17.2 below).
9bis.2	Public consultation in the design of service delivery programs	C	Available evidence indicates that each year, and in FY2020, the local government conducts public consultation for service delivery programmes on healthcare, sports and culture, education, utilities, and transport, albeit not all service delivery programmes. It is estimated that public consultation is conducted for up to 25% of primary service delivery programmes. The feedback mechanism provided by the City Government was used by citizens.
9bis.3	Public consultation in investment planning	C	For FY2020, to determine the most relevant investment projects to be financed, the City Government of Chernivtsi published information on the largest projects on its website. However, the local government did not publish any results and/or findings of feasibility studies or economic analysis of any investment projects.

Dimension PI-9bis.1 Public consultation in budget preparation

The Chernivtsi City Government has developed a regulation on public consultations in budget preparation; it is an online system/portal (<https://city.cv.ua/community/konsultatsiji-z-gromadskistyuu>) that allows citizens to make inputs into the budget formulation and preparation process. The results of the public consultations are considered by the local government during the draft budget stage.

In terms of taking into account the proposals of the local community during the development of the budget for FY2021 (last budget submitted to the city council – local parliament for approval), the City

Government ensured the placement of draft decisions (that are easily understood by ordinary citizens) on the budget on the website of the City Government (<http://chernivtsy.eu/portal/byudzhet-chernivetskoyi-miskoyi-terytorialnoyi-gromady-na-2021-rik>). In addition, the City Government held hearings on the budget and the results of all proposals received were published on the website of the City Government (<https://city.cv.ua/mt/rizne/gromadski-slukhannya-po-byudzhetu-121>). The publication also includes a clarification (or an explanation) of ways in which inputs received from the public have shaped the final budget proposals submitted to the City Council.

Another step in the public consultation process is the announcement of a schedule of meetings by the City Council (local parliament) to allow interested parties and citizens the opportunity to participate in the consideration of issues related to the draft budget (<https://city.cv.ua/city/commission/z-pitan-byudzhetu-ta-finansiv>). The design of the City Government's website also gave opportunity and user-friendly access to visually impaired citizens to contribute to the budget formulation and preparation process. The public consultation process appears to be timely; it allows at least 5 days for public consultation/participation (please refer to Item 12 on the budget calendar - Table 17.2 below).

The score for this dimension is A.

Dimension PI-9bis.2 Public consultation in the design of service delivery programs

The City Government of Chernivtsi has established the following mechanisms for public consultation in the design and implementation of service delivery programmes, namely:

- An online portal that allows citizens to petition the City Government on the need for public service. The results of the voting based on the petition received could influence the City Government's decision to select and fund a particular service (<https://petition.e-dem.ua/chernivtsi/Petition/View/1428> <https://petition.e-dem.ua/chernivtsi/Petition/View/1444>).
- A public participatory budget system allowing citizens to decide which service the City Government should fund (<http://chernivtsy.eu/portal/polozhennya-pro-byudzhet-initsiatyv-chernivchan><http://chernivtsy.eu/portal/polozhennya-pro-byudzhet-initsiatyv-chernivchan>). This system allows citizens to vote on the proposed project; the result of the public vote determines whether the proposed public service will be funded by the City Government or not (<https://gb.city.cv.ua/>).
- Information on public consultations and their results, as well as the main concerns of civil society organisations, are published on the website of the Chernivtsi City Government. (<http://chernivtsy.eu/portal/konsultatsiyi-z-gromadkisty>; <http://chernivtsy.eu/portal/gromadyans-ke-suspil-stvo>)

Available evidence indicates that each year, and in FY2020, the local government conducts public consultation for service delivery programmes on healthcare, sports and culture, education, utilities, and transport, albeit not all service delivery programmes. It is estimated that public consultation is conducted for up to 25% of primary service delivery programmes. The feedback mechanism provided by the city government was used by citizens.

The score for this dimension is C.

Dimension PI-9bis.3 Public consultation in investment planning

For FY2020, to determine the most relevant investment projects to be financed, the City Government of Chernivtsi published information on the largest projects on its website (<https://city.cv.ua/mt/programi-mista/programi-departamentu-mistobudivnogo-kompleksu-ta-zemelnikh-vidnosin-86>). After public consultation, the results on large projects that can be funded were published (<https://gb.city.cv.ua/projects/archive/270/show/37>). However, the local government did not publish

any results and/or findings of feasibility studies or economic analysis of any investment projects. Citizens of the city monitor the implementation of projects; the monitoring of these projects is facilitated by the publication (by the City Government) of project implementation results but not the progress reports; the results were published on the City Government's Facebook page.

The score for this dimension is C.

2.4 Pillar III. Management of assets and liabilities

Pillar Three measures the effectiveness of the Government's management of assets and liabilities and the extent to which this ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

PI-10 Fiscal risk reporting

This indicator has three dimensions. Dimension 10.1 assesses the level of monitoring of fiscal risk implications of public corporations on sub-national government operations; dimension 10.2 examines the fiscal risk posed by sub-national governments; dimension 10.3 measures the level of sub-national government contingent liabilities and other fiscal risks.

PI-10 M2	Indicator/Dimension	Score 2021	Assessment of performance
	Fiscal risk reporting	C	
	10.1 Monitoring of public corporations	C	As shown in Table 10.1 below, 70.38% by value of the ten most important municipal enterprises published their 2020 annual audited reports on their respective website but within nine months after the end of the previous financial year. The remaining 29.62% by value submit their unaudited annual financial statements to their respective supervisory budgetary departments with copies to the city finance department within two months following the end of the previous financial year.
	10.2 Monitoring of sub-national governments	NA	This dimension is not applicable, as there is no first-tier lower-level government.
	10.3 Contingent liabilities and other fiscal risk	NA	This dimension is not applicable. There are neither PPP arrangements nor contingent liabilities.

Dimension PI-10.1 Monitoring of public corporations

The City Government of Chernivtsi has 37 municipal enterprises (public corporations) of which 30 are active and the remaining 7 are dormant and currently on liquidation. As shown in Table 10.1 below, 70.38% by value of the 10 most important municipal enterprises published their 2020 annual audited reports on their respective website but within nine months after the end of the previous financial year. The 70.38% by value of audited enterprises constitute the three largest enterprises by size and expenditure; these are: (i) municipal water supply, (ii) municipal heating utility company, and (iii) city retail market complex. The remaining 29.62% by value submit their unaudited annual financial statements to their respective supervisory budgetary departments with copies to the City Finance Department within two months following the end of the previous financial year.

Table 10.1 Financial reports of public corporations for FY 2020 (ten most important)

No.	Name of enterprise	Total Expenditure (UAH'000)	Expenditure as a % of total expenditure of municipal enterprises	Date of submission of annual financial statements and reference number	Availability of audited annual financial statements for FY2020	Disclosure of contingent liabilities in annual financial statements
1	Chernivtsi City Municipal Contract Road Maintenance Enterprise	75,935.00	8.52%	28/01/2021; ref. No. 226/1	No, not audited	No
2	Chernivtsi City Municipal Enterprise "Misksvitlo" (Electricity distribution)	20,308.00	2.28%	28/01/2021; ref No. 226/2	No, not audited	No
3	Municipal Enterprise "Chernivtsivodokanal" (Water Supply)	194,450.00	21.82%	28/01/2021; ref.No. 226/3	Yes; published on the website Sept 2021	No
4	Chernivtsi City Municipal Production Trust of Green Economy and Landslide Works	10,688.00	1.20%	19/02/2021; ref No. 392/1	No, not audited	No
5	City Municipal Enterprise "Chernivtsiteplokomunenerho" (Municipal Heating Utility)	322,597.00	36.20%	17/02/2021; ref No. 366/1	Yes; published on the website Sept 2021	No
6	City Municipal Enterprise "Spetskombinat" (Funeral arrangements)	9,279.50	1.04%	01/03/2021; ref No. 446/1	No, not audited	No
7	City Municipal Enterprise "Chernivtsispetskomuntrans" (Waste management and water disposal)	24,183.00	2.71%	26/02/2021; ref No. 438/2	Yes, published June 2021	No

8	Municipal Enterprise "Chernivtsi Trolleybus Management"	139,805.00	15.69%	27/01/2021; ref No. 198	No, not audited	No
9	Municipal Enterprise "City Retail Complex Kalynivskiy Rynok" (Market)	86,021.00	9.65%	26/02/2021; ref No. 438	Yes; published on the website May 2021	No
10	Taras Shevchenko Central Park of Culture and Recreation	7,953.00	0.89%	25/01/2021; ref No. 174/1	No, not audited	No
	Total expenditure of municipal enterprises	891,219.50				
	Value of municipal enterprises with published audited reports	627,251.00	70.38%			
	Value of municipal enterprises with unaudited annual financial reports	263,968.50	29.62%			

Source: Chernivtsi city government finance department

The score for this dimension is C.

Dimension PI-10.2 Monitoring of sub-national governments

This dimension is not applicable, as there is no first-tier lower-level government.

The score for this dimension is NA.

Dimension PI-10.3 Contingent liabilities and other fiscal risks

This dimension is not applicable. There are neither PPP arrangements nor contingent liabilities.

The score for this dimension is NA.

Ongoing reforms

None.

PI-11 Public investment management

This indicator assesses the process of economic appraisal, selection, costing, and monitoring of most significant public investment projects by the government. This is a new indicator; it has four dimensions.

Summary of scores

PI-11 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
11	Public investment management	C	
11.1	Economic analysis of investment projects	C	Each KSU (budgetary and extra-budgetary unit) prepares economic analyses of all investment projects in line with the PIM guidelines; the analyses are submitted to the infrastructure department of the City Government for review and thorough scrutiny. Nevertheless, the results of the economic analyses are not published.
11.2	Investment project selection	C	Less than 50% of investment projects are prioritised by the Infrastructure Department for inclusion in the City Government's budget.
11.3	Investment project costing	C	Capital investment project costing does not include recurrent cost estimates. Only the total capital investment cost with estimates for the budget year and the two outer years are provided in the budget documentation.
11.4	Investment project monitoring	C	Key spending unit responsible for the project implementation undertakes project inspection and monitoring. Additionally, technical consultants (experts recruited for inspection) conduct monitoring and evaluation visits to project sites; both physical and financial (including total cost) progress reports are prepared at least annually.

PEFA defines “major capital investment project” as follows:

- (i) the total investment cost of the project amounts to 1% or more of total annual budget expenditure, and/or;
- (ii) the project is among the largest ten projects (by total investment cost) for each of the five largest central government units, measured by the units’ investment project expenditure.

Table 11.1 below provides a list of the ten major capital investment projects for FY2020; the table also shows an analysis of their corresponding total capital cost compared with the local government expenditure budget for FY2020.

Table 11.1 List of major capital investment projects FY2020

Major capital investment project	Total cost	Expenditure budget FY2020	% of budget
Construction of sewage pumping station and pressure collector with connection to the existing sewer collector around Pryvokzalna Street in Chernivtsi	1,375,000.00	2,301,875,913.00	0.06%
Construction of pressure and non-pressure collector and sewerage pump station on B. Khmelnytsky Street	1,500,000.00	2,301,875,913.00	0.07%
Construction of sewerage network with connection of School No.25 on Blahoyev Street, 8-b and School No.8 on Dzerzhyk Street, 22	2,000,000.00	2,301,875,913.00	0.09%
Construction of a sewer collector from the sewage pumping station No.8 to Tadzhytska Street (Izmailovska St., Biloruska St., Grechanyi St., Parkova St., Tadzhytska St.)	3,641,103.00	2,301,875,913.00	0.16%
Construction of water supply and sewerage networks of individual residential buildings on Stavropolska Street	1,728,831.00	2,301,875,913.00	0.08%
Construction of external water supply and sewerage on Marmorozhska Street	1,150,000.00	2,301,875,913.00	0.05%
Construction of a sports ground of secondary school No.3 on O. Hertsen Street, 36	1,866,177.00	2,301,875,913.00	0.08%
Construction of a children's preschool institution for 160 people in the Lenkivtsi district on IV Vilshyna Lane, 13	4,383,656.00	2,301,875,913.00	0.19%
Construction of a stadium with artificial turf at 265 Holovna Street (co-financing for the implementation of the order of the Cabinet of Ministers of Ukraine dated September 27, 2017 No. 689-r)	3,160,876.00	2,301,875,913.00	0.14%
Construction of a multifunctional sports ground at Sports School No.4 at 18-A Pidkova Street	1,720,000.00	2,301,875,913.00	0.07%

Source: City Finance Department

Dimension PI-11.1 Economic analysis of investment projects

The Infrastructure Department has a Public Investment Management (PIM) guideline for economic analysis of all capital investment projects; this is published on the city administration website as well as the website of the infrastructure department. All capital investment projects go through feasibility studies prior to selection and inclusion into the annual budget. Each KSU (budgetary and extra-budgetary unit) prepares economic analyses of all investment projects in line with the PIM guidelines; the analyses

are submitted to the infrastructure department of the city government for review and thorough scrutiny. Nevertheless, the results of the economic analyses are not published.

The score for this dimension is C.

Dimension PI-11.2 Investment project selection

Investment project selection is primarily based on a needs assessment of the citizenry but is heavily influenced by political considerations. Once all project feasibility studies are completed, the Infrastructure Department reviews all feasibility reports and submits to the City Executive Committee (City Cabinet) for deliberation and initial selection. The results of the deliberations are submitted to the City Council (parliament) for debate and final selection. Officials have indicated that more than 50% of project selection is influenced by politics; therefore, less than 50% of investment projects are prioritised by the Infrastructure Department for inclusion in the City Government's budget.

The score for this dimension is C.

Dimension PI-11.3 Investment project costing

Capital investment project costing does not include recurrent cost estimates. Only the total capital investment cost with estimates for the budget year and the two outer years are provided in the budget documentation.

The score for this dimension is C.

Dimension PI-11.4 Investment project monitoring

Key spending unit responsible for the project implementation undertakes project inspection and monitoring. Additionally, technical consultants (experts recruited for inspection) conduct monitoring and evaluation visits to project sites; both physical and financial (including total cost) progress reports are prepared at least annually.

The score for this dimension is C.

Ongoing reforms

None.

PI-12 Public asset management

This indicator has three dimensions. Dimension 12.1 assesses the level at which financial assets (government investments in public or private companies) are monitored and reported; dimension 12.2 examines the extent to which non-financial assets (fixed assets) are monitored and reported; dimension 12.3 measures the level of transparency of asset disposal.

The assessment of this indicator covers subnational government budget units.

Summary of scores

PI-12 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
12	Public asset management	B	
12.1	Financial asset monitoring	C	Evidence adduced by the City Finance Office indicates that the consolidated annual financial statements show balances of bank accounts at the end of each

PI-12 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
			financial year. The City Government has a 100% stake in 35 municipal enterprises (30 are currently active), but it has no records of the number and value of shares of these municipal enterprises.
12.2	Non-financial asset monitoring	C	Each budgetary unit maintains a comprehensive list of all fixed assets (buildings, vehicles, furniture & fittings, computers, office equipment, etc.) with information on the date of purchase (age), original cost, the status of assets (usage), custodian and location. The information on fixed assets is complete and up-to-date; it is updated annually. Currently, there is no complete data on total land size with vested City Government interest.
12.3	Transparency of asset disposal	A	Ukraine has a well-established legal and regulatory framework for assets (financial and non-financial) disposal and transfer. The laws are applicable at all levels of government. The legal and regulatory provisions on asset disposal and transfer and other relevant administrative procedures such as publication of tenders for assets to be sold, public auction, and transfer of proceeds from asset disposal into the Treasury account underscore the principle of transparency for asset disposal. The laws also require the approval of the local government council (parliament) prior to asset disposal and/or transfer. All proceeds realised in FY2020 from asset disposal were directly paid into the Treasury account. Information on transfer and disposal of assets is included in the budgets and financial reports.

Dimension PI-12.1 Financial asset monitoring

Public asset management for all local governments, with specific reference to financial and non-financial assets management, is governed by the Cabinet Decree No. 351 "On Approval of the Procedure for Monitoring the Effectiveness of Asset Management." The records on financial asset holdings are maintained by the Chernivtsi City Government, not the higher levels of governments. Evidence adduced by the City Finance Office indicates that the consolidated annual financial statements show balances of bank accounts at the end of each financial year. For the FY ending on the 31st of December 2020, the total bank balance of the City Government amounted to UAH530.59 million. The City Government has a 100% stake in 35 municipal enterprises (30 are currently active), but it has no records of the number and value of shares of these municipal enterprises. As of the time of the assessment fieldwork, the City Government was in the process of valuing all municipal enterprises to ascertain their current market value.

The score for this dimension is C.

Dimension PI-12.2 Non-financial asset monitoring

The records on financial asset holdings are maintained by the Chernivtsi City Government, not the higher levels of governments. Fixed assets management is decentralised; it is the responsibility of each budgetary unit to properly record, account, and maintain all fixed assets in its custody. Each budgetary unit maintains a comprehensive list of all fixed assets (buildings, vehicles, furniture & fittings, computers, office equipment, etc.) with information on the date of purchase (age), original cost, the status of assets

(usage), custodian, and location. The information on fixed assets is complete and up-to-date; it is updated annually. The city land administration forms part of the central government cadastre system. Currently, there is no complete data on total land size with vested City Government interest; work is still underway to map two thousand hectares of land with the city for proper identification that would lead to land title registration. In mid-2021, the city began a geological survey to identify disaster-prone areas but not for purposes of identifying sub-soil assets.

The score for this dimension is C.

Dimension PI-12.3 Transparency of asset disposal

Ukraine has a well-established legal and regulatory framework for assets (financial and non-financial) disposal and transfer. The laws are applicable at all levels of government. According to the law on "Privatisation of State and Municipal Properties" Number 2269-VIII dated 18th January 2018, all public properties must be disposed of and/or transferred in accordance with principles of transparency (which requires public auction after approval of the authorised official and/or entity). Other supplementary legislations have been passed for the smooth implementation of the main law on privatisation of public properties. These include:

- (i) Cabinet Decree No. 386 "On approval of the procedure for the sale of objects of large privatization of state property,"
- (ii) Cabinet Decree No. 387 "Approval of the Procedure for Submitting Proposals for the Inclusion of Objects of State-owned Property to the List of Objects to be Privatized,"
- (iii) Cabinet Decree No. 432 "On approval of the procedure for conducting electronic auctions for the sale of small-scale privatization objects and the definition of additional terms of sale,"
- (iv) Cabinet Decree No. 433 "On approval of the Procedure for selection of operators of electronic platforms for the organization of electronic auctions for the sale of small privatization objects, authorization of electronic platforms and the definition of the administrator of the electronic trading system,"
- (v) Cabinet Decree No. 389 "On Approval of the Procedure for the Transfer (Return) of Functions for the Management of the Property of State-Owned Enterprises, the Management of Shareholding (Share) in connection with the adoption of the decision on privatization or the termination of the privatization of the privatization object,"
- (vi) Article 26 (30) of the law on 'Local Self-Governance in Ukraine' No.280/97 dated 21 May 1997 as well as Article 11 (4) of law Number 2269-VIII on "Privatization of State and Municipal Properties" state that the legislative body must approve all sale and transfer of assets.

The above legal and regulatory provisions and other relevant administrative procedures such as publication of tenders for assets to be sold, public auction, and transfer of proceeds from asset disposal into the Treasury account underscore the principle of transparency for asset disposal. The laws also require the approval of the local government council (parliament) prior to asset disposal and/or transfer.

Information on transfer and disposal of assets is included in the budgets and financial reports. For the FY2020, UAH56.5 million was realised as proceeds from asset disposal (specifically, land disposal); all proceeds were paid directly into the Treasury account.

The score for this dimension is A.

Ongoing reforms

No known reforms.

PI-13 Debt Management

There are three dimensions under this indicator; dimension 13.1 assesses the integrity and comprehensiveness of reporting local government debt (both domestic and foreign debts as well as guarantees); dimension 13.2 measures the legal and regulatory framework governing approval of loans and guarantees; dimension 13.3 assesses whether local government prepares medium-term debt strategy

Summary of scores

PI-13 M2	Indicator/Dimension	Score 2021	Assessment of performance
Debt management		B	
13.1	Recording and reporting of debt and guarantees	A	The Finance Department of the City Government of Chernivtsi maintains complete and accurate information on all its borrowings (domestic and foreign debts) as well as guarantees issued to municipal enterprises. The debt records are reconciled with creditors and updated each month based on information received from these creditors. Guarantees issued to municipal enterprises are also updated monthly based on monthly financial information received from these municipal enterprises. The Finance Department prepares a quarterly report with information on debt and guarantees, which is submitted to the Oblast and National Treasury. The report contains debt stock, debt service (interest payments), and operations.
13.2	Approval of debt and guarantees	A	According to Article 74 of the Budget Code of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea, regional and city councils have the right to borrow and issue guarantees. The City Council has documented procedures that guide the City Government's borrowing and issuance of guarantees. One key element of the procedure is the submission of proposed borrowing and guarantees by the Executive Committee to the City Council (local parliament) for approval; without the approval of the City Council, the City Government cannot borrow nor issue guarantees.
13.3	Debt management strategy	D	Each year, the Chernivtsi City Government publishes on its website (http://chernivtsy.eu/portal/programa-upravlinnya-mistsevym-borgom) the Local Debt Management Program (LDMP) which provides indicators related to debt management: (i) types of interest rates, (ii) refinancing conditions and (iii) possible risks. That said, the LDMP has no medium-term perspective.

Dimension PI-13.1 Recording and reporting of debt and guarantees

The Finance Department of the City Government of Chernivtsi maintains complete and accurate information on all its borrowings (domestic and foreign debts) as well as guarantees issued to municipal enterprises. The debt records are reconciled with creditors and updated each month based on

information received from these creditors. There are no major issues regarding the reconciliation except for minor (insignificant) exchange rate differences for foreign debt. As of the time of assessment, the City Government had contracted a foreign loan from NEFCO with a loan agreement dated 6 July 2016 for an amount of EUR5 million for the “Energy efficiency in public buildings in Chernivtsi” project. The loan balance as of the time of the PEFA assessment fieldwork (September 2021) stood at UAH96,575,535.41 (equiv. to EUR3.057 million). Guarantees issued to municipal enterprises are also updated monthly, based on monthly financial information received from these municipal enterprises. The Finance Department prepares a quarterly report with information on debt and guarantees; the report contains debt stock, debt service (interest payments), and operations. The report is submitted to the Oblast and National Treasury.

The score for this dimension is A.

Dimension PI-13.2 Approval of debt and guarantees

According to Article 74 of the Budget Code of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea, regional and city councils have the right to borrow and issue guarantees. This means that the City Government of Chernivtsi can also borrow and issue guarantees. Apart from the primary legislation on borrowing (Budget Code of Ukraine), the City Council has documented procedures that guide City Government’s borrowing and issuance of guarantees. One key element of the procedure is the submission of proposed borrowing and guarantees by the Executive Committee to the City Council (local parliament) for approval; without the approval of the City Council, the City Government cannot borrow nor issue guarantees. There is also a second layer of authorisation and approval, and this is by the central government Ministry of Finance. Without the approval of MoF, the City Government cannot borrow nor issue guarantees.

The score for this dimension is A.

Dimension PI-13.3 Debt management strategy

Each year, the Chernivtsi City Government publishes on its website (<http://chernivtsy.eu/portal/programa-upravlinnya-mistsevym-borgom>) the Local Debt Management Program (LDMP) which provides indicators related to debt management: (i) types of interest rates, (ii) refinancing conditions and (iii) possible risks. That said, the LDMP has no medium-term perspective.

The score for this dimension is D.

Ongoing reforms

No reforms.

2.5 Pillar IV. Policy-based fiscal strategy and budgeting

This pillar assesses whether the government’s fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections

PI-14 Medium-term budget strategy

This indicator measures the ability of the SNG to prepare budget estimates based on a fiscal strategy, the impact of economic context, and policy changes. It assesses the ability of the sub-national government to develop a medium-term budget that is aligned with the strategic plans for service delivery. It also

examines the extent to which annual budgets are derived from medium-term estimates. It contains four dimensions.

Summary of scores

PI-14 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
14	Medium-term budget strategy	C	
14.1	Underlying forecasts for the medium-term budget	B	For FY2021 (the last budget submitted to the City Council), the budget forecasts for both revenues and expenditures were grounded on historical data of revenue and expenditure performance for FY2020, subventions from higher-levels of government and functional allocation of expenditures. The forecasts for the budget year with the underlying assumptions are submitted to the City Council.
14.2	Fiscal impact of policy proposals	D	The City Government of Chernivtsi does not prepare any estimates of the fiscal impact of proposed changes in revenue and expenditure policies for the budget year nor the following two budget years.
14.3	Medium-term expenditure and revenue estimates	B	For the FY2021 (last budget submitted to the City Council – parliament), the annual budget documentation presents forecasts of revenues by type and expenditures according to administrative and functional classifications; there is no medium-term expenditure perspective for economic classification. The forecasts (both revenues and expenditure) are made for the budget year and the two outer years.
14.4	Consistency of the budget with previous year's estimates	D	For FY2021 compared with FY2020, the revenue forecast will increase by UAH78.5 million or 3.4% from FY2020 estimates. That said, reasons for these increases are not provided. On the expenditure side, the budget for FY2021 did not indicate changes to expenditure estimates nor explanation to any change with regards to expenditure.

Dimension PI-14.1 Underlying forecasts for medium-term budget

For FY2021 (the last budget submitted to the City Council), the budget forecasts for both revenues and expenditures were grounded on historical data of revenue and expenditure performance for FY2020, subventions from higher-levels of government, and functional allocation of expenditures. The budget forecast of the Chernivtsi City Government includes key demographic and macroeconomic indicators of the city's development, which consists of the main forecast indicators of economic and social development of Chernivtsi. In particular, it includes the volume of retail turnover of enterprises, services sold, the volume of foreign direct investment (share capital) per unit of population, the average nominal wage per employee, and the level of registered unemployed citizens. The forecasts for the budget year with the underlying assumptions are submitted to the City Council.

The score for this dimension is B.

Dimension PI- 14.2 Fiscal impact of policy proposals

The City Government of Chernivtsi does not prepare any estimates of the fiscal impact of proposed changes in revenue and expenditure policies for the budget year nor the following two budget years. Changes in revenue policy could include, for instance, the reduction or increase in a local tax rate that could have a negative effect (decrease in revenue) or positive effect (increase in revenue) on the overall revenue of the City Government; these changes in tax policy – what impact is foreseen and the financial or economic effect that is expected?

The score for this dimension is D.

Dimension PI- 14.3 Medium-term expenditure and revenues estimates

For the FY2021 (last budget submitted to the City Council – parliament), the annual budget documentation presents forecasts of revenues by type and expenditures according to administrative and functional classifications; there is no medium-term expenditure perspective for economic classification. The forecasts (both revenues and expenditure) are made for the budget year and the two outer years.

The score for this dimension is B.

Ongoing reforms

None.

Dimension PI-14.4 Consistency of the budget with previous year's estimates

During the preparation of the revenue budget, the City Finance Department considers the previous year's revenue performance, central government macroeconomic indicators with underlying assumptions and projections taxes, fees, and other revenue estimates. The City Government provides information on changes to revenue projections between the previous year and the current year's medium-term revenue budget. For FY2021 compared with FY2020, the revenue forecast will increase by UAH78.5 million or 3.4% from FY2020 estimates. That said, reasons for these increases are not provided. On the expenditure side, the budget for FY2021 did not indicate changes to expenditure estimates nor an explanation for any change with regards to the expenditure.

The score for this dimension is D.

PI-17 Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions.

Summary of scores

PI-17 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
17	Budget preparation process	C	
17.1	Budget calendar	C	The budget calendar is respected by all budget institutions. It allows key spending units (budget institutions) less than 4 weeks (actual period – only 10 days) to meaningfully complete their budget requests (detailed budget estimates).
17.2	Guidance on budget preparation	C	The City Finance Department issued budget instructions (circulars) with expenditure ceilings for functional and administrative classifications to each budget unit for the preparation of the FY2021 budget. The ceilings were not approved by the Executive Committee. The budget estimates are, however, reviewed and approved the Executive Committee.
17.3	Budget submission to the legislature	C	For all three years under assessment (2018-2020) the Executive Committee submitted the annual budget to the City Council (parliament) at least month before the start of the next fiscal year. Actual submission dates were 1 December 2017, 19 November 2018, and 22 November

PI-17 (M2)	Indicator/Dimension	Score 2021	Assessment of performance
			2019 for FY2018, FY2019, and FY2020 budgets respectively.

Dimension 17.1 Budget calendar

Table 17.1. below outlines the main steps and deadlines for local budget planning and approval; these steps are backed by law (Budget Code of Ukraine Articles 75, 75-1, 76, 77, 78).

Table 17.1: Budget approval steps and deadlines

Within one week after the draft State Budget Law is approved by the Cabinet (Latest by 22 September)	MoF issues to local governments an instructive letter which covers: <ul style="list-style-type: none"> - indicative estimates of intergovernmental transfers; - the Methodology used for intergovernmental transfers calculation; - organizational and methodical requirements to budget preparation; - template of Local Council Resolution on local budget approval.
Within one week after the draft State Budget Law is approved by the Parliament in the second reading (Lates by 27 November)	MoF submits to local governments the updated budget information established by the draft Budget Law approved by the Parliament in the second reading, including: <ul style="list-style-type: none"> - indicators of intergovernmental relations (including transfers); - textual legal provisions of the State Budget Law; - organizational and methodical requirements to budget preparation.
By 25 December	Local Budget adoption by local council

Table 17.2 below outlines the budget calendar.

Table 17.2: Chernivtsi City Government Budget Calendar FY2021 (last budget submitted to the council)

	Activities	Responsible institution	Scheduled date	Actual date
1.	Approval of the Action Plan for drafting the budget of Chernivtsi City Territorial Community for 2021	Financial Department	Until October 1	21/09/2020
2.	Receipt from the Ministry of Finance of Ukraine of calculations of forecast volumes of inter-budgetary transfers, methods of their determination, organizational and methodological requirements and other indicators for drafting local budgets	Financial Department	Within a week from the date of approval by the Cabinet of Ministers of Ukraine of the draft law on the State Budget of Ukraine	22/09/2020
3.	Bringing to the main managers the peculiarities of compiling calculations for the draft budget of the Chernivtsi City Territorial Community for 2021, organizational and methodological principles of compiling the budget forecast for 2022 - 2023 and the forecast volumes of intergovernmental transfers for the planned year	Financial Department	Until October 1, 2020	30/09/2020
4.	Calculation of budget expenditures of Chernivtsi City Territorial Community for 2021 and budget forecast for 2022-2023, based on the expected	The main managers of funds (budget institutions)	Until October 20, 2020	20/10/2020

	implementation in 2020, proven forecast indicators of intergovernmental transfers in accordance with the current legal framework			
5.	Determining and bringing to the main managers of funds expenditure limits and loans from the budget of the Chernivtsi City Territorial Community	Financial Department	October/November (of the year of budget preparation)	06/11/2020
6.	Submission of budget requests (by budget institutions) for 2021 to the Financial Department of the City Council with detailed calculations and the necessary comprehensive justifications	The main managers of funds (budget institutions)	Until November 16, 2020	16/11/2020
7.	Analysis of budget requests received from the main managers of budget funds	Financial Department	At the stage of drafting the budget	Between 17 and 20 November 2020
8.	Decision-making on the inclusion of budget requests in the draft budget of Chernivtsi City Territorial Community	Financial Department	Before submitting the draft decision for consideration by the Executive Committee of the City Council	20/11/2020
9.	Preparation of a draft City Decision Council on the budget of the Chernivtsi City Territorial Community for 2021	Financial Department	Until December 1, 2020	20/11/2020
10.	Bringing to the main managers of budget funds the amounts of inter-budget transfers considered in the draft state budget adopted by the Verkhovna Rada of Ukraine in the second reading.	Financial Department	Within one day from the date of receipt	01/12/2020
11.	Publication of the draft decision of the City Council on the budget of the Chernivtsi City Territorial Community for 2021 on the official website of the local council	Financial Department	In terms defined by the Law of Ukraine "About access to public information"	20/11/2020
12.	Involvement of the public in the process of drafting the budget of the Chernivtsi City Territorial Community (in 2020, including quarantine, by conducting electronic consultations with the public)	Financial Department	In terms determined by the separate order of the mayor	Between 10 and 16 December 2020
13.	Approval of the draft decision on the budget of the Chernivtsi City Territorial Community for 2022	Executive Committee of Chernivtsi City Council	According to regulations of the Executive Committee of City Council	16/12/2020
14.	Submission of the draft decision on the budget of the Chernivtsi City Territorial Community for 2021 for consideration and approval by the Chernivtsi City Council after its approval by the Executive Committee of the City Council	Executive Committee of Chernivtsi City Council	According to the regulations of the Executive Committee of City Council	16/12/2020
15.	Preliminary consideration of the decision on the budget at meetings of permanent commissions of the City Council	Standing commissions/committees of the City Council	According to the regulations of the City Council	22/12/2020

16.	Support of the draft budget during its consideration at the meeting of the Executive Committee of the City Council, meetings of the standing commissions of the City Council and the session of the City Council	Financial Department and the main managers of funds (budget institutions)	During the consideration of the draft budget	Between 16 and 29 December 2020
17.	Approval of the decision on the budget of the Chernivtsi City Territorial Community for 2021	City Council (local parliament)	Until December 25	29/12/2020
18.	Publication of the decision of the City Council on the budget of the Chernivtsi City Territorial Community for 2022 in mass media	Financial management	No later than 10 days from the date of the decision	06/01/2021

Source: Local Government Finance Office (Chernivtsi City)

Table 17.2 above illustrates the main steps of the annual budget calendar for FY2021 (last budget submitted to the Council – parliament). The calendar is clear and detailed but fails to allow sufficient time for all budgetary units to meaningfully prepare and submit their detailed budget proposals (requests/estimates); the calendar allows only 10 days (steps 5 and 6) for preparation and submission of budget estimates. That said, the dates outlined in the budget calendar are respected by all budget institutions.

The score for this dimension is C.

Dimension 17.2 Guidance on budget preparation

Article 75, Part 3 of the Budget Code of Ukraine defines the guidance on budget preparation for local governments. The law mandates the Finance Department to issue budget instructions (circulars) with budget ceilings (limits) to each key spending unit for the preparation of the next fiscal year's budget, per the budget calendar above (*please refer to Table 17.2 above*). This process is between September and November of the year in which the circular is issued. As shown in Table 17.2 above, the budget instruction (circular) for FY2021 was issued to all budgetary units on 30 September 2020. Thereafter, the budget ceilings (limits) based on functional and administrative classifications were issued to budget institutions on 6 November 2020; the ceilings were however not approved by the City Executive Committee (local cabinet). The draft budget is reviewed and approved by the City Executive Committee once they are completed and submitted by each budget institution.

The score for this dimension is C.

Dimension 17.3 Budget submission to the legislature

As shown in Table 17.3 below, the Executive Committee (local cabinet) submitted the budget estimates 1 month before the start of the fiscal year for the 2018 budget, 1 month and 11 days for the 2019 budget and 1 month and 8 days for the 2020 budget. Therefore, for all three years under assessment (2018-2020), the Executive Committee submitted the annual budget to the City Council (parliament) at least a month before the start of the next fiscal year.

Table 17.3 Dates of submission of the budget to the city council

Fiscal year	Date of submission
2018	1 st December 2017
2019	19 th November 2018
2020	22 nd November 2019

The score for this dimension is C.

Ongoing reforms:

None.

PI-18 Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the sub-national council scrutinizes, debates, and approves the annual budget, including the extent to which the sub-national council's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the sub-national council. It contains four dimensions.

Summary of scores

PI-18 (M1)	Indicator/Dimension	Score 2021	Assessment of performance
18	Legislative scrutiny of budgets	B+	
18.1	Scope of budget scrutiny	B	The budget review covers aggregate and detailed revenue forecasts (by types), expenditures by economic and program classifications, as well as analysis of past trends (performance) of both revenues and expenditures. That said, the budget review is only limited to the current fiscal year (in this case FY2020 – last completed fiscal year). The fiscal policy is also reviewed.
18.2	Legislative procedures for budget scrutiny	A	Chernivtsi City Council approves and follows the budget review procedures provided for in the Budget Review Regulations; this has been the case in recent years and the fiscal year 2020. The procedures allow for public consultations, the establishment of budget standing committees, negotiation procedures, and technical support where necessary to assist in the budget scrutiny process.
18.3	Timing of budget approval	A	The annual budgets for FY2018, FY2019, and FY2020 were all approved by the local council (parliament) before the start of the new fiscal year.
18.4	Rules for budget adjustments by the executive	B	The rules for in-year budget adjustments are clear and adhered to in all instances; however, they allow extensive administrative (executive committee) reallocations without any limits.

Dimension PI-18.1 Scope of budget scrutiny

According to the Budget Regulations of the budget review process approved by the Order of the Financial Department of Chernivtsi City Government dated 22nd June 2020 No.35, the draft budget is considered by the Budget Standing Committee of Chernivtsi City Council (local parliament). The budget review covers aggregate and detailed revenue forecasts (by types), expenditures by economic and program classifications, as well as analysis of past trends (performance) of both revenues and expenditures. That said, the budget review is only limited to the current fiscal year (in this case FY2020 – last completed fiscal year); City Council legislators have indicated that beginning 2022 budget, the review will cover the two outer years. The budget indicators in the context of revenues and expenditures and the fiscal policy with an explanation of the main changes that are expected in the budget are also analysed.

The score for this dimension is B.

Dimension PI-18.2 Legislative procedures for budget scrutiny

Chernivtsi City Council approves and follows the budget review procedures provided for in the Budget Review Regulations; this has been the case in recent years and the fiscal year 2020. The procedures allow for public consultations, the establishment of budget standing committees, negotiation procedures, as well as technical support where necessary to assist in the budget scrutiny process. According to Article 6 of the Rules of Procedure for budget scrutiny of the Chernivtsi City Council, all meetings of the Council and all council bodies (standing commissions/committees, etc.) must be opened to the public (<https://city.cv.ua/mt/reglamenti/reglamenti-miskoji-radi-101>). Publicity of the activities of the Council is also ensured through the mandatory official publication of conclusions and recommendations of standing committees, committee reports, draft decisions and explanatory notes of the committees, objections, and proposals of the Executive Committee (local cabinet).

The score for this dimension is A.

Dimension PI-18.3 Timing of budget approval

The Budget Code of Ukraine requires sub-national governments' legislative bodies to approve annual budget estimates by the 25th of December before the start of the new fiscal year. This legal requirement has been met by the local council (parliament) for all three years under assessment as shown in Table 18.1 below. The budget approval dates as shown in Table 18.1 below meet international good practice and according to PEFA requirements for an 'A' score; the annual budgets for FY2018, FY2019, and FY2020 were all approved before the start of the new fiscal year.

Table 18.1. Actual dates of budget approval for the last three completed fiscal years

Fiscal Year	Actual dates of approval
FY2018	21 st December 2017 with decision number 1032
FY2019	20 th December 2018 with decision number 1567
FY2020	20 th December 2019 with decision number 2005

Source: City Council decisions on budget approval for 2018-2020 (<http://chernivtsy.eu/portal/skladannya-miskogo-byudzhetu-mista-chernivtsiv-na-2016-rik>)

The score for this dimension is A.

Dimension 18.4 Rules for budget adjustments by the executive

There are clear rules for in-year budget adjustments by the executive. According to Article 23 of the Budget Code of Ukraine, the Financial Department of each local government is permitted to adjust budget allocations during the budget year without local council (parliament) approval. The rules prohibit virement in terms of increasing wage (compensation) expenditure and decreasing other expenditures, and the increase of expenditures for functioning of local authorities. The approved annual budget may be adjusted/reallocated in the following instances:

- increase of incomes of special fund according to the actual sum and expenses of special fund in coordination with the city council, but without change of the decision on the budget for the corresponding year;
- transfer of authority to make expenditures from one key spending unit to another in accordance with the decision of the city council with the consent of the standing commission on the budget of the city council;
- redistribution of budget expenditures between the budget programs of the key spending unit in the total amount of budget allocations of the budget with the consent of the standing commission on budget of the city council;

- distribution of reserve costs budget fund with the consent of the standing commission on the budget of the city council.

The rules for in-year budget adjustments are clear and adhered to in all instances; however, they allow extensive administrative (executive committee) reallocations without any limits. This phenomenon could affect planned service delivery programmes.

The score for this dimension is B.

Ongoing reforms:

None.

2.6 Pillar V: Predictability and control in budget execution

This pillar assesses whether the budget is implemented within a system of effective standards, processes and internal controls, ensuring that resources are obtained and used as intended.

PI-19 Tax administration

This indicator focuses on the administration of the SNG core taxes. This indicator assesses the procedures used to collect and monitor the core taxes of the sub-national government. It contains four dimensions.

Summary of scores

PI-19 M2	Indicator/Dimension	Score 2021	Assessment of performance
Revenue administration		NA	
	19.1 Rights and obligations for tax measures	NA	As the central government STS collects all taxes through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable.
	19.2 Property tax register and valuation	NA	As the central government STS collects all taxes through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable. Additionally, the property tax register is maintained and administered by the central government Ministry of Justice and the STS respectively.
	19.3 Tax risk management, audit and investigations	NA	The Local Tax Office does not conduct any tax audit and fraud investigations; this function is the remit of the Oblast (Regional) Tax Service which is a branch office of the central government State Tax Service. Based on this information, assessors consider this dimension as not applicable.
	19.4 Tax arrears monitoring	NA	As the central government STS collects all revenues through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable.

Background

Local tax rates and fees, as well as the determination of a list of tax agents, are set up by local governments in accordance with Article 12.4 of the Tax Code of Ukraine. Table 19.1 below provides a summary of taxes collected in the last three completed fiscal years 2018-2020 by the State tax service on behalf of the Chernivtsi City Administration but with a revenue-sharing arrangement. As all collections are done by the STS's local office, which is a branch of the national STS, this indicator (PI-19) and all its dimensions are not applicable.

Table 19.1: Summary of total revenues (excluding grants) for 2018 to 2020 (UAH)

Economic heads	Total for 3 years FY2018-FY2020	
	UAH	%
Tax revenue		
Taxes on income, profit and capital gains	696,127,591.5	13.6%
Taxes on payroll and workforce	2,709,058,806.4	53.1%
Taxes on property	563,775,428.6	11.0%
Taxes on goods and services	416,685,336.6	8.2%
Other taxes	6,864,580.7	0.1%
Non-tax revenue		
Property income	78,476,326.4	1.5%
Sales of goods and services	459,049,654.6	9.0%
Fines, penalties and forfeits	9,357,236.7	0.2%
Other non-tax revenue	165,252,629.2	3.2%
Total	5,104,647,590.7	100%

Source: Finance Department, Chernivtsi City Administration

Dimension PI-19.1 Rights and obligations for tax measures

As the central government STS collects all taxes through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable.

Even though this dimension is not applicable, the assessment team had a discussion with the Entrepreneurs' Club (Private Sector Business Association) to ascertain the clarity of tax laws, ease of filing tax returns, and the client service system. According to the Club, there is comprehensive, clear and up-to-date information on State Tax Service's website regarding tax rates, filing processes, and taxpayer redress mechanism. The State Tax Service (STS) conducts tax education regularly especially where new tax rates and procedures have been introduced. The STS has an online client service system for taxpayer enquiry. Additionally, there is a toll-free telephone (number 0800-501007) call system for complaints and enquiry. Officials of the private business club also indicated that 99% of tax complaints are resolved administratively. Tax redress procedure is governed by Articles 52 and 53 of the Tax Code of Ukraine; it mandates STS to respond to all taxpayer complaints within twenty-five calendar days.

The score for this dimension is NA.

Dimension PI-19.2 Property tax register and value assessment

As the central government STS collects all taxes through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable. Additionally, the

property tax register is maintained and administered by the central government Ministry of Justice and the STS respectively.

The score for this dimension is NA.

Dimension PI-19.3 Revenue risk management, audit and investigations

The local tax office does not conduct any tax audit and fraud investigations; this function is the remit of the Oblast (Regional) Tax Service which is a branch office of the central government State Tax Service. Based on this information, assessors consider this dimension as not applicable.

The score for this dimension is NA.

Dimension PI-19.4 Tax arrears monitoring

As the central government STS collects all revenues through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable.

The score for this dimension is NA.

PI-20 Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling revenue accounts. Accurate recording and reporting of tax and non-tax revenue collections are important to ensure that all revenue is collected in accordance with relevant laws. It contains three dimensions.

Summary of scores

PI-20 M1	Indicator/Dimension	Score 2021	Assessment of performance
	Accounting for revenue	A	
	20.1 Information on revenue collections	A	Each month, the Finance Office of the City Administration receives a revenue report on total tax collections from the local office of the State Tax Service broken down into tax types. Furthermore, all entities collecting non-tax revenues also submit monthly revenue reports to the City Finance Office. The City Finance Office then prepares a monthly consolidated report of all revenues classified according to tax and non-tax revenue types.
	20.2 Transfer of revenue collections	A	All taxpayers pay their taxes directly into the local government Treasury accounts opened at the level of the State Treasury Service. This means that 86% of local government domestic revenues (taxes) are directly transferred to the Treasury within 24 hours. Non-tax revenues which constitute 14% of local government revenues are also deposited into the Treasury account daily.
	20.3 Tax accounts reconciliation	NA	This dimension is not applicable, as it assesses core tax which is the responsibility of STS.

Dimension PI-20.1 Information on revenue collections

Table 19.1 above summarises taxes and non-tax revenue collections for the last three completed fiscal years under assessment. 86% of all revenue collections are done by the local office of the State Tax Service; the remaining 14% is collected by various entities collecting non-tax revenue. Each month, the Finance Office of the City Administration receives a revenue report on total tax collections from the local office of the State Tax Service broken down into tax types. Furthermore, all entities collecting non-tax revenues also submit monthly revenue reports to the City Finance Office. The City Finance Office then prepares a monthly consolidated report of all revenues classified according to tax and non-tax revenue types.

The score for this dimension is A.

Dimension PI-20.2 Transfer of revenue collections

The local government (Chernivtsi City Administration) uses the central government revenue administration system for tax and non-tax revenue collection; the system is within the Treasury Single Account architecture. The system does not allow taxpayers to pay their taxes to any tax official or personnel. Additionally, the local office of the State Tax Service does not maintain a transit bank account for collecting, retaining, and transferring tax collections. All taxpayers pay their taxes directly into the local government Treasury accounts opened at the level of the State Treasury Service. This means that 86% of local government domestic revenues (taxes) are directly transferred to the Treasury within 24 hours. Non-tax revenues which constitute 14% of local government revenues are also deposited into the Treasury account daily.

The score for this dimension is A.

Dimension PI-20.3 Tax accounts reconciliation

This dimension is not applicable, as it assesses core tax which is the responsibility of the State Tax Service.

The score for this dimension is NA.

PI-21 Predictability of In-year Resource Allocation

This indicator assesses the extent to which the finance department can forecast cash commitments and requirements and provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions. Dimension 21.1 assesses the consolidation of cash balances; dimension 21.2 examines cash forecasting and monitoring; dimension 21.3 assesses the existence of information on commitment ceilings; dimension 21.4 assesses the significance of in-year budget adjustments.

Summary of scores

PI-21 M2	Indicator/Dimension	Score 2021	Assessment of performance
	Predictability of in-year resource allocation	B	
	21.1 Consolidation of cash balances	A	Order 122 of June 26, 2002, issued by the State Treasury Service of Ukraine mandates all local governments to use the central government Treasury Single Account (TSA) framework. The City Treasury bank accounts are linked to the TSA which are maintained in the Central Bank of

PI-21 M2	Indicator/Dimension	Score 2021	Assessment of performance
			Ukraine. All bank balances are consolidated daily. There is no petty cash or imprest system.
	21.2 Cash forecasting and monitoring	C	Each year and in FY2020, the City Finance Department prepared a consolidated cash flow forecast with inputs from all key spending units in terms of their cash requirements, even though each budgetary unit does not physically prepare annual cash flow forecasts. The annual flow plan is not updated.
	21.3 Information on commitment ceilings	A	The City Finance Department issues annual expenditure commitment ceilings to each key spending unit. The annual expenditure commitment ceilings allow key spending units to plan and commit for expenditure for the whole year within the approved annual budget allocations.
	21.4 Significance of in-year budget adjustments	C	Budget adjustments within the year are frequent and partially transparent; these adjustments are done in line with documented procedures for budget virements which are known to key spending units. For FY2020, the city government budget was amended/adjusted seven times within the year; the cumulative amendments stood at 5.8% of the total originally approved budget.

Dimension PI-21.1 Consolidation of cash balances

Order 122 of June 26, 2002, issued by the State Treasury Service of Ukraine mandates all local governments to use the central government Treasury Single Account (TSA) framework. The City Treasury bank accounts are linked to the TSA, which are maintained in the Central Bank of Ukraine. The number of bank accounts operated by the City Treasury depends on the number of expenditure codes created and approved by the central government Treasury; this may change from one year to the other. For the fiscal year 2020, the City Treasury operated thirty bank accounts all linked to the TSA. All bank balances are consolidated daily. There is no petty cash or imprest system. As of 14th September 2021, the daily consolidated cash balance stood at UAH41,672,720.09.

The score for this dimension is A.

Dimension PI-21.2 Cash forecasting and monitoring

Each year and in FY2020, the City Finance Department prepared a consolidated cash flow forecast with inputs from all key spending units in terms of their cash requirements, even though each budgetary unit does not physically prepare annual cash flow forecasts. The consolidated annual flow forecast is based on the annual procurement plan prepared by each budgetary unit once the annual budget is approved by the city legislature (council). The annual cash flow plan indicates cash requirements per month, not broken down into twelve equal instalments but based on cash needs of budgetary units per month. That said, the annual flow plan is not updated.

The score for this dimension is C.

Dimension PI-21.3 Information on commitment ceilings

Once the City Council (parliament) approves the annual budget, the City Finance Department issues reliable annual budget commitment ceilings broken down into months according to economic classifications to each key spending unit. The annual expenditure commitment ceilings allow key spending

units to plan and commit for expenditure for the whole year within the approved annual budget allocations.

The score for this dimension is A.

Dimension PI-21.4 Significance of in-year budget adjustments

Budget adjustments within the year are frequent and partially transparent; these adjustments are done in line with documented procedures for budget virements which are known to key spending units. Article 78 of the Budget Code of Ukraine regulates these in-year budget adjustments in terms of the rights by local governments to amend the local budget in case of over fulfilment (of under fulfilment) of the budget. For FY2020, the City Government budget was amended/adjusted seven times within the year; the cumulative amendments stood at 5.8% of the total originally approved budget. Reference is also made to the variance in expenditure composition and economic classification under PI-2.1 and PI-2.2 above; the analysis shows significant in-year budget adjustments.

The score for this dimension is C.

PI-22 Expenditure Arrears

This indicator has two dimensions. Dimension 22.1 assesses the level of stock of expenditure arrears; dimension 22.2 examines the framework for monitoring expenditure payments arrears.

Summary of scores

PI-22 M1	Indicator/Dimension	Score 2021	Assessment of performance
	Expenditure arrears	A	
	22.1. Stock of expenditure arrears	A	Available data obtained from the City Treasury and selected key spending units (Education Department, Health Department, Infrastructure Department) indicates that in each of the last three completed fiscal years FY2018-FY2020, there were no stock of expenditure arrears relating to employee remuneration/salary, pension payments, suppliers, contractors, and loan creditors.
	22.2. Expenditure arrears monitoring	A	The City Treasury, after the receipt of the monthly statement on outstanding expenditure commitments, prepares a consolidated quarterly report within two weeks after the end of the quarter. This report is submitted to the Oblast Treasury.

Dimension PI-22.1. Stock of expenditure arrears

In Ukraine, expenditure arrears are defined in the national legislation as, according to *“Order of the Ministry of Finance No. 372 dated 2 April 2014 On Approval of the Procedure for Accounting of Certain Assets and Liabilities of Budget-Sustained Institutions and Amendment of Certain Regulatory Legal Acts on Bookkeeping of Budget-Sustained Institutions,”* overdue commitments payable after the 30th day of the expiration of the mandatory payment deadline in accordance with the agreements entered into. The legal requirement does not allow key spending units to owe suppliers of goods and services beyond the stipulated timeframe; this is strictly monitored and enforced by the City Treasury.

Available data obtained from the City Treasury and selected key spending units (Education Department, Health Department, Infrastructure Department) indicates that in each of the last three completed fiscal years FY2018-FY2020, there was no stock of expenditure arrears relating to employee

remuneration/salary, pension payments, suppliers, contractors, and loan creditors. The annual financial statements in each of the three years under review showed zero balances as of 31st December.

The score for this dimension is A.

Dimension 22.2. Expenditure arrears monitoring

The Budget Code of Ukraine mandates all key spending units to prepare a monthly statement of outstanding expenditure commitment and submit the same to the Treasury. In practice, this requirement is complied with by each spending unit even though there were no expenditure arrears. The statement of outstanding commitment is referred to as “Form No.7m of Treasury reports”. The City Treasury, after receipt of the monthly statement on outstanding expenditure commitments, prepares a consolidated quarterly report within two weeks after the end of the quarter. This report is submitted to the Oblast Treasury.

The score for this dimension is A.

PI-23 Payroll Controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions.

Summary of scores

PI-23 M1	Indicator/Dimension	Score 2021	Assessment of performance
	Payroll controls	B+	
	23.1 Integration of payroll and personnel records	B	The HR and payroll management system is decentralised. Each key spending unit (budgetary and extra-budgetary unit) manages its own HR and personnel records. There is no direct linkage between personnel and payroll software. There is an approved staff list which forms the basis of staff recruitment. The payroll is fully supported by complete documentation for all changes made to personnel records.
	23.2 Management of payroll changes	A	Changes to personnel and payroll records are swiftly done within 48 hours of the initiation of the change. These changes are approved by the city mayor for all budget institutions on the one hand, and the head of the Institution for Extra-Budgetary Units on the other hand. There were no payroll arrears that would require retroactive adjustments.
	23.3 Internal control of payroll	A	All changes to payroll and personnel records are supported by official documentation with full integrity. The payroll software used by both budgetary and extra-budgetary units generates an audit trail; entry to the software is passworded. The centralised HR software for all budgetary units restricts access to unauthorised users; it generates an audit trail for authorised users.
	23.4 Payroll audit	B	In 2020, the Labour Inspectorate Commission conducted a payroll audit spanning the three fiscal

PI-23 M1	Indicator/Dimension	Score 2021	Assessment of performance
			years 2018-2020. The audit covered all key spending units (budgetary and extra-budgetary units) within the City Administration.

Dimension PI-23.1. Integration of payroll and personnel records

The Chernivtsi City Administration has a centralised human resource management database (software) for all budgetary institutions, even though the HR management function is decentralised at the budgetary unit level. There is a staff list approved each year by the City Council (parliament); this forms the basis of staff recruitment by each budget institution with the authorisation of the city mayor. Extra-budgetary units have their own separate HR database, mostly manual, also with a staff list approved by the city mayor. Each key spending unit (budgetary and extra-budgetary units) has a payroll management software for processing and payment of salaries/remunerations. The centralised HR management software for all budgetary institutions, housed at the City Administration HR Department, is not directly linked to the individual payroll software of each budgetary institution. Extra-budgetary units, whose HR management activities are mostly manual, have no direct linkage between HR and payroll systems.

There is a manual daily attendance sheet system where all staff sign in and out; this is used to calculate and process the monthly payroll. Prior to processing and payment of monthly payroll, the head of each institution (budgetary and extra-budgetary) checks the current month's payroll (based on HR and Accounts records from HR and Accounts Departments respectively) against the previous month's record for any changes. Where changes are found, there is proper documentation that supports those changes, authorised by the head of each institution and approved by the city mayor for budgetary units. All changes to HR and payroll records for extra-budgetary units are authorised and approved by the head of each extra-budgetary unit.

The score for this dimension is B.

Dimension PI-23.2. Management of payroll changes

Changes to personnel and payroll records are swiftly done within 48 hours of the initiation of the change. These changes are approved by the city mayor for all budget institutions on the one hand, and by the head of Institution for Extra-Budgetary Units on the other hand. Personnel and payroll records are always updated within the same month before processing and payment of salaries. As a result, there were no payroll arrears that would require retroactive adjustments. Available records from the Education Department and Health Department indicated that there were no payroll changes between July and September 2021.

The score for this dimension is A.

Dimension PI-23.3 Internal control of payroll

The City Administration's HR Department maintains all the paper file records of each budgetary unit staff; the information of each staff feeds into the centralised HR management software. The paper files of staff of each budgetary unit are securely kept in a safe under lock and key. Each extra-budgetary unit also has an HR unit that securely keeps the paper files of each staff in a safe. Only authorised HR staff has access to these files. All changes to payroll and personnel records are supported by official documentation with full integrity. The payroll software used by both budgetary and extra-budgetary units generates an audit

trail; entry to the software is passworded. The centralised HR software for all budgetary units restricts access to unauthorised users; it generates an audit trail for authorised users. Authorised users have passcodes for entry access.

The score for this dimension is A.

Dimension PI-23.4. Payroll audit

In 2020, the Labour Inspectorate Commission conducted a payroll audit spanning the three fiscal years 2018-2020. The audit covered all City Government key spending units (budgetary and extra-budgetary units). The audit discovered certain anomalies:

- The payroll audit City Municipal Enterprise "Pharmacy No.2" revealed several violations in the calculation of wages for employees which led to overpayments amounting to UAH 4,339.67 and underpayments amounting to UAH 26,201.22;
- The payroll audit of Municipal Sports and Health Enterprise "Bukovina" revealed several violations in the calculation of wages for employees, which led to overpayments in the total amount of UAH 19,170.04 and underpayments in the total amount of UAH 61,607.00.

The score for this dimension is B.

PI-24 Procurement

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. The scope of this indicator covers every procurement of goods, services, civil works, and major equipment investments, whether classified as recurrent or capital investment expenditures. It contains four dimensions.

Summary of scores

PI-24 M2	Indicator/Dimension	Score 2021	Assessment of performance
Procurement		A	
	24.1 Procurement monitoring	A	As shown in Table 24.2 below, 84.8% by value of procurement goes through a competitive method in the national electronic system (prozorro.gov.ua); the data is complete and published in real-time indicating the purpose of the contract, the entity or person who won the contract, and the value of the contract awarded. There is also complete and accurate information from the local government Procurement Department on the remaining 15.2% by value of sole-sourced procurement that does not go through the electronic system. This means that 100% of all procurement activities for goods, services and works are monitored; the information is accurate and complete.
	24.2 Procurement methods	A	Consolidated information obtained from the electronic system and verified by the national procurement authority indicates that 84.8% (69.3% open tender, 6.1% negotiated restricted tender, and

PI-24 M2	Indicator/Dimension	Score 2021	Assessment of performance
			9.3% negotiated shortened restricted tender) of all public procurement activities within the City Administration go through a competitive method.
	24.3 Public access to procurement information	A	Table 24.3 below summarises the PEFA requirements for public access to procurement information. All six PEFA elements have been met. The information is made available to the public promptly. The procurement information is complete and reliable; it is independently verified by the State Audit Service (SAS).
	24.4 Procurement complaints management	B	The procurement complaints management system meets five out of six PEFA criteria. Element two is not met.

Dimension PI-24.1. Procurement monitoring

The Public Procurement Law mandates all key spending units and/or procuring entities to publish all forms and methods of procurement above UAH50,000. As shown in Table 24.2 below, 84.8% by value of procurement goes through a competitive method in the national electronic system (prozorro.gov.ua); the data is complete and published real-time indicating the purpose of the contract, the entity or person who won the contract, and the value of the contract awarded. There is also complete and accurate information from the local government Procurement Department on the remaining 15.2% by value of sole-sourced procurement that does not go through the electronic system. This means that 100% of all procurement activities for goods, services and works are monitored; the information is accurate and complete.

The score for this dimension is A.

Dimension PI-24.2 Procurement methods

The Ukrainian Public Procurement Law allows these forms (methods) of public procurement to be carried out, namely: (i) open bidding; (ii) competitive dialogue; (iii) procurement under the framework agreement; and (iv) negotiation procurement procedure. The thresholds are as follows (Table 24.1):

Table 24.1: Procurement threshold (applicable at all levels of government)

Procurement method	Threshold			
	Normal activity in the economy		Other areas of economy ⁶	
	Goods & Services	Works	Goods & Services	Works
Open competition	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million
Competitive dialogue	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million

⁶ Examples of other areas of the economy include: (i) gas production, transportation, supply and storage; (ii) production, transportation and supply of thermal energy; (iii) production, transmission, distribution, purchase and sale, supply of electric energy, centralized dispatch (operational-technological) management of the unified energy system of Ukraine; (iv) production, transportation and supply of drinking water, ensuring the functioning of a centralized water disposal system; (v) the services delivery for the use of public railway infrastructure, the functioning of urban electric transport and the operation of its facilities for the delivery of transportation services;

Framework contract	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million
Negotiated procedure	Equal or above UAH200,000	Equal or above UAH1.5million	Equal or above UAH1.0 million	Equal or above UAH5.0 million

Each key spending unit is responsible for its procurement activities. Procurement is conducted through the national (central) electronic system (prozorro.gov.ua). Consolidated information obtained from the electronic system and verified by the national procurement authority indicates that 84.8% (69.3% open tender, 6.1% negotiated restricted tender and 9.3% negotiated shortened restricted tender) of all public procurement activities within the City Administration go through competitive method. The remaining 15.2% of procurement activities are sole-sourced. Please refer to Table 24.2 below for details.

Table 24.2 Methods of procurement for FY2020

Procurement method	Plan (UAH)	Plan (%)	Actual (UAH)	Actual (%)
Open tender	675,009,060.00	67.5%	622,242,676.00	69.3%
Without the usage of the electronic system (sole sourcing)	185,762,194.00	18.6%	136,850,151.00	15.2%
Negotiation procedure (restricted tender)	54,803,155.00	5.5%	54,803,155.00	6.1%
Negotiation procedure (shortened restricted tender)	83,876,120.00	8.4%	83,876,120.00	9.3%
Total	999,450,529.00	100.0%	897,772,102.00	100.0%

Source: prozorro.gov.ua and City Administration Procurement Department

The score for this dimension is A.

Dimension PI-24.3. Public access to procurement information

The national Procurement Law (Articles 9 and 10), which is also applicable at the local government level, outlines the list of information that must be published; this information can be obtained on the website (<https://prozorro.gov.ua>):

- annual procurement plan;
- announcement of the procurement procedure and tender documentation;
- changes to and clarification of the tender documentation (if any);
- announcement of the information about the concluded framework agreement (in the case of procurement under the framework agreement);
- the protocol of consideration of the tender offers;
- notice on intention to enter a procurement contract;
- information on the rejection of the bidder's bid;
- list of bidders whose bids have not been rejected;
- procurement contract;

- a report on the results of the procurement procedure;
- notification of changes to the contract;
- contract performance report;
- a report on concluded contracts;
- public procurement report;
- complaints to the body of appeal;
- decisions taken by the body;
- the findings of the experts involved by the appeal body;
- appeals from individuals and legal entities and clarification of the customer;
- notification of cancellation of bidding or acknowledgement of their failure;
- the decision to start procurement monitoring and the conclusion on the results of such monitoring;
- information on conducting competitive dialogue;
- the annual procurement report containing an analysis of the functioning of the public procurement system and summarized information on the results of controls in the procurement area.

Table 24.3 below summarises the PEFA requirements for public access to procurement information. All six PEFA elements have been met. The procurement information is complete and reliable; it is independently verified by the State Audit Service (SAS).

For purposes of triangulation, the assessment met the Entrepreneurs' Club (private businesses association). The Club confirmed that procurement information of key spending units is published on the website (Prozorro); members of the Club have, however, indicated that there appears to be too much procurement information on the government's website to the extent that private businesses sometimes miss certain crucial tenders. The Club has acknowledged the need to employ procurement specialists for their businesses to monitor government procurement processes.

Table 24.3: Public Access to Procurement Information

Element/ Requirements	Met (Y/N)	Evidence used/ Comments
1. Legal and regulatory framework for procurement	Yes	Procurement Law and Regulations are on the website (https://prozorro.gov.ua)
2. Government procurement plan	Yes	As required by the Procurement Law (Article 9), procurement plans are published on the website (https://prozorro.gov.ua)
3. Bidding opportunities	Yes	Published on the website (https://prozorro.gov.ua) as well as the Chernivtsi City official local government website
4. Contract awards (Purpose, contractor and value)	Yes	Published on the website (https://prozorro.gov.ua)
5. Data on resolution of procurement complaints	Yes	Published on the website (https://prozorro.gov.ua); this aspect is managed by the Anti-Monopoly Committee of Ukraine (AMCU)
6. Annual procurement statistics	Yes	Published on the website (https://prozorro.gov.ua)

The score for this dimension is A.

Dimension PI-24.4. Procurement complaints management

The Antimonopoly Committee of Ukraine (AMCU) manages procurement complaints at all levels of government (central and local). The functions of the AMCU are prescribed under Article 18 of the Public Procurement Law. The AMCU is a very functional and active body for resolving all procurement complaints. Table 24.4 below summarises the procurement complaints mechanism; the complaints framework meets all but criteria (ii) of the PEFA requirements.

The private sector has confirmed the efficacy of the procurement complaints framework. According to the Club, complaints are resolved by AMCU within the legal requirements. Some challenges have been identified with regards to the Prozzoro system, including: (i) the Prozzoro system has no restrictions for dumping and low pricing by prospective bidders, (ii) budget restrictions for suppliers within the budget year – meaning, if bidders fail to meet supply deadlines within the budget year, then the bid is cancelled, and (iii) inconsistencies between the Budget Code of Ukraine and the national Procurement Law.

Table 24.4 Elements of procurement complaints framework

Elements/Requirements	Met (Yes/No)	Evidence used/ Comments
Complaints are reviewed by a body which:		
(i) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions.	Yes	Members of the AMCU Complaint Board do not participate in procurement procedures and are in the process of decision-making on determining a tender winner.
(ii) Does not charge fees that prohibit access by concerned parties.	No	In accordance with the Order of Cabinet Ministers Number 292 dated 22 April 2020, 0.3% of the expected cost of a procured item or a part thereof (lot) if challenged, but not less than UAH 2,000.00 and no more than UAH 85,000.00. <i>(Please note that these fees may be insignificant at the national level but they may be significant at the local government level and could deter the filing of complaints.)</i>
(iii) Follows processes for submission and resolution of complaints that are clearly defined and publicly available.	Yes	Complaints are filed electronically through the Prozorro electronic procurement system; this is publicly known and available.
(iv) Exercises the authority to suspend the procurement process.	Yes	The electronic procurement system automatically suspends the procurement procedure until the determination of the appeal.
(v) Issues decisions within the timeframe specified in the rules/regulations.	Yes	The deadline for consideration of a complaint does not exceed fifteen business days by law.
(vi) Issues decisions that are binding on every party (without) precluding subsequent access to an external higher authority.	Yes	The AMCU Complaint Board decisions are binding but could be challenged in the law court.

The score for this dimension is B.

PI-25 Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. The indicator assesses the segregation of duties, the effectiveness of expenditure commitment controls and the compliance with payment rules and procedures. The assessment of this indicator covers the local government, including budget units and extra-budgetary units.

Summary of scores

PI-25 M2	Indicator/Dimension	Score 2021	Assessment of performance
	Internal controls on non-salary expenditure	B+	
	25.1 Segregation of duties	A	The procedures for segregation of duties are clear and appropriate, as they prescribe who is responsible for generating an expenditure (raising a local purchase order – LPO), who authorises such expenditure, and who approves and pays expenditures. The rules/procedures also prescribe those officers recording financial transactions should not approve such transactions. The Public Procurement Law delineates the roles and responsibilities of public officials in the procurement process; public officers who prepare procurement tenders are separate from those who evaluate the tenders, those approving tenders, and those who sign procurement contracts. The Accounting Manual also prescribes clear rules/procedures for segregation of duties including expenditure commitment, authorisation, payment and recording.
	25.2 Effectiveness of expenditure commitment controls	C	Expenditures of key spending units (budgetary and extra-budgetary units) are made exclusively in accordance with the limits within the approved estimate/budget according to the classification of expenditures. The financial management system does not limit expenditure commitments to the unavailability of cash; this is the case for both budgetary and extra-budgetary units.
	25.3 Compliance with payment rules and procedures	A	There is a high degree of compliance with payment rules and procedures. As of the time of this assessment, financial violations were below 1% of total city government expenditure; actual percentage violations were 0.42% as of September 2021.

Dimension PI-25.1. Segregation of duties

Internal control practices and segregation of duties are clearly defined in the Cabinet of Ministers of Ukraine (CMU) Resolution No.1062 dated 12th December 2018. This new resolution is also applicable at the sub-national government levels. CMU Resolution No.1062 identifies three fundamental elements of effective internal control across central (and local) government, namely: (i) enumeration of tasks and functions (job description) for each employee - heads of departments and subordinate staff; (ii) creation of authorisation and approval mechanisms; and (iii) outlining clear segregation of duties for each staff especially for those with administrative and financial implications. The procedures for segregation of duties are clear and appropriate, as they prescribe who is responsible for generating an expenditure (raising a local purchase order – LPO), who authorises such expenditure, and who approves and pays expenditures. The rules/procedures also prescribe officers recording financial transactions should not approve such transactions.

The Public Procurement Law delineates the roles and responsibilities of public officials in the procurement process; public officers who prepare procurement tenders are separate from those who

evaluate the tenders, those approving tenders, and those who sign procurement contracts. Furthermore, the signing authority does not record the transactions; there are separate officers responsible for recording procurement and financial transactions. The Accounting Manual also prescribes clear rules/procedures for segregation of duties. According to the Accounting Manual, different officials in the Finance Department are responsible for authorisation and recording, including authorisation and custody of public assets assigned to separate officials. Expenditure commitments and payments are subjected to compliance checks by the Finance Department of the City Administration headed by the Chief Administrator who reports to the Executive Committee, headed by the City Mayor.

The score for this dimension is A.

Dimension PI-25.2 Effectiveness of expenditure commitment controls

In accordance with the procedure for registration and accounting of budget commitments for state funds, approved by Order No.309 of the Ministry of Finance dated 2 March 2012, budget managers make budget commitments within approved budget allocations. Thus, expenditures of key spending units (budgetary and extra-budgetary units) are made exclusively in accordance with the limits within the approved estimate/budget according to the classification of expenditures. The financial management system does not limit expenditure commitments to the unavailability of cash; this is the case for both budgetary and extra-budgetary units. The efficient cash management system by the Finance Department of the Chernivtsi City Government ensures the availability of funds daily for payment of expenditure committed.

The score for this dimension is C.

Dimension PI-25.3. Compliance with payment rules and procedures

There is a high degree of compliance with payment rules and procedures. All expenditure commitments initiated by each key spending unit (budgetary and extra-budgetary units) go through prescribed financial management procedures; there are no exceptions or room for simplified payment procedures. As of the time of this assessment, financial violations were below 1% of total city government expenditure; actual percentage violations were 0.42% as of September 2021. They were much lower at 0.01% in 2018 and 2019, and then 0.03% in 2020.

Fiscal year	2018	2019	2020	As of Sept 2021
Value of financial violations detected (UAH)	391,224.90	363,379.87	729,822.09	10,000,000.00
Total city government expenditure	2,818,728,771.97	2,714,880,384.86	2,282,129,185.33	2,396,092,113.00
% Violations	0.01%	0.01%	0.03%	0.42%

The score for this dimension is A.

Ongoing reforms:

None.

PI-26 Internal audit

International good practice in public financial management looks at the operation of internal audit as a service to management, with the function to identify ways of correcting and improving systems and

improve the efficiency, economy, and effectiveness of the delivery of public services. This indicator assesses the standards and the procedures applied in internal audit and contains four dimensions dealing with the coverage of internal audit, the nature of audits and standards applied, the implementation of internal audit plans, and the response to internal audit reports.

The assessment of this indicator covers local government budget institutions and extra-budgetary units.

Summary of scores

PI-26 M1	Indicator/Dimension	Score 2021	Assessment of performance
Internal audit		C+	
	26.1 Coverage of internal audit	C	As of the time of assessment (fieldwork in September 2021), internal audit coverage stood at 54.7% by value of expenditure. Coverage of internal audit in terms of revenue by value is 60%.
	26.2 Nature of audits and standards applied	C	Internal audit activities involve the assessment of the adequacy of internal controls across city government institutions. Nevertheless, inadequate internal audit staff numbers limit the ability of analysing the impact of internal controls and the extent to which these controls meet the required standards. Financial audit is also carried out. International Internal Audit (IIA) Standards are not applied; the audit standards applied are those established by the central government.
	26.3 Implementation of internal audits and reporting	B	Each year, the centralized internal audit unit prepares an audit plan based on a risk profile (though not documented) of key spending units. The annual audit plan is reviewed and approved by the city mayor. Available evidence indicates that 76% of all planned audit activities for FY2020 were carried out. The city mayor and the head of the audited institution (budgetary/extra-budgetary unit) receive copies of internal audit reports.
	26.4 Response to internal audits	C	Sampled evidence of internal audit reports from departments of education and health shows that up to 70% of audit findings and recommendations are responded to the audited entity within 6 months of the issuance of audit reports.

Background

Cabinet of Ministers of Ukraine Resolution No. 1001 dated September 28, 2011, as amended by Decree 1062 dated December 12, 2018, forms the legal basis for the establishment and functions of the internal audit unit/department across public institutions including local governments. Article 26 of the Budget Code of Ukraine also mandates each key spending unit to establish an internal audit unit.

Internal Audit Standards, approved by MoF's order No 1247, dated October 4, 2011, (Chapter 3) sets out the independence of the internal audit unit/department. Organisational independence requires the internal audit unit to report directly to the head of budgetary/extra-budgetary institution. In terms of functions, the independence of the internal audit unit is assured by ensuring that internal audit activities are carried out in accordance with the annual audit implementation plan, without interference from the

audited institution; in other words, the internal auditor must have the free hand to carry out his/her work.

Dimension PI-26.1. Coverage of internal audit

In FY2020, with City Council Decision number 2353 dated 19 August 2020, the internal audit unit was dissolved but was reconstituted/re-established in FY2021 with Decision No.42 dated 28 January 2021. It is a centralised unit with a staff of three; clearly, this number is inadequate to effectively and efficiently conduct meaningful internal audits. The head of the internal audit unit reports to the city mayor. As of the time of assessment (fieldwork in September 2021), internal audit coverage stood at 54.7% by value of expenditure (refer to Table 26.1 below). Coverage of internal audit in terms of revenue by value is 60%.

Table 26.1: Internal audit coverage by value of expenditure FY2021

Date	Type	Audited entity	Annual budget FY2021	% Audited
16/07/2021	Financial audit + assessment of internal controls	Department of Education	1,311,349,500.00	54.7%
Total audited			1,311,349,500.00	54.7%
Total city government budget expenditures FY2021			2,396,092,113.00	

The score for this dimension is C.

Dimension PI-26.2 Nature of audits and standards applied

Internal audit activities are aimed at assessing the adequacy and effectiveness of internal controls. Audit inspections are carried out in accordance with the procedure for auditing key spending units and city municipal enterprises approved by the Decision No. 372/13 of the Executive Committee of the City Government dated 14 July 2015. The procedure involves the assessment of the adequacy of internal controls across city government institutions; nevertheless, inadequate internal audit staff numbers limit the ability of analysing the impact of internal controls and the extent to which these controls meet the required standards. Financial audit is also carried out. Institute of Internal Auditors (IIA) Standards are not applied; the audit standards applied are those established by the central government.

The score for this dimension is C.

Dimension PI-26.3. Implementation of internal audit and reporting

Each year, the centralised internal audit unit prepares an audit plan based on a risk profile (though not documented) of key spending units. The annual audit plan is reviewed and approved by the city mayor. Available evidence indicates that 76% of all planned audit activities for FY2020 were carried out. Additionally, the internal audit unit conducts spot checks (unplanned audits) at the request of the city mayor, the City Council (parliament) and information from citizens. The internal audit unit prepares internal audit reports (even though no systematic reporting framework – i.e., monthly, quarterly, etc.) based on the time and completion of audit activity. The city mayor and the head of the audited institution (budgetary/extra-budgetary unit) receive copies of internal audit reports.

The score for this dimension is B.

Dimension PI-26.4. Response to internal audits.

There is evidence that shows that official management response to audit findings and actions are taken based on audit recommendations. However, there is no system for tracking and consolidating audit findings, recommendations, and remedial actions taken by the audited entity. Sampled evidence of internal audit reports from departments of education and health shows that up to 70% of audit findings and recommendations are responded to the audited entity within six months of the issuance of audit reports.

The score for this dimension is C.

Ongoing reforms:

None.

2.7 Pillar VI. Accounting and reporting

This pillar measures whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

PI-27 Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions. Dimension 27.1 assesses the extent and frequency of bank reconciliations for the local government accounts; dimension 27.2 assesses the reconciliation of suspense accounts; dimension 27.3 measures the frequency of reconciling advance accounts; dimension 27.4 measures the financial data integrity processes.

Summary of scores

PI-27 M2	Indicator/Dimension	Score 2021	Assessment of performance
Financial data integrity		A	
PI-27.1	Bank account reconciliations	A	There is both a detailed and an aggregate level of reconciliation of all transactions between the cashbook and the bank statement every week; this is done within two days after the end of the previous week. Extra-budgetary units have their own separate bank accounts; these are fully reconciled within a week after the end of the previous week.
PI-27.2	Suspense accounts	NA	Not applicable. There are no suspense accounts.
PI-27.3	Advance accounts	A	There were no outstanding balances on staff advances for salaries and official travel as of the time of the fieldwork (September 2021). About contracts which are performed for more than one month, the reconciliation is carried out by the Finance Department of Chernivtsi City Government monthly within four weeks.
PI-27.4	Financial data integrity process	B	Currently, there is no separate and/or special unit or body responsible for checking the integrity of financial data. The financial management software is passworded and restricts access to unauthorised personnel; it generates an audit trail.

Dimension PI-27.1 Bank account reconciliations

As of the time of the fieldwork, the City Government of Chernivtsi operated thirty bank accounts for all revenue and expenditure transactions of the fiscal year 2020. These bank accounts are part of the central government Treasury Single Account system. The City Finance Office has access to all its treasury bank accounts held at the Central Bank of Ukraine. Therefore, the Finance Department can view and print bank statements of all its bank accounts for daily reconciliation at the aggregate level. There is also a detailed reconciliation of all transactions between the cashbook and the bank statement every week; this is done within two days after the end of the previous week. Extra-budgetary units have their own separate bank accounts; these are fully reconciled within a week after the end of the previous week.

The score for this dimension is A.

Dimension PI-27.2 Suspense accounts

There are no suspense accounts.

The score for this dimension is NA.

Dimension PI-27.3 Advance accounts

There were no outstanding balances on staff advances for salaries and official travel as of the time of the fieldwork (September 2021). With reference to contractors, the standard practice is that a 30% mobilisation fee is paid to the contractor(s) once the contract is signed. Subsequent payments are based on actual work completed and certified by the technical supervisor/consultant. For contracts signed and executed within the same financial year, there are no outstanding balances; the accounts are fully reconciled. For infrastructure contracts (which are usually medium to long term), all advance reconciliation takes place at monthly within a month after the end of the previous month. Regarding contracts that are performed for more than one month, the reconciliation is carried out by the Finance Department of Chernivtsi City Government monthly within four weeks, by summarizing all data on advances and submitting the same to the prosecutor's office. This practice deters city government officials from still holding onto unacquitted balances of advances because of fear of prosecution.

The score for this dimension is A.

Dimension PI-27.4 Financial data integrity process

Currently, there is no separate and/or special unit or body responsible for checking the integrity of financial data. Financial data integrity is verified by the same officers who enter transactions into the financial management software and those superior officers who authorise and approve financial transactions. The level of access to the financial management software depends on the level of authority; some employees have access only for viewing, some have access to data entry, and others (the head of the budgetary institution) have full access. All changes to this data are duly authorized by the head of the department and/or budgetary institution. The financial management software is passworded and restricts access to unauthorised personnel; it generates an audit trail.

The score for this dimension is B.

Ongoing reforms:

None.

PI-28 In-year budget reports

This indicator assesses the comprehensiveness, accuracy, and timeliness of the information on budget execution. In-year budget reports must be consistent with the budget coverage and classification to allow monitoring of budget performance and if necessary, timely use of corrective measures. It contains three

dimensions. Dimension 28.1 assesses coverage and compatibility of reports; dimension 28.2 assesses the timing of in-year budget reports; dimension 28.3 assesses the accuracy of in-year budget reports.

Summary of scores

PI-28 M1	Indicator/Dimension	Score 2021	Assessment of performance
In-year budget reports		C+	
PI-28.1	Coverage and compatibility of reports	A	The coverage and classification of the in-year reports allow direct comparison to the original budget classification on every level of details of administrative, economic, and functional (and program) category (please refer to Annex 3C for further evidence). There are no transfers to de-concentrated units.
PI-28.2	Timing of in-year budget reports	A	As shown in Table 28.2 below, in-year budget execution reports are issued within one week after the end of the previous month.
PI-28.3	Accuracy of in-year budget reports	C	In-year budget execution reports prepared and submitted during the year include planned and actual expenditures at the payment stage, but do not reflect expenditures at the commitment stage. The reports are useful as they provide information and analysis for top management. Concerns with regards to data accuracy are not highlighted.

Dimension PI-28.1 Coverage and compatibility of reports

Cabinet of Ministers of Ukraine (CMU) Decree No.419 dated 28th February 2000 and Ministry of Finance (MoF) Order No.44 dated 24th January 2012 are the legal and regulatory frameworks that govern the preparation of in-year budget execution reports. This law is complied with, as each budgetary unit prepares and submits monthly in-year budget execution reports to the City Treasury. The City Treasury then consolidates these budgetary units' in-year reports into a consolidated monthly report. The in-year budget execution reports show detailed revenue classification by code as well as expenditure category (recurrent and capital) according to budget programs, functional, and economic classifications. The coverage and classification of the in-year reports allow direct comparison to the original budget classification on every level of details of administrative, economic, and functional (and program) category (please refer to Annex 3C for further evidence). There are no transfers to de-concentrated units.

The score for this dimension is A.

Dimension PI-28.2 Timing of in-year budget reports

In-year budget execution reports are prepared and submitted in accordance with Order No. 44 of the Ministry of Finance dated January 24, 2012. As shown in Table 28.2 below, in-year budget execution reports are issued within one week after the end of the previous month. The E-Reporting system which was introduced in September 2018 has significantly contributed to the timely submission of in-year budget execution reports to the Treasury.

Table 28.2: Timing of in-year budget reports for the last completed fiscal year 2020

The period covered by the report	Date of submission
January 2020	7 February 2020
February 2020	4 March 2020
March 2020	3 April 2020

April 2020	6 May 2020
May 2020	4 June 2020
June 2020	3 July 2020
July 2020	4 August 2020
August 2020	3 September 2020
September 2020	5 October 2020
October 2020	4 November 2020
November 2020	4 December 2020
December 2020	6 January 2021

The score for this dimension is A.

Dimension PI-28.3 Accuracy of in-year budget reports

In-year budget execution reports prepared and submitted during the year include planned and actual expenditures at the payment stage, but they do not reflect expenditures at the commitment stage. The reports are useful as they provide information and analysis for top management. Concerns with regards to data accuracy are not highlighted.

The score for this dimension is C.

PI-29 Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions: the completeness of annual financial reports, the submissions of reports for external audit, and the accounting standards used to prepare financial statements.

Summary of scores

PI-29 M1	Indicator/Dimension	Score 2021	Assessment of performance
Annual financial reports		D+	
PI-29.1	Completeness of annual financial reports	D	The annual financial statements (AFS) of the City Government are complete. As shown in Table 29.1 below, the annual financial statements present information on revenue and expenditure according to programme, functional and economic classifications, cash balances and receivables, tangible assets, payables and long-term liabilities, guarantees, and a reconciled cash flow statement. However, the AFS are not comparable with the approved budget.
PI-29.2	Submissions of reports for external audit	D	The City Government of Chernivtsi has not submitted the FY2020 annual financial statement for external audit. The entire (all revenues and expenditures) financial records of the government have never been audited by the Audit Chamber of Ukraine (ACU) between FY2018-FY2020.
PI-29.3	Accounting standards	B	In each of the last three completed fiscal years 2018-2020, the local government prepared annual financial statements in accordance with National Public Sector Accounting Regulations prescribed by MoF, which are

PI-29 M1	Indicator/Dimension	Score 2021	Assessment of performance
			mostly in line with IPSAS; the annual financial statements have been consistent over time. The notes to the financial statements disclose the standards that have been applied to the preparation of the financial statements and the accounting policies adopted. Differences between IPSAS and National Accounting Standards are not disclosed.

Dimension PI-29.1 Completeness of annual financial reports

The annual financial statements of the City Government are complete. As shown in Table 29.1 below, the annual financial statements present information on revenue and expenditure according to programme, functional and economic classifications, cash balances and receivables, tangible assets, payables and long-term liabilities and guarantees, and a reconciled cash flow statement. The completeness of the annual financial statements (AFS) has been contradicted by the fact that the AFS are not comparable with the approved budget.

Table 29.1: Information contained in annual financial statement FY2020

Financial report ⁷	Date annual report submitted for external audit	Content of annual financial report			Reconciled cash flow statement (Yes/No)
		Expenditures by programme, functional and economic classifications and revenues (Yes/No)	Financial and non-financial assets and liabilities (Yes/No)	Guarantees and long-term obligations (Yes/No)	
Consolidated annual financial report (FY2020)	Annual financial reports are not submitted to the Accounting Chamber of Ukraine (which is the Supreme Audit Institution)	Yes	Yes	Yes	Yes

The score for this dimension is D.

Dimension PI-29.2 Submissions of reports for external audit

The City Government of Chernivtsi has not submitted the FY2020 annual financial statement for an external audit by the Accounting Chamber of Ukraine (ACU). Within the assessment period (FY2018-FY2020), the entire (all revenues and expenditures) financial records of the government have never been audited by the Audit Chamber of Ukraine (ACU). The mandate of the ACU is only limited to state transfers (subventions) to the City Government; these transfers are audited annually – which is less than 50% of the total city government budget. The city government is, however, audited at least once every three years by the State Audit Service (which is part of MoF); this cannot be considered an external audit in line with INTOSAI.

The score for this dimension is D.

⁷ This may be a consolidated financial report or a list of financial reports from all individual BCG units.

Dimension PI-29.3 Accounting standards

Preparation of public sector annual financial statements is carried out in accordance with the requirements of the National Public Sector Accounting Regulations; the rules are mostly compliant with IPSAS. In each of the last three completed fiscal years 2018-2020, the local government prepared annual financial statements in accordance with National Public Sector Accounting Regulations prescribed by MoF, which are mostly in line with IPSAS; the annual financial statements have been consistent over time. The notes to the financial statements disclose the standards that have been applied to the preparation of the financial statements and the accounting policies adopted. It should be noted that Ukraine public sector accounting regulations do not provide for the disclosure of differences between the applicable national provisions (standards) of accounting in the public sector and international accounting standards; therefore, differences between IPSAS and National Accounting Standards are not disclosed.

The score for this dimension is B.

2.8 Pillar VII. External scrutiny and audit

This pillar assesses whether public finances are independently reviewed and there is an external follow-up on the implementation of recommendations for improvement by the executive.

PI-30 External audit

This indicator assesses the quality of the external audit in terms of the scope and coverage of the audit and adherence to appropriate audit standards (including independence of the external audit institutions). The timeliness of submission of audit reports to the legislature is also important in ensuring timely accountability of the executive to the legislature and the public, much as it is for a timely follow up of the external audit recommendations. The assessment covers the local government institutions including all agencies and extra-budgetary funds (where they exist) and focuses on the last three financial years.

Summary of scores

PI-30 M1	Indicator/Dimension	Score 2021	Assessment of performance
External audit		D	
	30.1 Audit coverage and standards	D	Currently and within the last three completed fiscal years 2018-2020, the Accounting Chamber of Ukraine (ACU) did not audit the financial records of the City Government of Chernivtsi. That said, ACU has been auditing the state (central government) subventions to the City Government which represents less than 50% of total revenue and expenditure of the City Government. Based on evidence from the central government audit reports, the ACU audits largely comply with INTOSAI standards.
	30.2 Submission of audit reports to the legislature	D	Within the assessment period FY2018-FY2020, the Accounting Chamber of Ukraine (which is the Supreme Audit Institution in Ukraine) did not conduct any external audit of the financial statements of the City Government of Chernivtsi (both budgetary and extra budgetary units); therefore, it also did not submit audit reports to the City Council (legislature) for examination.

PI-30 M1	Indicator/Dimension	Score 2021	Assessment of performance
30.3	External audit follow-up	NA	During the assessment period (FY2018-FY2020), the Accounting Chamber of Ukraine did not conduct any external audit of the financial statements of the local government; therefore, it also did not provide any recommendations. This dimension is therefore not applicable.
30.4	Supreme Audit Institution (SAI) Independence	D	ACU's independence is undermined by the fact that its staff are civil servants under the authority and control of the executive (central) government. Again, it has no full mandate to audit all public funds including local governments' own resources. Furthermore, its annual budget proposals are reviewed and approved by Ministry of Finance.

Dimension PI-30.1. Audit coverage and standards

A revised audit law (which was drafted in November 2018) was passed in 2019 to expand the responsibilities of the Accounting Chamber of Ukraine to audit all central government subventions as well as delegated central government power with financial implications. Currently and within the last three completed fiscal years 2018-2020, the Accounting Chamber of Ukraine (ACU) did not audit the financial records of the City Government of Chernivtsi. That said, ACU has been auditing the state (central government) subventions to the City Government, which represents less than 50% of the total revenue and expenditure of the City Government. Based on evidence from central government audit reports, the ACU audits largely comply with INTOSAI standards.

The score for this dimension is D.

Dimension PI-30.2. Submission of audit reports to the legislature

Within the assessment period FY2018-FY2020, the Accounting Chamber of Ukraine (which is the Supreme Audit Institution in Ukraine) did not conduct any external audit of the financial statements of the City Government of Chernivtsi (both budgetary and extra-budgetary units); therefore, it also did not submit audit reports to the City Council (legislature) for examination.

The score for this dimension is D.

Dimension PI-30.3. External audit follow-up

During the assessment period (FY2018-FY2020), the Accounting Chamber of Ukraine did not conduct any external audit of the financial statements of the local government; therefore, it also did not provide any recommendations. This dimension is therefore not applicable.

The score for this dimension is NA.

Dimension PI-30.4. Supreme Audit Institution independence

The independence of the Accounting Chamber of Ukraine is undermined by the fact that the institution's staff are public servants and are subject to the whims and caprices of the central government public/civil service laws and procedures in terms of appointment and remuneration. That said, the chairperson and

his/her deputies plus board members of ACU are appointed by the Parliament; therefore, they are more independent.

While the ACU has full authority and autonomy to develop its annual audit work plan without executive (central government) interference, its audit mandate is limited by the fact that the institution (ACU) has no legal locus to audit all revenues and expenditures of the local government budget. The Chamber has the legal authority to audit only state subventions which are less than 50% of total local government operations. The audit regime in Ukraine has seen the need for the establishment of the State Audit Service (SAS) – which is under the Ministry of Finance – to audit all revenues and expenditures of central and local government institutions. The current audit arrangement empowers SAS even more than ACU. SAS is also handicapped by inadequate staff to carry out annual audits across all central and local government institutions each year; the current arrangement, therefore, is to conduct audits of public institutions at least once every three years. SAS’s audits are not aligned to the annual budget cycle, and they are also more directed towards performance and effectiveness audits as opposed to financial audits.

Good practice suggests that the annual budget of the Supreme Audit Institutions ought to be submitted to the legislature for review and approval. ACU’s independence⁸ is undermined by the current arrangement which requires it to submit its annual budget proposals to the Ministry of Finance and defend the same just like any other budget institution. Nevertheless, ACU has not suffered from arbitrary budget cuts from MoF nor delays in the release of approved annual allocations.

The score for this dimension is D.

PI-31 Legislative scrutiny of audit reports

This indicator focuses on the legislative scrutiny of the audited financial reports of the sub-national government including institutional units, to the extent that either: (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and act on their behalf. The assessment of this indicator is based on the audit reports submitted to the legislature within the last three years.

Summary of scores

PI-31 M2	Indicator/Dimension	Score 2021	Assessment of performance
Legislative scrutiny of audit reports		D	
31.1	Timing of audit report scrutiny	D	The City Council (parliament) did not receive any external audit and/or financial reports for consideration and scrutiny within the last three completed fiscal years 2018-2020.
31.2	Hearings on audit findings	NA	The City Council (parliament) did not hold any hearings on the conclusions/findings of the external audits within the last three completed fiscal years 2018-2020. Therefore, this dimension is not applicable.
31.3	Recommendations on audit by the sub-national council	NA	The City Council did not provide any recommendations on external audit reports of the

⁸ Cf INTOSAI ISSAI 1, Section 7, Point 2, Financial independence of Supreme Audit Institutions.

PI-31 M2	Indicator/Dimension	Score 2021	Assessment of performance
			City Government. Therefore, this dimension is not applicable.
	31.4 Transparency of legislative scrutiny of audit reports	NA	The City Council did not conduct any public scrutiny of external audit reports for FY2020. Therefore, this dimension is not applicable.

Dimension 31.1. Timing of audit report scrutiny

The City Council (parliament) did not receive any external audit and/or financial reports for consideration and scrutiny within the last three completed fiscal years 2018-2020.

The score for this dimension is D.

Dimension 31.2 Hearings on audit findings

The City Council (parliament) did not hold any hearings on the conclusions/findings of the external audits within the last three completed fiscal years 2018-2020. Therefore, this dimension is not applicable.

The score for this dimension is NA.

Dimension 31.3. Recommendations on audit by the sub-national council

The City Council did not provide any recommendations on external audit reports of the City Government. Therefore, this dimension is not applicable.

The score for this dimension is NA.

Dimension 31.4. Transparency of legislative scrutiny of audit reports

The City Council did not conduct any public scrutiny of external audit reports for FY2020. Therefore, this dimension is not applicable.

The score for this dimension is NA.

3 CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

3.1 Integrated assessment across performance indicators (PIs)

3.1.1. *Intergovernmental fiscal relations*

According to this assessment, the overall performance of intergovernmental fiscal relations is mixed. The transfers from higher levels of government indicates average performance (HLG-1 rated 'C'). Except for outturns of transfers from higher levels of government (HLG-1.1) which was rated 'C,' transfers composition outturn and predictability of transfers, all perform poorly (HLG-1.2 and 1.4 were all rated 'Ds'); the timeliness of transfers from higher levels of government shows good performance (HLG-1.3 rated 'A'). The average performance of transfers from higher levels of government, which is due to the central government's failure to notify local governments of their annual subventions promptly for inclusion into their annual budgets (including Chernivtsi City Government budget), had a negative impact on the performance of the City Government's budget in terms of budget reliability. It is therefore not surprising that expenditure composition outturns for both functional and economic classifications (PI-2.1 and PI-2.2) scored 'Ds.' On the contrary, fiscal rules and monitoring of fiscal positions show good performance, with an overall score of 'A,' and all dimensions are also rated 'A.' Central government fiscal and debt rules for local governments are stringent and applicable to all sub-national governments. These rules are strictly monitored, with sanctions administered to defaulting local governments.

3.1.2. *Budget reliability*

Budget reliability, according to the assessment, shows diverse performance. Aggregate expenditure budget appears to be reliable based on evidence adduced, as the corresponding analysis indicate that actual outturns are less than 5% of the original approved budget at least in two out three years (PI-1 rated 'A'). The reliability of the aggregate expenditure budget signals fiscal discipline. On the other hand, expenditure composition outturn according to function and economic category shows poor results (PI-2.1 and 2.2 all rated 'Ds'). The poor performance of expenditure composition outturns is a result of the negative effect of transfers from higher levels of government (HLG-1 rated 'C'); these transfers are not originally budgeted for by the City Government – therefore, actual transfers result in budget adjustments and reallocations across expenditure votes, the effects of which could be a misallocation of expenditure or misuse of public funds. That said, the use of the contingency vote is respected by the City Government; the actual expenditure charged to the contingency budget is 0% - this indicates some level of budget reliability. Both aggregate revenues and revenue composition were reliable (PI-3.1 and PI-3.2 all rated 'Bs').

3.1.3. *Transparency of public finances*

This pillar appears to be the strongest based on the analysis of evidence adduced and the scores obtained. The assessment shows that budget formulation, execution, and reporting are based on every level of details of administrative, economic, function, and programmatic classifications in line with GFS 2001 (PI-4 rated 'A'). At the same time, the budget documentation submitted to the City Council is very comprehensive (PI-5 rate 'A'). The city government operations outside the budget and financial reports are below 5% but above 1%; that said, this information is reported to the government on time. At this stage, the effect of city government operations outside the budget poses less threat to local government funds and cash management (PI-6 rated B+). As there is no first-tier government below the city government, PI-7 is not applicable.

Performance information on service delivery is good (PI-8 'B'). Both planned performance outputs with KPIs are published on the website, providing very useful information to the public on planned resources for service delivery as well as actual resources allocated and their effectiveness. There is complete information on all resources received in cash and kind; this means that there is reasonable assurance that budget allocations are achieving planned results. Public access to fiscal information is good (PI-9 rated 'A'); all key fiscal information including annual budgets, in-year budget execution reports, annual financial statements, and a citizens' budget are available to the public promptly. The City Government has a mechanism for public consultation during budget preparation, design of service delivery, and public investment projects; the framework for public consultation is considered satisfactory (PI-9bis rated 'B'). This has a positive impact on accountability.

3.1.4. Management of assets and liabilities

Based on the assessment, this pillar shows varied performance. The analysis shows that the City Government has reasonable control over its assets and liabilities; control over assets and liabilities improves service delivery. City municipal enterprises are monitored at least annually with the majority (about 63% by value) of these enterprises being audited annually and publishing their annual audit reports on their respective websites (PI-10.1 rated 'C'). As there are no first-tier governments below the city government and no contingent liabilities and PPPs, PI-10.2 and PI-10.3 are not applicable. Currently, the total costs of public investment projects are less than 1% of the city government budget and therefore do not qualify as 'major investment projects' in line with PEFA definition of public investments – therefore, PI-11 and all its dimensions are not applicable. That said, there is a public investment management manual/guideline for investment project analysis. Also, implementing agencies monitor the physical and financial progress of investment projects. The selection of investment projects is, however, influenced by politics. Project costing is also limited to capital cost only; recurrent cost is excluded.

Financial assets are monitored but only limited to cash/bank balances; the number of shares and the corresponding value of shares of city enterprises are unknown (PI-12.1 rated 'C'). Non-financial assets are also monitored, but at present, information on land and subsoil assets is yet to be captured (PI-12.2 rated 'C'). There is, however, a comprehensive and transparent asset disposal framework that allows public auction; all proceeds from asset disposal are paid directly into the Treasury (PI-12.3 rated 'A'). There is a good public debt approval system with laws, regulations, and procedures established by the state government but also with local council approval mechanism (PI-13.2 rated 'A'). Debt figures are complete and reconciled annually (PI-13.1 rated 'A'). The City Government, however, does not prepare a medium-term debt management strategy (PI-13.3 rated 'D').

3.1.5. Policy-based fiscal strategy and budgeting

This pillar shows mixed performance. A good medium-term fiscal strategy provides a basis for a reliable budget. At this stage, the City Government's budget is based on annual macroeconomic indicators with its underlying assumptions (PI-14.1 rated 'B'). The main macroeconomic indicators (GDP, interest rate, exchange rate, and inflation rate) are forecasted by the central government. The City Government does not estimate the fiscal impact of policy proposals (PI-14.2 rated 'D'). Nevertheless, the City Government prepares medium-term revenue and expenditure estimates; revenue is by type and expenditure is by administrative classification (PI-14.3 rated 'B'). Budget consistency analysis is non-existent (PI-14.4 rated 'D'); the absence of this analysis and its accompanying explanations has a negative impact on the reliability of the budget.

The assessment indicates that the budget preparation process is at an average level (PI-17 rated C; all dimensions also rated 'C'). While the budget calendar and circular are comprehensive and clear for budget preparation, the calendar allows less than four weeks for budget preparation and submission. Expenditure ceilings for budget proposals are also not approved by the City Executive Committee (cabinet). Budget submission to the City Council for scrutiny and approval is within one month of the start of the new fiscal year. The City Council scrutiny of the budget proposals is comprehensive but only limited to the budget year's proposals (PI-18.1 rated 'B'). The legislative review processes are well established, respected and allow public consultation (PI-18.2 rated 'A'). The City Council's timely approval of the annual budget (PI-18.3 rated 'A') is good, as it allows key spending units to better plan and use approved budget allocations for improved service delivery. In-year budget amendment procedures exist, but they allow extensive administrative reallocations without limit (PI-18.4 'B'); frequent and significant budget virements have the potential to derail planned government policies and programmes.

3.1.6. Predictability and control in budget execution

The overall performance of this pillar is above average. The State Tax Service (STS) is responsible for the administration of taxes on behalf of the City Government of Chernivtsi; therefore PI-19 and all its dimensions are not applicable. That said, STS has a user-friendly website with comprehensive and clear taxpayer information in terms of laws, rights and obligations, and the procedure for filing and payment of taxes. Client service for taxpayers is good, as it provides toll-free telephone service in addition to the online enquiry and complaint framework. There is also information on the taxpayer complaint mechanism.

Accounting for taxes shows good performance (PI-20 rated 'A'). All taxes are properly accounted for and reported promptly, which is a prerequisite for effective and efficient cash management – therefore, not surprising that the cash management framework is sound (PI-21.1 rated 'A'). All taxes collected are directly deposited into the Treasury (PI-20.2 rated 'A'); the tax reconciliation framework is also good (PI-20.3 rated 'A'). While the City Government prepares an annual cash flow plan, it is not updated (PI-21.3 rated 'C'). This could have a negative impact on the entire cash management framework as cash requirement in a particular month may not be met or could be more than actual requirements. Budgetary institutions receive reliable information on expenditure commitment at least six months in advance - actually, one year (PI-21.3 rated 'A'); this ensures timely planning of procurement activities leading to efficient service delivery. That said, the frequency and significance of in-year budget allocations are of concern, even though with an average score (PI-21.4 rated 'C'). These frequent in-year budget virements negatively affect planned service delivery programmes and overall government policies.

Expenditure arrears are well controlled and monitored (PI-22 with an overall score of 'A'). Payroll and personnel management perform satisfactorily (PI-23 with an overall score of 'B+'); this contributes to budget reliability, since payroll is one of the largest expenditure items on the budget. The City Government has a fairly good payroll and personnel records management system (some institutions use manual systems and others automated ones). Nevertheless, the payroll and personnel software management systems are not directly linked (PI-23.1 rated 'B'). Management and changes to payroll and personnel records as well as the safety, security and integrity of payroll and personnel records appear to be well managed (PI-23.2 and PI-23.3 all rated 'A'). The incidence of 'ghost' workers is non-existence mainly due to strong payroll controls coupled with periodic payroll audits (PI-23.4 rated 'B'). Procurement systems are sound (PI-24 with an overall score of 'A'); sound procurement system improves service delivery. There is good public access to all procurement information (PI-24.3 rated 'A'), with at least 90% of procurement activities going through competitive procurement methods (PI-24.2 rated 'A'). The system for managing procurement complaints is satisfactory (PI-24.4 rated 'B').

Internal controls for non-salary expenditure show satisfactory performance (PI-25 rated 'B+'), with a strong legal and regulatory framework established by the central government but also applicable at all local government levels, including the City Government of Chernivtsi. The financial management laws,

regulations, and procedures prescribe appropriate measures for segregation of duties (PI-25.1 rated 'A'). While compliance level regarding PFM laws and regulations is high (PI-25.3 rated 'A'), the financial management system/software is unable to limit expenditure based on cash availability (PI-25.2 rated 'C'). This could result in the accumulation of expenditure arrears going forward, but presently, this is not the case due to staff discipline. Internal audit functions exist and are centralised, but with an inadequate staff to cover all city government operations. Currently, coverage is below 60% (PI-26.1 rated 'C'). Internal audit standards are those of the national government; both financial and systems audits are carried out (PI-26.2 rated 'B'). Though staff numbers within the centralised internal audit unit are low, most planned audit activities are implemented (PI-26.3 rated 'B'). Response to internal audit findings shows average performance (PI-26.4 rated 'C'); there is, however, no systematic framework for monitoring and tracking the implementation of audit recommendations.

3.1.7. Accounting and reporting

The performance of this pillar is mixed, based on the assessment. The financial integrity process shows robust performance. Bank reconciliations are carried out promptly, likewise advance accounts. There are no suspense accounts; this reflects a high degree of data accuracy. Only authorised staff have access to financial records. All changes to these records are duly authorised and approved by the head of the department and/or budget institution; changes result in an audit trail (PI-27 rated 'A').

The city government in-year budget execution reports provide useful financial information for management use, even though there is no separate unit responsible for data integrity (PI-28.3 rated 'C'). The reports show information on revenue and expenditure according to administrative, functional (and programme), and economic classifications in line with GFS2001 and compatible with budget classifications, which allows direct comparison with the original budget (PI-28.1 rated 'A'). The E-Reporting system facilitates the completion and submission of in-year budget execution reports; submission is done within one week after the previous month (PI-28.2 rated 'A').

The National Accounting Standards are also applicable to the City Government for the preparation of annual financial statements (PI-29.3 rated 'B'). The annual financial statements are comprehensive as they present information on revenue and expenditure according to economic classification, cash balances and receivables, tangible assets, payables, long-term liabilities and guarantees, and a reconciled cash flow statement. That said, the annual financial statements are not comparable with the approved budget (PI-29.1 rated 'D'). The City Government also did not submit annual financial statements to the Accounting Chamber of Ukraine (ACU) within the last three years under review (PI-29.2 rated 'D').

3.1.8. External scrutiny and audit

The assessment concludes that this pillar performed poorly. The Accounting Chamber of Ukraine's legal mandate does not cover all local government's revenues and expenditures; coverage is limited to only state subventions. In the last three years under review, the City Government had not been audited by the Accounting Chamber of Ukraine (ACU). The independence of ACU is weakened by the fact that its staff are civil/public servants in terms of employment conditions, remuneration, appointment, transfer, and termination. The Auditor-General and Members of Governing Board of ACU are, however, appointed by the national legislature. The Chamber's annual budget is scrutinised and approved by MoF just like any other budget institution; this affects ACU's independence (PI-30 rated 'D'). Since the external auditors (ACU) has not audited the finances of the City Government of Chernivtsi, no external audit reports have been submitted to the City Council for scrutiny (PI-31 rated 'D').

3.2 Strengths and weaknesses of the PFM systems

3.2.1. Fiscal discipline

Strong PFM laws promulgated by the state government and applicable at all sub-national governments have contributed to fiscal discipline. The assessment also shows that there is high compliance with payment rules and procedures; this also improves fiscal discipline.

Though the expenditure budget is reliable at the aggregate level, the high deviations for both economic and functional expenditure classification resulting from unpredictable and unbudgeted higher level government transfers do not lend to efficiency in the use of resources for the delivery of public service. At present, local governments are not allowed, by law, to budget for expenditure out of revenue yet to be earmarked by the state government. The rules of engagement in terms of allocating resources/transfers from higher levels of government to agreed programmes and policies have been respected by local government officials; this may not always be the case and is likely to result in misallocation and misappropriation of public funds going forward. Fiscal discipline is strengthened by the reliability of aggregate and composition revenues.

Revenues and expenditures outside the City Government's budget and reports exist - less than 3% of City Government operations – so they do not pose a significant threat to fiscal discipline due to strong reporting requirements. The legal framework allows extra-budgetary units to use their own resources to improve service delivery; the law also requires strict and periodic reporting of these funds – this is complied with.

Fiscal risk management is at average performance; city public corporations are fairly monitored, with the majority of them being audited annually. About 19% of public enterprises are on the liquidation list due to poor performance – this could be a pointer in terms of strengthening the oversight responsibilities of public corporations. The assessment concludes that public investment management is not applicable; that said, there is a good system for managing, implementing and monitoring public investments.

One key element that usually distorts government budget and consequently impacts negatively on fiscal discipline is payroll; presently, payroll management and controls are reasonable with very little or no impact on fiscal discipline.

The ineffectiveness of the external oversight roles by the Accounting Chamber of Ukraine and the City Council, mainly due to legal limitations of the former and consequently not auditing and submitting external audit reports of the local government for legislative review, has the potential to weaken the internal control framework with a consequential effect on fiscal discipline – this is because local government staff may feel less accountable.

3.2.2. Strategic allocation of resources

Resource allocation, in a strategic manner, has been enhanced by the good budget classification in line with international good practice. The budget is detailed at every level of classification (administrative, economic, functional and programme); this facilitates traceability of allocated resources for efficient service delivery. There is also comprehensive information in the budget documentation submitted to the City Council. The comprehensiveness of budget documentation improves transparency and allows citizens to keenly monitor fiscal information.

The annual budget estimates derive their source from underlying forecasts prepared by the City Government, principally based on historical fiscal performance and current central government macroeconomic projections. These underlying assumptions and forecasts provide a basis for the allocation of resources according to policy priorities. There is, however, a weakness in terms of the City Government's inability to estimate the fiscal impact of changes in policy proposals. The budget formulation and preparation process are affected by the insufficient time allocation for key spending units to meaningfully prepare their budget proposals; this reduces the ability of key spending units to

effectively prioritise their spending needs. Nevertheless, the approval of the annual budget promptly allows key spending units to commence their annual programmes and activities in time to ensure a full utilisation of allocated resources to improve service delivery.

While on the one hand transfers from higher level government affects budget reliability due to their unpredictable nature, sufficient resources, on the other hand, are made available to the City Government for the execution of its programmes. The economic and functional reallocation of expenditure during the budget year, coupled with the frequent in-year budget virements, is of utmost concern as they could potentially affect the strategic allocation of resources. Nonetheless, this is minimised by the fact that programmes and activities have already been pre-agreed. Strategic resource allocation has been enhanced by the strong revenue accounting framework as well as the efficient cash management system, together with ensuring the availability of resources promptly for improved service delivery.

3.2.3. Efficient use of resources for service delivery

Good budget classification, which ensures that resources are allocated strategically, has led to improvement in the use of resources allocated for service delivery. This is because resources are properly allocated. The concern, however, is the frequency and significance of in-year budget virements as well as budget reallocations across expenditures by economic and functional classifications. At present, the availability of resources to fund city government programmes negates the effect of budget reallocations; also, revenues are well managed and allocated at the right time.

The effectiveness and transparency of procurement systems, resulting in most procurement activities done through competitive means, have contributed to the efficiency of the use of resources for service delivery. Competitive procurement leads to a reduction in the marginal cost of public service. This also suggests that more services could be delivered due to cost reduction.

The publication of performance information for service delivery ensures that the public can track the provision of services according to plan. If dissatisfied, the public raises questions and by doing so, it helps to improve the delivery of service efficiently. It also reduces the wastage of resources due to public accountability. There is also a good framework for recording, accounting, and reporting on all resources (both cash and kind) received by frontline service delivery units. This mechanism ensures that resources are used efficiently. Public consultation is equally satisfactory; more public engagement in the design of public service means improvement in the efficient use of resources for service delivery.

Internal audit is functional, but coverage is not enough to critically assess the efficiency and effectiveness of service delivery; external audit is almost non-existent – a negative impact on efficient service delivery due to less accountability. There are proper safeguards and accountability for public fixed assets, a prerequisite for improved service delivery. The timely preparation and publication of fiscal data (in-year budget execution reports) has led to improvement in public accountability, thereby leading to efficient use of resources for service delivery.

3.3 Performance changes since a previous assessment

This is the first assessment (baseline study).

3.4 Conclusions on service delivery

3.4.1. Intergovernmental fiscal relations

Primary service delivery was not negatively affected by the average PFM performance of transfers from higher levels of government. As indicated under HLG-1 above, deviations between budgets and actuals were relatively high. The timely release of actual transfers/subventions from state and oblast

governments negated the impact of these high deviations; this meant that funds were readily available to pay for goods and the provision of critical services.

3.4.2. Budget reliability

The assessment reveals that service delivery was not negatively affected by the mixed PFM performance of budget reliability indicators. The aggregate expenditure budget was reliable, which meant that originally budgeted expenditure was sufficiently funded and utilised within targets. Also, additional funding was made available from inflows from state and oblast governments. The unreliability of expenditure budget, according to functional and economic classifications, theoretically affects service delivery, but the state and City Government have developed a mechanism that predetermines programmes and activities to be funded. This mechanism appears to have resulted in minimising the impact of huge deviations in the economic and functional classification of expenditure. On the revenue side, except for the unreliability of revenue composition, revenue at the aggregate level is reliable and thus does not affect the revenue/cash flow streams required for the provision of primary services.

3.4.3. Transparency of public finances

The transparency framework of the City Government's PFM functions which requires the publication of all fiscal information, performance plans, and achievements for service delivery, as well as citizens' engagement during the design of service delivery programmes, has led to improvement in the delivery of primary service. The online feedback mechanism provides an opportunity to measure client satisfaction with services rendered. The City Government's budget classification architecture allows easy tracking of resource allocation to specific services, programmes, and activities; SDUs also use the same classification, and this facilitates traceability of public finances. Healthcare facilities, in particular, report on revenues and expenditures from their own resources – this helps in the transparency and accountability framework. Educational institutions revenues and expenditures are all part of the main budget of the city Education Department. The procedure and allocation formula of funds to SDUs is well known to all parties ahead of actual transfers; this improves the transparency of public finances.

3.4.4. Management of assets and liabilities

SDUs have no borrowing powers; that said, healthcare institutions can arrange for short-term bank overdrafts to make up for revenue and/or cashflow shortfalls. Schools, however, do not have this arrangement because they are part of the Department of Education budget. The overdraft arrangement for healthcare institutions is to ensure the continuous provision of critical services to the public. The City Government monitors all overdraft arrangements. SDUs, especially healthcare facilities that are public enterprises, submit annual financial statements to the Department of Health. There is also a good and fixed assets management system that provides reasonable assurance of the safety and security of SDU assets that are needed for primary service delivery. The involvement of managers of SDUs in the decision-making process of public investments, especially those that have a direct impact on their services, has contributed to the efficiency of service delivery; this is so because SDUs have the technical knowledge in terms of product/equipment selection.

3.4.5. Policy-based fiscal strategy and budgeting

Service delivery may be affected because of the absence of a medium-term perspective in expenditure planning; a medium-term budgeting framework encourages resource planning and expenditure allocation in advance. Furthermore, SDUs may be negatively impacted by the City Government's inability to estimate the impact of changes to fiscal policy proposals. These changes could result in budget adjustments that could be detrimental to SDU programmes. Any hiccups in the budget formulation, preparation and approval processes at the city government level could potentially affect SDUs service delivery programmes; at present, this is not the case. Budgets are approved on time. SDUs receive information on their proposals within one month of budget approval – this does not affect service delivery programmes/activities.

3.4.6. Predictability and control in budget execution

SDUs own revenues, which constitute about 3% of its total revenue, is properly accounted for and reported. The state PFM laws allow SDUs to open and operate their own bank accounts but with the approval of the respective level of government. Own revenues are deposited into these bank accounts and used for SDU operation. Even though not significant, the use of SDUs own revenue contributes to improvement in service delivery. SDUs do not prepare annual cash flow plans. They rely on the City Government and the National Health Service of Ukraine's cash flow plans for the management of their cash need. Based on the interactions with SDUs visited, cash shortages are not experienced; cash releases are timely, which ensures the timely provision of service. There are no expenditure arrears – arrears have the potential of reducing the budget and cash available for critical services. Payroll controls are fairly good at SDUs; changes to personnel and payroll records are properly authorised and approved. The state procurement system also serves the procurement needs of SDUs. Most procurement activities are done through competitive methods. Internal controls are strong; they provide assurance of management and accountability of public funds. Internal audit coverage is, however, limited; SDUs visited have never been audited within the last three completed fiscal years. As of now, one cannot conclude on the efficiency and effectiveness of public services, especially in schools and healthcare facilities due to the absence of performance audit reports.

3.4.7. Accounting and reporting

State and city government financial management laws and regulations, as well as reporting templates, also apply to SDUs including schools and healthcare facilities. Accounting and reporting requirements are strictly enforced by the City Government's department responsible for monitoring SDUs. SDUs also comply with the accounting and reporting requirements. SDUs prepare monthly and annual financial reports and submit the same to their supervisory budgetary unit; the reports contain information on all revenues, expenditures, assets, and liabilities. Healthcare facilities publish activity/programme reports on their respective websites. Schools, on the other hand, are part of the Department of Education, and therefore their reports are consolidated into the department's reports. The strict state and city governments' reporting requirements contribute to improving the PFM environment within SDUs, even if financial errors are detected; it also helps SDUs to be more efficient in their service delivery approach.

3.4.8. External scrutiny and audit

External audit coverage is, low to the extent that SDUs are not financially audited, and no performance audits have been carried out to ascertain the efficiency and effectiveness of primary service delivery. The legislative review by the City Council is less effective, because independent performance evaluations have not been carried out. Nevertheless, the City Council conducts some performance reviews of SDUs during budget hearings; this may not be effective.

4 GOVERNMENT PFM REFORMS

4.1 National approach to PFM reforms

PFM reform began in earnest in 2014; it included the decentralisation reforms. At present, the City Government of Chernivtsi has no standalone PFM reform strategy; all reforms are anchored on the central government PFM reform strategy. The central government of Ukraine through the Ministry of Finance, following from the 2017-2020 Public Finance Management System Reformation Strategy approved by the Cabinet of Ministers on 8 December 2017, has developed a new PFM reform strategy for the period 2021-2025. The new strategy is yet to be approved by the Cabinet of Ministers (it is expected to be approved by the end of the fiscal year 2021).

The new 2020-2025 PFM reform strategy, apart from the four key objectives (derived from the 2017-2020 strategy), are namely: (i) compliance with the general budget and tax discipline in the medium term, (ii) increasing the efficiency of resource allocation at the level of state policy-making, (iii) ensuring effective budget execution, and (iv) enhancing transparency and accountability in PFM, and it has also added one major reform to budget formulation, preparation, and execution framework. The main change to the budget system is scrapping the three-tier budget transfer system and replacing it with a two-tier budget transfer system. The three-tier system involved the state (central government) transferring subventions to the oblasts and then the oblasts to the cities/municipalities/amalgamated territorial communities. With the new two-tier system which began in the 2021 budget year, the central government now transfers subventions straight to cities/municipalities/amalgamated territorial communities, thereby eliminating the bureaucracy and sometimes delays from the oblasts to cities/municipalities/amalgamated territorial communities. The main reasons for this change include the following:

- (i) To increase the local capacity of local government budgets in terms of management and accountability;
- (ii) To speed up service delivery. The elimination of oblasts in the budget transfer framework now means funds are received much faster;
- (iii) To increase both the revenue and expenditure of local budgets; the elimination of oblasts has resulted in an increase of local government revenues by 20%.

Another important element of the new budget transfer system is the reduction of all local government transfers from 12,000 individual local transfers – which was the case seven years ago, to now 1,463 local budget transfers. This means that there has been more amalgamation of local governments as part of measures to increase budget efficiency.

4.2 Recent and ongoing PFM reform actions impacting sub-national governments

At the local (Chernivtsi City) government level, there is no specific PFM training programme besides the regular training and capacity of staff on budget formulation and preparation, procurement management, asset management, cash management, and accounting and financial reporting, among others. Training on a people-centred budget was also provided. As part of strengthening the PFM capacity of local governments including amalgamated communities, the City Government officials benefited from budget and financial management training under the sponsorship of U-LEAD.

The central government decentralisation agenda, which began in 2014, has led to a shift in state resources to local governments to improve the primary service delivery. A major component of this reform action is the elimination of the three-tier budget transfer system to a two-tier transfer system. The central

government has also issued a ministerial order to all local governments, effective 2021 budget, to include a medium-term subvention (state transfer to local government) budget for better fiscal discipline; this has been a challenge in the past, as local governments had no idea of most of its subvention budget allocation until actual transfers were made.

4.3 Institutional consideration

Government Leadership and Ownership

PFM reform is owned and led by the central government of Ukraine. That said, the top management (executive committee) of the City Government of Chernivtsi also plays a key role in ensuring that PFM reform objectives and activities that affect the City Government's financial management processes are executed in accordance with the agreed implementation schedule and timelines. Leadership at the local government level is demonstrated by the presence of at least one member of the executive committee at all training programmes.

Donor coordination

Donor coordination is crucial as it eliminates duplication of efforts; it also ensures a unified voice to approaching the Government's reform plan. There is coordination among key development partners (Swiss SECO, EU, WB, and IMF). The implementation of the ELocFin project by SECO will further strengthen donor coordination, as it will provide additional opportunities for development partners to deliberate on matters arising from the ELocFin project as well as other relevant issues that affect PFM. As this PEFA assessment includes two important aspects of PFM (gender-responsive PFM and service delivery), it will create an impetus for other development partners who otherwise were silent, to be more proactive and engaging.

Coordination across Government

Coordination across government is essential to the achievement of PFM reform strategy objectives. The Central Government of Ukraine has over the years demonstrated its willingness to include key governments stakeholders in the design of the PFM reform strategy. The last PFM reform strategy (2017-2020) saw the inclusion of all key PFM reform institutions (Administration of the President of Ukraine, Sectoral committees of the Verkhovna Rada (Parliament) of Ukraine, the Cabinet of Ministers of Ukraine, the Ministry of Finance, the State Treasury, the State Fiscal Service, the Ministry of Economic Development and Trade, the Association of Ukrainian Cities, NGOs and Trade Unions) during deliberations/discussions of the reform strategy through a PFM working group; the same approach was adopted during the design of the 2020-2025 PFM reform strategy. The City Government of Chernivtsi has confirmed its participation during the drafting of the new strategy. Development partners such as Swiss SECO, WB, EU and IMF contributed to the drafting of the current (2020-2025) PFM reform strategy.

A Sustainable Reform Process

While it is acknowledged that there is no standalone PFM reform strategy for the City Government of Chernivtsi, the central government of Ukraine has made adequate budgetary provisions to ensure the sustainability of the overall PFM strategy which will also feed into the funding arrangements of the City Government's reforms activities. Additionally, the City Government is enjoying the support of development partners – specifically Swiss SECO for the improvement of local public finance management.

Transparency of the PFM Programme

As has been the case with the previous PFM reform strategy 2017-2020, the central government has indicated its readiness to publish the new 2020-2025 PFM reform strategy on its website once the Cabinet of Ministers of Ukraine approve it. Other transparency arrangements comprise the monitoring and evaluation mechanism which includes quarterly reporting of each reform component by all implementing

agencies to the Ministry of Finance (MoF). MoF will then consolidate all inputs from implementing agencies and submit the same to Cabinet for review and approval. Once approved, the consolidated report will be published on the ministry's website (<https://mof.gov.ua/uk>)

4.4 Key aspects of the SNG specific PFM reforms

The City Government of Chernivtsi has no standalone PFM reform strategy. All PFM reforms activities are state led. As of the time of this assessment, the national government was in the process of finalising the 2021-2025 PFM reform strategy. Once approved by the Cabinet of Ministers, it will form the basis of local government reform programmes. No specific PFM reform initiatives were ongoing as of the time of the fieldwork.

ANNEXES

Annex 1: Performance Indicator summary

No.	Indicator	2021 Score	Description of requirement met
HLG-1	Transfer from higher levels of government	C	
1.1	Outturn of transfers from higher levels of government	C	Actual transfer deviations were 1.6%, 11.7%, and 62.3% in FY2018, FY2019, and FY2020 respectively.
1.2	Transfers composition outturn	D	Transfer composition variance exceeded 15% in two out of the three years, but it was below 15% in one of the three years. Actual variances were 11.3% in 2018, 25.1% in 2019, and 64.6% in 2020 (please refer to Table HLG.2 below and detailed calculation in Annex 4 Table 1.1).
1.3	Timeliness of transfers from higher levels of government	A	At the start of the new fiscal year, the central government agrees with and makes available an annual disbursement schedule of all budgeted subventions to local governments, including the City Government of Chernivtsi. In all three years under assessment, all (100%) planned disbursements were transferred within the month of disbursement requests.
1.4	Predictability of transfers	D	For the first time in FY2021, the central government provided information on subventions with a medium-term perspective (subvention for the budget year 2021 and the following two outer years 2022 and 2023). There were no medium-term subvention forecasts within the assessment period FY2018-FY2020.
HLG-2	Fiscal rules and monitoring of fiscal position	A	
2.1	Fiscal rules for sub-national governments	A	Fiscal rules for local governments are set out under Articles 72 and 74 of the Budget Code of Ukraine. Local governments cannot finance their budget (capital budget) deficit with short-term funding whose servicing cost exceeds 10%. The rules also prescribe a 5-year ban for all local governments that fail to comply, in addition to legal prosecution for culprits. These rules are strictly enforced and complied with by all sub-national governments.
2.2	Debt rules for sub-national governments	A	Article 74 of the Budget Code of Ukraine prescribes the debt rules for all sub-national governments, including oblasts (regions), oblast cities, and rayons. The debt rules set borrowing limits (not exceeding 10% of expenditures of the general fund of the local budget) for all sub-national government borrowing. All sub-national governments respect the rules due to strict monitoring and enforcement by MoF.
2.3	Monitoring of sub-national governments	A	The law provides for up to three months after the end of the previous financial year to submit annual financial statements. Available evidence from the National Treasury indicates that all sub-national governments submit their annual financial statements on or before the 31st day of March following the previous financial year. Each year, the National Treasury also prepares a consolidated report of all local government financial statements.
PI-1	Aggregate expenditure outturn	A	
			As shown in Table 1.1 below (with detailed calculations in Annex 4), aggregate expenditure outturn was between 95% and 105% of the approved original budget in two out of the three fiscal years assessed. Actual outturns were 105.9% in FY2018, 98.0% in FY2019, and 99.1% in FY2020.
PI-2	Expenditure composition outturn	D+	
2.1	Expenditure composition by function	D	As shown in Table 2.1 below (and Annex 4 for detailed calculations), actual composition variances by function

No.	Indicator	2021 Score	Description of requirement met
			were 16.6% in FY2018. In FY2019 and FY2020, variances were 16.6% and 14.2% respectively.
2.2	Expenditure composition by economic type	D	As shown in Table 2.2 below (and in Annex 4 for details), variance in expenditure composition by economic classification was more than 15% in all three years under assessment; actual variances were 28.4%, 16.2% and 20.1% in FY2018, FY2019, and FY2020 respectively.
2.3	Expenditure from contingency	A	Actual expenditure charged to contingency budget averaged 0.0% as shown in Table 2.1 above (and Annex 4 for detailed calculation); this means there was no expenditure out of contingency vote within the last three completed fiscal years 2018-2020.
PI-3	Revenue outturn	B	
3.1	Aggregate revenue outturn	B	As shown in Table 3.1 below (with details in Annex 4 – Tables 4.1-4.3), revenue outturns were between 94% and 112% in all three years under review. Actual outturns were 110.8%, 108.9% and 95.4% in FY2018, FY2019, and FY2020 respectively.
3.2	Revenue composition variance	B	Variance in revenue composition was less than 5% in one out of the three years and less than 10% in two of the three years under review. Actual revenue composition variances were 12.1% in FY2018, 9.8% in FY2019, and 7.5% in FY2020.
PI-4	Budget classification	A	Budget formulation, execution, and reporting are based on every level of details of administrative, economic, and functional (and program) classification. The classification follows GFS 2001 standards.
PI-5	Budget documentation	B	Budget documentation (FY2021 – last budget submitted to the City Council) meets the four basic PEFA elements plus five additional elements.
PI-6	Central government operations outside the budget	B+	
6.1	Expenditure outside financial reports	B	For FY2020, the total expenditures from all medical facilities (hospitals and clinics) that were outside the City Government's budgets and reports amounted to UAH 63,288,495.76. This figure represents 2.8% of the total City Government expenditure for FY2020.
6.2	Revenue outside financial reports	B	For FY2020, total own revenues that were outside City Government's budgets and financial reports stood at UAH43,224,995.77. This represents 2.4% of the total City Government actual revenues for FY2020.
6.3	Financial reports of extra-budgetary units	A	As shown in Table 6.1 above, extra-budgetary units submit annual financial statements to the supervising department of the City Government within two months after the end of the previous financial year. The annual financial statements contain full information on revenues, expenditures (from own resources plus subventions), financial and tangible assets, liabilities, and reconciled cash flow.
PI-7	Transfers to sub-national government	NA	Not applicable.
7.1	System for allocating transfers	NA	Not applicable.
7.2	Timeliness of information on transfers	NA	Not applicable.
PI-8	Performance information for service delivery	B+	
PI-8.1	Performance plans for service delivery	B	Available evidence on the city administration website (https://city.cv.ua and http://chernivtsy.eu/portal) as well as on individual websites of key spending units indicates that all SNG institutions (excluding extra-budgetary units representing 2.8% by value) prepare and publish annual

No.	Indicator	2021 Score	Description of requirement met
			performance plans or programme objectives with KPIs and expected outputs; however, there are no planned outcomes. Therefore, 97.2% by value of all spending units prepare and publish performance plans with KPIs and outputs to be produced but not outcomes.
PI-8.2	Performance achieved for service delivery	B	Presently, the City Administration and all (100% by value) its KSUs (budgetary and extra-budgetary units) prepare and publish outputs of performance achieved for service delivery; there are no outcomes achieved.
PI-8.3	Resources received by service delivery units	A	Information on all resources (cash and kind) received by KSUs is reported; the information is disaggregated by the source of funds. Each KSU prepares a quarterly report using the Treasury Template Form 4.2 for all resources received in kind. They also prepare a monthly report on all cash resources received. The reports are consolidated and submitted to the Oblast and then to the National Treasury; the information is compiled into an annual report.
PI-8.4	Performance evaluation for service delivery	B	At present, there is no independent evaluation of the efficiency and/or effectiveness of annual performance programs. That notwithstanding, at least, the education and health sectors that constitute more than 60% of the city government budget conduct evaluation of the effectiveness and efficiency of their service delivery programs. The evaluation reports are published on the city administration website (https://city.cv.ua and http://chernivtsy.eu/portal) as well as the individual websites of the education and health departments.
PI-9	Public access to fiscal information	A	The sub-national government makes available to the public four basic elements and two additional elements within the required PEFA timeframe as described in Table 9.1 below. Elements 5 and 7 are not applicable, since external audits are under the purview of the central government Supreme Audit Institution.
PI-9bis	Public consultation	B	
9bis.1	Public consultation in budget preparation	A	For FY2021 (the last budget submitted to the City Council), the City Government conducted public consultation during the budget formulation and preparation stage. Simplified budget information, as well as results of the public consultation, were published on the website. The publication also includes a clarification (or an explanation) of ways in which inputs received from the public have shaped the final budget proposals submitted to the City Council. The design of the city government's website also gave opportunity and user-friendly access to visually impaired citizens to contribute to the budget formulation and preparation process. The public consultation process appears to be timely; it allowed at least 5 days for public consultation/participation (please refer to Item 12 on the budget calendar - Table 17.2 below).
9bis.2	Public consultation in the design of service delivery programs	C	Available evidence indicates that each year, and in FY2020, the local government conducts public consultation for service delivery programmes on healthcare, sports and culture, education, utilities, and transport, albeit not all service delivery programmes. It is estimated that public consultation is conducted for up to 25% of primary service delivery programmes. The feedback mechanism provided by the city government was used by citizens.
9bis.3	Public consultation in investment planning	C	For FY2020, to determine the most relevant investment projects to be financed, the City Government of

No.	Indicator	2021 Score	Description of requirement met
			Chernivtsi published information on the largest projects on its website. However, the local government did not publish any results and/or findings of feasibility studies or economic analysis of any investment projects.
PI-10	Fiscal risk reporting	C	
10.1	Monitoring of public corporations	C	As shown in Table 10.1 below, 70.38% by value of the ten most important municipal enterprises published their 2020 annual audited reports on their respective website but within nine months after the end of the previous financial year. The remaining 29.62% by value submit their unaudited annual financial statements to their respective supervisory budgetary departments with copies to the City Finance Department within two months following the end of the previous financial year.
10.2	Monitoring of sub-national governments	NA	This dimension is not applicable, as there is no first-tier lower-level government.
10.3	Contingent liabilities and other fiscal risks	NA	This dimension is not applicable. There are neither PPP arrangements nor contingent liabilities.
PI-11	Public investment management	C	
11.1	Economic analysis of investment proposals	C	Each KSU (budgetary and extra-budgetary unit) prepares economic analyses of all investment projects in line with the PIM guidelines; the analyses are submitted to the Infrastructure Department of the City Government for review and thorough scrutiny. Nevertheless, the results of the economic analyses are not published.
11.2	Investment project selection	C	Less than 50% of investment projects are prioritised by the Infrastructure Department for inclusion in the City Government's budget.
11.3	Investment project costing	C	Capital investment project costing does not include recurrent cost estimates. Only the total capital investment cost with estimates for the budget year and the two outer years are provided in the budget documentation.
11.4	Investment project monitoring	C	Key spending unit responsible for the project implementation undertakes project inspection and monitoring. Additionally, technical consultants (experts recruited for inspection) conduct monitoring and evaluation visits to project sites; both physical and financial (including total cost) progress reports are prepared at least annually.
PI-12	Public asset management	B	
12.1	Financial asset monitoring	C	Evidence adduced by the City Finance Office indicates that the consolidated annual financial statements show balances of bank accounts at the end of each financial year. The City Government has a 100% stake in 35 municipal enterprises (30 are currently active) but has no records of the number and value of shares of these municipal enterprises.
12.2	Non-financial asset monitoring	C	Each budgetary unit maintains a comprehensive list of all fixed assets (buildings, vehicles, furniture & fittings, computers, office equipment, etc.) with information on the date of purchase (age), original cost, the status of assets (usage), custodian, and location. The information on fixed assets is complete and up-to-date; it is updated annually. Currently, there is no complete data on total land size with vested city government interest.
12.3	Transparency of asset disposal	A	Ukraine has a well-established legal and regulatory framework for assets (financial and non-financial) disposal and transfer. The laws are applicable at all levels of government. The legal and regulatory provisions on

No.	Indicator	2021 Score	Description of requirement met
			asset disposal and transfer and other relevant administrative procedures such as publication of tenders for assets to be sold, public auction, and transfer of proceeds from asset disposal into the Treasury account underscore the principle of transparency for asset disposal. The laws also require the approval of the local government council (parliament) prior to asset disposal and/or transfer. All proceeds realized in FY2020 from asset disposal were directly paid into the Treasury account. Information on transfer and disposal of assets is included in the budgets and financial reports.
PI-13	Debt management	B	
13.1	Recording and reporting of debts and guarantees	A	The Finance Department of the City Government of Chernivtsi maintains complete and accurate information on all its borrowings (domestic and foreign debts) as well guarantees issued to municipal enterprises. The debt records are reconciled with creditors and updated each month based on information received from these creditors. Guarantees issued to municipal enterprises are also updated monthly based on monthly financial information received from these municipal enterprises. The Finance Department prepares a quarterly report with information on debt and guarantees; the reports are submitted to the Oblast and National Treasury. The report contains debt stock, debt service (interest payments), and operations.
13.2	Approval of debts and guarantees	A	According to Article 74 of the Budget Code of Ukraine, the Verkhovna Rada of the Autonomous Republic of Crimea, regional and city councils have the right to borrow and issue guarantees. The City Council has documented procedures that guide the City Government's borrowing and issuance of guarantees. One key element of the procedure is the submission of proposed borrowing and guarantees by the Executive Committee to the City Council (local parliament) for approval; without the approval of the City Council, the City Government cannot borrow nor issue guarantees.
13.3	Debt management strategy	D	Each year, the Chernivtsi City Government publishes on its website (http://chernivtsy.eu/portal/programa-upravlinnya-mistsevym-borgom) the Local Debt Management Program (LDMP) that provides indicators related to debt management: (i) types of interest rates, (ii) refinancing conditions and (iii) possible risks. That said, the LDMP has no medium-term perspective.
PI-14	Medium-term budget strategy	C	
14.1	Underlying forecasts for medium-term budget	B	For FY2021 (the last budget submitted to the City Council), the budget forecasts for both revenues and expenditures were grounded on historical data of revenue and expenditure performance for FY2020, subventions from higher levels of government and functional allocation of expenditures. The forecasts for the budget year with the underlying assumptions are submitted to the City Council.
14.2	Fiscal impact of policy proposals	D	The City Government of Chernivtsi does not prepare any estimates of the fiscal impact of proposed changes in revenue and expenditure policies for the budget year nor the following two budget years.
14.3	Medium-term expenditure and revenue estimates	B	For the FY2021 (last budget submitted to the City Council – parliament), the annual budget documentation presents forecasts of revenues by type and expenditures according to administrative and functional classifications;

No.	Indicator	2021 Score	Description of requirement met
			there is no medium-term expenditure perspective for economic classification. The forecasts (both revenues and expenditure) are made for the budget year and the two outer years.
14.4	Consistency of budget with previous year's estimates	D	For FY2021 compared with FY2020, the revenue forecast will increase by UAH784.533 million or 3.4% from FY2020 estimates. That said, reasons for these increases are not provided. On the expenditure side, the budget for FY2021 did not indicate changes to expenditure estimates nor explanation to any change with regards to expenditure.
PI-17	Budget preparation process	C	
17.1	Budget calendar	C	The budget calendar is respected by all budget institutions. It allows key spending units (budget institutions) less than 4 weeks (actual period – only 10 days) to meaningfully complete their budget requests (detailed budget estimates).
17.2	Guidance on budget preparation	C	The City Finance Department issued budget instructions (circulars) with expenditure ceilings for functional and administrative classifications to each budget unit for the preparation of the FY2021 budget. The ceilings were not approved by the Executive Committee. The budget estimates are however reviewed and approved by the Executive Committee.
17.3	Budget submission to the legislature	C	For all three years under assessment (2018-2020) the Executive Committee submitted the annual budget to the City Council (parliament) at least a month before the start of the next fiscal year. Actual submission dates were 1 December 2017, 19 November 2018, and 22 November 2019 for FY2018, FY2019, and FY2020 budgets respectively.
PI-18	Legislative scrutiny of budgets	B+	
18.1	Scope of budget scrutiny	B	The budget review covers aggregate and detailed revenue forecasts (by types), expenditures by economic and program classifications, as well as analysis of past trends (performance) of both revenues and expenditures. That said, the budget review is only limited to the current fiscal year (in this case FY2020 – last completed fiscal year). The fiscal policy is also reviewed.
18.2	Legislature procedures budget scrutiny	A	Chernivtsi City Council approves and follows the budget review procedures provided for in the Budget Review Regulations; this has been the case in recent years and the fiscal year 2020. The procedures allow for public consultations, the establishment of budget standing committees, negotiation procedures, as well as technical support where necessary to assist in the budget scrutiny process.
18.3	Timing of budget approval	A	The annual budgets for FY2018, FY2019, and FY2020 were all approved by the local council (parliament) before the start of the new fiscal year.
18.4	Rules for budget adjustment by the executive	B	The rules for in-year budget adjustments are clear; however, they allow extensive administrative (executive committee) reallocations without any limits.
PI-19	Tax administration	NA	
19.1	Rights and obligation for tax measures	NA	As the central government STS collects all taxes through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable.

No.	Indicator	2021 Score	Description of requirement met
19.2	Property tax register and valuation	NA	As the central government STS collects all taxes through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable. Additionally, the property tax register is maintained and administered by the central government Ministry of Justice and the STS respectively.
19.3	Tax risk management, audit and investigation	NA	The local tax office does not conduct any tax audit and fraud investigations; this function is the remit of the Oblast (Regional) Tax Service which is a branch office of the central government State Tax Service. Based on this information, assessors consider this dimension as not applicable.
19.4	Tax arrears monitoring	NA	As the central government STS collects all revenues through its local office in Chernivtsi City and has sharing arrangements with the sub-national revenue authority, this dimension is not applicable.
PI-20	Accounting for revenues	A	
20.1	Information on revenue collections	A	Each month, the Finance Office of the City Administration receives a revenue report on total tax collections from the local office of the State Tax Service broken down into tax types. Furthermore, all entities collecting non-tax revenues also submit monthly revenue reports to the City Finance Office. The City Finance Office then prepares a monthly consolidated report of all revenues classified according to tax and non-tax revenue types.
20.2	Transfer of revenue collections	A	All taxpayers pay their taxes directly into the local government Treasury accounts opened at the level of the State Treasury Service. This means that 86% of local government domestic revenues (taxes) are directly transferred to the Treasury within 24 hours. Non-tax revenues which constitute 14% of local government revenues are also deposited into the Treasury account daily.
20.3	Tax account reconciliation	NA	This dimension is not applicable, as it assesses core tax which is the responsibility of the State Tax Service.
PI-21	Predictability of in-year resource allocation	B	
21.1	Consolidation of cash balances	A	Order 122 of June 26, 2002, issued by the State Treasury Service of Ukraine mandates all local governments to use the central government Treasury Single Account (TSA) framework. The City Treasury bank accounts are linked to the TSA which are maintained in the Central Bank of Ukraine. All bank balances are consolidated daily. There is no petty cash or imprest system.
21.2	Cash forecasting and monitoring	C	Each year and in FY2020, the City Finance Department prepared a consolidated cash flow forecast with inputs from all key spending units in terms of their cash requirements, even though each budgetary unit does not physically prepare annual cash flow forecasts. The annual flow plan is not updated.
21.3	Information on commitment ceilings	A	The City Finance Office issues annual expenditure commitment ceilings to each key spending unit. The annual expenditure commitment ceilings allow key spending units to plan and commit for expenditure for the whole year within the approved annual budget allocations.
21.4	Significance of in-year budget adjustments	C	Budget adjustments within the year are frequent and partially transparent; these adjustments are done in line with documented procedures for budget virements which are known to key spending units. For FY2020, the

No.	Indicator	2021 Score	Description of requirement met
			city government budget was amended/adjusted seven times within the year; the cumulative amendments in terms stood at 5.8% of the total originally approved budget.
PI-22	Expenditure arrears	A	
22.1	Stock of expenditure arrears	A	Available data obtained from the City Treasury and selected key spending units (Education Department, Health Department, Infrastructure Department) indicates that in each of the last three completed fiscal years FY2018-FY2020, there were no stock of expenditure arrears relating to employee remuneration/salary, pension payments, suppliers, contractors, and loan creditors.
22.2	Expenditure arrears monitoring	A	The City Treasury, after receipt of the monthly statement on outstanding expenditure commitments, prepares a consolidated quarterly report within two weeks after the end of the quarter. This report is submitted to the Oblast Treasury.
PI-23	Payroll controls	B+	
23.1	Integration of payroll and personnel records	B	The HR and payroll management system is decentralised. Each key spending unit (budgetary and extra-budgetary unit) manages its own HR and personnel records. There is no direct linkage between personnel and payroll software. There is an approved staff list which forms the basis of staff recruitment. The payroll is fully supported by complete documentation for all changes made to personnel records.
23.2	Management of payroll changes	A	Changes to personnel and payroll records are swiftly done within 48 hours of the initiation of the change. These changes are approved by the city mayor for all budget institutions on the one hand, and the head of the institution for extra-budgetary units on the other hand. There were no payroll arrears that would require retroactive adjustments.
23.3	Internal controls of payroll	A	All changes to payroll and personnel records are adequately supported by official documentation with full integrity. The payroll software used by both budgetary and extra-budgetary units generates an audit trail; entry to the software is passworded. The centralised HR software for all budgetary units restricts access to unauthorised users; it generates an audit trail for authorised users.
23.4	Payroll audits	B	In 2020, the Labour Inspectorate Commission conducted a payroll audit spanning the three fiscal years 2018-2020. The audit covered all key spending units (budgetary and extra-budgetary units) within the City Administration.
PI-24	Procurement	A	
24.1	Procurement monitoring	A	As shown in Table 24.2 below, 84.8% by value of procurement goes through a competitive method in the national electronic system (prozorro.gov.ua); the data is complete and published in real-time indicating the purpose of the contract, the entity or person who won the contract and the value of the contract awarded. There is also complete and accurate information from the local government Procurement Department on the remaining 15.2% by value of sole-sourced procurement that does not go through the electronic system. This means that 100% of all procurement activities for goods, services and works are monitored; the information is accurate and complete.

No.	Indicator	2021 Score	Description of requirement met
24.2	Procurement methods	A	Consolidated information obtained from the electronic system and verified by the national procurement authority indicates that 84.8% (69.3% open tender, 6.1% negotiated restricted tender, and 9.3% negotiated shortened restricted tender) of all public procurement activities within the City Administration go through a competitive method.
24.3	Public access to procurement information	A	Table 24.3 below summarises the PEFA requirements for public access to procurement information. All six PEFA elements have been met. The information is made available to the public promptly. The procurement information is complete and reliable; it is independently verified by the State Audit Service (SAS).
24.4	Procurement complaints management	B	The procurement complaints management system meets five out of six PEFA criteria. Element 2 is not met.
PI-25	Internal controls on non-salary expenditure	B+	
25.1	Segregation of duties	A	The procedures for segregation of duties are clear and appropriate, as they prescribe who is responsible for generating an expenditure (raising a local purchase order – LPO), who authorises such expenditure and who approves and pays expenditures. The rules/procedures also prescribe officers recording financial transactions should not approve such transactions. The Public Procurement Law delineates the roles and responsibilities of public officials in the procurement process; public officers who prepare procurement tenders are separate from those who evaluate the tenders, those approving tenders and those who sign procurement contracts. The Accounting Manual also prescribes clear rules/procedures for segregation of duties including expenditure commitment, authorisation, payment, and recording.
25.2	Effectiveness of expenditure commitment controls	C	Expenditures of key spending units (budgetary and extra-budgetary units) are made exclusively in accordance with the limits within the approved estimate/budget according to the classification of expenditures. The financial management system does not limit expenditure commitments to the unavailability of cash; this is the case for both budgetary and extra-budgetary units.
25.3	Compliance with payment controls	A	There is a high degree of compliance with payment rules and procedures. As of the time of this assessment, financial violations were below 1% of total city government expenditure; actual percentage violations were 0.42% as of September 2021.
PI-26	Internal audit	C+	
26.1	Coverage of the internal audit	C	As of the time of assessment (fieldwork in September 2021), internal audit coverage stood at 54.7% by value of expenditure. Coverage of internal audit in terms of revenue by value is 60%.
26.2	Nature of audits and standards applied	C	Internal audit activities involve the assessment of the adequacy of internal controls across city government institutions. Nevertheless, inadequate internal audit staff numbers limit the ability of analysing the impact of internal controls and the extent to which these controls meet the required standards. Financial audit is also carried out. International Internal Audit (IIA) Standards are not applied; the audit standards applied are those established by the central government.
26.3	Implementation of internal audits and reporting	B	Each year, the centralized internal audit unit prepares an audit plan based on a risk profile (even though not

No.	Indicator	2021 Score	Description of requirement met
			documented) of key spending units. The annual audit plan is reviewed and approved by the city mayor. Available evidence indicates that 76% of all planned audit activities for FY2020 were carried out. The city mayor and the head of the audited institution (budgetary/extra-budgetary unit) receive copies of internal audit reports.
26.4	Response to internal audits	C	Sampled evidence of internal audit reports from departments of education and health shows that up to 70% of audit findings and recommendations are responded to the audited entity within six months of the issuance of audit reports.
PI-27	Financial data integrity	A	
27.1	Bank account reconciliation	A	There is both a detailed and aggregate level reconciliation of all transactions between the cashbook and the bank statement every week; this is done within two days after the end of the previous week. Extra-budgetary units have their own separate bank accounts; these are fully reconciled within a week after the end of the previous week.
27.2	Suspense accounts	NA	Not applicable. There are no suspense accounts.
27.3	Advance accounts	A	There were no outstanding balances on staff advances for salaries and official travel as of the time of the fieldwork (September 2021). Regarding contracts that are performed for more than one month, the reconciliation is carried out by the Finance Department of Chernivtsi City Government monthly within four weeks.
27.4	Financial data integrity process	B	Currently, there is no separate and/or special unit or body responsible for checking the integrity of financial data. The financial management software is passworded and restricts access to unauthorised personnel; it generates an audit trail.
PI-28	In-year budget reports	C+	
28.1	Coverage and comparability of reports	A	The coverage and classification of the in-year reports allow direct comparison to the original budget classification on every level of details of administrative, economic, and functional (and program) category (please, refer to Annex 3C for further evidence). There are no transfers to de-concentrated units.
28.2	Timing of in-year reports	A	As shown in Table 28.2 below, in-year budget execution reports are issued within one week after the end of the previous month.
28.3	Accuracy of in-year budget reports	C	In-year budget execution reports prepared and submitted during the year include planned and actual expenditures at the payment stage, but they do not reflect expenditures at the commitment stage. The reports are useful as they provide very information and analysis for top management. Concerns with regards to data accuracy are not highlighted.
PI-29	Annual financial reports	D+	
29.1	Completeness of annual financial reports	D	The annual financial statements (AFS) of the City Government are complete. As shown in Table 29.1 below, the annual financial statements present information on revenue and expenditure according to programme, functional and economic classifications, cash balances and receivables, tangible assets, payables and long-term liabilities, guarantees, plus a reconciled cash flow statement. However, the AFS are not comparable with the approved budget.

No.	Indicator	2021 Score	Description of requirement met
29.2	Submission of reports for external audit	D	The City Government of Chernivtsi has not submitted the FY2020 annual financial statement for external audit. The entire (all revenues and expenditures) financial records of the government have never been audited by the Audit Chamber of Ukraine (ACU) between FY2018-FY2020.
29.3	Accounting standards	B	In each of the last three completed fiscal years 2018-2020, the local government prepared annual financial statements in accordance with National Public Sector Accounting Regulations prescribed by MoF which are mostly in line with IPSAS; the annual financial statements have been consistent over time. The notes to the financial statements disclose the standards that have been applied to the preparation of the financial statements and the accounting policies adopted. Differences between IPSAS and National Accounting Standards are not disclosed.
PI-30	External audit	D	
30.1	Audit coverage and standards	D	Currently and within the last three completed fiscal years 2018-2020, the Accounting Chamber of Ukraine (ACU) did not audit the financial records of the City Government of Chernivtsi. That said, ACU has been auditing the state (central government) subventions to the City Government, which represents less than 50% of the total revenue and expenditure of the city government. Based on evidence from central government audit reports, the ACU audits largely comply with INTOSAI standards.
30.2	Submission of audit reports to the legislature	D	Within the assessment period FY2018-FY2020, the Accounting Chamber of Ukraine (which is the Supreme Audit Institution in Ukraine) did not conduct any external audit of the financial statements of the City Government of Chernivtsi (both budgetary and extra-budgetary units); therefore, it also did not submit audit reports to the City Council (legislature) for examination.
30.3	Extent of follow up	NA	During the assessment period (FY2018-FY2020), the Accounting Chamber of Ukraine did not conduct any external audit of the financial statements of the local government; therefore, it also did not provide any recommendations. This dimension is therefore not applicable.
30.4	Supreme Audit Institution independence	D	ACU's independence is undermined by the fact that its staff are civil servants under the authority and control of the executive (central) government. Again, it has no full mandate to audit all public funds including local governments' own resources. Furthermore, its annual budget proposals are reviewed and approved by the Ministry of Finance.
PI-31	Legislative scrutiny of audit reports	D	
31.1	Timing of audit scrutiny	D	The City Council (parliament) did not receive for consideration and scrutiny any external audit and/or financial reports within the last three completed fiscal years 2018-2020. Therefore, this dimension is not applicable.
31.2	Hearing on audit findings	NA	The City Council (parliament) did not hold any hearings on the conclusions/findings of the external audits within the last three completed fiscal years 2018-2020. Therefore, this dimension is not applicable.

No.	Indicator	2021 Score	Description of requirement met
31.3	Recommendations on audit by the sub-national council	NA	The City Council did not provide any recommendations on external audit reports of the City Government. Therefore, this dimension is not applicable.
31.4	Transparency of the legislative scrutiny of audit reports	NA	The City Council did not conduct any public scrutiny of external audit reports for FY2020. Therefore, this dimension is not applicable.

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
<p>1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation</p>	<p>According to the Law of Ukraine No. 2493 of June 7, 2001, the main responsibilities of local government officials include the respectful treatment of citizens and their appeals to local self-government bodies, care for a high-level of culture, communication and behaviour, the authority of the bodies and officials of local self-government (Article 8).</p> <p>By its Order No. 158 of 5th August 2016, the National Civil Service Agency of Ukraine approved the General Rules of Ethical Conduct for Civil Servants and Local Self-Government Officials, which they are obliged to follow in the performance of their duties. Compliance with the requirements of the General Rules should be considered during the annual performance assessment of managers and employees.</p> <p>The Order of the Ministry of Finance No. 1217 of September 29, 2011, approved the Code of Ethics for staff of the Internal Audit Department. The City Government of Chernivtsi has a centralised internal audit depart, albeit with little staff.</p> <p>Pursuant to Article 142 of the Labour Code (No. 322 of 10.12.1971), the work arrangements at enterprises, institutions, and organizations are determined by the internal rules of conduct approved based on standard rules. Individual ministries have adopted their own standard rules for their subordinate institutions, which contain only general requirements for the personal and professional integrity and ethical values of management and staff. The form and explanations regarding the formulation of the rules of internal conduct are provided in the compilation of the unified forms of organizational and administrative documents approved by the Regulatory and Methodological Commission of the State Archive Service of Ukraine, Minutes No.7 of November 22, 2015. However, it does not determine whether they contain a code of corporate ethics as it is not formulated as a separate document.</p>
<p>1.2 Commitment to competence</p>	<p>According to Order No. 336 of the Ministry of Social Policy dated 29 December 2004, the section of the job description "Qualification Requirements" contains provisions concerning education, educational qualification levels, and experience that are sufficient for complete and high-quality performance of jobs on the positions. The "Must Know" section contains requirements for specific knowledge, as well as knowledge of the legal acts and regulations required to perform the duties. The same Order stipulates that all employees must improve their professional qualifications in accordance with the requirements of current legislation, and all managers must implement measures for the professional development of staff to achieve high economic results.</p>

Internal control components and elements	Summary of observations
	<p>According to the General Rules of Ethical Conduct of Civil Servants and Officials of Local Self-Government (Order of the National Civil Service Agency No. 158 dated 5 August 2016), local self-government officials should constantly improve their abilities, knowledge, and skills in accordance with the functions and tasks of their positions; improve their professional and cultural level; and improve the organization of professional activity. However, such a requirement is not always contained in the individual job description of the employee or in the rules of internal conduct that govern the employees.</p> <p>To increase the efficiency of local self-government officials, their certification is conducted once every 4 years, during which work results, business and professional qualities are evaluated. The Standard Regulation for certification of local government officials was approved by CMU Resolution No. 1440 of 26 October 2001. Between the appraisals, annual performance by local government officials of their tasks and responsibilities is assessed annually.</p> <p>In accordance with the Resolution of the Cabinet of Ministers No.59 of 26 January 2011, a chief accountant must submit proposals to the manager for the organization of training of employees of the accounting service including accounting staff of budgetary institutions, which are subordinated to the budgetary institution, to improve their professional and qualification level.</p> <p>Depending on the industry (profession), employees undergo periodic attestation, which is preceded by the completion of advanced training. For example, the Order of the Ministry of Finance No.1537 of 1 December 2011 approved the procedure of evaluation of the performance by the chief accountant of the budgetary institution of his/her powers. Such an assessment shall be carried out annually. According to the Law of Ukraine No.2145 of September 5, 2017 "On Education," pedagogical staff undergo regular attestation at least once every five years (Article 50).</p>
1.3 The "tone at the top" (i.e., management's philosophy and operating style)	<p>According to the law, all managers must:</p> <ul style="list-style-type: none"> - in terms of risk acceptance and monitoring: analyse the state of implementation of plans, organization of works, executive skills of employees, satisfaction of customer requirements and technological, market, financial achievements, or missteps (Order of the Ministry of Social Policy of 29 December 2004 No.336); - in terms of the management's attitude and actions on financial statements: approve the accounting policy of the enterprise (in accordance with the Law of Ukraine No. 996 of 16 July 1999 "On Accounting and Financial Reporting in Ukraine"); - in terms of the management's attitude to: <ul style="list-style-type: none"> • information processing: have knowledge of the law, economics, administration, finance, personnel management; analyse and summarize information (Order of the Ministry of Social Policy of 29 December 2004 No.336); • accounting functions: to approve the accounting policy of the enterprise (in accordance with the Law of Ukraine No. 996 of 16 July 16 1999 "On Accounting and Financial Reporting in Ukraine"); • staff: to provide conditions for improving the organization of the division of labour, performance of work and management of units; to promote

Internal control components and elements	Summary of observations
	<p>effective production (service) relationships and links between employees; to ensure compliance with the requirements of job descriptions; to implement measures for professional development of staff to achieve high economic results; to improve forms of motivation of employees (Order of the Ministry of Social Policy of 29 December 2004 No.336);</p> <ul style="list-style-type: none"> • monitoring, auditing and evaluation: to analyse the state of implementation of plans, the organization of works, the executive skill of employees, the satisfaction of customer requirements and technological, market, financial achievements, or failures (Order of the Ministry of Social Policy of 29 December 2004 No.336). <p>The basic provisions concerning the attitude of the management to the personnel are regulated by the rules of internal labour conduct.</p> <p>Current legislation does not allow for the optimization and improvement of efficiency of the segregation of responsibilities between a manager and his/her deputies since all key units (positions) in the institution must be subordinate to the manager (as described in Paragraph 1.4 of this Annex).</p>
1.4 Organisational structure	<p>According to Article 26 of the Law of Ukraine "On Local Self-Government in Ukraine" exclusive competence of city councils includes approval of the structure of executive bodies of the council. Article 54 of the Law stipulates that the regulations on departments, sections and other executive bodies of the council are also approved by the relevant council. There are no clear and agreed objectives for the activities of the institutions.</p> <p>The legislation provides for the organizational structure of institutions that contains key units required for internal control.</p> <p>CMU Resolution No.59 of 26 January 2011 approved the Standard Regulation on the Accounting Service of a Budgetary Institution, in accordance with which the Accounting Services operate. It is envisaged that such a service is an independent structural unit (or a designated specialist) reportable directly to the head of the institution or his/her deputy.</p> <p>Pursuant to Article 18 of the Law of Ukraine No.889 of 10 December 2015 "On Civil Service" the Human Resource Service of a state body (or the position of a staff specialist) is established with direct subordination to the head of the civil service. Responsibilities of the Human Resource Service may be entrusted to one of the public officials of the authority. A standard regulation on the HR service of a state body was approved by the Order of the National Agency of Ukraine for Civil Service No.47 of 3 March 2016.</p> <p>As a rule, institutions create departments responsible for accounting and staff issues or appoint appropriate specialists. However, in small institutions they are absent. In such cases, accounting is performed by a higher organization (for example, a centralized accounting service of the department of education, youth, sports, culture covers the financial activity of educational institutions). HR recruitment and accounting responsibilities may be shared with other employees.</p>

Internal control components and elements	Summary of observations
	<p>CMU Resolution No.1040 of November 26, 2008, approved the General Regulation on the Legal Service of ministries, other executive bodies, state enterprises, institutions, and organizations. In accordance with this Regulation, the Legal Service of an executive authority or enterprise is formed as an independent structural unit reportable directly to the manager. In small institutions (such as schools), such units and staffing positions are not created, and a lawyer is contracted to provide legal services. Some small institutions do not have legal support for their operation.</p> <p>According to Clause 7 of the Order of the Ministry of Justice No.1000/5 of 18 June 2015 organization of office management in institutions is entrusted with independent structural units for record-keeping (documentation support), general departments, offices, etc. or a person responsible for record-keeping in the institution - secretary, record keeper (hereinafter referred to as the record-keeping service). According to Paragraph 8 of the above Order, the archive is an independent structural unit or part of the record keeping service of the institution. In numerically insignificant institutions, the person responsible for keeping the institution's archive is appointed. In small institutions, such persons may be absent, and other staff may share these responsibilities.</p> <p>Pursuant to Article 26 of the BCU, for the purpose of internal audit, a spending unit represented by the manager forms an independent internal audit unit subordinated and accountable directly to the manager. The basic principles of internal control and internal audit⁹ as well as the procedure for the formation of internal audit units¹⁰ are defined by the CMU.</p>
1.5. Human resource policies and practices	<p>The standard regulation on the human resource service of a state body approved by the Order of the National Agency of Ukraine for Civil Service No. 47 of 3 March 2016 includes, in particular, the selection of personnel, forecasting staff development, encouraging employees to build work careers, and enhancing their professional competence. As mentioned in Paragraph 1.4 of this Annex, in small institutions, individual units or designated personnel responsible for HR may be absent, while staff recruitment and accounting responsibilities may be shared with other employees. This may indicate a lack of capacity to formulate personnel policies, namely, to forecast staff development and enhance their professional competence.</p> <p>Pursuant to Article 16 of the Law of Ukraine No. "On Service in Local Self-Government Bodies," according to the decision of the local self-government body, personnel reserve is created for occupying positions and promotion, which is approved by the city mayor, head of rayon or city district, or oblast council. The procedure of formation and maintenance of staff reserve of officials is determined by the relevant council. CMU Resolution No. 1386 of 24 October 2001 approved the standard procedure for the formation of personnel reserves in local self-government bodies.</p>

⁹ CMU Resolution No. 1062 of 12.12.2018.

¹⁰ CMU Resolution No. 1001 of 28.09.2011.

Internal control components and elements	Summary of observations
2. Risk assessment	
2.1 Risk identification 2.2 Risk assessment (significance and likelihood) 2.3 Risk evaluation 2.4 Risk appetite assessment	<p>Strategic plans that contain clear and consistent goals of the institution's activities are not being formulated. Passports of budget programs contain the goals of public policy, which are pursued by the implementation of a specific budget program and its performance indicators. No comprehensive approach to managing risks in achieving budget program goals and indicators has been implemented. Internal control provisions that should have contained a section on risk management are not approved.</p> <p>Pursuant to Article 20 of the BCU, at all stages of the budgetary process, its participants are required, within the limits of their powers, to evaluate the efficiency of budgetary programs, which includes measures to monitor, analyse and control the targeted and effective use of budgetary funds. There is no formalized methodology for taking such measures.</p> <p>Several parameters relate to each other based on the degree of risk determination including:</p> <p>PI-11.1 Economic analysis of investment proposals is rated 'C' – Economic analysis is conducted for all investment projects, but the results of the analyses are not published.</p> <p>PI-14.2 Fiscal impact of policy proposals is rated 'D' – The City Government does not evaluate the fiscal impact of policy proposals.</p> <p>PI-19.3 Tax risk management, audit and investigation is rated 'NA' – This dimension is not applicable because it is the responsibility of the State Tax Service.</p> <p>PI-21.2 Cash flow forecasting and monitoring is rated 'C' – The local government finance office prepares a consolidated cash flow forecast before the start of the new fiscal year, but this is not updated based on the movement of actual inflows/outflows.</p>
2.5 Responses to risk (transfer, tolerance, treatment, or termination)	Risk response is performed by employees within the job descriptions, functions, and tasks of the units in which they work.
3. Control activities	
3.1 Authorization and approval procedure	<p>In accordance with Law of Ukraine No.996 of July 16, 1999 "On Accounting and Financial Reporting in Ukraine"; Standard Regulations on the Accounting Service of the Budget Institution approved by the Cabinet of Ministers of Ukraine Resolution No.59 of 26 January 2011; National provisions (standard) of public sector accounting (NP(S)PSA); Methodological recommendations on accounting policy of the public sector entity, approved by the Order of the Ministry of Finance of Ukraine dated 11 January 2015, the chief accountant develops, and the manager of the institution approves the regulation on accounting policy.</p> <p>According to the Order of the Ministry of Finance No.88 of 24 May 1995 "On Approval of the Regulations on the Documentary Support of Accounting Records," the manager of the institution should establish a schedule of workflow, which should ensure the optimal number of units and executors through which each</p>

Internal control components and elements	Summary of observations
	<p>primary document passes, determine the minimum term of its stay in a unit, as well as improve accounting work, strengthen the control functions of accounting, and increase its level of automation. The workflow schedule is drawn up in the form of a diagram or a list of works on the creation, verification and processing of documents performed by each department of an enterprise or institution, as well as all contractors, indicating their relationship and work timing.</p> <p>PI-27.4 Financial data integrity process is rated 'B' - Only authorised staff have access to financial records. All changes to these records are duly authorised by the head of the department and/or budget institution; changes result in an audit trail. That said, there is no special unit or body responsible for financial data integrity.</p> <p>PI-25.2 Effectiveness of expenditure commitment controls is rated 'C' – The financial management system only limits expenditure to the approved budget.</p> <p>PI-23.1 Integration of the payroll and personal records is rated 'B' – There is no direct linkage between personnel and payroll data. Payroll controls are however satisfactory to ensure data integrity.</p> <p>PI-23.2 Management of payroll changes in the payroll sector is rated 'A' – Changes to personnel and payroll records are made in time, within the same before processing and payment of salaries.</p> <p>PI-23.3 Internal control of payroll is rated 'A' - There are well-established rules and procedures that ensure payroll controls and integrity of payroll data. Changes are authorised and approved with the appropriate documentation. Changes result in an audit trail.</p>
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	<p>According to the Resolution of the Cabinet of Ministers No.59 of 26 January 2011 "On Approval of the Standard Regulation on the Accounting Service of a Budgetary Institution," the main tasks include the accounting of financial and economic activities of a budgetary institution and preparation of reports.</p> <p>The Law of Ukraine "On Accounting and Financial Reporting" stipulates that a primary document (a work (service) delivery act) must be signed by the person who participated in the business operation. Order of the Ministry of Justice No.1000/5 of June 18, 2015 "On Approval of the Rules of Organization of Records Management and Archival Storage of Documents in State Bodies, Local Self-Government Bodies, Enterprises, Institutions and Organizations" defines the need for segregation of responsibilities when signing management documents. According to this Order, internal approval of the draft contract based on the procurement results should be carried out, inter alia, by the employee who prepared the document, the head of the structural unit in which it was created, the financial unit or chief accountant (accountant), the head of legal service (lawyer).</p> <p>The full segregation of responsibilities for approval and signing of certain types of documents at the institution should be summarized in the workflow schedule approved by the head of the institution.</p> <p>The head of an institution approves the regulation on the tender committee in accordance with the Standard Regulation approved by the Ministry of Economic Development (Order No.557 of March 30, 2016), as well as its membership. There</p>

Internal control components and elements	Summary of observations
	<p>is no restriction on the possibility to participate in determining the winner of the tender by the employees who prepared the corresponding tender offer.</p> <p>Order of the Ministry of Finance No.879 2 September 2014 approved the regulation for the inventory of assets and liabilities. The Order, in particular, specifies that for purposes of inventory, an executive document shall be issued by the head of the enterprise to establish an inventory commission out of representatives of the enterprise management, accounting service (representatives of an audit firm, centralized accounting office, business entity/natural person who performs accounting at the enterprise on a contractual basis), and experienced employees of the enterprise who know the object of inventory, pricing, and primary accounting (engineers, technologists, mechanics, contractors, stock managers, economists, accountants). The Inventory Commission is headed by the head of the enterprise (his/her deputy) or the head of the structural subdivision of the enterprise authorized by the head of the enterprise. This regulation also stipulates that financially responsible persons are not included in the Inventory Commission to check the assets held in their custody.</p> <p>PI-25.1 Segregation of duties is rated 'A'- Appropriate segregation of duties is prescribed in laws, regulations, and expenditure management process.</p>
3.3 Controls over access to resources and records	<p>PI-25.3 Compliance with payment rules and procedures is rated 'A' – Compliance levels are high; expenditure process violations are currently less than 1% of the total city government expenditure budget.</p> <p>PI-27.4 Financial data integrity process is rated 'B' - Only authorised staff have access to financial records. All changes to these records are duly authorised by the head of the department and/or budget institution; changes result in an audit trail. That said, there is no special unit or body responsible for financial data integrity.</p>
3.4 Verifications	<p>According to the Law of Ukraine No.996 of July 16, 1999 “On Accounting and Financial Reporting in Ukraine,” enterprises are required to keep an inventory of assets and liabilities to ensure the accuracy of accounting and financial statements. Such audits verify the existence, condition and valuation of assets and liabilities, and document their existence. The regulation on inventory was approved by the Order of the Ministry of Finance No.879 of 2 September 2014. It specifies that all types of liabilities and all assets of an enterprise, regardless of their location, are covered by a complete inventory prior to the preparation of the annual financial statements, and a partial inventory in the case of leases, changes of materially liable persons, etc.</p> <p>PI-28.3 Accuracy of in-year budget reports is rated 'C' – Budget reports are useful for management use. Data concerns are however not highlighted.</p>
3.5 Reconciliations	<p>PI-27.1 Bank account reconciliation is rated 'A' – Bank reconciliation is done weekly within a week after the previous month. City government bank accounts are part of the TSA architecture.</p> <p>PI-27.2 Reconciliation of suspense accounts is not applicable (NA). There are no suspense accounts.</p>

Internal control components and elements	Summary of observations
	PI-27.3 Reconciliation of advance accounts is rated 'A' – Advance accounts for contractors are reconciled timely; there are no advances for staff.
3.6 Reviews of operating performance	PI-19.3 Tax risk management, audit and investigation is rated 'NA' – This dimension is not applicable, because it is the responsibility of the State Tax Service.
3.7 Reviews of operations, processes and activities	PI-24.1 Procurement monitoring is rated 'A' – There is complete procurement statistics for both competitive (84.8%) and non-competitive (15.2%); data on procurement is accurate.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	Supervision policies are approved.
4. Information and communication	<p>The law mandates all budgetary units to prepare monthly budget reports; in practice, this is done and submitted to the local Treasury office. The reports show revenues by detailed codes of revenue classification and expenditure (recurrent and capital) by budget programs, detailed functional, administrative, and economic classifications (PI-28.1 rated 'A'). The annual financial statements present information on revenue and expenditure according to programmatic, functional and economic classifications, cash balances and receivables, tangible assets, payables and long-term liabilities, plus a reconciled cash flow statement, but comparability to the approved budget is of concern (PI-29.1 rated 'D').</p> <p>There is good public access to fiscal information (PI-9 rated 'A'). The public consultation also adds up to the transparency process (PI-9bis rated 'B'). There is also good public access to all procurement information – bids, contract awards, complaints resolved, procurement plans, and procurement statistics (PI-24.3 rated 'A'). The public also has access to planned and actual service delivery performance as well as information on resources received in cash and in-kind (PI-8 rated 'B+'). Taxpayer information in terms of rights and obligations is publicly available.</p>
5. Monitoring	
5.1 Ongoing monitoring	<p>Key aspects of ongoing monitoring include:</p> <p>PI-8.3 Resources received by service units is rated 'A' - Each service delivery unit prepares a detailed report on resources received in kind; these resources are quantified in monetary terms and consolidated by the Treasury.</p> <p>PI-10.1 Monitoring of public (city) corporations is rated "C" – Majority of city enterprises are audited annually; the audit reports are published on their respective websites.</p> <p>PI-10.2 Monitoring of sub-national governments is not applicable, as there is no first-tier lower-level government.</p> <p>PI-10.3 Contingent liabilities and other fiscal risks is not applicable – There are no PPPs and contingent liabilities.</p> <p>PI-12.1 Financial assets monitoring is rated 'C' - The government maintains records of some financial assets (cash and receivables) but not shares held in public corporations.</p>

Internal control components and elements	Summary of observations
	<p>PI-12.2 non-financial assets monitoring is rated 'C' – Management of fixed assets is decentralised. The fixed asset register contains information on buildings, vehicles, fixtures and fittings, indicating their cost, age and usage. Information on land and subsoil assets is not captured.</p> <p>PI-19.4 Tax arrears monitoring is rated 'NA' - This dimension is not applicable.</p> <p>PI-22.2 Monitoring of expenditure arrears is rated 'A' - The City Treasury, after receipt of monthly statement on outstanding expenditure commitments, prepares a consolidated quarterly report within two weeks after the end of the quarter. This report is submitted to the Oblast Treasury.</p> <p>PI-24.1 Procurement monitoring is rated 'A' - There is complete procurement statistics for both competitive (84.8%) and non-competitive (15.2%); data on procurement is accurate.</p> <p>PI-26.4 Response to internal audits is rated 'C' – There is a functional (and centralised) internal audit unit. Management responses to internal audit recommendations are partial management.</p>
5.2 Evaluations	<p>PI-8.4 Evaluation of service delivery efficiency is rated 'B'- Performance evaluation is carried out internally; no external (independent) evaluation of service delivery performance.</p>
5.3 Management responses	<p>PI-26.4 Response to internal audits is rated 'C' – Partial response to internal audit recommendations is provided by management.</p> <p>PI-30.1 External audit follow-up is rated 'D' – No external audit, in accordance with INTOSAI standards, is carried out. The State Audit Service which is under MoF conducts a financial audit but annually across public institutions.</p>

Annex 3A: Sources of Information per indicator/dimension

Indicator	Dimension	Data used
SNG Pillar: Intergovernmental fiscal relations		
HLG-1. Transfers from a higher-level government	HLG-1.1 Outturn of transfer from higher-level government	Central government subvention budget FY2018-2020 Treasury reports FY2018-2020
	HLG-1.2 Transfer composition outturn	Central government subvention budget FY2018-2020 Treasury reports FY2018-2020
	HLG-1.3 Timeliness of transfer from higher-level government	Annual budget and monthly allocation plan FY2020 Chernivtsi City Government daily transfers cash flows FY2020
	HLG-1.4 Predictability of transfers	Medium-term central government subvention budget FY2020
HLG-2 Fiscal rules and monitoring of fiscal position	HLG-2.1 Fiscal rules for sub-national governments	Budget Code of Ukraine
	HLG-2.2 Debt rules for sub-national governments	Budget Code of Ukraine
	HLG2.3 Monitoring of sub-national governments	Treasury reports from State Treasury FY2020
I. Budget Reliability		
1. Aggregate Expenditure Outturn	1.1 Aggregate Expenditure Outturn	Approved original budget (2018-2020) Treasury reports on local budgets execution (2018-2020)
2. Expenditure Composition Outturn	2.1 Expenditure Composition Outturn by Function	Approved original budget (2018-2020) Treasury reports on local budgets execution (2018-2020)
	2.2 Expenditure Composition Outturn by Economic Type	Approved original budget (2018-2020) Treasury reports on local budgets execution (2018-2020)
	2.3 Expenditure from Contingency Reserves	Approved original budget (2018-2020) Treasury reports on local budgets execution (2018-2020)
3. Revenue Outturn	3.1 Aggregate Revenue Outturn	Approved original budget (2018-2020) Treasury reports on local budgets execution (2018-2020)
	3.2 Revenue Composition Outturn	Approved original budget (2018-2020)

		Treasury reports on local budgets execution (2018-2020)
II. Transparency of Public Finances		
4. Budget Classification	4.1 Budget Classification	MoF Order as of 14.01.2011 No.11 "On Budget Classification" The GFS Classification Budget passport FY2020 and FY2021
5. Budget Documentation	5.1 Budget Documentation	FY2020 and FY2021 budget documentation
6. Central Government Operations Outside Financial Reports	6.1 Expenditure Outside Financial Reports	Data on extra-budgetary expenditure outside city government budget/financial reports FY2020
	6.2 Revenue Outside Financial Reports	Data on extra-budgetary revenue outside city government budget/financial reports FY2020
	6.3 Financial Reports of Extra Budgetary Units	Dates of submission of financial reports of extra-budgetary units
7. Transfers to Sub-national Governments	7.1 System for Allocating Transfers	N/A
	7.2 Timeliness of Information on Transfers	N/A
8. Performance Information for Service Delivery	8.1 Performance Plans for Service Delivery	Budget Code of Ukraine MoF Order as of 26.08.2014 No.836 "Some Issues on PBB for local budgets planning and execution" Local budget program passports (FY2020): (https://city.cv.ua and http://chernivtsy.eu/portal) Performance plans for education and health departments FY2020
	8.2 Performance Achieved for Service Delivery	Summary results of the analysis and evaluation of the effectiveness of budget programs (FY2020): (https://city.cv.ua and http://chernivtsy.eu/portal)
	8.3 Resources Received by Service Delivery Units	MoF Order as of 23.08.2012 No.938 "On approval of the Procedure for Treasury servicing of local budgets" Report on receipts and use of funds received as sources of the own revenues of local budget institutions (Template No.4.2-m) (FY2020)
	8.4 Performance Evaluation for Service Delivery	Budget Code of Ukraine MoF Order as of 17.05.2011 No.608 "On approval of the Methodological recommendations for the evaluation of the effectiveness of budget programs" MoF Guidance for the Local Governments "Methodology of the comparative analysis for evaluation of effectiveness of the local budget programs"

		Summary results of the analysis and evaluation of the effectiveness of budget programs (FY2020): (https://city.cv.ua and http://chernivtsy.eu/portal)
9. Public Access to Fiscal Information	9.1 Public Access to Fiscal Information	City government fiscal data on its website (https://city.cv.ua and http://chernivtsy.eu/portal)
9bis Public consultation	9bis. 1 Public Consultation in Budget Preparation	
	9bis. 2 Public Consultation in the Design of Service Delivery	
	9bis. 3 Public Consultation in Investment Planning	
III. Management of Assets and Liabilities		
10. Fiscal Risk Reporting	10.1 Monitoring of Public Corporations	Financial reports of municipal enterprises (2020)
	10.2 Monitoring of Sub-national Governments	N/A
	10.3 Contingent Liabilities and Other Fiscal Risks	N/A
11. Public Investment Management	11.1 Economic Analysis of Investment Proposals	List of major capital investment projects FY2020; all dimensions not applicable since major capital investment projects do not meet PEFA definition
	11.2 Investment Project Selection	
	11.3 Investment Project Costing	
	11.4 Investment Project Monitoring	
12. Public Asset Management	12.1 Financial Asset Monitoring	Order No.351 "On Approval of the Procedure for Monitoring the Effectiveness of Asset Management"
	12.2 Nonfinancial Asset Monitoring	Treasury report on local budgets execution FY2020 (Balance Sheet)
	12.3 Transparency of Asset Disposal	Law "On Privatization of the State and Communal Property" No.2269-VIII as of 18.01.2018 Law "On Local Self-Governance in Ukraine" No.280/97-BP as of 21.05.1997 By-laws: (i) No.386 "On approval of the procedure for the sale of objects of large privatization of state property", (ii) No.387 "Approval of the Procedure for Submitting Proposals for the Inclusion of Objects of State-owned Property to the List of Objects to be Privatized",

		<p>(iii) No.432 "On approval of the procedure for conducting electronic auctions for the sale of small-scale privatization objects and the definition of additional terms of sale,"</p> <p>(iv) No.433 "On approval of the Procedure for selection of operators of electronic platforms for the organization of electronic auctions for the sale of small privatization objects, authorization of electronic platforms and the definition of the administrator of the electronic trading system,"</p> <p>(v) No.389 "On Approval of the Procedure for the Transfer (Return) of Functions for the Management of the Property of State-Owned Enterprises, the Management of Shareholding (Share) in connection with the adoption of the decision on privatization or the termination of the privatization of the privatization object"</p>
13. Debt Management	13.1 Recording and Reporting of Debt and Guarantees	Debt records for FY2020; interview with city government officials
	13.2 Approval of Debt and Guarantees	Budget Code of Ukraine
	13.3 Debt Management Strategy	Interview with officials of the City Finance Department; no debt management strategy
IV. Policy-Based Fiscal Strategy and Budgeting		
14. Medium-term Budget Strategy	14.1 Underlying forecasts for medium-term budget	
	14.2 Fiscal impact of policy proposals	
	14.3 Medium-term expenditure estimates	
	14.4 Consistency of budgets with previous year's estimates	
17. Budget Preparation Process	17.1 Budget Calendar	FY2020 and 2021 budget calendar
	17.2 Guidance on Budget Preparation	Budget circular FY2020 and FY2021 issued to key spending units; interview with officials of key spending units
	17.3 Budget Submission to the Legislature	Dates of submission of annual budget proposals to city council FY2018-2020
18. Legislative Scrutiny of Budgets	18.1 Scope of Budget Scrutiny	Interview with city council officials, specifically from budget committee
	18.2 Legislative Procedures for Budget Scrutiny	City council regulations/standing orders on legislative procedure
	18.3 Timing of Budget Approval	Dates of budget approval FY2018-2020

	18.4 Rules for Budget Adjustment by the Executive	Budget Code (Article 23 and 78)
V. Predictability and Control in Budget Execution		
19. Tax Administration	19.1 Rights and obligations for tax measures	Not applicable
	19.2 Property tax register and valuation	Not applicable
	19.3 Tax risk management, audit and investigations	Not applicable
	19.4 Tax arrears monitoring	Not applicable
20. Accounting for Revenue	20.1 Information on revenue collections	Data on revenues for 2018-2020, provided by the Financial Department
	20.2 Transfer of revenue collections	Treasury bank accounts; interview with government officials
	20.3 Revenue accounts reconciliation	The reconciliation report as of the time of this assessment (September 2021), provided by State Tax Service; also, reconciliation report from city finance office
21. Predictability of In-Year Resource Allocation	21.1 Consolidation of Cash Balances	Daily summary cash/bank balances – balance on 13 September 2021
	21.2 Cash Forecasting and Monitoring	Annual cash flow plan FY2020
	21.3 Information on Commitment Ceilings	MoF Order No.57 dated January 28, 2002 “On approval of documents used in the process of budget execution”
	21.4 Significance of In-Year Budget Adjustments	Data on budget adjustments for FY2020; interview with city budget department
22. Expenditure Arrears	22.1 Stock of Expenditure Arrears	Treasury’s reports on expenditures arrears for 2018, 2019 and 2020
	22.2 Expenditure Arrears Monitoring	Monthly report on expenditure arrears; interview with sampled key spending units (education, health, infrastructure)
23. Payroll Controls	23.1 Integration of Payroll and Personnel Records	Interview with HR and payroll staff of sampled key spending units (education, health, infrastructure); personnel and payroll records FY2020
	23.2 Management of Payroll Changes	Interview with HR and payroll staff of sampled key spending units (education, health, infrastructure); personnel and payroll records FY2020

	23.3 Internal Control of Payroll	Interview with HR and payroll staff of sampled key spending units (education, health, infrastructure); personnel and payroll records FY2020; printed audit trail of HR and payroll software
	23.4 Payroll Audit	Payroll audit FY2020 covering the last three years FY2018-2020
24. Procurement Management	24.1 Procurement Monitoring	Public Procurement Law No.922 dated December 25, 2015 (Article 2) Procurement data of Chernivtsi City Government for 2020 (verified by the procurement authority) Electronic system https://prozorro.gov.ua Website https://bi.prozorro.org
	24.2 Procurement Methods	Public Procurement Law No.922 dated December 25, 2015 (Article 2) Procurement data of Chernivtsi City Government for 2020 (verified by the procurement authority); consolidated data on methods of procurement FY2020 Electronic system https://prozorro.gov.ua Website https://bi.prozorro.org
	24.3 Public Access to Procurement Information	Public Procurement Law No.922 dated December 25, 2015 (Articles 2, 4, 7-1, 8, 9, 10) Electronic system prozorro.gov.ua Website https://bi.prozorro.org
	24.4 Procurement Complaints Management	Public Procurement Law No.922 dated December 25, 2015 (Article 18) Procurement complaints framework (Anti-Monopoly Commission of Ukraine)
25. Internal Controls on Non-salary Expenditure	25.1 Segregation of Duties	MoF order No.995 dated September 14, 2012 "On approval of the Methodological recommendations on the organization of internal control by spending units in their institutions and in subordinate budget institutions" CMU's Resolution No.1062 dated December 12, 2018 "On approval of the Basic Principles of Internal Control by Spending Units" MoF order No.938 dated August 23, 2012 "On approval of the Treasury Services Order for local budgets" MEDT's Decree No.557 dated March 30, 2016 Interview with city government officials
	25.2 Effectiveness of Expenditure Commitment Controls	MoF order No.938 dated August 23, 2012 "On approval of the Treasury Services Order for local budgets" NBU's Resolution as of 21.01.2004 No.22 Law of Ukraine as of 16.07.1999 No.996-XIV

	25.3 Compliance with Payment Controls	Interview with key spending units; data from internal audit unit
26. Internal Audit	26.1 Coverage of Internal Audit	Interview with government officials; data from internal audit unit
	26.2 Nature of Audits and Standards Applied	Internal Audit Standards, approved by MoF order No.1247 dated October 4, 2011
	26.3 Implementation of Internal Audits and Reporting	Interview with officials of internal audit unit; data on implementation of internal audits
	26.4 Response to Internal Audits	Interview with officials of internal audit unit; data on implementation of internal audits
VI. Accounting and reporting		
27. Financial Data Integrity	27.1 Bank Account Reconciliation	<p>Treasury's Order No.122 of June 26, 2002 "On the approval of the Regulation on the Single Treasury Account"</p> <p>CMU's Resolution No.215 dated April 15, 2015 "On approval of the Regulation of the State Treasury Service of Ukraine"</p> <p>MoF Order No.938 dated August 23, 2012 "On approval of Procedures of the Treasury Services for local budgets"</p> <p>MoF Order No.758 dated June 22, 2012 "On approval of the Procedure for opening and closing accounts in national currency with the bodies of the State Treasury Service of Ukraine"</p> <p>Regulation on the Department (division) of the State Treasury of Ukraine in rayons, districts in cities, cities of oblast's, republican's significance, approved by MoF Order No.1280 dated October 12, 2011</p> <p>Sampled data on bank reconciliation on selected bank accounts of the city government</p>
	27.2 Suspense Accounts	<p>MoF Order No.1219 dated December 29, 2015 "On the approval of certain regulatory acts on accounting in the public sector"</p> <p>MoF Order No.1203 dated December 31, 2013 "On Approving the Public Sector Accounting Chart of Accounts"</p> <p>Treasury's Order No.1 dated May 17, 2000 "Chart of accounts for the implementation of state and local budgets"</p>
	27.3 Advance Accounts	<p>CMU's Resolution No.117 dated April 23, 2014 "On the advance payment of goods, works and services purchased for budgetary funds"</p> <p>Data on advance accounts FY2020</p>

	27.4 Financial Data Integrity Processes	Regulation on the Department (division) of the State Treasury of Ukraine in rayons, districts in cities, cities of oblast's, republican's significance, approved by MoF's Order No.1280 dated October 12, 2011 Information received at the meetings held with the Financial Department and the Treasury
28. In-Year Budget Reports	28.1 Coverage and Comparability of Reports	CMU's Resolution No.419 dated February 28, 2000 "On approval of the Financial Reporting Procedure" Treasury's Order No.34 dated February 6, 2018 "Guidelines for filling out forms of financial statements by bodies of the State Treasury Service of Ukraine" City Government of Chernivtsi annual financial report FY2020
	28.2 Timing of In-Year Budget Reports	Dates of submission of in-year budget execution reports
	28.3 Accuracy of In-Year Budget Reports	Interview with officials of City Finance Department; triangulation with internal audit unit
29. Annual Financial Reports	29.1 Completeness of Annual Financial Reports	Annual financial statements FY2020
	29.2 Submission of Reports for External Audit	Interview with City Finance Department; please note: annual financial reports are not submitted to external auditor
	29.3 Accounting Standards	Budget Code (Articles 43, 80) MoF Order No.12 dated January 17, 2018 "On the organization of work on the preparation by the State Treasury Service of Ukraine of budget reporting on the implementation of local budgets" Treasury's Order No.36 dated February 6, 2018 "On the organization of the work of the State Treasury Service of Ukraine on the preparation of budget reporting on the implementation of local budgets"
VII. External Scrutiny and Audit		
30. External Audit	30.1 Audit Coverage and Standards	Interview with officials of Accounting Chamber of Ukraine
	30.2 Submission of Audit Reports to the Legislature	Interview with officials of Accounting Chamber of Ukraine
	30.3 External Audit Follow-Up	Interview with officials of Accounting Chamber of Ukraine
	30.4 Supreme Audit Institution Independence	The Constitution of Ukraine, adopted at the fifth session of the Verkhovna Rada of Ukraine on June 28, 1996 (Article 85) The Law No.576 dated July 2, 2015 "On the Accounting Chamber" (Articles 17, 18, 20)

		The Law No.1861-VI dated February 10, 2010 "On the Regulation of the Verkhovna Rada of Ukraine" (Article 208-2)
31. Legislative Scrutiny of Audit Reports	31.1 Timing of Audit Report Scrutiny	Law of Ukraine No.280/97-VR dated May 21, 1997 "About local self-government in Ukraine" Interview with city council officials
	31.2 Hearings on Audit Findings	
	31.3 Recommendations on Audit by the Legislature	
	31.4 Transparency of Legislative Scrutiny of Audit Reports	

Annex 3B: List of Stakeholders Interviewed

No.	Name	Organization	Position	Telephone	Email
Executive Committee of the Chernivtsi City Council					
1.	Chelpan Olena	Finance Department	Deputy Head of Budget Division	0999420340	budget@rada.cv.ua
2.	Ukrayinets Nadiia	Finance Department	Leading Specialist of Revenue Division	0973748246	eapdfu@rada.cv.ua
3.	Ivancheskul Mariia	Finance Department	Deputy Head of Division of Accounting, Information and Analytical Accounting and Reporting	0954296640	mari.ivancheskul@gmail.com
4.	Kamyschnikova Inna	Finance Department	Head of Division of Financing of Governing Bodies and Social Protection	0997505880	fin_org@rada.cv.ua
5.	Teleshetska Maryna	Finance Department	Leading Specialist of Budget Office	0954969617	budgetnuy2017@gmail.com
6.	Chekina Nina	Finance Department	Head of Financing of Separate Production Sphere Branches	0508275444	ninel1612@gmail.com
7.	Adamovych Svitlana	Finance Department	Deputy Head of Department	0503382138	eapdfu@rada.cv.ua
8.	Horodenskyi Yaroslav	Department of Municipal Property	Head of Department	0505813883	dorinowich_cv@ukr.net
9.	Kozmin Svitlana	Department of Municipal Property	Head of Accounting Division	0503383981	svitlanakozmin@gmail.com.ua
10.	Pihulevska Tetiana	Department of Municipal Property	Head of Division of Property Accounting and Privatisation	0509014311	maino_de@ukr.net
11.	Nastas Lesia	Department of Municipal Property	Head of Division of Lease Relations	0505512881	orenda.maina.cv@gmail.com
12.	Yakunina Antonina	Department of Municipal Property	Deputy Head of Division of Lease Relations	0958844611	orenda.maina.cv@gmail.com
13.	Melnyk Oleksandr	Department of Audit	Leading Specialist	0955703039	snowchild1985@gmail.com
14.	Tymofiichuk andrii	Department of Land Relations	Head of Department	0505626394	duarcv@ukr.net
15.	Makoviichuk Vasylyna	Department of Infrastructure and Provision of Urban Amenities	Deputy Head of Department	0502727583	ukb.dmbk@ukr.net
16.	Khropot Serhii	Department of Urban Planning and Architecture	Deputy Head of Department	0955950894	umadmbk@gmail.com
17.	Kukuliak Halyna	Department of Healthcare	Accountant	0502544086	galya.kukulyak@gmail.com
18.	Kulikova Maryna	Department of Healthcare	Chief Accountant	0667144464	kulikova1381@gmail.com
19.	Bodnar Nelia	Department of Healthcare	Deputy Head of Economy Office	0669322746	nelya_bodnar@ukr.net
20.	Kalmykova Nataliia	Department of Healthcare	Head of Department	0507098788	chumachka@gmail.com
21.	Bovkun Halyna	Department of Healthcare	Deputy Head of Department	0992352090	bovkun.galya@bovkun.com.ua

No.	Name	Organization	Position	Telephone	Email
22.	Havrylova Liubov	Department of Education	Head of Preschool Education Sector	0990338892	gl-22@ukr.net
23.	Pukas Nataliia	Department of Education	Head of Accounting and Reporting Office	0505184727	osvitacv@gmail.com
24.	Tkachuk Iryna	Department of Education	Head of Department	0506148996	osvitacv@gmail.com
25.	Kuzmina Olena	Department of Education	Deputy Head of Department	0502280480	olenakuzmina71@gmail.com
26.	Bostan Serhii	Department of Socio-Economic Development and Strategic Planning	Head of Department	0502387107	sergii.bostan1987@gmail.com
27.	Sidliar Ruslana	Department of Socio-Economic Development and Strategic Planning	Deputy Head of Department	0506654237	sidlyar.r@ukr.net
28.	Vorobets Oksana	Department of Public Procurement	Head of Department	0955277842	tender.rada.cv@email.ua
29.	Kovalchuk Oksana	Department of Public Procurement	Leading Specialist	0997359210	tender.rada.cv@email.ua
Chernivtsi City Council					
30.	Maksymiuk Vasyl	Chernivtsi City Council	Head of Budget Committee	0503381338	maksymiuk2015@gmail.com
State Treasury Service of Ukraine					
31.	Humennyi Bohdan	Department of the State Treasury Service of Ukraine in Chernivtsi	Deputy Head of Department	0685795794	bohdan.humennyi@ukr.net
Service Delivery					
32.	Shyrokova Svitlana	Municipal Non-Profit Enterprise "City Polyclinic No.2"	Head	52-33-01	shyrokova@ukr.net
33.	Prots Viktor	Municipal Non-Profit Enterprise "Central City Clinical Hospital"	Head of Enterprise	0663880095	dokko07@ukr.net
34.	Romaniuk Svitlana	Municipal Non-Profit Enterprise "Central City Clinical Hospital"	Deputy Head of Enterprise	0506780780	svetlana@gmail.com
35.	Pokalska Oksana	Chernivtsi Secondary School No.2	Headmaster	0502109610	pokal.oks@gmail.com
Business Community					
36.	Sevriukov Vladyslav	NGO "Bukovina Business Club"	Deputy Head	0503741350	vlad.sevr@gmail.com
37.	Nykolaychuk Myroslav	LLC "Langate"	Head	0503120063	nmiroslav@ukr.net

Annex 3C: Additional evidence for PI-28.1

Analysis of the financing of institutions as of 28.12.2020					
(By economic structure)					
General fund					
Code	Indicator	Adjusted plan for the year	Adjusted plan for the report. period	Funded by the report. period	% Vic. by sweat. moon
02	Executive Committee of Chernivtsi City Council	108,793,221.00	108,793,221.00	103,669,485.91	95.00
2111	Salary	68,202,600.00	68,202,600.00	67,959,920.00	100.00
2120	Accruals for wages	14,859,000.00	14,859,000.00	14,797,564.00	100.00
2210	Items, materials, equipment and inventory	3,258,300.00	3,258,300.00	2,926,463.00	90.00
2220	Medicines and dressings	516,200.00	516,200.00	507,727.00	98.00
2230	Food	242,800.00	242,800.00	0.00	0.00
2240	Payment for services (except utilities)	4,256,700.00	4,256,700.00	3,982,634.00	94.00
2250	Travel expenses	138,800.00	138,800.00	26,050.00	19.00
2271	Payment for heat supply	424,200.00	424,200.00	375,522.00	89.00
2272	Payment for water supply and sewerage	89,500.00	89,500.00	65,142.00	73.00
2273	Payment for electricity	1,348,200.00	1,348,200.00	1,024,046.00	76.00
2274	Payment for natural gas	1,157,100.00	1,157,100.00	860,407.00	74.00
2275	Payment for other energy and other utilities	38,800.00	38,800.00	32,114.00	83.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	9,865,621.00	9,865,621.00	9,382,230.90	95.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	180,000.00	180,000.00	39,527.01	22.00
2630	Current transfers to foreign governments and international organizations	3,000.00	3,000.00	2,814.00	94.00
2710	Payment of pensions and benefits	19,300.00	19,300.00	19,178.00	99.00

2730	Other payments to the population	148,900.00	148,900.00	12,954.00	9.00
2800	Other current expenses	1,044,200.00	1,044,200.00	996,572.00	95.00
4113	Provision of other domestic loans	3,000,000.00	3,000,000.00	658,621.00	22.00
06	Department of Education of Chernivtsi City Council	1,069,166,620.00	1,069,166,620.00	959,376,624.92	90.00
2111	Salary	699,605,200.00	699,605,200.00	685,384,411.27	98.00
2120	Accruals for wages	154,445,053.00	154,445,053.00	152,174,109.05	99.00
2210	Items, materials, equipment and inventory	15,722,607.00	15,722,607.00	11,080,906.50	70.00
2220	Medicines and dressings	6,623,612.00	6,623,612.00	6,563,831.10	99.00
2230	Food	58,911,800.00	58,911,800.00	20,853,747.00	35.00
2240	Payment for services (except utilities)	15,434,707.00	15,434,707.00	14,632,898.00	95.00
2250	Travel expenses	228,900.00	228,900.00	62,320.00	27.00
2271	Payment for heat supply	58,120,600.00	58,120,600.00	28,095,257.00	48.00
2272	Payment for water supply and sewerage	3,544,300.00	3,544,300.00	2,055,822.00	58.00
2273	Payment for electricity	18,154,000.00	18,154,000.00	11,315,307.00	62.00
2274	Payment for natural gas	4,047,200.00	4,047,200.00	1,872,184.00	46.00
2275	Payment for other energy and other utilities	1,295,000.00	1,295,000.00	856,145.00	66.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	99,281.00	99,281.00	68,471.00	69.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	3,886,000.00	3,886,000.00	3,886,000.00	100.00
2720	Scholarships	23,156,600.00	23,156,600.00	19,574,683.00	85.00
2730	Other payments to the population	5,867,300.00	5,867,300.00	886,129.00	15.00
2800	Other current expenses	24,460.00	24,460.00	14,404.00	59.00
07	Department of Health Care in Chernivtsi City Council	149,189,646.41	149,189,646.41	147,012,068.56	99.00
2111	Salary	2,230,300.00	2,230,300.00	2,230,300.00	100.00

2120	Accruals for wages	492,200.00	492,200.00	491,665.00	100.00
2210	Items, materials, equipment and inventory	13,600.00	13,600.00	11,247.00	83.00
2240	Payment for services (except utilities)	13,100.00	13,100.00	13,100.00	100.00
2250	Travel expenses	4,500.00	4,500.00	863.00	19.00
2272	Payment for water supply and sewerage	700.00	700.00	695.00	99.00
2273	Payment for electricity	7,600.00	7,600.00	7,600.00	100.00
2274	Payment for natural gas	21,800.00	21,800.00	21,678.00	99.00
2275	Payment for other energy and other utilities	300.00	300.00	300.00	100.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	32,947,776.03	32,947,776.03	32,648,865.27	99.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	105,157,749.38	105,157,749.38	103,285,734.30	98.00
2730	Other payments to the population	8,300,021.00	8,300,021.00	8,300,020.99	100.00
08	Department of Labor and Social Protection of Chernivtsi City Council	116,811,400.00	116,811,400.00	110,409,315.59	95.00
2111	Salary	47,412,600.00	47,412,600.00	47,009,844.38	99.00
2120	Accruals for wages	10,376,500.00	10,376,500.00	10,364,592.14	100.00
2210	Items, materials, equipment and inventory	836,177.00	836,177.00	282,857.53	34.00
2220	Medicines and dressings	237,453.00	237,453.00	236,723.00	100.00
2230	Food	2,640,200.00	2,640,200.00	2,629,108.38	100.00
2240	Payment for services (except utilities)	757,700.00	757,700.00	618,270.80	82.00
2250	Travel expenses	168,400.00	168,400.00	89,340.00	53.00
2271	Payment for heat supply	451,770.00	451,770.00	216,558.86	48.00
2272	Payment for water supply and sewerage	26,100.00	26,100.00	26,100.00	100.00
2273	Payment for electricity	269,700.00	269,700.00	231,764.36	86.00
2274	Payment for natural gas	221,200.00	221,200.00	158,527.67	72.00

2275	Payment for other energy and other utilities	1,200.00	1,200.00	1,200.00	100.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	12,500.00	12,500.00	4,711.00	38.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	1,225,400.00	1,225,400.00	1,143,856.24	93.00
2730	Other payments to the population	52,083,000.00	52,083,000.00	47,364,858.23	91.00
2800	Other current expenses	91,500.00	91,500.00	31,003.00	34.00
10	Department of Culture of Chernivtsi City Council	72,848,416.00	72,848,416.00	68,530,215.00	94.00
2111	Salary	48,018,026.00	48,018,026.00	47,494,233.00	99.00
2120	Accruals for wages	10,570,062.00	10,570,062.00	10,400,222.00	98.00
2210	Items, materials, equipment and inventory	926,783.00	926,783.00	510,922.00	55.00
2220	Medicines and dressings	35,814.00	35,814.00	35,771.00	100.00
2240	Payment for services (except utilities)	4,218,313.00	4,218,313.00	3,141,975.00	74.00
2250	Travel expenses	49,050.00	49,050.00	9,029.00	18.00
2271	Payment for heat supply	1,490,300.00	1,490,300.00	778,644.00	52.00
2272	Payment for water supply and sewerage	59,730.00	59,730.00	44,617.00	75.00
2273	Payment for electricity	1,228,400.00	1,228,400.00	841,486.00	69.00
2274	Payment for natural gas	1,418,141.00	1,418,141.00	732,866.00	52.00
2275	Payment for other energy and other utilities	19,900.00	19,900.00	15,653.00	79.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	21,197.00	21,197.00	16,529.00	78.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	4,708,200.00	4,708,200.00	4,434,753.00	94.00
2730	Other payments to the population	75,000.00	75,000.00	69,000.00	92.00
2800	Other current expenses	9,500.00	9,500.00	4,515.00	48.00

11	Department of Physical Culture and Sports of Chernivtsi City Council	14,774,800.00	14,774,800.00	13,198,562.56	89.00
2111	Salary	7,498,900.00	7,498,900.00	7,298,770.11	97.00
2120	Accruals for wages	1,627,300.00	1,627,300.00	1,592,950.64	98.00
2210	Items, materials, equipment and inventory	543,170.00	543,170.00	264,474.20	49.00
2240	Payment for services (except utilities)	1,080,473.00	1,080,473.00	544,958.00	50.00
2250	Travel expenses	747,300.00	747,300.00	451,678.00	60.00
2271	Payment for heat supply	101,000.00	101,000.00	83,675.00	83.00
2272	Payment for water supply and sewerage	16,400.00	16,400.00	13,693.00	83.00
2273	Payment for electricity	206,000.00	206,000.00	118,546.00	58.00
2274	Payment for natural gas	261,600.00	261,600.00	252,256.00	96.00
2275	Payment for other energy and other utilities	6,627.00	6,627.00	5,993.00	90.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	4,800.00	4,800.00	1,294.00	27.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	2,015,300.00	2,015,300.00	1,905,980.61	95.00
2730	Other payments to the population	662,130.00	662,130.00	662,130.00	100.00
2800	Other current expenses	3,800.00	3,800.00	2,164.00	57.00
12	Department of Housing and Communal Services of Chernivtsi City Council	382,410,867.00	382,410,867.00	377,271,702.88	99.00
2111	Salary	11,526,300.00	11,526,300.00	11,526,300.00	100.00
2120	Accruals for wages	2,457,800.00	2,457,800.00	2,432,582.87	99.00
2210	Items, materials, equipment and inventory	311,430.00	311,430.00	302,889.00	97.00
2220	Medicines and dressings	292,420.00	292,420.00	276,619.80	95.00
2240	Payment for services (except utilities)	171,971,604.00	171,971,604.00	168,752,949.22	98.00
2250	Travel expenses	120.00	120.00	120.00	100.00
2271	Payment for heat supply	153,300.00	153,300.00	111,577.22	73.00

2272	Payment for water supply and sewerage	4,800.00	4,800.00	4,326.98	90.00
2273	Payment for electricity	71,500.00	71,500.00	58,988.45	83.00
2275	Payment for other energy and other utilities	261,800.00	261,800.00	261,800.00	100.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	2,400.00	2,400.00	2,400.00	100.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	192,677,853.00	192,677,853.00	190,876,365.02	99.00
2730	Other payments to the population	2,679,540.00	2,679,540.00	2,664,784.32	99.00
16	Department of Urban Development and Land Relations of Chernivtsi City Council	14,780,800.00	14,780,800.00	14,216,039.43	96.00
2111	Salary	10,778,700.00	10,778,700.00	10,420,578.10	97.00
2120	Accruals for wages	2,371,300.00	2,371,300.00	2,365,382.80	100.00
2210	Items, materials, equipment and inventory	204,300.00	204,300.00	203,097.00	99.00
2240	Payment for services (except utilities)	999,900.00	999,900.00	888,710.31	89.00
2250	Travel expenses	1,600.00	1,600.00	906.00	57.00
2272	Payment for water supply and sewerage	7,000.00	7,000.00	4,963.58	71.00
2273	Payment for electricity	112,400.00	112,400.00	98,732.09	88.00
2274	Payment for natural gas	184,400.00	184,400.00	154,396.12	84.00
2281	Research and development, some development measures for the implementation of state (regional) programs	0.00	0.00	0.00	0.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	4,500.00	4,500.00	4,440.00	99.00
2800	Other current expenses	116,700.00	116,700.00	74,833.43	64.00
27	Chernivtsi City Council Development Department	11,187,162.00	11,187,162.00	10,258,243.24	92.00

2111	Salary	7,585,600.00	7,585,600.00	7,578,286.55	100.00
2120	Accruals for wages	1,629,800.00	1,629,800.00	1,625,425.32	100.00
2210	Items, materials, equipment and inventory	442,300.00	442,300.00	149,896.00	34.00
2220	Medicines and dressings	12,836.00	12,836.00	12,835.50	100.00
2240	Payment for services (except utilities)	1,021,312.00	1,021,312.00	589,031.77	58.00
2250	Travel expenses	65,100.00	65,100.00	2,563.00	4.00
2272	Payment for water supply and sewerage	3,500.00	3,500.00	3,500.00	100.00
2273	Payment for electricity	66,700.00	66,700.00	65,757.22	99.00
2274	Payment for natural gas	81,000.00	81,000.00	58,584.88	72.00
2282	Some measures for the implementation of state (regional) programs, not classified as development measures	12,600.00	12,600.00	8,400.00	67.00
2610	Subsidies and current transfers to enterprises (institutions, organizations)	84,000.00	84,000.00	84,000.00	100.00
2730	Other payments to the population	100,000.00	100,000.00	0.00	0.00
2800	Other current expenses	82,414.00	82,414.00	79,963.00	97.00
37	Financial Department of Chernivtsi City Council	57,511,949.00	57,511,949.00	23,798,700.13	41.00
2111	Salary	7,516,400.00	7,516,400.00	7,516,393.04	100.00
2120	Accruals for wages	1,674,200.00	1,674,200.00	1,665,408.49	99.00
2210	Items, materials, equipment and inventory	21,750,384.00	21,750,384.00	136,834.00	1.00
2220	Medicines and dressings	13,165.00	13,165.00	13,165.00	100.00
2240	Payment for services (except utilities)	119,500.00	119,500.00	114,033.64	95.00
2250	Travel expenses	1,700.00	1,700.00	1,404.00	83.00
2272	Payment for water supply and sewerage	6,900.00	6,900.00	5,679.48	82.00
2273	Payment for electricity	36,100.00	36,100.00	33,902.95	94.00
2274	Payment for natural gas	45,100.00	45,100.00	32,848.53	73.00

2420	Servicing of external debt obligations	6,560,000.00	6,560,000.00	4,990,531.00	76.00
2620	Current transfers to other levels of government	9,288,500.00	9,288,500.00	9,288,500.00	100.00
9000	Unallocated expenses	10,500,000.00	10,500,000.00	0.00	0.00
	Total	1,997,474,881.41	1,997,474,881.41	1,827,740,958.22	92.00

Analysis of the financing of institutions as of 28.12.2020					
(According to software classification - functional)					
General fund					
Code	Indicator	Adjusted plan for the year	Adjusted plan for the report. period	Funded by the report. period	% Vic. by sweat. moon
0100	Governance	195,689,390.00	195,689,390.00	192,401,949.29	98.00
0160	Leadership and management in the relevant field in cities (Kyiv), settlements, villages, united territorial communities	163,033,611.00	163,033,611.00	160,293,503.39	98.00
0180	Other activities in the field of public administration	23,336,758.00	23,336,758.00	22,977,330.00	98.00
0191	Holding local elections	9,319,021.00	9,319,021.00	9,131,115.90	98.00
1000	Education	1,086,834,033.00	1,086,834,033.00	981,833,227.92	90.00
1010	Providing preschool education	308,580,700.00	308,580,700.00	275,021,961.48	89.00
1020	Provision of general secondary education by general secondary education institutions (including preschool subdivisions (departments, groups))	518,587,795.00	518,587,795.00	479,023,287.75	92.00
1050	Provision of general secondary education by specialized institutions of general secondary education	12,203,550.00	12,203,550.00	8,681,604.00	71.00
1090	Providing out-of-school education by out-of-school educational institutions, extracurricular activities with children	23,952,800.00	23,952,800.00	20,794,013.00	87.00
1100	Providing special education in art schools	36,993,688.00	36,993,688.00	36,153,990.00	98.00
1110	Training by vocational (technical) education institutions and other educational institutions	163,739,300.00	163,739,300.00	145,150,290.00	89.00
1150	Methodological support for the activities of educational institutions	4,072,300.00	4,072,300.00	3,129,301.00	77.00

1161	Ensuring the activities of other institutions in the field of education	11,919,200.00	11,919,200.00	11,494,372.00	96.00
1162	Other programs and activities in the field of education	50,700.00	50,700.00	43,440.00	86.00
1170	Ensuring the activities of inclusive resource centres	6,734,000.00	6,734,000.00	2,340,968.69	35.00
2000	Health care	130,856,457.41	130,856,457.41	128,685,731.57	98.00
2010	Multidisciplinary inpatient medical care for the population	40,552,284.38	40,552,284.38	38,892,022.44	96.00
2030	Medical and obstetric care for pregnant women, mothers and new-borns	21,984,464.00	21,984,464.00	21,916,511.58	100.00
2080	Outpatient care, except for primary care	22,044,193.00	22,044,193.00	21,937,822.28	100.00
2100	Dental care for the population	15,222,231.00	15,222,231.00	15,210,041.71	100.00
2111	Primary medical care provided to the population by primary health care centres	4,114,645.00	4,114,645.00	4,106,508.00	100.00
2113	Primary medical care for the population provided by outpatient clinics (departments)	10,158,145.00	10,158,145.00	10,128,852.00	100.00
2144	Centralized measures for the treatment of patients with diabetes mellitus and non-diabetes mellitus	12,873,156.03	12,873,156.03	12,739,488.88	99.00
2151	Ensuring the activities of other institutions in the field of health care	2,795,139.00	2,795,139.00	2,739,830.68	98.00
2152	Other programs and activities in the field of health care	1,112,200.00	1,112,200.00	1,014,654.00	91.00
3000	Social protection and social security	82,015,775.00	82,015,775.00	71,544,905.55	87.00
3031	Providing other benefits to certain categories of citizens in accordance with the law	79,700.00	79,700.00	59,896.84	75.00
3032	Providing benefits to certain categories of citizens to pay for communication services	973,300.00	973,300.00	844,043.57	87.00
3033	Compensation payments for preferential travel by road to certain categories of citizens	7,112,400.00	7,112,400.00	5,687,031.90	80.00

3036	Compensation payments for preferential travel by electric transport to certain categories of citizens	20,827,600.00	20,827,600.00	20,812,896.00	100.00
3104	Provision of social services at the place of residence of citizens who are not able to self-care due to old age, illness, disability	17,100,500.00	17,100,500.00	16,839,142.30	98.00
3121	Maintaining and ensuring the activities of centers of social services for families, children and youth	5,332,500.00	5,332,500.00	5,011,916.00	94.00
3131	Implementation of measures and implementation of projects for the implementation of the State target social program `Youth of Ukraine`	1,446,000.00	1,446,000.00	523,919.00	36.00
3140	Rehabilitation and recreation of children (except for measures to rehabilitate children carried out at the expense of funds for the rehabilitation of citizens affected by the Chernobyl disaster)	4,775,275.00	4,775,275.00	0.00	0.00
3160	Providing social guarantees to individuals who provide social services to the elderly, people with disabilities, children with disabilities, patients who are unable to self-care and need outside help	744,000.00	744,000.00	714,172.07	96.00
3180	Providing benefits to the population (except for war and labor veterans, military service, law enforcement agencies and citizens affected by the Chernobyl disaster) to pay for housing and communal services	6,970,000.00	6,970,000.00	6,023,977.20	86.00
3192	Providing financial support to public organizations of veterans and persons with disabilities whose activities are socially oriented	290,000.00	290,000.00	249,275.00	86.00
3210	Organization and conduct of public works	296,500.00	296,500.00	74,187.67	25.00

3242	Other measures in the field of social protection and social security	16,068,000.00	16,068,000.00	14,704,448.00	92.00
4000	Culture and art	29,149,567.00	29,149,567.00	25,973,747.00	89.00
4030	Ensuring the activities of libraries	8,754,600.00	8,754,600.00	8,448,531.00	97.00
4060	Ensuring the activities of palaces and houses of culture, clubs, leisure centres and other club facilities	14,337,067.00	14,337,067.00	12,943,017.00	90.00
4081	Ensuring the activities of other institutions in the field of culture and art	3,992,500.00	3,992,500.00	3,548,792.00	89.00
4082	Other events in the field of culture and art	2,065,400.00	2,065,400.00	1,033,407.00	50.00
5000	Physical culture and sports	25,074,900.00	25,074,900.00	22,752,532.13	91.00
5011	Conducting training camps and competitions in Olympic sports	1,396,400.00	1,396,400.00	660,739.00	47.00
5012	Conducting training camps and competitions in non-Olympic sports	127,500.00	127,500.00	37,729.20	30.00
5031	Maintenance and training work of communal children's and youth sports schools	20,988,870.00	20,988,870.00	19,510,559.75	93.00
5041	Maintenance and financial support of sports facilities	1,900,000.00	1,900,000.00	1,881,374.18	99.00
5062	Support for high-achievement sports and organizations engaged in physical culture and sports activities in the region	662,130.00	662,130.00	662,130.00	100.00
6000	Utilities	190,468,424.00	190,468,424.00	187,192,835.04	98.00
6011	Operation and maintenance of housing	311,300.00	311,300.00	253,340.00	81.00
6012	Ensuring activities for the production, transportation, supply of thermal energy	18,993,000.00	18,993,000.00	18,993,000.00	100.00
6013	Ensuring the activities of water supply and sewerage	54,929,300.00	54,929,300.00	54,929,300.00	100.00
6014	Ensuring the collection and removal of garbage and waste	511,390.00	511,390.00	507,801.70	99.00

6017	Other activities related to the operation of housing and communal services	142,002.00	142,002.00	142,001.01	100.00
6030	Organization of improvement of settlements	107,675,189.00	107,675,189.00	104,636,913.59	97.00
6040	Measures related to the improvement of drinking water	138,043.00	138,043.00	138,042.73	100.00
6084	Expenses related to the provision and maintenance of soft long-term loans to citizens for the construction / reconstruction / purchase of housing	180,000.00	180,000.00	39,527.01	22.00
6090	Other activities in the field of housing and communal services	7,588,200.00	7,588,200.00	7,552,909.00	100.00
7000	Economic activity	183,270,716.00	183,270,716.00	175,695,410.09	96.00
7130	Implementation of land management measures	1,000.00	1,000.00	0.00	0.00
7370	Implementation of other measures for socio-economic development of territories	4,526,252.00	4,526,252.00	61,770.00	1.00
7422	Regulation of prices for local land electric transport services	14,210,700.00	14,210,700.00	14,210,699.60	100.00
7426	Other measures in the field of electric transport	63,650,600.00	63,650,600.00	63,650,600.00	100.00
7430	Maintenance and development of local airports	2,787,800.00	2,787,800.00	2,787,800.00	100.00
7441	Maintenance and development of bridges / overpasses	966,822.00	966,822.00	792,420.80	82.00
7450	Other transport activities	12,138.00	12,138.00	12,137.38	100.00
7461	Maintenance and development of roads and road infrastructure at the expense of the local budget	94,537,692.00	94,537,692.00	92,484,043.35	98.00
7610	Promoting the development of small and medium enterprises	430,000.00	430,000.00	148,500.00	35.00
7622	Implementation of programs and activities in the field of tourism and resorts	760,312.00	760,312.00	230,336.00	30.00
7640	Energy saving measures	911,300.00	911,300.00	910,845.96	100.00

7680	Membership fees to associations of local governments	243,400.00	243,400.00	242,902.00	100.00
7693	Other measures related to economic activity	232,700.00	232,700.00	163,355.00	70.00
8000	Other activities	64,827,119.00	64,827,119.00	32,372,119.63	50.00
8110	Measures to prevent and eliminate emergencies and the consequences of natural disasters	38,147,927.00	38,147,927.00	20,132,639.75	53.00
8120	Measures to organize rescue on the waters	4,604,000.00	4,604,000.00	4,576,052.00	99.00
8311	Protection and rational use of natural resources	1,161,602.00	1,161,602.00	1,161,600.00	100.00
8312	Waste disposal	818,590.00	818,590.00	817,700.88	100.00
8330	Other activities in the field of ecology and protection of natural resources	35,000.00	35,000.00	34,975.00	100.00
8600	Local debt service	6,560,000.00	6,560,000.00	4,990,531.00	76.00
8700	Reserve fund	10,500,000.00	10,500,000.00	0.00	0.00
8821	Providing soft long-term loans to young families and single young people for the construction / purchase of housing	3,000,000.00	3,000,000.00	658,621.00	22.00
9000	Intergovernmental transfers	9,288,500.00	9,288,500.00	9,288,500.00	100.00
9110	Reverse grant	6,788,500.00	6,788,500.00	6,788,500.00	100.00
9770	Other subventions from the local budget	2,500,000.00	2,500,000.00	2,500,000.00	100.00
	Total	1,997,474,881.41	1,997,474,881.41	1,827,740,958.22	92.00

Annex 4: Data used for scoring PI-1, 2 & 3 (2016 methodology) & HLG-1 (new SNG guidance Oct 2020)

Data source: Budget and Finance Departments of Chernivtsi City

Table 1.1 – HLG-1.1 calculation

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

	Data for year =		2018			
Transfer types	Budget	actual	adjusted budget	deviation	absolute deviation	percent
Education subventions	257,509,900.00	266,935,663.45	253,458,872.1	13,476,791.3	13,476,791.3	5.3%
Medical subventions	220,181,000.00	239,046,200.00	216,717,213.3	22,328,986.7	22,328,986.7	10.3%
Socioeconomic development subvention	-	15,268,806.40	0.0	15,268,806.4	15,268,806.4	-
Utilities (electricity, gas, water, fuel, etc.) subvention	382,950,900.00	345,224,141.72	376,926,491.7	-31,702,350.0	31,702,350.0	-
Family care subventions	292,682,700.00	255,410,952.92	288,078,349.7	-32,667,396.8	32,667,396.8	-
Housing subventions	-	13,266,174.34	0.0	13,266,174.3	13,266,174.3	-
Road maintenance subvention	-	-	0.0	0.0	0.0	-
Other subventions	-	28,988.00	0.0	28,988.0	28,988.0	-
Total transfers	1,153,324,500.00	1,135,180,926.83	1,135,180,926.8	0.0	128,739,493.6	
overall variance						98.4%
composition variance						11.3%

Table 3

Data for year =		2019				
Transfer types	budget	actual	adjusted budget	deviation	absolute deviation	percent
Education subventions	313,287,800.00	323,313,250.30	276,781,309.6	46,531,940.7	46,531,940.7	16.8%
Medical subventions	199,603,100.00	202,015,499.06	176,343,947.7	25,671,551.4	25,671,551.4	14.6%
Socioeconomic development subvention	-	14,273,072.00	0.0	14,273,072.0	14,273,072.0	
Utilities (electricity, gas, water, fuel, etc.) subvention	243,818,035.00	97,868,485.92	215,406,648.5	-117,538,162.6	117,538,162.6	54.6%
Family care subventions	305,301,100.00	270,252,392.96	269,725,275.8	527,117.1	527,117.1	0.2%
Housing subventions	-	9,576,563.42	0.0	9,576,563.4	9,576,563.4	-
Road maintenance subventions	-	17,819,000.00	0.0	17,819,000.0	17,819,000.0	-
Other subventions	-	3,138,918.00	0.0	3,138,918.0	3,138,918.0	-
Total transfers	1,062,010,035.00	938,257,181.66	938,257,181.7	0.0	235,076,325.2	
overall variance						88.3%
composition variance						25.1%

Table 4

Data for year =		2020				
Transfer types	budget	actual	adjusted budget	deviation	absolute deviation	percent
Education subvention	364,360,100.00	395,029,973.40	591,295,375.6	-196,265,402.2	196,265,402.2	33.2%
Medical subvention	53,568,900.00	63,993,203.95	86,933,346.6	-22,940,142.6	22,940,142.6	26.4%
Socioeconomic development subvention	-	1,497,220.00	0.0	1,497,220.0	1,497,220.0	-
Housing subventions	-	6,922,720.86	0.0	6,922,720.9	6,922,720.9	-
Road maintenance subventions	-	200,000,000.00	0.0	200,000,000.0	200,000,000.0	-
Election subvention	-	9,131,115.90	0.0	9,131,115.9	9,131,115.9	-
COVID subventions	-	1,569,300.00	0.0	1,569,300.0	1,569,300.0	-
Other subventions	-	85,188.00	0.0	85,188.0	85,188.0	-
Total transfers	417,929,000.00	678,228,722.11	678,228,722.1	0.0	438,411,089.5	
overall variance						162.3%
composition variance						64.6%

Table 5 - Results Matrix

year	HGL-1.1	HLG-1.2
	total transfer deviation	composition variance
2018	98.4%	11.3%
2019	88.3%	25.1%
2020	162.3%	64.6%

Table 2.1 - Analysis for PI-1: Fiscal Year 2018

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

Data for year = 2018						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Public administration	139,080,300.00	146597700.34	148,776,599.1	-2,178,898.7	2,178,898.7	1.5%
Education	984,829,561.00	929344770.69	1,053,489,191.0	-124,144,420.3	124,144,420.3	11.8%
Health care	336,244,568.00	370672459.41	359,686,621.9	10,985,837.5	10,985,837.5	3.1%
Social security and social welfare	795,197,900.00	745197639.15	850,636,928.0	-105,439,288.8	105,439,288.8	12.4%
Culture and art	28,181,083.00	29170726.20	30,145,791.2	-975,065.0	975,065.0	3.2%
Physical development and sports	24,290,398.00	24810439.67	25,983,858.3	-1,173,418.6	1,173,418.6	4.5%
Housing and utilities	120,772,785.00	142701937.52	129,192,734.1	13,509,203.5	13,509,203.5	10.5%
Economic affairs	195,970,805.00	418308637.80	209,633,354.8	208,675,283.0	208,675,283.0	99.5%
Other activity	7,496,900.00	8760330.96	8,019,563.4	740,767.5	740,767.5	9.2%
allocated expenditure	2,632,064,300.00	2815564641.74	2,815,564,641.7	0.0	467,822,183.0	
interests	6,346,200.00	3,164,130.23				
contingency	22,800,000.00					
total expenditure	2,661,210,500.00	2,818,728,771.97				
aggregate outturn (PI-1)						105.9%
composition (PI-2) variance						16.6%
contingency share of budget						0.0%

Table 2.2 - Analysis for PI-1: Fiscal Year 2019

Table 3

Data for year = 2019						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Public administration	163,995,300.00	168,603,411.50	162,321,536.5	6,281,875.0	6,281,875.0	3.9%
Education	1,125,047,416.00	1,081,005,540.52	1,113,564,993.5	-32,559,453.0	32,559,453.0	2.9%
Health care	280,902,391.00	304,993,458.48	278,035,454.1	26,958,004.4	26,958,004.4	9.7%
Social security and social welfare	679,260,235.00	502,320,660.16	672,327,591.2	-170,006,931.1	170,006,931.1	25.3%
Culture and art	27,510,492.00	30,359,943.01	27,229,715.3	3,130,227.7	3,130,227.7	11.5%
Physical development and sports	20,269,900.00	21,975,953.94	20,063,022.0	1,912,931.9	1,912,931.9	9.5%
Housing and utilities	152,125,330.00	134,658,257.06	150,572,713.4	-15,914,456.3	15,914,456.3	10.6%
Economic affairs	270,002,184.00	454,171,093.61	267,246,496.5	186,924,597.1	186,924,597.1	69.9%
Other activity	21,774,100.00	14,825,074.13	21,551,869.9	-6,726,795.8	6,726,795.8	31.2%
allocated expenditure	2,740,887,348.00	2,712,913,392.41	2,712,913,392.4	0.0	450,415,272.3	
interests	6,080,000.00	1,966,992.45				
contingency	23,800,000.00					
total expenditure	2,770,767,348.00	2,714,880,384.86				
aggregate outturn (PI-1)						98.0%
composition (PI-2) variance						16.6%
contingency share of budget						0.0%

Table 2.3 - Analysis for PI-1: Fiscal Year 2020

Table 4

Data for year = 2020						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Public administration	185,481,500.00	196,274,281.39	184,714,434.3	11,559,847.1	11,559,847.1	6.3%
Education	1,063,908,500.00	1,016,867,513.91	93,433,995.6	65,627,123.6	65,627,123.6	70.2%
Health care	93,822,000.00	159,061,119.16	138,512,696.8	-64,112,803.6	64,112,803.6	46.3%
Social security and social welfare	139,087,900.00	74,399,893.14	28,342,003.8	-871,466.5	871,466.5	3.1%
Culture and art	28,459,700.00	27,470,537.38	25,271,753.7	-807,012.2	807,012.2	3.2%
Physical development and sports	25,376,700.00	24,464,741.48	25,271,753.7	-807,012.2	807,012.2	3.2%
Housing and utilities	171,766,300.00	194,947,874.44	171,055,954.0	23,891,920.4	23,891,920.4	14.0%
Economic affairs	530,994,413.00	536,912,429.11	528,798,465.6	8,113,963.5	8,113,963.5	1.5%
Other activity	47,854,900.00	46,896,574.50	47,656,994.3	-760,419.8	760,419.8	1.6%
allocated expenditure	2,286,751,913.00	2,277,294,964.51	1,243,058,051.8	41,834,140.3	176,551,568.9	
interests	6,624,000.00	4,834,220.82				
contingency	8,500,000.00					
total expenditure	2,301,875,913.00	2,282,129,185.33				
aggregate outturn (PI-1)						99.1%
composition (PI-2) variance						14.2%
contingency share of budget						0.0%

Table 2.4 – matrix

year	for PI-1.1	for PI-2.1	for PI-2.3
	total exp. Outturn	composition variance	contingency share
2018	105.9%	16.6%	
2019	98.0%	16.6%	0.0%
2020	99.1%	14.2%	

Table 3.1 - Analysis for PI-2: Fiscal Year 2018

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

Data for year =		2018				
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	670,924,330.00	856,412,872.11	710,636,649.3	145,776,222.8	145,776,222.8	20.5%
Use of goods and services	657444490.00	588,702,509.32	696,358,931.4	-107,656,422.1	107,656,422.1	15.5%
Consumption of fixed capital	205,733,856.00	240,186,083.05	217,911,337.4	22,274,745.6	22,274,745.6	10.2%
Interest	6346200.00	3164130.23	6,721,834.5	-3,557,704.3	3,557,704.3	52.9%
Subsidies	150859844.00	379,053,122.67	159,789,307.5	219,263,815.2	219,263,815.2	137.2%
Grants	22374500.00	36071375.88	23,698,856.9	12,372,518.9	12,372,518.9	52.2%
Social benefits	776346510.00	714,200,674.52	822,298,816.6	-108,098,142.0	108,098,142.0	13.1%
Other expenses	171,180,770.00	938,004.19	181,313,038.4	-180,375,034.2	180,375,034.2	99.5%
Total expenditure	2,661,210,500.00	2818728771.97	2,818,728,772.0	0.0	799,374,605.1	
composition variance						28.4%

Table 3.2: Analysis for PI-2 Fiscal Year 2019

Table 3

Data for year =		2019				
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	969,448,250.00	980,126,456.50	949,894,273.9	30,232,182.6	30,232,182.6	3.2%
Use of goods and services	575,412,305.00	519,242,992.46	563,806,117.2	-44,563,124.7	44,563,124.7	7.9%
Consumption of fixed capital	275,232,358.00	276,814,196.77	269,680,863.2	7,133,333.6	7,133,333.6	2.6%
Interest	6,080,000.00	1,966,992.45	5,957,365.1	-3,990,372.7	3,990,372.7	67.0%
Subsidies	225,186,545.00	336,075,883.70	220,644,484.8	115,431,398.9	115,431,398.9	52.3%
Grants	8,161,400.00	17,936,030.80	7,996,782.8	9,939,248.0	9,939,248.0	124.3%
Social benefits	684,154,390.00	498,906,160.17	670,354,851.3	-171,448,691.2	171,448,691.2	25.6%
Other expenses	27,092,100.00	83,811,672.01	26,545,646.6	57,266,025.4	57,266,025.4	215.7%
Total expenditure	2,770,767,348.00	2,714,880,384.86	2,714,880,384.9	0.0	440,004,377.1	
composition variance						16.2%

Table 3.3: Analysis for PI-2 Fiscal Year 2020

Table 4

Data for year =		2020				
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	1,096,144,800.00	1,106,695,350.17	1,086,741,481.3	19,953,868.9	19,953,868.9	1.8%
Use of goods and services	463,140,919.00	365,036,651.01	459,167,847.5	-94,131,196.5	94,131,196.5	20.5%
Consumption of fixed capital	280,422,423.00	233,904,998.75	278,016,808.9	-44,111,810.1	44,111,810.1	15.9%
Interest	6,624,000.00	4,834,220.82	6,567,175.8	-1,732,955.0	1,732,955.0	26.4%
Subsidies	262,878,170.00	460,181,440.25	260,623,059.9	199,558,380.4	199,558,380.4	76.6%
Grants	16,791,500.00	26,213,892.81	16,647,453.5	9,566,439.3	9,566,439.3	57.5%
Social benefits	141,204,701.00	83,951,876.66	139,993,371.2	-56,041,494.6	56,041,494.6	40.0%
Other expenses	34,669,400.00	1,310,754.86	34,371,987.3	-33,061,232.4	33,061,232.4	96.2%
Total expenditure	2,301,875,913.00	2,282,129,185.33	2,282,129,185.3	0.0	458,157,377.1	
composition variance						20.1%

Table 3.4 – Result Matrix

year	composition variance
2018	28.4%
2019	16.2%
2020	20.1%

Table 4.1: Analysis of revenue outturn - PI-3: Fiscal Year 2018

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

Data for year =		2018				
Revenue types	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	189,743,000.0	200,595,847.4	210,172,901.1	-9,577,053.7	9,577,053.7	4.6%
Taxes on payroll and workforce	726,100,000.0	779,887,707.4	804,280,228.9	-24,392,521.5	24,392,521.5	3.0%
Taxes on property	185,568,000.0	173,074,154.5	205,548,372.8	-32,474,218.3	32,474,218.3	15.8%
Taxes on goods and services	156,503,000.0	150,743,186.8	173,353,902.6	-22,610,715.8	22,610,715.8	13.0%
Other taxes	503,000.0	660,576.7	557,158.7	103,418.0	103,418.0	18.6%
Grants						
Grants from other government units	0.0	0.0	0.0	0.0	0.0	#DIV/0!
Other revenue						
Property income	41,702,000.00	41,133,258.48	46,192,114.2	-5,058,855.7	5,058,855.7	11.0%
Sales of goods and services	78,570,000.00	108,335,092.06	87,029,744.6	21,305,347.4	21,305,347.4	24.5%
Fines, penalties and forfeits	1,810,000.00	2,981,849.11	2,004,885.3	976,963.8	976,963.8	48.7%
Sum of rest	25,760,000.00	100,261,252.07	28,533,616.2	71,727,635.9	71,727,635.9	251.4%
Total revenue	1,406,259,000.00	1,557,672,924.5	1,557,672,924.5	0.0	0.0	0.0%
overall variance						110.8%
composition variance						12.1%

Table 4.2: Analysis of revenue outturn - PI-3 Fiscal Year 2019

Table 3

Data for year =		2019				
Revenue types	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	210,400,000.0	246,338,306.4	229,121,148.1	17,217,158.2	17,217,158.2	7.5%
Taxes on payroll and workforce	892,000,000.0	930,112,066.8	971,369,126.2	-41,257,059.4	41,257,059.4	4.2%
Taxes on property	191,095,400.0	200,678,288.7	208,098,847.2	-7,420,558.5	7,420,558.5	3.6%
Taxes on goods and services	161,555,000.0	139,070,823.7	175,929,976.7	-36,859,153.0	36,859,153.0	21.0%
Other taxes	1,048,700.0	776,705.7	1,142,012.1	-365,306.5	365,306.5	32.0%
Grants						
Grants from other government units	0.0	0.0	0.0	0.0	0.0	#DIV/0!
Other revenue						
Property income	48,560,000.0	63,076,649.5	52,880,812.5	10,195,836.9	10,195,836.9	19.3%
Sales of goods and services	87,101,600.00	127,171,432.8	94,851,799.4	32,319,633.4	32,319,633.4	34.1%
Fines, penalties and forfeits	2,151,400.0	3,069,679.6	2,342,829.1	726,850.5	726,850.5	31.0%
Sum of rest	22,129,913.00	49,541,605.27	24,099,007.0	25,442,598.3	25,442,598.3	105.6%
Total revenue	1,616,042,013.00	1,759,835,558.30	1,759,835,558.3	0.0	171,804,154.7	
overall variance						108.9%
composition variance						9.8%

Table 4.3: Analysis of revenue outturn - PI-3 Fiscal Year 2020

Table 4

Data for year =		2020				
Revenue types	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	283,470,000.0	249,193,437.8	270,512,498.8	-21,319,061.1	21,319,061.1	7.9%
Taxes on payroll and workforce	1,090,100,000.0	999,059,032.2	1,040,271,192.7	-41,212,160.5	41,212,160.5	4.0%
Taxes on property	198,573,700.0	190,022,985.5	189,496,834.9	526,150.6	526,150.6	0.3%
Taxes on goods and services	140,770,000.0	131,412,800.3	134,335,359.9	-2,922,559.5	2,922,559.5	2.2%
Other taxes	662,200.0	883,698.0	631,930.6	251,767.4	251,767.4	39.8%
Grants						
Grants from other government units	0.0	0.0	0.0	0.0	0.0	
Other revenue						
Property income	54,260,000.0	87,483,164.2	51,779,758.7	35,703,405.6	35,703,405.6	69.0%
Sales of goods and services	77,854,425.0	72,735,147.1	74,295,675.2	-1,560,528.1	1,560,528.1	2.1%
Fines, penalties and forfeits	2,300,000.0	3,305,708.0	2,194,866.3	1,110,841.7	1,110,841.7	50.6%
Sum of rest	24,752,013.00	53,042,734.71	23,620,590.8	29,422,143.9	29,422,143.9	124.6%
Total revenue	1,872,742,338.00	1,787,138,707.9	1,787,138,707.9	0.0	134,028,618.3	
overall variance						95.4%
composition variance						7.5%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2018	110.8%	12.1%
2019	108.9%	9.8%
2020	95.4%	7.5%

Annex 5: Gender-responsive PFM Assessment



PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) GENDER RESPONSIVE PFM ASSESSMENT

ASSESSMENT OF CHERNIVTSI CITY SUB-NATIONAL GOVERNMENT (UKRAINE)

MARCH 2022

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the 'PEFA CHECK'.

PEFA Secretariat

March 31, 2022

Annex 5.1 Introduction

Purpose

The purpose of the gender-responsive PFM assessment is to gather information on the budgeting and reporting systems of the City Government of Chernivtsi to assess the extent to which public financial management responds to the needs of gender (male and female) and other vulnerable groups in the city.

This is one of the first pilots of gender-responsive PFM assessment at the sub-national government level. By this pilot, the gender-responsive PFM assessment, together with the present PEFA assessment, will not only provide a basis for aligning the Swiss SECO ELocFin project design with gender-responsive PFM mindset, but it is also expected to offer additional insights, which may be used not only by SECO but also by other development partners and provide them with a better understanding of underlying concepts.

The assessment team used the Supplementary Framework for Assessing Gender-responsive Public Financial Management published by the PEFA Secretariat in January 2020.

The fieldwork was carried out at the same time the main PEFA assessment was conducted; this was so to maximise the use of time and reduce the level of interaction with government staff due to their busy schedule. Furthermore, some of the information gathered during the main PEFA assessment was used to assess the GRPFM; additional data were also gathered where necessary.

The Ministries of Finance, Education and Health are the lead central government agencies promoting gender-responsive budgeting with support from Swiss SECO, UN Women, European Union, and the World Bank. At this stage, very limited effort is exerted by the city government of Chernivtsi in terms of promoting gender-responsive PFM.

The GRPFM report (annexed to the main PEFA report) was subjected to the same PEFA Check requirements in terms of peer review and quality assurance.

Background

The central government of Ukraine is advanced in terms of the promulgation and development of gender equality laws, regulations and procedures/processes. These laws and procedures are equally applicable at the local government level. That said, local governments including the City Government of Chernivtsi have not mainstreamed these procedures and processes into the entire budget cycle. The table below (Table A-5.1) provides a list of legislative instruments and policies adopted by the central government, applicable at the sub-national levels yet to be actualised. At the city government level, it appears there is less political will as well as inadequate technical capacity for gender-responsive budgeting and reporting.

Table A-5.1: Legal and policy framework for gender equality

Legal and regulatory framework for the promotion of gender equality
<ul style="list-style-type: none">• Constitution of Ukraine• Law of Ukraine on Ensuring Equal Rights and Opportunities of Women and Men• Law of Ukraine on the Fundamentals of Prevention and Prevention of Discrimination in Ukraine• Law of Ukraine on the Prevention and Remediation of Home Violence• Law of Ukraine on the Prevention of Human Trafficking• International treaties of Ukraine that the Parliament of Ukraine agreed to be bound by, and resolutions of international conferences, international organization, and their bodies used in the gender legal expert examination according to the procedure approved by the Cabinet of Ministers of Ukraine Resolution No. 997 of November 28, 2018• The Eighth Periodic Report of Ukraine Implementation of the Convention on the Elimination of All Forms of Discrimination Against Women

- National Review of Implementation of the Beijing Declaration and Platform for Action (1995) and the outcomes of the 23rd Special Session of the UN General Assembly (2000) in the context of the 20th anniversary of the Fourth World Conference on Women and the adoption of the Beijing Declaration and Platform for Action (2015)
- Strategy for the Public Finance Management System Reform for 2017-2020, approved by the Cabinet of Ministers of Ukraine Order No.142-p of February 8, 2017
- Basic Directions of the Budget Policy for 2018-2020, approved by the Cabinet of Ministers of Ukraine Order No.411-p of June 14, 2017
- MoF instruction letter on preparation of budget requests for 2019, No.04110-09-9/20040 of July 27, 2018
- Methodological Recommendations on Implementing and Using the Gender-responsive Approach in the Budget Process, approved by the Ministry of Finance of Ukraine Order No.1 of January 2, 2019
- MoF Order No.130 of March 29, 2019 “On the approval of the Methodological Recommendations on the preparation of local budgets for a medium-term period in 2019”
- MoF Order No.145 of April 8, 2019 “On the approval of the Amendments to the General Requirements for the definition of performance indicators of budget programs”
- MoF instruction letter on the preparation of budget requests for 2020-2022, No.04110-09- 10/222087 of September 3, 2019
- Order of the Ministry of Finance of Ukraine of October 23, 2019, No.446 "On State Budget Expenditure Reviews" published on August 1, 2020, at https://www.mof.gov.ua/uk/decrees_2020-412)

Policies and plans for the implementation of gender equality programmes

- State Social Program on Ensuring Equal Rights and Opportunities of Women and Men for the period until 2021, approved by the Cabinet of Ministers of Ukraine Order No.273 of April 11, 2018
- National Action Plan to implement UN SC Resolution No.1325 “Women, Peace and Security” until 2020, adopted by the Cabinet of Ministries of Ukraine on February 24, 2016, No.113, revised on September 5, 2018, No.637-p)
- National Action Plan to implement recommendations of CEDAW to The Eighth Periodic Report of Ukraine Implementation of the Convention on the Elimination of All Forms of Discrimination Against Women

Annex 5.2 Overview of assessment findings

Chart 1 below summarises graphically the gender-responsive PFM performance. Annex 5.3 below also summarises the narrative performance of gender-responsive PFM performance.

At this stage, the City Government does not analyse proposed changes in expenditure and revenue policies with information on gender impacts (GRPFM-1 rated ‘D’); this compares with the rating of the main PEFA assessment with regards to the analysis of the fiscal impact of policy proposals – this is not done (PI-14.1 rated ‘D’).

The City Government’s public investment management system has no gender-responsive analysis to determine its impact, even though economic analysis is conducted prior to selection and funding (GRPFM-2 rated ‘D’). Compared with the main PEFA assessment, PI-11 (public investment management) is not applicable because the PEFA definition of major investment projects was not met since none of those projects’ costs were at least 1% of the total city budget.

The City Government’s budget circular issued by the City Finance Department contains information on gender; it requires key spending units to consider gender during budget formulation and preparation (GRPFM-3 rated ‘C’); however, key spending units are yet to actualise this requirement. The main PEFA score which related to GRPFM-3 is PI-17 which has an overall score of ‘C.’

Budget proposal documentation submitted to the City Council contains no specific policy priorities that promote gender equality (GRPFM-4 rated 'D'); the absence of this information means that the public has no crucial data on measures to ensure gender equality. There is, however, good dissemination (publication on the website) of key fiscal information to the public (PI-9 rated 'A'); therefore, policy proposals and priorities on gender equality, if available, are likely to be published due to the transparency and accountability framework already in existence.

It is impressive to note the existence of sex-disaggregated performance information on service delivery (both planned and achieved outputs); therefore, GRPFM-5 is rated 'B.' This compares favourably well with the main PEFA indicator PI-8 'performance information on service delivery,' which was rated 'B+.'

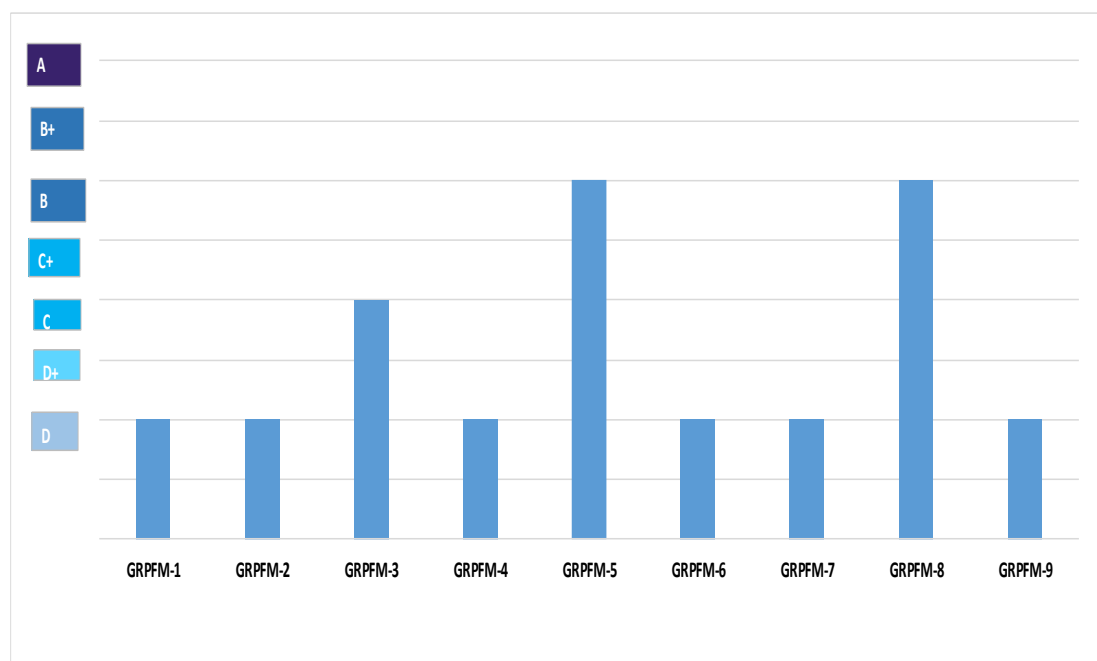
The absence of gender-responsive budget proposal documentation implies that tracking of expenditure for gender equality is almost non-existent; this was the assessment finding (GRPFM-6 rated 'D'). The absence of expenditure tracking for gender equality also led to non-reporting based on gender (GRPFM-7 rated 'D').

Specifically, the Education and Culture Departments have taken the lead in evaluating the efficiency and effectiveness of service delivery according to gender. The evaluations provide information on the performance of their programmes (GRPFM-8 rated 'B'). This also compares with the main PEFA score of PI-8.4, rated 'B.'

The City Council's scrutiny of the budget is limited to information contained in the budget documentation; therefore, if there is no information on gender-responsive budgeting, gender equality, sex-disaggregated data, just to mention a few, the Council could only review what is received. At this stage, the City Council does not review the gender impact of budget proposals (GRPFM-9 rated 'D'). The rating for PI-18 is 'B+', considerably higher than the gender score because of the absence of gender information in the budget proposal documentation.

Going forward, the City Government of Chernivtsi intends to push gender-responsive PFM agenda by soliciting support from the state government and development partners to train city government officials on gender-responsive PFM. There is, however, no methodological guideline on GRPFM with specific timelines to accomplish this task.

Chart 1: Summary of GRPFM Scores



Annex 5.3 Detailed assessment of gender-responsive budgeting

There are nine PEFA gender-responsive PFM indicators in the Supplementary Framework for Assessing Gender-responsive Public Financial Management. These nine indicators were designed to assess the processes and systems across government’s budget cycle for the promotion and empowerment of women’s rights (which is usually swept under the carpet). Table A-5.2 below summarises the performance of GRPFM at the city government level, with a more detailed analysis and explanation of scores in the following sections.

Table A-5.2: GRPFM Scores 2021

Gender-responsive Public Financial Management (GRPFM) Indicators		Scoring Method	Dimension Score		Overall Score
			i	ii	
GRPFM-1	Gender Impact Analysis of Budget Policy Proposals	M1	D	D	D
GRPFM-2	Gender-responsive Public Investment Management		D		D
GRPFM-3	Gender-responsive Budget Circular		C		C
GRPFM-4	Gender-responsive Budget Proposal Documentation		D		D
GRPFM-5	Sex-Disaggregated Performance Information for Service Delivery	M2	B	B	B
GRPFM-6	Tracking Budget Expenditure for Gender Equality		D		D
GRPFM-7	Gender-responsive Reporting		D		D
GRPFM-8	Evaluation of Gender Impacts of Service Delivery		B		B
GRPFM-9	Legislative Scrutiny of Gender Impacts of the Budget	M2	D	NA	D

GRPFM-1: Gender Impact Analysis of Budget Policy Proposals

Summary of scores

GRPFM-1 (M1)	Indicator/Dimension	Score 2021	Justification for 2021 score
Gender Impact Analysis of Budget Policy Proposals		D	
1.1 Gender impact analysis of expenditure policy proposals		D	The Government of Chernivtsi City does not analyse proposed changes to expenditure policies with information that affects both males and females.
1.2 Gender impact analysis of revenue policy proposals		D	Presently, the City Government of Chernivtsi does not analyse proposed changes of revenue policies with information that has an impact on gender.

Guiding question

Does the government's analysis of proposed changes in expenditure and revenue policies include information on gender impacts?

Description

This indicator considers the extent to which the government prepares an assessment of the gender impacts of proposed changes in government expenditure and revenue policy. It contains two dimensions (sub-indicators) and uses the M1 (weakest link) method for aggregating dimension scores.

Related PEFA indicator or dimension

PI-15 Fiscal strategy

PI-15.1 Fiscal impact of policy proposals

Coverage

Sub-national government

Time period

Last completed fiscal year

GRPFM-1.1 Gender impact analysis of expenditure policy proposals

The Government of Chernivtsi City does not analyse proposed changes to expenditure policies with information that has an impact on male and female. Gender-responsive PFM at the sub-national level is a new concept, that is yet to be considered and mainstreamed into the entire budget cycle.

The score for this dimension is D.

GRPFM-1.2 Gender impact analysis of revenue policy proposals

Changes to revenue policy proposals affect budget implementation according to plan, much more so if the changes have a consequential effect on gender, either male or female. For instance, in a local government whose population has less females than males but changes to revenue policies are likely to negatively affect the revenue generation stream of the female population, the government ought to critically analyse the effect of these changes and how they would impact budget implementation. Presently, the City Government of Chernivtsi does not analyse proposed changes of revenue policies with information that has an impact on gender.

The score for this dimension is D.

GRPFM-2 Gender-responsive Public Investment Management

Summary of scores

GRPFM-2	Indicator/Dimension	Score 2021	Justification for 2021 score
Gender-responsive Public Investment Management		D	
2.1 Gender-responsive public investment management		D	Currently, the local government of Chernivtsi does not analyse the impact of major public investment projects on gender as part of the economic analyses of investment proposals.

Guiding question

Does the government analyse the impacts of major public investment projects on gender as part of the economic analysis of investment proposals?

Description

This indicator assesses the extent to which robust appraisal methods based on economic analysis of feasibility or pre-feasibility studies for major investment projects include the analysis of the impacts on gender. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-11 Public investment management

PI-11.1 Economic analysis of investment proposals

Coverage

Sub-national government

Time period

Last completed fiscal year

GRPFM-2.1 Gender-responsive public investment management

In 2017, the Ministry of Economy (MoE) issued Methodological Guidelines (ref: Order 1865 dated 22 December 2017) on the Development and Assessment of Public Investment Projects. These guidelines were aimed at assisting all key spending units at the national and sub-national levels, to plan their public investment projects (PIPs) properly and effectively to be gender sensitive. Currently, the local government of Chernivtsi does not analyse the impact of major public investment projects on gender as part of the economic analyses of investment proposals.

Good practice suggests that public investment management analysis should consider the gender implications of those capital projects. One example that comes to mind is the use of public places of convenience. In most cases, if not all, the construction of these places of convenience fails to consider the fact that women take longer time to use these facilities compared to men. For this reason, there are always long queues at female places of convenience compared to men; this is so because the same number of units of places of convenience is built for both men and women without considering the number of minutes it takes for a female to use a place of convenience compared to the number of

minutes used by a man. This example clearly shows that even with the same number of females and males in a community or a city, the female gender would still need more places of convenience than her male counterpart.

The score for this dimension is D.

GRPFM-3 Gender-responsive Budget Circular

Summary of scores

GRPFM-3	Indicator/Dimension	Score 2021	Justification for 2021 score
Gender-responsive Budget Circular		C	
3.1	Gender-responsive Budget Circular	C	The annual budget circular issued by the City Government Finance Office for FY2020 required each budget institution to provide information on gender impact of their budget policies and expenditure proposals, but there is no specific requirement to analyse sex-disaggregated data on planned outputs and outcomes for service delivery.

Guiding question

Does the budget circular(s) require budgetary units to include information on the gender-related impacts of their spending proposals?

Description

This indicator measures the extent to which the government's budget circular(s) is gender-responsive. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-17 Budget preparation process

PI-17.2 Guidance on budget preparation

Coverage

Budgetary sub-national government

Time period

Last budget submitted to the legislature

GRFM-3.1 Gender-responsive budget circular

The annual budget circular issued by the City Government's Finance Office for FY2020 required each budget institution to provide information on the gender impact of their budget policies and expenditure proposals, but not to analyse sex-disaggregated data on planned outputs and outcomes for service delivery. That said, none of the budget institutions provided information in their budget proposals that has an impact on gender.

The score for this dimension is C.

GRPFM–4 Gender-responsive Budget Proposal Documentation

Summary of scores

GRPFM-4	Indicator/Dimension	Score 2021	Justification for 2021 score
	Gender-responsive budget proposal documentation	D	
	4.1 Gender-responsive budget proposal documentation	D	The City Government’s medium-term strategic documents as well as annual budget documentation do not specifically mention or provide an overview of its policy priorities for improving gender equality. Furthermore, there are no details of budget measures aimed at strengthening gender equality, nor assessment of the impacts of budget policies on gender equality.

Guiding question

Does the government’s budget proposal documentation include information on gender priorities and budget measures aimed at strengthening gender equality?

Description

This indicator assesses the extent to which the government’s budget proposal documentation includes additional information on gender priorities and budget measures aimed at strengthening gender equality. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI–5 Budget documentation

PI–9 Public access to fiscal information (basic element 1)

Coverage

Budgetary sub-national government

Time period

Last budget submitted to the legislature

GRPFM–4.1 Gender-responsive budget proposal documentation

The City Government’s medium-term strategic documents as well as annual budget documentation do not specifically mention or provide an overview of its policy priorities for improving gender equality. Furthermore, there are no details of budget measures aimed at strengthening gender equality, nor assessments. Government officials, however, indicated that all its policies are geared towards ensuring gender equality, even though no specific mention is made of the impacts of budget policies on gender equality.

The score for this dimension is D.

GRPFM–5 Sex-Disaggregated Performance Information for Service Delivery

Summary of scores

GRPFM-5	Indicator/Dimension	Score 2021	Justification for 2021 score
	Sex-Disaggregated Performance Information for Service Delivery	B	
	5.1 Sex disaggregated performance plans for service delivery	B	Currently, the departments of education and culture are the only two departments, with a cumulative budget of about 56% of the total city budget, which provide and publish sex-disaggregated information on planned outputs of service delivery for the forthcoming year; information for FY2020 and FY2021 are published on their respective websites.
	5.2 Sex-disaggregated performance achieved for service delivery	B	Both the departments of education and health (constituting about 56% of total city government budget) prepare and publish sex-disaggregated information on the actual performance achieved for service delivery. FY2020 information was published.

Guiding question

Do the executive’s budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs?

Description

This indicator measures the extent to which the executive’s budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs. It contains two dimensions (sub-indicators) and uses the M2 (averaging) method for aggregating dimension scores.

Related PEFA indicator or dimension

PI–8 Performance information for service delivery

PI–8.1 Performance plans for service delivery (for GRPFM–5.1)

PI–8.2 Performance achieved for service delivery (for GRPFM–5.2)

Coverage

Sub-national government. Services managed and financed by other tiers of government should be included if the sub-national government significantly finances such services through reimbursements or earmarked grants or uses other tiers of government as implementing agents.

Time period

For GRPFM–5.1, next fiscal year

For GRPFM–5.2, last completed fiscal year

GRPFM–5.1 Sex disaggregated performance plans for service delivery

The provision of efficient and effective public service has become central and local governments' topmost priority, as it has become the main objective of public financial management. Citizens would like to know the kind of public services that is available, at what cost, and at which timelines. The disaggregation of public service, more so with a gender focus, facilitates citizens' quest to effectively track governments' promises towards efficient and effective service delivery. Currently, the departments of education and culture are the only two departments, with a cumulative budget of about 56% of the total city budget, which provide and publish sex-disaggregated information on planned outputs of service delivery for the forthcoming year; information for FY2020 and FY2021 are published on their respective websites.

(<https://drive.google.com/drive/folders/1lIFnGgcTTQmdDjP2haRWdD1tJdm8sYK0>).

The information includes the number of teachers and the number of students according to gender classification and the corresponding activities to be implemented.

The score for this dimension is B.

GRPFM–5.2 Sex-disaggregated performance achieved for service delivery

Just as the departments of education and culture prepare and publish sex-disaggregated information on planned outputs for the forthcoming year, they also prepare and publish on their respective websites sex-disaggregated information on actual performance achieved for service delivery for the previous year; FY2020 information was published.

(<https://drive.google.com/drive/folders/1yGTO88jKIUf3x7DwmhASfPYZfhejas7b>)

The score for this dimension is B.

GRPFM–6 Tracking Budget Expenditure for Gender Equality

Summary of scores

GRPFM-6	Indicator/Dimension	Score 2021	Justification for 2021 score
	Tracking Budget Expenditure for Gender Equality	D	
6.1	Tracking Budget Expenditure for Gender Equality	D	There is currently no tracking of budget expenditure for gender equality. Budget proposals of key spending units do not include expenditure allocations according to gender, nor specific budget policies that would allow traceability of expenditure for gender equality.

Guiding question

Does the government have the capacity to track gender equality–related expenditure?

Description

This indicator measures the government's capacity to track expenditure for gender equality throughout the budget formulation, execution, and reporting processes. There is one dimension for this indicator.

Related PEFA indicators or dimensions

PI–4 Budget classification

Coverage

Budgetary central government

Time period

Last completed fiscal year

GRPFM–6.1 Tracking budget expenditure for gender equality

The Chart of Accounts (CoA) has the capacity to track expenditures based on economic, administrative, functional, and program classifications. This functionality of budget tracking provides a framework for tracking budget expenditure for gender equality as well. However, there is currently no tracking of budget expenditures for gender equality. Budget proposals of key spending units do not include expenditure allocations according to gender, nor specific budget policies that would allow the traceability of expenditures for gender equality.

The score for this dimension is D.

GRPFM–7 Gender-responsive Reporting

Summary of scores

GRPFM-7	Indicator/Dimension	Score 2021	Justification for 2021 score
	Gender-responsive government annual reports	D	
7.1	Gender-responsive government annual reports	D	The City Government of Chernivtsi prepares and publishes annual financial reports each year, but the reports do not include specific gender-related expenditure. The reports also do not include the impact of budget policies on gender equality.

Guiding question

Do the government's published annual reports include information on gender-related expenditure and the impact of budget policies on gender equality?

Description

This indicator measures the extent to which the government prepares and publishes annual reports that include information on gender-related expenditure and the impact of budget policies on gender equality. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI–9 Public access to fiscal information

PI–28 In-year budget reports

PI–29 Annual financial reports.

Coverage

Budgetary sub-national government

Time period

Last completed fiscal year

GRPFM–7.1 Gender-responsive government annual reports

The City Government of Chernivtsi prepares and publishes annual financial reports every year, but the reports do not include specific gender-related expenditures. The reports also do not include the impact of budget policies on gender equality. A gender-responsive reporting would benefit from four important budget information, namely: (i) an analysis of gender equality outcomes, (ii) information regarding gender-related expenditure, (iii) a critical assessment of the implementation of budget policies and how they impact gender, and finally (iv) sex-disaggregated employment data.

The score for this dimension is D.

GRPFM–8 Evaluation of Gender Impacts of Service Delivery

Summary of scores

GRPFM-8	Indicator/Dimension	Score 2021	Justification for 2021 score
	Evaluation of gender impacts of service delivery	B	
	8.1 Evaluation of gender impacts of service delivery	B	The departments of education and culture appear to have taken the lead in evaluating service delivery impact on gender. In FY2020, the two departments, constituting about 56% of the city government total budget, evaluated the efficiency and effectiveness of their service delivery with an impact analysis on both men and women.

Guiding question

Does the government include an assessment of gender impacts as part of the evaluation of the efficiency and effectiveness of service delivery?

Description

This indicator measures the extent to which independent evaluations of the efficiency and effectiveness of public services include an assessment of gender impacts. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-8.4 Performance evaluation for service delivery

Coverage

Sub-national government

Time period

Last three completed fiscal years

GRPFM–8.1 Evaluation of gender impacts of service delivery

The departments of education and culture appear to have taken the lead in evaluating the service delivery impact on gender. In FY2020 the two departments, constituting about 56% of the city government total budget, evaluated the efficiency and effectiveness of their service delivery with an impact analysis on both men and women.

The score for this dimension is B.

GRPFM–9 Legislative Scrutiny of Gender Impacts of the Budget

Summary of scores

GRPFM-9	Indicator/Dimension	Score 2021	Justification for 2021 score
Legislative Scrutiny of Gender Impacts of the Budget		D	
9.1	Gender-responsive legislative scrutiny of budgets	D	Since the budget proposals submitted by the city government to legislators have no specific gender-related expenditure policies and proposals, the budget scrutiny is limited to the policies, programmes and expenditure proposals submitted by the city government. There is no review of gender impacts of service delivery programmes.
9.2	Gender-responsive legislative scrutiny of audit reports	NA	This dimension is not applicable; external audit reports are not submitted to the city council (local parliament)

Guiding question

Does the legislature’s budget and audit scrutiny include the examination of the gender impacts of the budget?

Description

This indicator measures the extent to which the legislature’s budget and audit scrutiny include a review of the government’s policies to understand whether policies equally benefit men and women by ensuring the allocation of sufficient funds. It contains two dimensions (sub-indicators) and uses the M2 (averaging) method for aggregating dimension scores.

Related PEFA indicator or dimension

PI–18 Legislative scrutiny of budgets (for GRPFM–9.1)

PI–31 Legislative scrutiny of audit reports (for GRPFM–9.2)

Coverage

Budgetary sub-national government

Time period

For GRPFM–9.1, last completed fiscal year

For GRPFM–9.2, last three completed fiscal years

GRPFM–9.1 Gender-responsive legislative scrutiny of budgets

The City Council (local parliament) has various budget committees. The committees include but are not limited to: (i) education committee, (ii) health and humanitarian committee, (iii) social services committee, (iv) infrastructure committee. There is no specific committee on gender. That said, each of the budget committees has female and male representatives. Since the budget proposals submitted by the City Government to legislators have no specific gender-related expenditure policies and proposals, the budget scrutiny is thus limited to the policies, programmes and expenditure proposals submitted by the City Government. There is no review of gender impacts of service delivery programmes. According to legislators, the most important consideration is whether the City Government’s medium-term and annual

strategic plans as well as annual budget proposals make sufficient provision for citizens, both young and old, disabled, or abled, men and women, without any discrimination.

The score for this dimension is D.

GRPFM–9.2 Gender-responsive legislative scrutiny of audit reports

This dimension is not applicable; external audit reports are not submitted to the City Council (local parliament).

The score for this dimension is NA.

Annex 5.3 Summary of performance indicators for the GRPFM assessment

No.	Indicator/Dimension	Score 2021	Justification/Description of requirement met
GRPFM-1	Gender impact analysis of budget policy proposals	D	
1.1	Gender impact analysis of expenditure policy proposals	D	The Government of Chernivtsi City does not analyse proposed changes to expenditure policies with information that affects both male and female.
1.2	Gender impact analysis of revenue policy proposals	D	Presently, the City Government of Chernivtsi does not analyse proposed changes of revenue policies with information that has an impact on gender.
GRPFM-2	Gender-responsive public investment management	D	
2.1	Gender-responsive public investment management	D	Currently, the local government of Chernivtsi does not analyse the impact of major public investment projects on gender as part of the economic analyses of investment proposals.
GRPFM-3	Gender-responsive budget circular	C	
3.1	Gender-responsive budget circular	C	The annual budget circular issued by the City Government Finance Office for FY2020 required each budget institution to provide information on the gender impact of their budget policies and expenditure proposals, but no specific requirement to analyse sex-disaggregated data on planned outputs and outcomes for service delivery.
GRPFM-4	Gender-responsive budget proposal documentation	D	
4.1	Gender-responsive budget proposal documentation	D	The City Government's medium-term strategic documents as well as annual budget documentation do not specifically mention or provide an overview of its policy priorities for improving gender equality. Furthermore, there are no details of budget measures aimed at strengthening gender equality, nor assessment of the impacts of budget policies on gender equality.

GRPFM-5	Sex-disaggregated performance information for service delivery	B	
5.1	Sex-disaggregated performance plans for service delivery	B	Currently, the departments of education and culture are the only two departments, with a cumulative budget of about 56% of the total city budget, which provide and publish sex-disaggregated information on planned outputs of service delivery for the forthcoming year; information for FY2020 and FY2021 is published on their respective websites.
5.2	Sex-disaggregated performance achieved for service delivery	B	Both the departments of education and health (constituting about 56% of total city government budget) prepare and publish sex-disaggregated information on actual performance achieved for service delivery. FY2020 information was published.
GRPFM-6	Tracking budget expenditure for gender equality	D	
6.1	Tracking budget expenditure for gender equality	D	There is currently no tracking of budget expenditure for gender equality. Budget proposals of key spending units do not include expenditure allocations according to gender, nor specific budget policies that would allow traceability of expenditure for gender equality.
GRPFM-7	Gender informative annual financial reports	D	
7.1	Gender informative annual financial reports	D	The City Government of Chernivtsi prepares and publishes annual financial reports each year, but the reports do not include specific gender-related expenditure. The reports also do not include the impact of budget policies on gender equality.
GRPFM-8	Evaluation of impacts of service delivery on gender equality	B	
8.1	Evaluation of impacts of service delivery on gender equality	B	The departments of education and culture appear to have taken the lead in evaluating service delivery impact on gender. In FY2020, the two departments, constituting about 56% of the city government total budget, evaluated the efficiency and effectiveness of their service delivery with an impact analysis on both men and women.
GRPFM-9	Gender-responsive legislative scrutiny	D	
9.1	Gender-responsive legislative scrutiny of budgets	D	Since the budget proposals submitted by the City Government to legislators have no specific gender-related expenditure policies and proposals. The budget scrutiny is thus limited to the policies, programmes and

			expenditure proposals submitted by the city government. There is no review of gender impacts of service delivery programmes.
9.2	Gender-responsive legislative scrutiny of audit reports	NA	This dimension is not applicable; external audit reports are not submitted to the City Council (local parliament).

Annex 5.4 Data source

No.	Indicator/Dimension	Data source
GRPFM-1	Gender impact analysis of budget policy proposals	Interview with city government officials; budget documentation for FY2020
GRPFM-2	Gender-responsive public investment management	Interview with city government officials; budget documentation for FY2020; sampled feasibility studies on selected public investment projects
GRPFM-3	Gender-responsive budget circular	Budget guideline (circular or instruction) for FY2020 and FY2021; interview with government officials
GRPFM-4	Gender-responsive budget proposal documentation	Interview with city government officials; budget proposal documentation for FY2020
GRPFM-5	Sex-disaggregated performance information for service delivery	Performance evaluation reports for departments of education and culture; interview with city government officials
GRPFM-6	Tracking budget expenditure for gender equality	Chart of Accounts; City Treasury reports FY2020; interview with city government officials
GRPFM-7	Gender informative annual financial reports	Chart of Accounts; City Treasury reports; Annual Financial Statements for FY2020; interview with city government officials
GRPFM-8	Evaluation of impacts of service delivery on gender equality	Performance evaluation reports for departments of education and culture; interview with city government officials
GRPFM-9	Gender-responsive legislative scrutiny	Interview with city legislators; budget documentation FY2020

Annex 5.5 Comparison of SNG PEFA Scores with GRPFM Scores

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
SNG Pillar: Intergovernmental fiscal relations					
HLG-1	Transfer from higher levels of government	C			
1.1	Outturn of transfers from higher levels of government	C			
1.2	Transfers composition outturn	D			
1.3	Timeliness of transfers from higher levels of government	A			
1.4	Predictability of transfers	D			
HLG-2	Fiscal rules and monitoring of fiscal position	A			
2.1	Fiscal rules for sub-national governments	A			
2.2	Debt rules for sub-national governments	A			
2.3	Monitoring of sub-national governments	A			
Pillar I: Budget reliability					
PI-1	Aggregate expenditure outturn	A			
PI-2	Expenditure composition outturn	D+			
2.1	Expenditure composition by function	D			
2.2	Expenditure composition by economic type	D			
2.3	Expenditure from contingency	A			
PI-3	Revenue outturn	B			
3.1	Aggregate revenue outturn	B			
3.2	Revenue composition variance	B			
Pillar II: Transparency of public finances					
PI-4	Budget classification	A	GRPFM-6	Tracking Budget Expenditure for Gender Equality	D
PI-5	Budget documentation	B	GRPFM-4	Gender-responsive Budget Documentation (and PI-9 below)	D
PI-6	Central government operations outside the budget	B+			
6.1	Expenditure outside financial reports	B			
6.2	Revenue outside financial reports	B			

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
6.3	Financial reports of extra-budgetary units	A			
PI-7	Transfers to sub-national government	NA		Not Applicable	
7.1	System for allocating transfers	NA		Not Applicable	
7.2	Timeliness of information on transfers	NA		Not Applicable	
PI-8	Performance information for service delivery	B+	GRPFM-5	Sex-disaggregated Data	B
8.1	Performance plans for service delivery	B	5.1	Sex disaggregated performance plans for service delivery	B
8.2	Performance achieved for service delivery	B	5.2	Sex-disaggregated performance achieved for service delivery	B
8.3	Resources received by service delivery units	A			
8.4	Performance evaluation for service delivery	B	GRPFM-8	Evaluation of impacts of service delivery on gender equality	B
PI-9	Public access to fiscal information	A	GRPFM-4	Gender-responsive Budget Documentation (and PI-5 above) GRPFM-7. Gender Informative Annual Financial Reports (and PI-29 below)	D
PI-9bis	Public consultation	B			
9bis.1	Public consultation in budget preparation	A			
9bis.2	Public consultation in the design of service delivery programs	C			
9bis.3	Public consultation in investment planning	C			
Pillar III: Management of assets and liabilities					
PI-10	Fiscal risk reporting				
10.1	Monitoring of public corporations	C			
10.2	Monitoring of sub-national governments	NA			
10.3	Contingent liabilities and other fiscal risks	NA			
PI-11	Public investment management	NA	GRPFM-2	Gender Impact Analysis of Investment Projects	D
11.1	Economic analysis of investment proposals	NA	GRPFM-2	Gender Impact Analysis of Investment Projects	D
11.2	Investment project selection	NA			
11.3	Investment project costing	NA			
11.4	Investment project monitoring	NA			
PI-12	Public asset management	B			
12.1	Financial asset monitoring	C			

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
12.2	Non-financial asset monitoring	C			
12.3	Transparency of asset disposal	A			
PI-13	Debt management	B			
13.1	Recording and reporting of debts and guarantees	A			
13.2	Approval of debts and guarantees	A			
13.3	Debt management strategy	D			
Pillar IV: Policy based fiscal strategy and budgeting					
PI-14	Medium-term budget strategy	C			
14.1	Underlying forecasts for medium-term budget	B			
14.2	Fiscal impact of policy proposals	D	GRPFM-1	Gender Impact Analysis of Budget Policy Proposals	D
14.3	Medium-term expenditure and revenue estimates	B			
14.4	Consistency of budget with previous year's estimates	D			
PI-17	Budget preparation process	C	GRPFM-3	Gender-responsive Budget Circular	C
17.1	Budget calendar	C			
17.2	Guidance on budget preparation	C			
17.3	Budget submission to the legislature	C			
PI-18	Legislative scrutiny of budgets	B+	GRPFM-9	Gender-responsive Legislative Scrutiny (and PI-31 below)	D
18.1	Scope of budget scrutiny	B			
18.2	Legislature procedures budget scrutiny	A			
18.3	Timing of budget approval	A			
18.4	Rules for budget adjustment by the executive	B			
Pillar V: Predictability and control in budget execution					
PI-19	Tax administration	NA			
19.1	Rights and obligation for tax measures	NA			
19.2	Property tax register and valuation	NA			
19.3	Tax risk management, audit and investigation	NA			
19.4	Tax arrears monitoring	NA			
PI-20	Accounting for revenues	A			
20.1	Information on revenue collections	A			
20.2	Transfer of revenue collections	A			
20.3	Tax account reconciliation	A			

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
PI-21	Predictability of in-year resource allocation	B			
21.1	Consolidation of cash balances	A			
21.2	Cash forecasting and monitoring	C			
21.3	Information on commitment ceilings	A			
21.4	Significance of in-year budget adjustments	C			
PI-22	Expenditure arrears	A			
22.1	Stock of expenditure arrears	A			
22.2	Expenditure arrears monitoring	A			
PI-23	Payroll controls	B+			
23.1	Integration of payroll and personnel records	B			
23.2	Management of payroll changes	A			
23.3	Internal controls of payroll	A			
23.4	Payroll audits	B			
PI-24	Procurement	A			
24.1	Procurement monitoring	A			
24.2	Procurement methods	A			
24.3	Public access to procurement information	A			
24.4	Procurement complaints management	B			
PI-25	Internal controls on non-salary expenditure	B+			
25.1	Segregation of duties	A			
25.2	Effectiveness of expenditure commitment controls	C			
25.3	Compliance with payment controls	A			
PI-26	Internal audit	C+			
26.1	Coverage of the internal audit	C			
26.2	Nature of audits and standards applied	B			

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
26.3	Implementation of internal audits and reporting	B			
26.4	Response to internal audits	C			
Pillar VI: Accounting and reporting					
PI-27	Financial data integrity	A			
27.1	Bank account reconciliation	A			
27.2	Suspense accounts	NA			
27.3	Advance accounts	A			
27.4	Financial data integrity process	B			
PI-28	In-year budget reports	C+			
28.1	Coverage and comparability of reports	A			
28.2	Timing of in-year reports	A			
28.3	Accuracy of in-year budget reports	C			
PI-29	Annual financial reports	D+	GRPFM-7	Gender Informative Annual Financial Reports (and PI-9 above)	D
29.1	Completeness of annual financial reports	D			
29.2	Submission of reports for external audit	D			
29.3	Accounting standards	B+			
Pillar VII: External scrutiny and audit					
PI-30	External audit	D			
30.1	Audit coverage and standards	D			
30.2	Submission of audit reports to the legislature	D			
30.3	Extent of follow up	D			
30.4	Supreme Audit Institution independence	D			
PI-31	Legislative scrutiny of audit reports	D	GRPFM-9	Gender-responsive Legislative Scrutiny (and PI-18 above)	D

No.	PEFA Indicator/Dimension	Score 2021	No.	GRPFM Indicator/Dimension	Score 2021
31.1	Timing of audit scrutiny	D			
31.2	Hearing on audit findings	NA			
31.3	Recommendations on audit by the sub-national council	NA			
31.4	Transparency of the legislative scrutiny of audit reports	NA			

Annex 6: Service Delivery Assessment

Background

The central government decentralisation agenda has led to the transfer of critical public service from the state government to sub-national government, not only to make these services easily assessable to the public but also to improve efficiency, build local government capacity in terms of additional responsibilities, and increase both revenues and expenditures. Therefore, as part of this main PEFA assessment, Swiss SECO, the State Government and the City Government of Chernivtsi agreed to conduct a service delivery assessment to ascertain the level of impact of PFM on primary service delivery. The result of the service delivery assessment will form the basis of aligning SECO's ELocFin project to the needs of the public through improved PFM systems and processes

The "Guidance for SNG PEFA Assessment: Service Delivery Module" dated October 2020 was used. The methodology for assessing service delivery involved the use of standard guidance questionnaires provided by the PEFA Secretariat across the lines of the 2016 PEFA performance indicators. This assessment focused on only education and health sectors with the selection of two primary schools and two primary healthcare facilities, followed by further discussions with departments of education and health of Chernivtsi City Government. Although this sample size was not representative enough, the story lines were the same across SDUs visited. This limitation in sample size was as a result of the limited number of days to cover a large number of SDUs, as well as the health implications of the COVID-19 pandemic and the imposition of restrictions to certain public institutions. The fieldwork was conducted at the same time with the main PEFA assessment. Some data/information gathered during the main PEFA assessment was used; as required by the Service Delivery Module, additional information was gathered through the supplementary questions in the Module.

Table A-6.1: Service delivery assessment findings

Indicator/dimension	Brief explanation
SUB-NATIONAL PILLAR: INTERGOVERNMENTAL FISCAL RELATIONS	
HLG-1: Transfer from higher levels of government	Chernivtsi City Council receives subventions from the state and regional budgets for the implementation of social programs. More than 60% of subventions are received to finance educational and health care programs. HLG-1.4, which assesses the predictability of transfers from higher-levels of government, was rated 'D' in the main PEFA – this shows poor performance. However, this has no impact on the provision of service delivery because actual transfers were timely irrespective of the unpredictability. Funds were available at the right time to pay for service delivery programs/activities. Actual subventions were adequate to pay for agreed and approved service delivery programs; that said, the primary service delivery units were of the view that more services could be delivered if more funds were made available – they, however, understand the central government budget constraints.
HLG-2: Fiscal rules and monitoring of fiscal position	No direct impact on service delivery.
PILLAR I: BUDGET RELIABILITY	
PI – 1 Aggregate expenditure outturn	As a result of the reform, health care facilities have acquired the status of non-profit utilities. Under such conditions, they can only function as recipients of funds - to receive funding for certain expenses. Funding from the city budget is aimed at paying for utilities and the purchase of fixed assets (full or partial funding). Budget funding arrives on time and in the estimated amounts. As for educational institutions, they are fully budgetary institutions that are financed from the budget and can also receive revenues from the provision of services. These revenues are credited to the special fund of the city budget. Financing from the general fund of the city budget is conducted according to the approved monthly plan of allocations. Deviations of actual expenditures from the budget are available (reference to PI-1 above, which is rated 'A' – meaning deviations are not above 5%); however, it is not significant and does not affect the provision of primary services.
PI – 2 Expenditure composition outturn	
PI – 2.1 Expenditure composition outturn by function	Deviations from the originally approved budget were revealed (Please, see PI-2.1 above which was rated 'D' – meaning above 15%). This is because during the year, budget institutions or the city budget received additional revenues from the provision of services or additional subventions, which leads to an increase in budget allocations

	<p>during the year. Additional funding and budget allocations in education are aimed at wages, utilities, scholarships, and capital expenditures. These funds are not originally budgeted for, and therefore causes huge expenditure composition outturns. The good news, however, is that service delivery programs that are to be funded have already been predetermined and agreed upon by the state government with the City Government, so funding goes directly to those services.</p>
<p>PI – 2.2 Expenditure composition outturn by economic type</p>	<p>The same scenario described under PI-2.1 above of the service delivery module. Additionally, transfers between economic categories of expenditure are high (also above 15%, hence PI-2.2 was rated 'D'), but this does not significantly affect the provision of primary service due to the fact that expenditure categories for these services are already predetermined.</p>
<p>PI – 2.3 Expenditure from contingency reserves</p>	<p>Such expenditures are absent in the field of education and health care. In general, the City Government does not charge expenditure to the contingency fund. The budget of the contingency fund is less than 2% of the City Government expenditure budget.</p>

PI-3- Revenue outturn	
PI – 3.1 Aggregate revenue outturn	In terms of revenue planning, the improvement of the situation in the last two years 2019 and 2020 should be noted. In 2018, there was a significant difference in actual revenues compared to those approved in the budget. However, increasing the discipline of income planning of the special fund has reduced the difference between planned and actual revenue in educational institutions. In terms of financing the revenue planning of health care facilities, the high discipline of planning should be noted. This is due to obtaining funding from various sources, including the budget. Properly substantiated calculations of budget indicators are reflected in the financial plans of health care institutions, which determine the completeness of funding from the budget of individual programs (utility costs and capital expenditures).
PI – 3.2 Revenue composition outturn	The activities of educational institutions are financed from the city budget; their budget is part of the City Government’s educational budget. The main source of funding for health care facilities is the funds received from the National Health Service of Ukraine (more than 87%), which are determined by the number of patients with whom service contracts have been concluded. City Government budget funding is about 10%. The remaining 3% is other funds (own revenues from hospitals) are received from the provision of services. The impact on service delivery units is very insignificant, since less than 3% of their budget is from their own revenues. Officials have indicated that all service delivery unit (SDU) expenditure funded by the city budget is received in full. The assessment team did not receive any information from the National Health Service of Ukraine but interactions with SDUs point to the fact that funding is received in full from the National Health Service.
PILLAR II: TRANSPARENCY OF PUBLIC FINANCES	
PI – 4 Budget classification	Planning and budgeting of expenditures and reporting are according to economic and program classifications, which allows easy tracking of funds. It should be noted that health care institutions prepare budgets and management reports on the implementation of the budget of the institution according to the codes of economic classification and submit it to the Health Department of the City Council. The budgets and reports of educational institutions are mainstreamed into the budget and reporting systems of the City Education Department.
PI – 5 Budget documentation	The city budget documentation contains an explanatory note reflecting possible risks, non-fulfilment of projected indicators of income, as well as the impact expenditure programmes (reference Paragraph 36 of the FY2021 budget).

PI – 6 Sub-national government operations outside financial reports	
PI – 6.1 Expenditure outside financial reports	Revenues and expenditures of health care institutions are reflected in their individual reporting. In terms of budget funding, health care institutions prepare separate reports as recipients of budget funds. Revenues and expenditures received by these entities from the provision of services and charitable contributions do not exceed 3% of the total operations of the City Government of Chernivtsi.
PI – 6.2 Revenue outside financial reports	Educational institutions reflect the funds received from the provision of services and additional charitable contributions in special forms of budget reporting. According to the procedure of making changes to the budget, upon receipt of charitable contributions, changes to the estimate for received financial and non-financial contributions are approved, with the subsequent reflection in the reporting.
PI – 6.3 Financial reports of extrabudgetary units	The preparation of financial statements of educational institutions is in accordance with the requirements of National Public Sector Accounting 101 "Submission of financial statements" and the Resolution of the Cabinet of Ministers of Ukraine Order No.419 dated 28 February 2000. Separate sections of the Statement of Financial Performance reflect the income received and expenses incurred by educational institutions as well as assets and liabilities. As health care facilities are not budgetary institutions, they submit financial statements in accordance with National Public Sector Accounting BU 1 "General requirements for financial reporting" and the Resolution of the Cabinet of Ministers of 28.02.2000 No.419 to the bodies of the State Statistics Service and the State Tax services of Ukraine. The financial statements reflect all income and expenditure, assets and liabilities. These reports are submitted on time.
PI – 7. Transfers to sub-national governments	
PI-7.1 Transfer distribution system	Not applicable.
PI-7.2 Timeliness of transfer information	Not applicable.

PI – 8. Performance information for service delivery	
PI – 8. 1 Performance plans for service delivery	Information on activities to be implemented in accordance with policies or programs is published annually and published on secondary school websites. In addition, budget programs contain quantitative indicators of efficiency and are published on the website of the City Government Department of Education. Health care facilities develop performance indicators for the year. Service delivery plans are tied/linked to the national policies and priorities. There is, however, flexibility in terms of the actualization of these policies, but they must not be different from the national strategic objectives
PI – 8.2 Performance achieved for service delivery	<p>The Department of Education, as well as health care institutions, are required to prepare reports on the results achieved in combination with reports on the use of funds to achieve these results. Education Department reports are published on the city government website (https://drive.google.com/drive/folders/1lIFnGgcTTQmdDjP2haRWdD1tJdm8sYK0), health care facilities publish reports on the NHSU website.</p> <p>There is no consolidated data that show the level of performance of service delivery; interactions with SDU officials, however, point to the fact that most planned services are delivered. Some services in the sports, recreation, and culture sectors such as football and other contact games and cultural performances were not achieved, mainly due to the outbreak of covid-19 which necessitated restrictions on physical contacts and social distancing</p>
PI – 8. 3 Resources received by service delivery units	Information on resources (cash and in-kind) received by schools and clinics is reflected in the financial reports: the Department of Education - budget reporting, and hospitals and clinics - in the financial statements, as well as management reports submitted to the Department of Health.
PI – 8. 4 Performance evaluation for service delivery	There has been no independent evaluation of effectiveness in education and health. That said, internal evaluations were carried out, the result of which include but not limited to the need to reduce service delivery waiting time as a way to improve service delivery and improve efficiency as a way to reduce cost of service, among others.
PI – 9. Public access to fiscal information	<p>Transparency in the provision of services is ensured by publishing reports on the website of the city government – “reports on the implementation of budget programs” https://drive.google.com/drive/folders/1MtZG1RjQo6UX7xOL9njAzUSeL8GWb670.</p> <p>The evaluation team visited one school, two health care facilities, met with representatives of the Health Care Department and the Education Office. On the websites of the city government (https://drive.google.com/drive/folders/1ud4jWicvMd0CoiVPMU79qkLSvuzk08Qm) and NSZU</p>

	<p>https://nszu.gov.ua/e-data/zviti), the annual financial statements of the Department of Education are published on the city council's website (https://drive.google.com/drive/folders/1G-GQULBSG-KKvc0zV_zgcnb2bFISsdq7). As for health care facilities, according to the legislation of Ukraine, they are not obliged to publish financial statements.</p>
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PI.9bis. Public consultation	
PI – 9bis.1 Public consultation in budget preparation	The City Government organizes public consultation during the design of service delivery programs. Public consultation is carried out for service delivery programs in the health, education, transport and sports sectors. The outcomes of the public consultation, which include but are not limited to the need to reduce patient-doctor ratio as part of measures to reduce patient consultation time and expansion and improvement of educational facilities to improve access to quality education that resulted in shaping policy objectives and allocation of more resources in these sectors.
PI – 9bis.2 Public consultation in the design of service delivery programs	
PI – 9bis.3 Public consultation in investment planning	
PILLAR III: MANAGEMENT OF ASSETS and LIABILITIES	
PI – 10 Fiscal risk reporting	
PI – 10.1 Monitoring of public corporations	According to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16.07.1999 No.996, public enterprises prepare financial statements and submit them in due time (by the 25th day of the month following the reporting quarter, and by February 28 of the year following the reporting year) to the State Statistics Service and the State Tax Service. However, if these enterprises are not recognized as large or medium (in terms of income and asset value or number of employees), they are not subject to audit. The services provided by the City Government enterprises include energy/electricity, water and sanitation, and transport. These enterprises operate as commercial entities with a profit motive; the revenue generated from these activities is used to fund their operations.
PI – 10.2 Monitoring of sub-national governments	Not applicable.
PI – 10.3 Contingent liabilities and other fiscal risks	Not applicable.
PI – 11 Asset and liability management	
PI – 11.1 Economic analysis of investment proposals	Educational institutions are not directly involved in the economic analysis and feasibility studies of capital investment projects. Such powers belong to the Department of Education. Healthcare facilities can submit their projects for consideration, also using the opportunity to use the participation budget. Monitoring and evaluation of projects is conducted by the relevant department of the City Government. The main PEFA considered this dimension and all its indicators as not applicable, since none of the major capital projects meet the PEFA definition. Nevertheless, service delivery units (SDUs) are consulted during public investment management decisions especially those that have a direct impact on the SDU.
PI – 11.2 Investment project selection	
PI – 11.3 Investment project costing	
PI – 11.4 Investment project monitoring	

PI – 12 Public asset management	
PI – 12.1 Financial asset monitoring	Not applicable; no direct impact.
PI – 12.2 Nonfinancial asset monitoring	The visited health care facilities maintain comprehensive and up-to-date records of their fixed assets, with cards of individual assets and an inventory of all assets on their balance sheets, indicating the date of purchase, status, the responsible person and the location of the asset. An inventory of fixed assets is conducted annually, and the availability and movement of fixed assets are reflected in the notes to the annual financial statements. Accounting for non-financial assets of schools is conducted by the centralized Accounting Department at the Department of Education of the Chernivtsi City Government. At the same time, the schools also account for fixed assets in their possession to monitor the condition and use of these assets. The land register is not the responsibility of the primary service provider, but of the regional government.
PI – 12.3 Transparency of asset disposal	Disposal and transfer of fixed assets in schools and healthcare facilities are possible only with the consent of the Department of Education and Department of Health respectively. Any such disposal and/or transfer are done in accordance with established laws and procedures. As of the time of this assessment, no disposal and/or transfer has been done.
PI – 13 Debt management	
PI – 13.1 Recording and reporting of debt and guarantees	Schools are prohibited from borrowing, likewise healthcare facilities. That said, healthcare institutions can secure short-term bank overdraft for operational purposes but with the approval of the City Government.
PI – 13.2 Approval of debt and guarantees	
PI – 13.3 Debt management strategy	
PILLAR IV: POLICY-BASED FISCAL STRATEGY and BUDGETING	
PI-14. Medium-term budget strategy	
PI-14.1 Underlying forecasts for medium-term budget	Strategic plans to contain program targets for education and health: these strategies are aligned with the national strategy. However, the strategies are not cost. The City Government does not estimate the fiscal impact of policy proposals in general, and specifically for education and health. The City Government’s medium-term budget makes provision for service delivery programs for the budget year and the two outer years. That said, SDUs do not prepare medium-term estimates.
PI-14.2 Fiscal impact of policy proposals	
PI-14.3 Medium-term expenditure and revenue estimates	
PI-14.4 Consistency of budget with previous annual estimates	
PI-17: Budget preparation process	

PI – 17.1 Budget calendar	<p>The budget calendar for the Department of Education is that described under PI-17.1 in the main PEFA report. According to the deadlines, budgetary institutions have less than four weeks to submit draft estimates based on the limits provided by the Financial Department. The Department of Education submitted its proposals on time. As for health care facilities, they submit their financial plans and activities to the City Government, as well as receive approved budget appropriations by the end of January of the new fiscal year. If the financial plans are adjusted based on the results of current activities, they are also submitted to the Department of Health.</p>
PI-17.2 Guidance on budget preparation	<p>Budget units are issued a comprehensive budget circular (http://chernivtsy.eu/portal/instruktyvnyj-material). The budget reflects spending limits. Terms and procedures for implementation of the budget process are conducted in accordance with the instructional materials on budget preparation, which comply with the Budget Code of Ukraine. Schools and healthcare institutions participate in the budget preparation process by way of submitting their requests to their respective supervisory department. They are given the opportunity to defend their budget submissions.</p> <p>Respondents from health and education institutions confirmed that the redistribution of funds is based on quantitative performance indicators and justification of the priority needs of each institution. Thus, the rules are known to all and therefore transparent.</p> <p>Budget institutions and extra-budgetary units receive reliable information (expenditure limits) from the City Government Finance Department to prepare their annual budget estimates. The Department of Finance provides instructions for submitting budget requests to the Department of Education; the Financial Department of the City Government consolidates budget proposals and submits them for approval to the City Council before the beginning of the new financial year. Funds are allocated to health care institutions as recipients of budget funds in accordance with the calculations of their need to finance utilities or capital expenditures.</p>
PI-17.3 Submission of the budget to the legislature	<p>Institutions submit their budgets to the City Council after the start of the new financial year; City Government budgets are approved before the start of the new fiscal year. SDUs, however, receive information of their budget allocations in January of the new fiscal year.</p>
PI-18 Legislative scrutiny of budget	
PI-18.1 Scope of budget scrutiny	<p>The City Council’s budget review takes a critical look at the City Government’s expenditure allocations for primary service delivery. Interactions with SDUs officials indicate that they are invited by the City Council during a budget hearing; this affords them the opportunity to defend their budget proposals submitted to their respective supervisory departments. In some cases, the City Council refuses to approve the City Government until additional budget allocations are made to cover SDU expenditure proposals.</p>
PI-18.2 Legislative procedure for budget scrutiny	<p>The heads of the health and education institutions with whom the evaluation team met indicated that they were full participants in the budget adoption process. In addition to having the opportunity to participate in budget review meetings and submit their proposals, the heads of service providers are invited to the City Council sessions and can justify requests</p>

	for funding for their institution during a public speech. According to the interviewees, they had no experience of rejected funding. As a rule, their requests for funding are considered in accordance with the budget in a particular period. Regarding participation in the financing of investment projects from the budget, each institution can submit its own project in accordance with the regulations approved by the city authorities. There are no restrictions on participation in the submission.
PI-18.3 Timing of budget approvals	During the assessment period, the City Government's budget has always been approved by the City Council on time (in December) before the start of the new fiscal year. SDUs receive information of their allocations in January, which is within a month after the previous year. Officials say there is no significant impact in terms of SD activities.
PI-18.4 Rules for budget adjustments	There are no limits to in-year budget adjustments; this is a concern as it has the potential to affect planned SD activities.
PILLAR V: PREDICTABILITY and CONTROL IN BUDGET EXECUTION	
PI-19 Tax administration	The main PEFA assessment considers this indicator and all its dimensions as not applicable because the State Tax Service is responsible for tax administration on behalf of the City Government. SDUs generate their own revenues, which are collected and deposited into their own bank accounts. The law allows SDUs to utilize their own revenue, but at the same time prepare financial statements on all revenues (own and transfers/subventions) and submit the same to their respective supervisory budgetary units. Fees collected by SDUs are set by the City Government and approved by the City Council (legislature).
PI-19.1 Right and obligation for tax measures	
PI-19.2 Property tax register and value assessment	
PI-19.3 Tax risk management, audit and investigation	
PI-19.4 Tax arrears monitoring	
PI-20 Accounting for revenue	SDUs prepare and submit monthly revenue reports to their respective budgetary units. The budgetary units consolidated this data and submitted the same to the City Treasury. The Budget Code of Ukraine (BCU) allows SDUs to open their own bank accounts to collect revenues; these bank accounts are in addition to Treasury bank accounts through which budget funds are transferred. While the revenue stream from SDU own revenues is about 3%, it contributes to the efficient running of SDU operations. Reporting requirements are the same as budgetary units.
PI-20.1 Information on revenue collections	
PI-20.2 Transfer of revenue collections	
PI-20.3 Tax accounts reconciliations	
PI – 21 Predictability of in-year resource allocation	
PI – 21.1 Consolidation of cash balances	An integral part of the budget management framework is the monthly cash allocation plan, which serves as a basis for financing the institutions of the Department of Education and the allocation of funds for utilities by health care institutions. As a rule, financial management adheres to the allocated volumes of financing. However, if there is a lack of funds in the budget, then in the coming months, extra funding is made available to cater for the previous month's cash shortfall. SDUs however do not prepare annual cash flow plans. Daily analysis of cash inflows and outflows helps to ensure that cash is effectively managed and allocated to the needs of SDUs. There were, however, no cases of critical underfunding or cash shortages
PI – 21.2 Cash forecasting and monitoring	
PI – 21.3 Information on commitment ceilings	
PI – 21.4 Significance of in-year budget adjustments	

PI – 22 Expenditure arrears	
PI – 22.1 Stock of expenditure arrears	As of January 1, 2021, there is no arrears of expenditures of budget institutions of Chernivtsi City Council. In the financial statements of health care facilities, there is only current debt (short-term overdraft), which is repaid within one month after the end of the reporting period. Accounting for liabilities of educational institutions is carried out by territorial bodies of the State Treasury Service of Ukraine in accordance with Order No.309 of the Ministry of Finance of Ukraine dated 2 March 2012 "Procedure for registration and accounting of budgetary obligations." Debt control of health care institutions is carried out by the head of the institution to effectively manage the resources of the enterprise. SDUs submit monthly financial reports to their supervisory budget units; the reports contain information on arrears – balances are zero.
PI – 22.2 Expenditure arrears monitoring	
PI – 23 Payroll controls	
PI – 23.1 Integration of payroll and personnel records	According to the current legislation of Ukraine, hiring an employee is done through an interview. Information on the hiring of a new employee is sent by a notice of the prescribed form to the State Tax Service. This is the first step in controlling employment and the completeness of wage payments. Once the employee receives his/her appointment letter, payroll is processed within the same month of employment – there are no delays in personnel and payroll changes. Staff salary is computed based on manual daily timesheets. Due to strong payroll controls, there are no 'ghost' workers. During the year, the minimum wage at the state level or the staff list may be revised. Such changes are documented by orders of the head. According to the heads of the visited institutions, a system of material incentives and surcharges has been introduced to retain staff. Only authorized SDU staff is responsible for personnel and payroll have access to records. Changes are properly authorized and approved by the head of SDU. No comprehensive payroll audits have been conducted in the last three years for SDUs visited; there is, however, periodic checks by the Labor Inspection to ensure data accuracy and integrity.
PI – 23.2 Management of payroll changes	
PI – 23.3 Internal control of payroll	
PI – 23.4 Payroll audit	
PI – 24 Procurement	
PI – 24.1 Procurement monitoring	In Ukraine, there is a Prozorro system, the information of which is available to users. Procurement is carried out using Prozorro and is compliant with all procedures and requirements of the Law of Ukraine "On Public Procurement" December 25, 2015, No.922-VIII. The procurement data is complete. 50% of SDU procurement is open tender, 30% restricted tender, and the remaining 20% is sole-sourced. Restricted tender is used for specialized supplies in the medical sector and special education materials for schools. SDUs prepare procurement plan; these are published on Prozzoro. The main challenge, according to SDUs visited, is the length of procurement processes.
PI – 24.2 Procurement methods	
PI – 24.3 Public access to procurement information	
PI – 24.4 Procurement complaints management	

PI – 25 Internal control on non-salary expenditures	Budget institutions use the funds by approving each payment: each payment invoice and payment order must be signed by the head and chief accountant (and in their absence - by persons agreed with the territorial body of the State Treasury). There were no cases of making payments outside the system or without following the established procedures for the use of budget funds. Territorial bodies of the State Treasury Service are an additional body for controlling current expenditures. Compliance with payment rules and procedures is high. Only authorized personnel have access to financial records; entry into the financial management software of SDU is passworded. The head of SDU has view access to all transactions and access for approval.
PI-25.1 Segregation of duties	
PI-25.2 Effectiveness of expenditure commitment control	
PI-25.3 Compliance with payment rules and procedures	
PI-26 Internal audit	The Chernivtsi City Government has a control and verification department (internal audit). However, the department does not have enough staff to cover the activities of budgetary institutions, let alone SDUs. SDUs visited have never been audited by the internal auditor in the last three years 2018-2020. Audit coverage for budgetary units is below 60%.
PI-26.1 Coverage of internal audit	
PI-26.2 Nature of audits and standards applied	
PI-26.3 Implementation of internal audits and reporting	
PI-26.4 response to internal audit	
PILLAR VI: ACCOUNTING and REPORTING	
PI – 27 Financial data integrity	
PI – 27.1 Bank account reconciliation	There are no suspense accounts related to SDUs.
PI – 27.2 Suspense accounts	
PI – 27.3 Advance accounts	
PI – 27.4 Financial data integrity processes	
PI – 28 In-year budget reports	
PI – 28.1 Coverage and comparability of reports	Reporting on budget execution is submitted by SDUs to their supervisory budgetary units timely, in accordance with Order No.44 of the Ministry of Finance dated 24 January 2012. The report contains indicators of budget allocations and actual expenditures made, funding received from the general fund, and revenues from the special fund. Reporting on the implementation of programs is published by the Department of Education on the website of the Chernivtsi City Government. In addition, the Department of Education prepares operational reports on procurement showing the source of funds (either general and special) of the budget and places it on the website of the office: https://osvita.cv.ua/category/finasuvannya/ . Budget implementation reports are submitted by health care institutions as recipients of budget funds.
PI – 28.2 Timing of in-year budget reports	
PI – 28.3 Accuracy of in-year budget reports	
PI – 29 Annual financial reports	

PI – 29.1 Completeness of annual financial reports	Educational institutions prepare financial statements in accordance with the requirements of national accounting standards in the public sector. It contains information on budget execution, but it does not provide an opportunity to compare actual performance with the originally approved budget. The financial statements of the Department of Education are published on the website of the Chernivtsi City Government https://drive.google.com/drive/folders/1G-GQULBSG-KKVc0zV_zgcnb2bFISsdq7 . These financial statements are not audited. As health care facilities are not budgetary institutions, they submit financial statements in accordance with the requirements of accounting standards in the private sector.
PI – 29.2 Submission of reports for external audit	
PI – 29.3 Accounting standards	
PILLAR VII: EXTERNAL SCRUTINY and AUDIT	
PI-30 External audit	
PI-30.1 Audit coverage	External audit coverage is below 50% of the City Government’s operations. SDUs are also not covered by an external audit. Therefore, it is difficult to assess the efficiency and effectiveness of primary service delivery since no external and independent evaluation or performance audit has been conducted. No audit reports have been submitted to the City Council for scrutiny in the last three completed fiscal years 2018-2020; therefore, no audit follow-ups. As indicated in the main PEFA report, the independence of the Accounting Chamber of Ukraine (ACU) is undermined by limitations to audit coverage because of the law establishing ACU (please refer to PI-30.4 in the main PEFA report – it is rated ‘D’).
PI-30.2 Submission of audit reports to the sub-national council	
PI-30.3 External audit follow-up	
PI-30.4 Independence of the public audit institution in charge of sub-national government	
PI-31 Legislative scrutiny of audit reports	
PI-31.1 Timing of audit report scrutiny	In the last three years assessed (2018-2020), the City Council (legislature) has not scrutinized any external financial audit reports nor performance audit reports. The Supreme Audit Institution (Accounting Chamber of Ukraine) has not audited the City Government nor any SDUs. That notwithstanding, the City Council invites SDUs, especially during budget sections to enquire SDUs financial performance and achievement of planned programs.
PI-31.2 Hearing on audit findings	
PI-31.3 Recommendations on audit by the legislature	
PI-31.4 Transparency of scrutiny of audit reports	