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REFORMING THE INFORMATION SUPPORT OF PUBLIC ADMINISTRATION IN THE WARTIME

Introduction. *The appropriate database on the effectiveness of the institutional sectors of the Ukrainian economy, including Nonfinancial and Financial corporations and the General Government sector, plays a vital role in decision-making at the state level and the level of institutional investors.*

Problem Statement. *According to the World Bank forecasts, the wartime in Ukraine and a significant reduction in GDP necessitate the attraction of additional finances aiming at economic recovery. These need accurate information, both at the stage of requests for additional funding from international financial institutions and at the accountability and effectiveness assessment stage.*

Purpose. *Developing and substantiating the suggestions to increase the transparency of information on financial and property state and the efficiency of institutional sectors of the economy. Management decisions based on such information can be made at the meso and macro levels during wartime and post-war recovery of the economy.*

Materials and Methods. *The study is based on the following information sources: documents issued by international financial and professional organisations to develop accounting and analytical support for decision-making. Research methods used: bibliographic, analysis, synthesis, generalisation and systematisation.*

Results. *The following critical issues of IPSAS implementation for justifying strategic financial decisions during both wartime and the post-war period are identified. It is proved that there may be other areas, related to the further development of the entities' nonfinancial reporting in Ukraine.*

Conclusions. *The results of the study have allowed formulating the suggestions for further improvement of the transparency and accountability of institutional sectors and developing a potentially informational solid and analytical database for strategic decision-making.*

Keywords: wartime, the General Government sector, Financial corporations, Nonfinancial corporations, International Public Sector Accounting Standards (IPSAS), nonfinancial reporting, management report, report on payments to the government.

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The war in Ukraine has provoked a catastrophic humanitarian crisis and threatens the stability of existing geopolitical relations. According to the World Bank (Spring 2022 Regional Economic Update for Europe and Central Asia), the production level in Europe and Central Asia Regions will decline by more than 4.1% in 2022 [17]. At the same time, Ukraine's GDP will decrease by 45% by the end of this year [8]. This will lead to the necessity to attract additional financial resources for economic recovery. These need accurate information, both at the stage of requests for additional funding from international financial institutions and the location of accountability and effectiveness assessment (transparency and accountability principles compliance).

The appropriate database on the effectiveness of the institutional sectors of the Ukrainian economy, including Nonfinancial (S.11) and Financial corporations (S.12) and the General Government sector (S.13), plays a vital role in decision-making at the state level and the level of institutional investors [14].

World best practices evidence this. In particular, the EU requirements can serve as an example of harmonising approaches to data disclosure characterising the efficiency and impact of business activities on the environment. As stated in the Communication on a European Green Deal, the European Commission expects both financial and nonfinancial corporations to improve their nonfinancial data by disclosing information on their contribution to climate change prevention. The core stakeholders of such information are investors and civil society organisations that need a deeper understanding of financial and nonfinancial corporations' financial performance and their social and environmental impact [1]. Given the urgent need to attract foreign direct investment to the Ukrainian economy, compliance with the companies' requirements for disclosing additional information (both financial and non-financial) is objectively necessary. This is also confirmed by the fact that in October 2021, Ukraine joined the Joint Ministerial Statement "The Coalition of Fi-

nance Ministers for Climate Action", which, among other provisions, declared a new initiative aiming at the regulation of the sustainability reporting – establishment of the International Sustainability Standards Board (under the International Financial Reporting Standards Board) in terms of ensuring sustainable finance and attracting investment [3].

Regarding the approaches for reforming the information basis of public administration, the application and further implementation of IPSAS in the world should be noted. The importance of this initiative as a tool to increase the quality and transparency of reporting data of the General Government sector is emphasised by representatives of the World Bank. In particular, J. L. Chen said in his report at the Annual Workshop of the Intergovernmental Working Group of Experts on International Accounting and Reporting Standards of the United Nations Conference on Trade and Development (UNCTAD ISAR): "[G]overnment accounting reform is necessary because it strengthens the institutional capacity necessary for achieving development goals" [2].

All mentioned above determine the general focus of this study on the developing and substantiating the suggestions to increase the transparency of information on financial and property state and the efficiency of activities of institutional sectors of the economy (functions). Management decisions based on such information can be made at the meso and macro levels during wartime and post-war recovery of the economy.

The General Government sector plays an essential stabilising role in restoring Ukraine's economic potential.

Implementation of International Public Sector Accounting Standards (IPSAS) in Ukraine through the development and application of the National Public Sector Accounting Standards (NPSAS) supported reforming the information base of public administration, in particular through the application of accrual accounting, modern approaches to measurement and recognition of assets, liabilities, income and expenses of public sector entities.

At the same time, two issues of IPSAS implementation remain unresolved, which are of particular importance for substantiating strategic financial and investment decisions during wartime and the post-war period.

The first issue is the introduction of the government's annual financial statements, particularly the balance.

Such a balance should represent consolidated information on the balance sheet data of the general public spending units and state-owned enterprises, including state corporations.

Therefore, the development of new approaches to the development of reporting of both state-owned enterprises and the General Government sector is of great importance. It is essential in this context that the financial operations, assets and liabilities of state-owned enterprises are fully integrated into the financial statements of the General Government sector. Applying such an approach will increase the transparency of consolidated indicators, including indicators of the budget spending units' property, state-owned enterprises and financial relations between the components of the public sector.

It should be noted that all countries that publish the aggregate balances of the state include the information on the financial performance of state-owned enterprises there. Some countries (Canada, Australia) that do not prepare the aggregate report, however, publish critical data on financial results (consolidated financial statements), information on employment in state-owned enterprises, and the results of the assessment of public sector enterprises.

Some countries (Lithuania, Norway, Sweden and Turkey) include information on expenditures related to public policy objectives and related funding provided from the state budget in the aggregate reports. Thus, in Lithuania, one of the sections of the aggregate information is devoted to the measured costs incurred by state-owned enterprises to perform "special duties" and the amount of compensatory funding provided by the state. In Norway, the aggregate report con-

tains indices of all state-owned enterprises and the sum of state subsidies offered to each enterprise during the year [4–7, 11].

Such an important issue as the full integration of state-owned enterprises into the General Government sector's system was not resolved during the reforming the public sector accounting in Ukraine for the following objective reasons. First of all, it was necessary to conduct the reform of the public sector entities and budget accounting and then address the issue of data consolidation at the state level.

Developing and implementing a report on the country's financial state (the balance) requires a methodology and organisational basis. In particular, it is necessary to clarify the methodology issues for forming the indicator for each item of assets and liabilities of such balance. For example, it is essential to determine the order of inclusion of the value of the corporations' assets in the share capital of which the state owns only a share – 50 plus 1 per cent. Within the organisational context, it is necessary to determine the entity that will ensure the implementation of the procedure for preparing such a report.

The second issue is the following. The critical issue in reforming the public sector accounting system is the unification of financial and budgetary reporting of public sector entities. The parallel existence of financial and budgetary reporting of public sector entities leads to duplication of information and increases the cost of accounting, reporting and administration of these processes.

The solution to the first issue is relevant to current conditions. It will not require high financial costs because it is not about creating new information but aggregating existing ones.

Solving the second requires a strategic approach. In our opinion, it will require high costs to develop a new methodology and organisational measures aiming at unifying information, developing new software, and finally making the amendments to existing legislation. For this reason, this direction of reform can be declared but

DIRECTIONS OF USE AND GENERALIZATION OF ENTITIES' NONFINANCIAL STATEMENTS	SUBJECTS OF DATA GENERALIZATION
1. Formation of macroeconomic and industrial indicators of regional social and economic development and creation of a database for monitoring the SDGs attainment	⇒ Public authorities, statistical services of the countries, international organisations
2. Specification and identification of the trends in economic activities, the level of development of the country, the formation of international rankings of countries	⇒ UN, OECD, The World Bank Group, IMF, EU, WWO and others.
	⇒ Database (UN, GRI (in the context of SDG 12, in particular, indicator 12.6.1)
3. Assessment of the effectiveness and financial state of the institutional sectors of the economy in the context of attracting investment	⇒ Institutional investors, private investors

Fig. 1. Directions of the use and generalisation of entities' nonfinancial statements by key stakeholders
Source: authors' development.

resolved in peacetime under relative economic stability conditions.

In addition to the above issues of improving the information support of strategic decision-making, there may be other areas, in particular, related to the further development of entities' the nonfinancial reporting institute in Ukraine.

Today in Ukraine, nonfinancial reporting is the only measure of image nature for enterprises; however, as shown by world practice [9], it can serve as a multifunctional source of data for strategic management at the micro, meso and macro levels (Fig. 1). A clear example is that in the context of sustainable development, nonfinancial reports can provide complete information on the entities' contribution to achieving the Sustainable Development Goals (SDGs) set by the UN 2030 Agenda.

To confirm the thesis on the great interest of key users in nonfinancial reporting data (report on payments to government, sustainability reporting, management report), we present the results of a study conducted by Eurosif (European Association for Sustainable Finance at the European level) and ACCA (the Association of Chartered Certified Accountants), which showed that analysts, investors and other users are interested in obtaining high-quality nonfinancial information. This is caused by users' nonfinancial infor-

mation application in management and investment decisions (Fig. 2) [10].

The national model of regulatory and organisational support for nonfinancial reporting of certain types of enterprises in terms of preparation and publication of management reports (the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" from 16.07.1999 No 996-XIV, order of the Ministry of Finance of Ukraine from 07.12.2018 No 982 "On approval of Methodical recommendations for preparing a management report") has been established in Ukraine. Ukraine has also established an informal institution for nonfinancial reporting prepared voluntarily. The most common forms of such reports are integrated reporting, environmental and social reports, and nonfinancial reports prepared in accordance with the Global Reporting Initiative (GRI).

At the same time, there are current issues of an institutional nature related to the regulatory and organisational principles of entities' nonfinancial reporting, in particular:

- ◆ the necessity to develop a unified methodology for disclosure of nonfinancial information in the management report, including the indicators characterising the impact of wartime and post-war reconstruction conditions;
- ◆ the necessity to further improve the organisation of data collection and processing of entities'

nonfinancial reports in the context of the implementation of EU policy requirements (EU Regulation 2020/852, European Commission Communication C/2019/4490, draft Corporate Sustainability Reporting Directive 2021/0104) by the development of appropriate tools.

Regarding the directions for solving mentioned issues, it should be noted the following. Given the significant number of existing approaches and initiatives in entities' nonfinancial disclosure, it is essential to unify the basic requirements. This initiative was launched by the UNCTAD ISAR, in particular in the international document "Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals" [9]. This approach can be recommended for application in Ukraine, particularly for the development and approval of basic indicators of the management report. This will improve the quality of information necessary for assessing entities' business activities and the interest of foreign investors. The advantage of this approach is the possibility of comparing the data between enterprises within one industry and between industries and consolidating the data on the impact of enterprises on the economic, environmental, social and institutional spheres at the state level. The consolidated data of entities' nonfinancial reports can also be used as an information source for monitoring the achievement of the SDGs in Ukraine and the preparation of the Voluntary National Review of the country's progress in achieving the SDGs.

Developing a basic list of indicators of the management report is the first step toward addressing data collection and processing organisation. This will allow the next step – to develop a Taxonomy of nonfinancial reporting and the application of the electronic format of nonfinancial reporting (XBRL). The latter will simplify submitting nonfinancial reports by Ukrainian enterprises regarding wartime.

It is also advisable to consider the impact of wartime on the efficiency of Ukrainian enterprises' activities and to develop a list of financial and

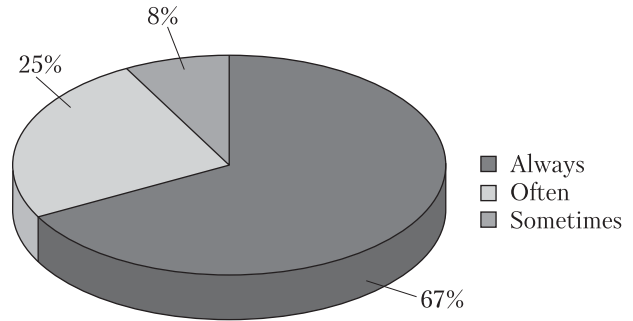


Fig. 2. Frequency of the use of nonfinancial information by stakeholders (investors, analysts)

Source: [10].

nonfinancial indicators characterising the impact of uncertainty caused by military aggression on business activities. This can be realised through the directions for disclosure of data in management reports based on the requirements of the Order of the Ministry of Finance of Ukraine from 07.12.2018 No 982 "On approval of Methodological recommendations for the preparation of the management report". This will create the preconditions for improving information sources for decision-making at the state level in the area of state support programs for business development, overcoming the effects of military aggression, and increasing the investment attractiveness of Ukrainian enterprises.

For public administration, in addition to the information contained in management reports, the critical information for managing the efficiency of Ukrainian natural resources is included in reports on payments to government. These reports have to be prepared by certain types of enterprises (Article 1, the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" [15]). Also, mentioned data serve as a tool to increase the transparency of entities' activities and accountability for the country's natural resources [16, 12]. In 2021 the fee for subsoil use amounted to 6.2% of the Ukrainian state budget revenue [13]. Information on paid and accrued taxes and payments for subsoil and forest resources serves as a basis for decision-making on the effectiveness of managing these resources at the state level.

The response to widespread attention and growing criticism from stakeholders is the active involvement of extractive industries in information transparency strategy through joining the Extractive Industries Transparency Initiative (EITI). Since 2015, Ukraine has been preparing a report. Therefore, extractive industries' companies are not only the object of constant attention from society but leaders in the information provided on the impact of their activities on the economy, environment and society. Thus, given the current wartime in Ukraine and the unprecedented destabilisation of the economy, transparent and reliable information on the use of natural resources and tax revenues is objectively necessary for public administration and to attract direct investment in the country's extractive and forestry industries.

The measure of realisation of the specified above suggestion is an assessment of indicators (in dynamics) of the amount of use of natural resources and taxes (both paid and accrued) to the state and local budgets of Ukraine. The relevant assessment should be carried out on an ongoing basis.

The conducted study has allowed formulating the following suggestions that aim at improving the transparency and accountability of the activities of agents of institutional sectors (S.11, S.12, S.13):

1) To expand the information basis for decision-making at the meso- and macro-level, it is necessary to expand the scope of IPSAS application in the public sector accounting system through the introduction of the Government's financial reporting, including the state financial statement; to start work on the integration of financial and budgetary reporting of public sector entities in the post-war period. Also, it is necessary to make amendments to the Strategy for

modernisation of the accounting and financial reporting system in the public sector for the period up to 2025, approved by the Cabinet of Ministers of Ukraine from 20.06.2018 No 437-r (for providing the measures of the introduction of such suggestions).

2) To ensure the multifunctional use of nonfinancial reporting of Ukrainian enterprises and the possibility of using data in different areas and for different purposes (assessment of the SDGs' attainment progress, assessment of the efficiency of natural resources use, dynamics of taxes and other payments, etc.) it is necessary to take organisational measures to determine the responsible entity for data processing, coordination of between public authorities, creation of a national repository of entities' nonfinancial reports, the development of the Taxonomy of nonfinancial reporting and the algorithm for the application of electronic format for reporting by enterprises (XBRL).

3) To unify the approaches for disclosing information in management reports and creating the Taxonomy of nonfinancial reporting, it is advisable to develop and approve the list of baseline indicators within the directions identified by order of the Ministry of Finance of Ukraine from 07.12.2018 No 982. This list should be supplemented with a separate group of financial and nonfinancial indicators characterising the impact of wartime on the Ukrainian entities' activities.

4) To create vital information and an analytical basis for strategic decision-making at the state level, to promote transparency and accountability of enterprises engaged in mining or logging, it is necessary to introduce an ongoing assessment and comparative analysis of the dynamics of natural resources use and tax revenues of the state and local budgets of Ukraine.

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РЕФОРМУВАННЯ ІНФОРМАЦІЙНОГО ЗАБЕЗПЕЧЕННЯ ДЕРЖАВНОГО УПРАВЛІННЯ В УМОВАХ ВОЄННОГО СТАНУ

Вступ. Належним чином сформована база даних щодо ефективності функціонування інституційних секторів економіки України, зокрема нефінансових і фінансових корпорацій та сектору загального державного управління, відіграє важливу роль при прийнятті управлінських рішень на рівні держави та на рівні інституційних інвесторів.

Проблематика. Воєнний стан в Україні та, за прогнозами Світового банку, суттєве скорочення обсягів ВВП, обумовлюють необхідність залучення додаткових фінансових ресурсів, спрямованих на відновлення економіки країни, що потребує належного інформаційного забезпечення як на етапі формування запитів на отримання додаткових коштів від міжнародних фінансових інституцій, так і при звітуванні й оцінці ефективності їх використання.

Мета. Розроблення та обґрунтування пропозицій з підвищення прозорості інформації щодо фінансово-майнового стану та ефективності функціонування суб'єктів інституційних секторів економіки, на основі якої ухвалюються управлінські рішення на мезо- та макрорівнях в умовах воєнного стану та повоєнного відновлення.

Матеріали й методи. Інформаційною базою дослідження стали документи, видані міжнародними фінансовими та професійними організаціями, з питань удосконалення обліково-аналітичного забезпечення прийняття управлінських рішень, які опрацьовано методами бібліографічним, аналізу, синтезу, узагальнення та систематизації.

Результати. Ідентифіковано ключові питання імплементації IPSAS, які мають особливе значення для обґрунтування стратегічних рішень фінансового характеру як у період воєнного стану, так і у повоєнний час. Доведено, що можуть мати місце напрями, пов'язані із подальшим розвитком інституту нефінансового звітування суб'єктів господарювання в Україні.

Висновки. Результати дослідження дозволили сформулювати пропозиції, спрямовані на підвищення прозорості діяльності та підзвітності суб'єктів інституційних секторів економіки та створення потужної інформаційно-аналітичної бази прийняття рішень стратегічного характеру.

Ключові слова: воєнний стан, сектор загального державного управління, фінансові корпорації, нефінансові корпорації, міжнародні стандарти бухгалтерського обліку в державному секторі, нефінансова звітність, звіт про управління, звіт про платежів на користь держави.