



VEACESLAV IONIȚĂ

State owned enterprises and their role in national economy



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Executive Summary

The study analyzes certain trends, facts and statistics related to public property management in the Republic of Moldova on the example of state owned enterprises. Their share in the national economy is important for several reasons: they can either boost or hinder economic growth, may attract foreign direct investment and are able to accomplish tasks that the free market fails to fulfil. However, in order to achieve these goals, the state has to be able to administer, manage, assess and impose superior managerial parameters, which is not the case of state enterprises in the RM. Thus, we can conclude that central government decision to keep these enterprises under state control failed to serve the purpose of boosting public property role in national economy structure, but rather contributed to preserving a political clientele within monopolistic industries. The study seeks to consider several profitability and efficiency criteria of both management of public assets and human resources. Conflict of interests and quality of enterprises management by different public entities are analyzed as well. Recommendations to reform the whole system of public enterprises management are formulated based on the experience of public enterprises management in other states. It is suggested separating this process from other government functions and carrying it out with a professional body of managers and state representatives in the board of joint stock companies with public (state) assets. It is vitally important to separate the management of these state owned companies from the political control of relevant ministries, while their managers have to be recruited based on an open competitive selection process and applying transparent criteria, clearly formulated terms of reference and objectives similar to recruitment procedures in the private sector.

State-owned enterprises and their role in national economy

In 1998, the Government reduced by 20% the list of properties liable to mass privatization by means of vouchers and decided to keep them under the control of its central administration.

The saga of public sector transformation.

Immediately after the collapse of the USSR, the first governments of the Republic of Moldova made sustained efforts to implement structural reforms, transfer the state property into private property, privatize some state owned enterprises and transform former collective farms into plots of land owned by individuals. The first actions in terms of broad privatization were reflected in the Program of Economic Reforms and Reforms for 1992-1995 promising to establish a social pact aiming at even development of economy and society towards market economy. Subsequently, the Privatization program for 1994-1997 was passed by the Parliament in order to reorganize state enterprises, privatize small and medium size enterprises, promote entrepreneurship and create the first market economy mechanisms. We would like to mention that over 1450 enterprises were privatized during the first state program approved by the Parliament of the Republic of Moldova. According to the pattern used by the authors of the privatization program of 1993 the state decided to transmit the aggregate result of all properties owned collectively in the form of patrimonial bonds. Thus, every citizen of the Republic of Moldova was eligible to receive their value share under the form of patrimonial bonds, which offered them the opportunity to obtain a part of the whole economy wealth, calculated based on the work experience invested in national economy. Employees of enterprises slated for privatization were entitled to purchase up to 30% of the value of these properties at their face value with their patrimonial bonds. In the same way 40% of all agricultural products processing industries were allocated to raw material suppliers. In 1995 there were 4.400 state enterprises and about 57.000 private enterprises. At the same time, collective farms (kolkhozes and sovkhozes) employees were entitled to receive 0,5 ha plots of land for a family, 0,1 ha for every forth and next family member up to 1 ha per family provided that the new owners could not sell their plots prior to 2001. However, in 1994 the PLDM Government became very concerned about the imbalance between the worth of vouchers distributed to population and the value of assets that were privatized. The government decided to increase artificially and arbitrarily the state property worth and suspended, at the same time, the privatization of a number of strategic state-owned enterprises. Among them there were Moldtelecom, electricity distribution networks, tobacco fermentation companies, public utilities and many wine companies owned by the state. At the end of 1998, about 20% of state property that had to be privatized by means of patrimonial bonds was excluded from

privatization process and continued to be administered directly by some ministries, which gained control over extremely valuable resources in the absence of systems to monitor their profitability. Moreover, large enterprises remaining under state control could be easily controlled by subsidiary networks of political parties in power, under the conditions of poor management and hasty monitoring by the Government.

Map of the national economy in terms of property. The Republic of Moldova was considered during the first decade after its independence as a good model of transition to a market economy. When we analyze the evolution of economies in transition we rely on the assumption that the transition to market economy aims at releasing social energies, private initiative and labour creativity, which had been missing in a collectivist system. We could take as an example the western models of market economy that are evidence of sustainable and productive growth all over the previous century. Joseph Stiglitz, Nobel Prize for economics, stated in his book *Freefall*¹ that all economies have to maintain a balance between free market role and government role of general regulator. However, we could see a strong imbalance in favour of the government and bureaucracy and to the disadvantage of market economy institutions. For this reason, Moldova still has the score of 120 in the Economic Freedom Index, among other 183 nations, near Togo, Malawi, Senegal and Cote d'Ivoire with the poorest scores for freedom from corruption, property rights and labour freedom. The government has failed so far to establish a business-friendly environment and entrepreneurs complain about administrative barriers. For this reason, we are firmly convinced that entrepreneurship and free competition are fundamental ingredients for a country's economy in order to ensure sustainable economic growth and social welfare.

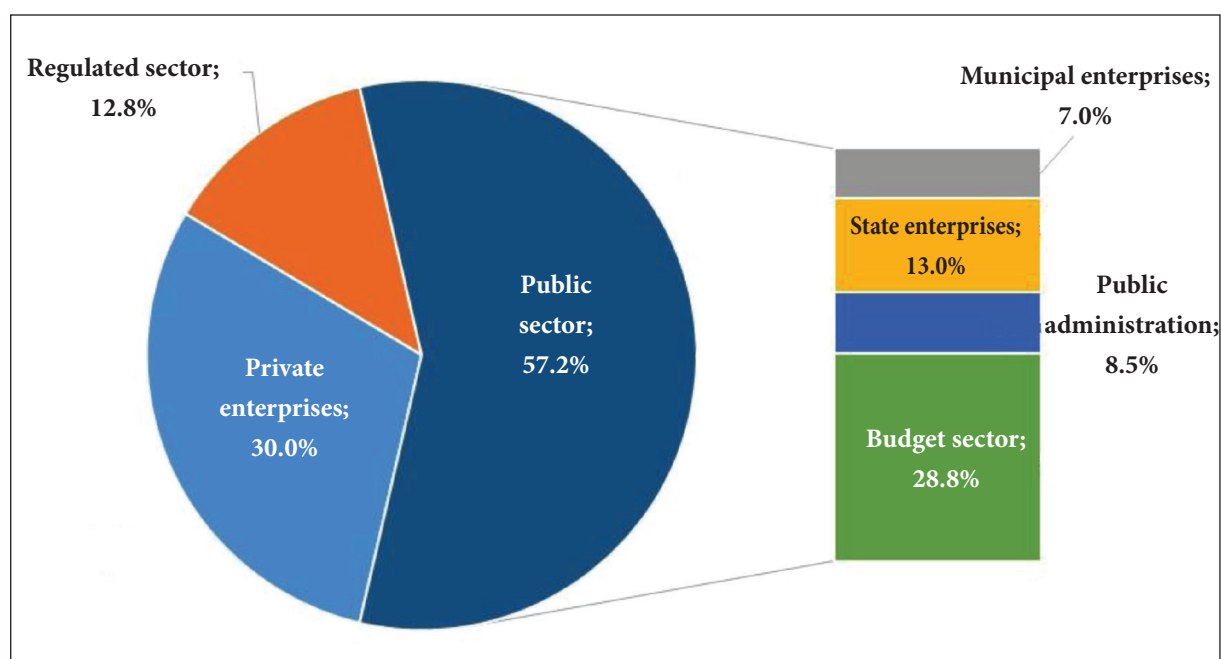
70% of employees work in sectors managed and regulated by the state

The private sector can ensure both economic growth and high remuneration of employees. If we consider the national economy structure we notice a discrepancy of labour employed by these two sectors. We can see that after 25 years of independence and market economy strengthening in the Republic of Moldova, the state is still the largest employer in the country. Over 60% of employees employed within the official sector in the Republic of Moldova are working either in public institutions or in state owned enterprises, SOE. Figure 1, page 10.

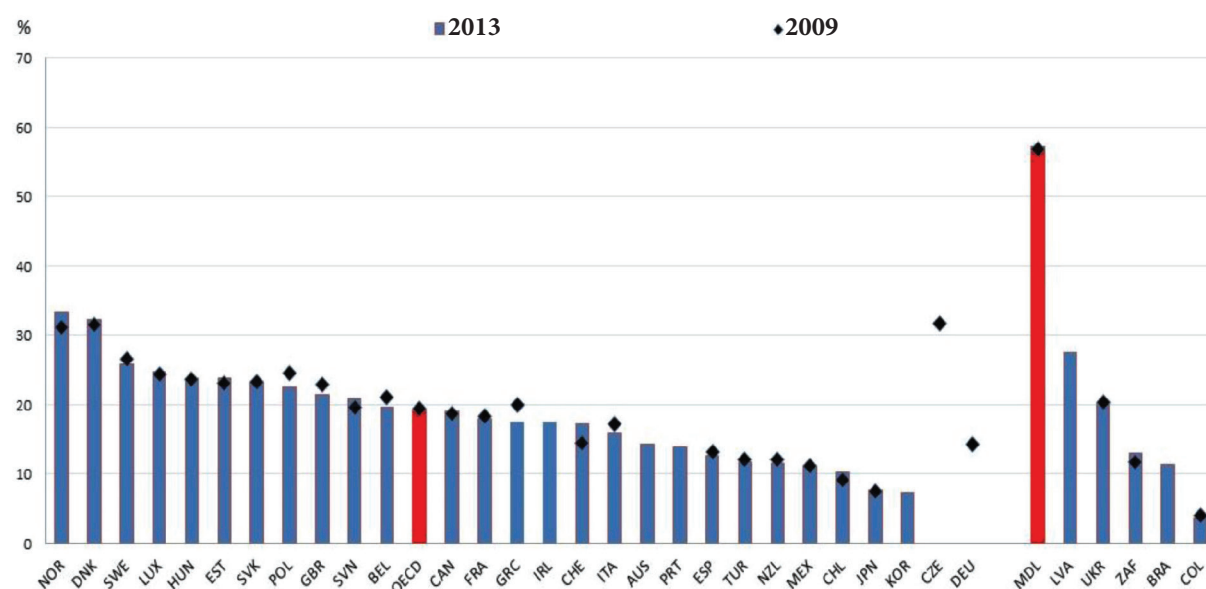
In terms of number of employees in the public sector Moldova is a special case at least in Europe. According to OECD data, average public sector employment in OECD member states is about 20%. OECD includes into the public sector employment the employees of general government, local and central public administration apparatus and municipal and state enterprises employees. Figure 2, page 10.

In Moldova public sector employment is 2.7 times higher than OECD member states average and 2 times higher than in the countries known as "Socially oriented", where public sector employment level is quite high like Sweden and Norway. Even Ukraine that used to belong to the same Soviet system has a public sector employment level that is two times lower. Maintaining an extremely high control over economy does not mean that this model is efficient as well in the

¹ Joseph Stiglitz. *Freefall: America, Free Markets, and the Sinking of the World Economy*

Figure 1. Distribution of employees by economic activities and forms of ownership

Source: National Bureau of Statistics. The number of employees by economic activities, sectors and genders 2014, economic agents' activity by size and forms of ownership 2014.

Figure 2. Public sector employment as a percentage of total employment

Source: OECD, Government at a Glance 2015, Source: International Labour Organization (ILO), ILOSTAT database. Data for Italy are from the National Statistical Institute and the Ministry of Finance. Data for Portugal are from the Ministry of Finance. Data for Korea were provided by national authorities. Data for Australia, Finland, Iceland, Israel, the Netherlands and the United States are not available. Data for Australia, Czech Republic, Germany, Korea, Ireland and Portugal are not included in the OECD average due to missing time series. Data for Czech Republic and New Zealand are expressed in full-time equivalents (FTEs). Australia, Greece, Hungary and Slovenia and Ukraine: 2012 instead of 2013. Denmark, Luxembourg, New Zealand and Turkey: 2011 instead of 2013. Switzerland: 2008 instead of 2009.

Republic of Moldova since this is not seen in the revenues generated in this sector. In this respect only Belarus has a higher public sector employment with a level reaching 80%².

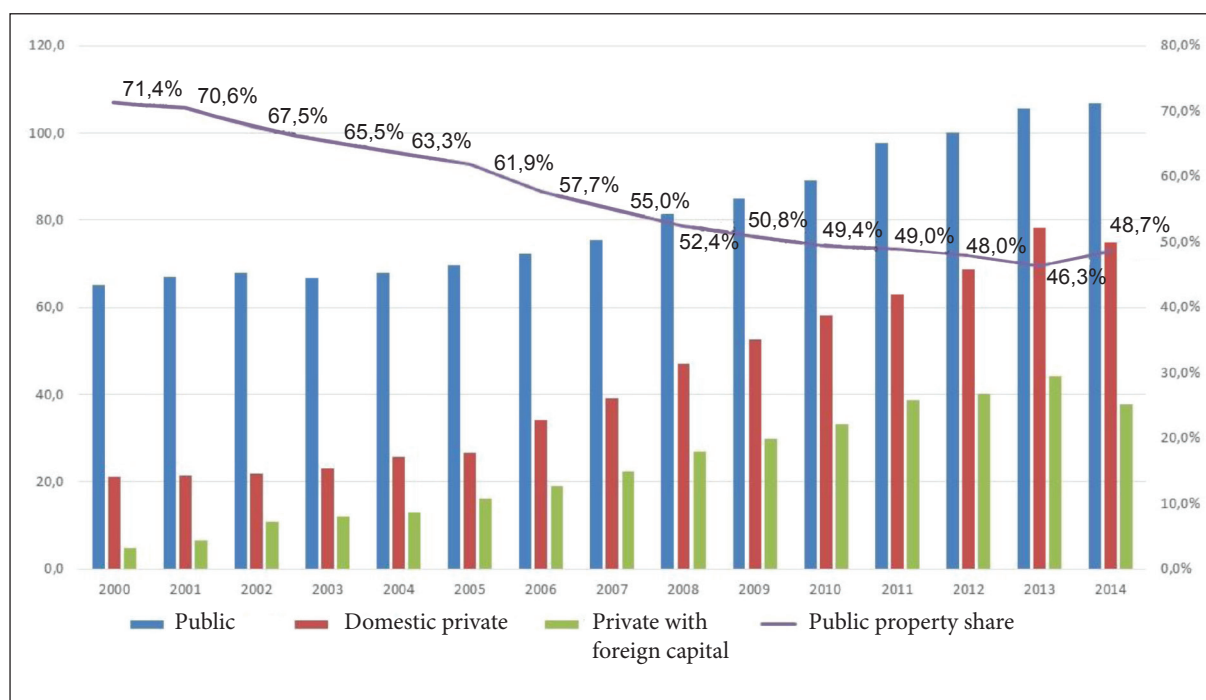
In addition to the public sector and SOE there are sector that are completely or partly regulated through price regulation by the state. We can mention several of them: energy, finance and telecommunications sectors, which are regulated by the state as well as the pharmaceutical sector, bakery products, dairy products, which are partly regulated through the pricing policy of the government.

Limited private sector development generates increased social burdens, which badly affects national taxation system and leads to free rider problem, while some people are not willing to pay taxes. An essential element of poverty and low income of citizens in the Republic of Moldova stems from the fact that we still receive wages from the state that is a poor manager.

Over 50% of national assets are managed by the state

The value of national economy fixed assets in 2014 reached 219.5 billion lei, which is an increase by 2.4 times compared to the situation in 2000. The largest increase of fixed assets occurred in enterprises with foreign capital – by 7.6 times, followed by local private enterprises – by 3.5 times. Fixed assets managed by the Government in this period increased only by 1.6 times. For this reason the share of public property decreased from 71.4% in 2000 to 48.7% in 2014. The value of fixed assets owned by public authorities at the end of 2014 amounted to 106.9 billion lei.

Figure 3. Fixed assets at the end of the year by form of ownership



Source: National Bureau of Statistics

² OECD, Policy Roundtable. State Owned Enterprises and the Principles of Competitive Neutrality 2009.

If we refer to only the public institutions and economic operators directly administered by the Government, then the current value of fixed assets reaches about 85.5 billion lei of which Economic entities with own capital worth 31.3 billion lei. Economic agents administered by central authorities are divided into: state/municipal enterprises and commercial companies.

Assets held by the state involve a more intensive use of labour. In other words, the state owns 48% of fixed assets but employs over 57% of labour force. We have to admit that those who claim that the state should not necessarily pursue the goal of making profit but rather ensuring employment. To a large extent this goal is reached since the employment rate in fixed assets in public sector is 30% higher than that in private sector.

In our study we particularly focus on public institutions providing services and state and municipal enterprises. According to available data, the public property is evenly distributed between central and local authorities. Central authorities hold property worth 45 billion lei while LPA own property worth 40 billion lei. However, the largest share of property is owned by public institutions; the value of fixed assets owned by enterprises amounts to 31.2 billion lei, of which the Government owns 25.3 billion lei and local public authorities – 5.9 billion lei.

Table. 1. Public authorities property, thousand lei

	Central Public Administration	Local Public administration	TOTAL
Central/local public institutions	19,957	30,826	50,783
Commercial companies	10,699	1,402	12,101
Municipal/state enterprises	14,590	4,585	19,175
Public healthcare institutions		3,445	3,445
TOTAL	45,246	40,258	85,504

Source: Public property agency, Central authorities' balance 01/2015, Local authorities' balance 01/2015

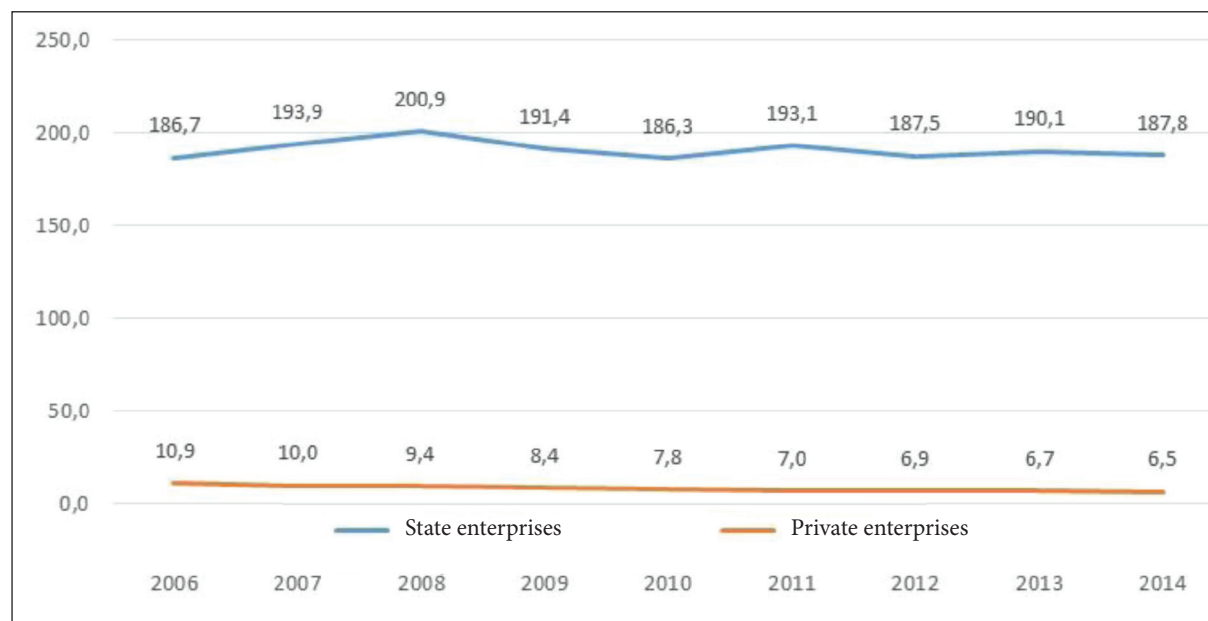
According to Public property register, the Government owns 246 state enterprises and 113 commercial companies. Out of these 113 commercial companies with state capital in 26 economic entities the state share in the equity capital is 100%, in 31 economic entities – from 75% up to 99.9%, in 16 economic entities – from 50% up to 75%, in 17 economic entities – from 25% to 50%, in 7 economic entities – from 10% to 25% and in 16 economic entities – up to 10%. At the same time, 23 state enterprises and 34 commercial companies entered into liquidation proceedings under the Insolvency Law.

The state dominates thanks to large and monopolistic enterprises

State enterprises have a dominant position in economy. On average a state company is 30 times larger than a private one. The state dominates due to several large companies, while the private sector includes thousands of small enterprises with some exceptions.

The degree of concentration of companies is significant as well. The state dominates due to large companies while the private sector encourages the development of micro and small enterprises. Moreover, private sector development in Moldova is the result of the establishment of small businesses which is seen in the continued decrease in the average number of employees in a private sector enterprise.

Figure 4. Average number of employees per enterprise by form of ownership



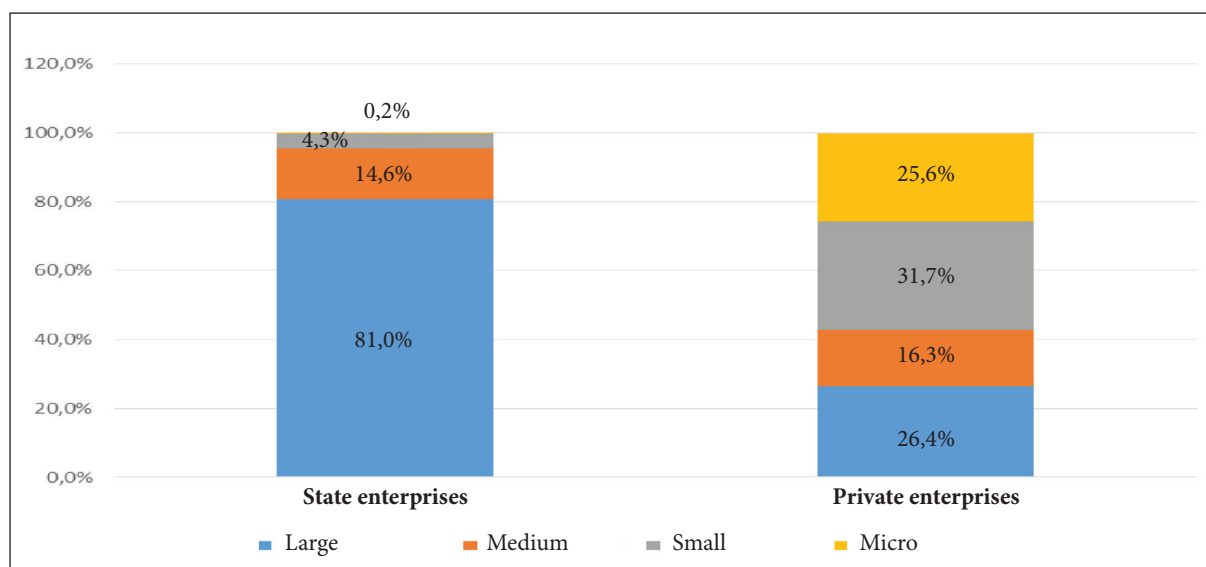
Source: National Bureau of Statistics. *The number of employees by economic activities, form of ownership and gender 2006-2014*

The state's decision to keep the control over large enterprises stems from the logic of privatization that occurred over the years in Moldova. It should be mentioned that the privatization philosophy underwent cardinal changes in 2007. If prior to 2007 the Government had to approve in the Parliament the list of enterprises that could be privatized then in 2007 things were reversed. Currently there is of list including 179 enterprises³ that are not liable to privatization. All other enterprises may be privatized by the Government at any time. This list of enterprises that are not subject to privatization has undergone several changes and the number of these enterprises was reduced. Due to this new approach the state has established its own criteria to decide whether to privatize or not a certain asset. The most important criteria that the state is following while deciding to maintain state control over some enterprises are as follows: a) ensuring defence and security capacity of the state, b) they belong to the national cultural heritage, c) the activity is a state monopoly, d) natural resources, e) communication routes.

Both these criteria and the list of companies selected based on these criteria should be subject to a thorough critical analysis. For instance, the state should limit as much as possible or even exclude any desire to declare certain economic activities as state monopoly. Figure 5, page 14.

State enterprises sector is dominated by the largest enterprises employing about 80% of all employees. Most state enterprises employees are part of quite large staffs. Large state enterprises

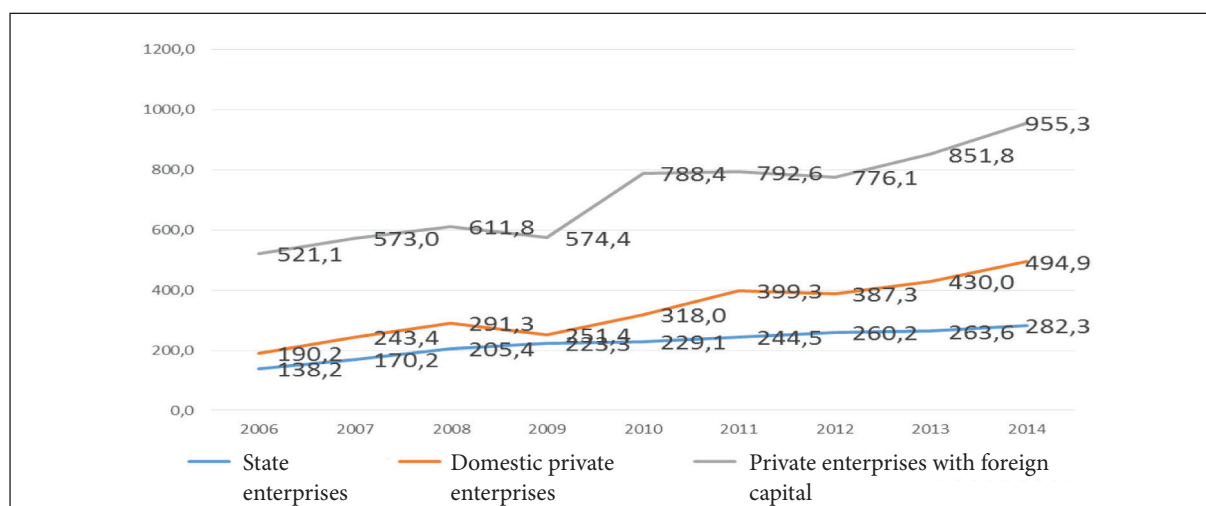
³ The law on management and privatization of public property no. 121-XVI of 04.05.2007.

Figure 5. Distribution of employees by type of enterprise

Source: National Bureau of Statistics. The number of employees by economic activities, form of ownership and gender 2006-2014

employ 580 employees on average. On the other hand, the private sector is dominated by micro and small enterprises employing 57% of all employees in the sector. Micro and small private companies employ 2.8 employees on average. In conclusion we may state that most state enterprises employees work in large companies with an average of 580 employees while most private enterprises employees work in companies employing 2.8 persons on average.

State enterprises are consuming labour while private enterprises are successful owing to efficiency. However, as we have already stated above one of the state's main objectives is increasing employment rate. Private enterprises efficiency is seen in the sales per employee ratio. There is a huge discrepancy in this respect between state enterprises and private companies with foreign capital whose sales volume is 3.4 times higher. Even domestic private enterprises have sales per employee ratio that is 1.7 times higher than that of state enterprises.

Figure 6. Sales per employee, thousand lei.

Source: National Bureau of Statistics. The number of employees by economic activities, form of ownership and gender 2006-2014

If we consider the assets in relation to the number of employees and revenues per employee we may come to the conclusion that the state invests little, carries out economic activities that consumes workforce with low efficiency. By means of its enterprises and institutions the state ensures a high employment rate to the detriment of economic efficiency. The largest state owned enterprises failed to attract foreign direct investment (FDI) while their attractiveness was affected by the aspects that foreign business rejects – lack of profit transparency, obsolete management structures, management boards, etc.

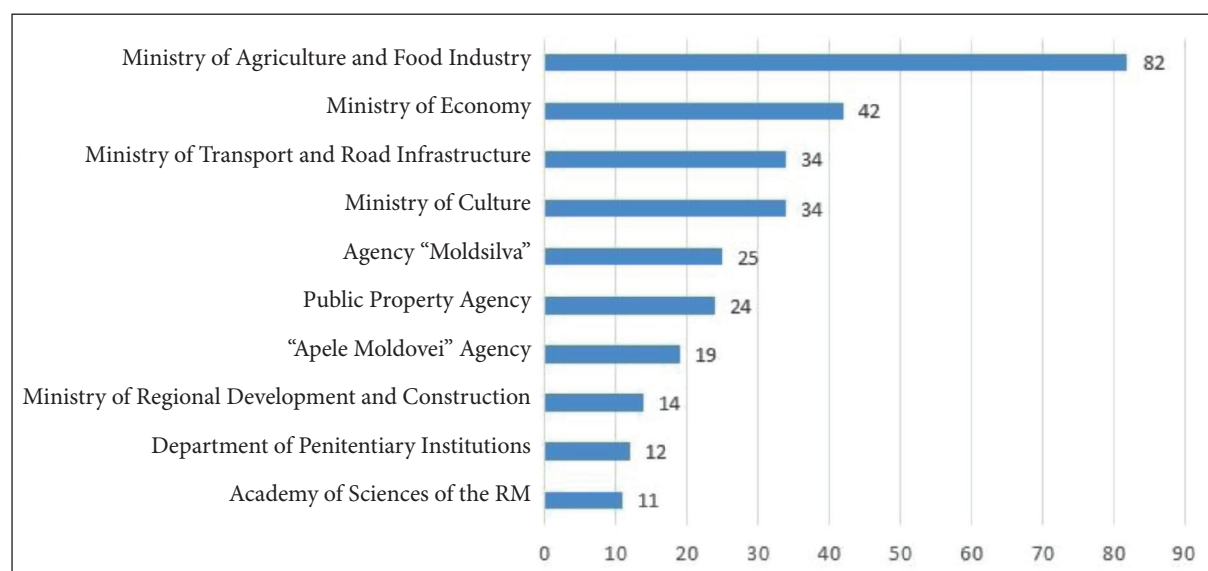
Management boards are made up of civil servants appointed by the institution head who manages the respective enterprise or commercial company. The appointment in the management boards is more a financial privilege offered to a bureaucrat than the state objective to ensure effective corporate governance. This clientelistic aspect of forming the management board along with the lack of a professional group of state's representatives in the boards leads to this vicious system of poor management of state assets.

With few exceptions state managed companies are characterized by complete lack of management efficiency

In early 2015 the state was managing 363 commercial companies and state enterprises with an equity value of 25 billion lei. All enterprises and commercial companies are administered by 45 ministries, agencies and public institutions. Most enterprises are subordinated to the Ministry of Agriculture, followed by the Ministry of Economy, which together own 124 enterprises or 1/3 of all enterprises managed by public institutions.

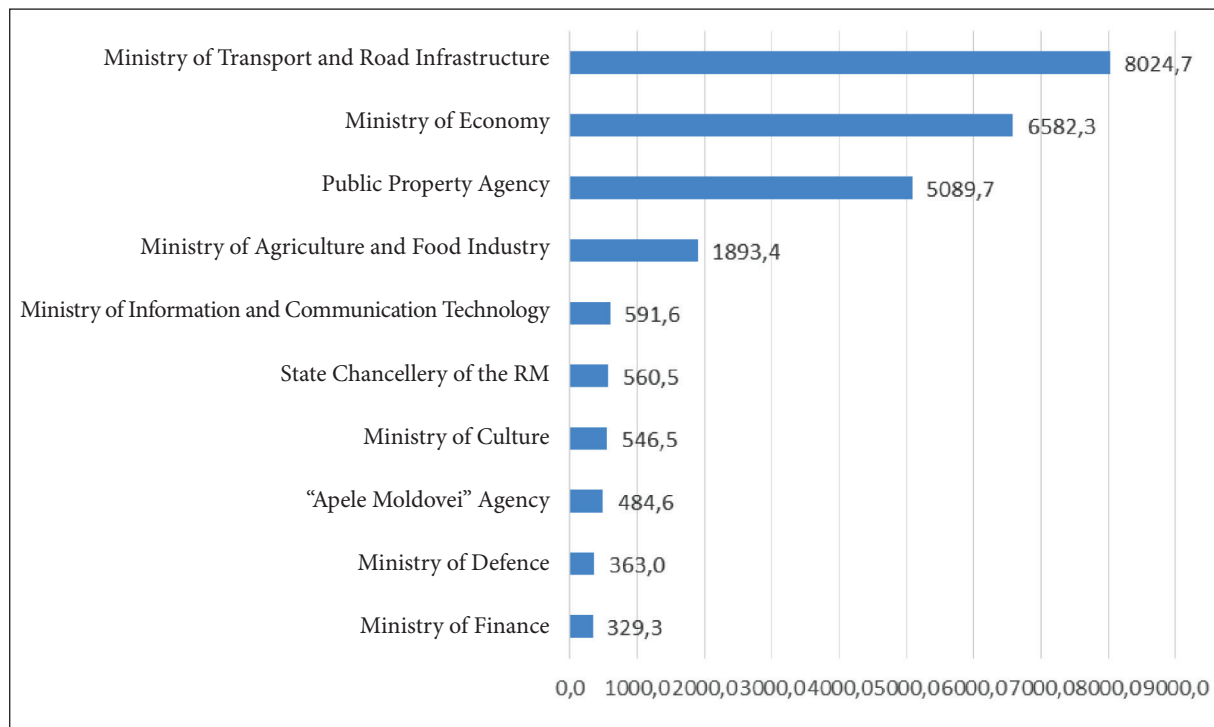
However, in terms of equity value there is a strong concentration of assets. The Ministry of Transport and Road Infrastructure (MTRI) along with the Ministry of Economy, which includes Public Property Agency, manage almost 80% of all state enterprises assets.

Figure 7. Ranking of top public institutions by number of enterprises managed.



Source: Public Property Agency

However, in terms of equity value there is a strong concentration of assets. The Ministry of Transport and Road Infrastructure (MTRI) along with the Ministry of Economy which includes Public Property Agency manage almost 80% of all state enterprises assets.

Figure 8. TOP-10 public institutions by equity value of managed enterprises.

Source: Public Property Agency

One of the essential goals of public property administration is gaining profit to public benefit. However, there are many deficiencies in this respect. In terms of gained profit and return on equity commercial companies management is highly flawed.

Out of 112 joint stock companies in which the state owns shares only 32 of them had profit in 2014. Other 36 commercial companies operated at a loss of 468 million lei or 253 million lei more than the profit. It should be mentioned that we did not take into account the losses of Moldovagaz which in 2014 amounted to 2.3 billion lei.

These losses were largely caused by poor regulation of gas price and to a lesser extent by enterprise management. We considered that we have to mention the losses of 244.5 million lei of BEM since they can be regarded as losses due to poor regulation. However, in our opinion the responsibility lies with the joint stock company management.

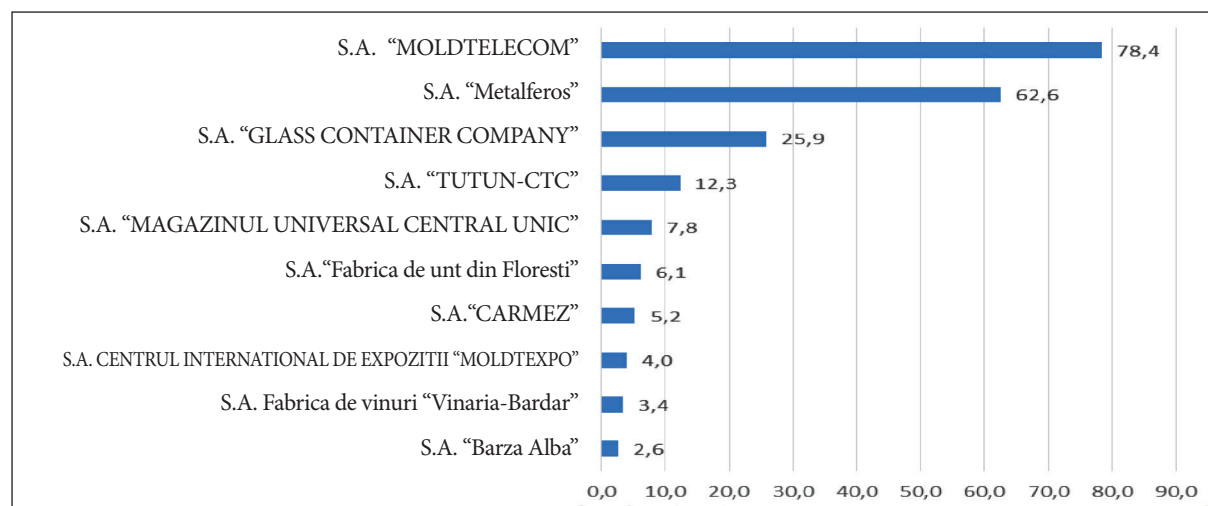
Table 2. Performance of joint stock companies in which the state owns shares

Indicator	Number of joint stock companies	Profit/Losses (+/-), thousand lei
Enterprises that had profit	32	215
Enterprises with no profit/losses	44	0
Enterprises that operated at a loss	36	-468 (-2.338)
TOTAL	112	-253 (-2.338)

Source: Public Property Agency, Data on joint stock companies in which the state owns shares according to data of Public Property Registry as of 01.01.2015

The efficiency of commercial companies' management is quite uneven. There are some enterprises that ensure high efficiency and profitability while the others play the role of ballast, whose existence can only be explained by the need to preserve jobs and most importantly they are a source of personal gain for policy makers and those responsible for their management.

Figure 9. Profit of joint stock companies in which the state owns shares, million lei.

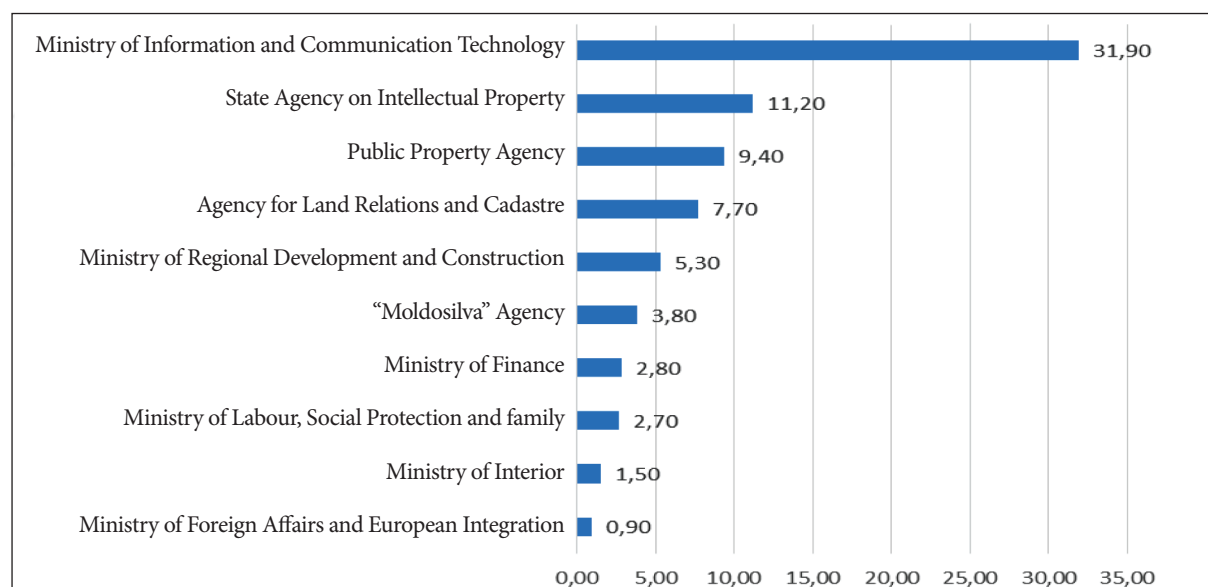


Source: Public Property Agency, Data on joint stock companies in which the state owns shares according to data of Public Property Registry as of 01.01.2015

In 2014 the profit of these 112 companies reached 215 million lei of which 167 million or 77% were ensured by 3 state companies. The first 10 companies ensure 97% of all the profit generated by joint stock companies in which the state owns shares.

An interesting aspect is the net profit of enterprises managed by various institutions. By net profit we mean the profit of profitable enterprises minus the losses of companies that operated at a loss.

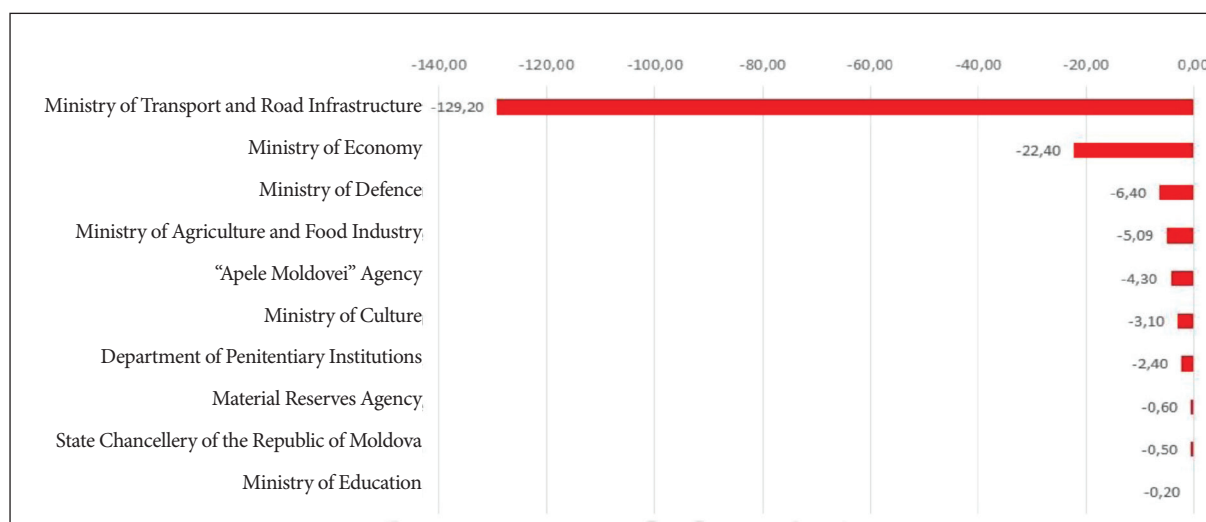
Figure 10. Net profit of enterprises managed by public institutions



Source: Public Property Agency

It is noteworthy that the largest net profits were gained by the institutions that own properties that are by far smaller than those of the Ministry of Transport and Road Infrastructure and the Ministry of Economy. On the one hand, there is the Ministry of Labour, Family, and Social Protection that owns only 2 enterprises, one of them is specialized in the production of prostheses and rehabilitation of people with disabilities and the second is a training centre. Both enterprises are profitable. On the other hand, there is the Ministry of Agriculture that owns over 80 enterprises that operate at a loss.

Figure 11. Top institutions whose enterprises generated most net losses



Source: Public Property Agency

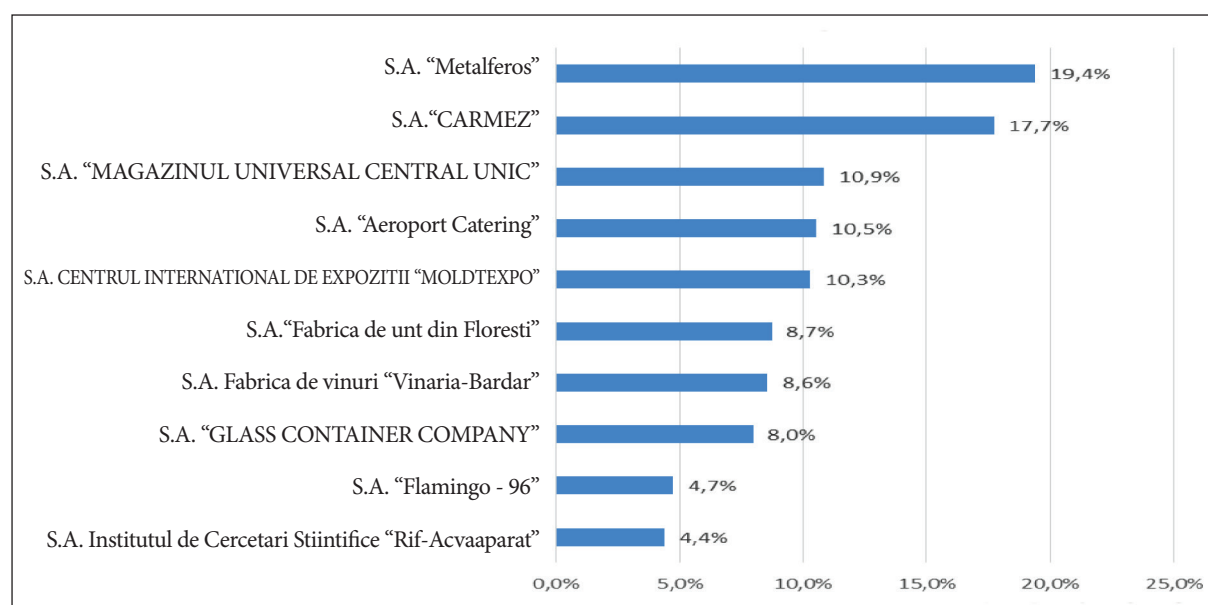
The institutions generating the biggest net losses are those that own the largest enterprises. The leaders in terms of losses are the Ministry of Transport and Road Infrastructure and the Ministry of Economy.

Besides the net profit volume, another relevant indicator, which enables us to examine the enterprises management efficiency, is the return on equity. In most institutions this indicator has a negative value or in case it is positive its value is less than 5% annually.

The leader of this ranking is S.A. Metalferos whose high profitability is rather the result of its legal advantages than its efficient management. The efficiency of this enterprise is largely due to reduced competition and distribution of private enterprises profitability within this sector to the state enterprise. Figure 12, page 19.

If we consider the return on equity of first 10 state enterprises then we see that it reaches 9.5%. This is a rather good indicator but is evidence of uneven management efficiency. There are only 10-20 enterprises that make a profit and have good return on equity while the others are examples of poor management.

If all state enterprises had this average performance then the annual profit value would amount to 2.5 billion lei and the state budget would receive about 750 million lei under legal provisions. Actually, the amount the budget receives is 5-10 times lower and the first 3 companies pay over 70% of the money collected by the state budget from dividends. All these three companies are monopolistic and at least one of them enjoys legal incentives discriminating other market players.

Figure 12. Top 10 enterprises in terms of return on equity.

Source: Public Property Agency, Data on joint stock companies in which the state owns shares according to data of Public Property Registry as of 01.01.2015 **Note:** Top of enterprises in terms of return on equity is made only among the top 20 companies with the highest profit in 2014

Legal framework on public property management and its drawbacks

The state policies regarding commercial enterprises administration are promoted by the Ministry of Economy. The Ministry of Finance plays an important role in this administration as well while the state policies are promoted by the following legislation:

1. The law on management and privatization of public property no. 121-XVI of 04.05.2007
2. Law on state enterprise no. 146-XIII of 16.06.94
3. Law on joint stock companies no. 1134-XIII of 02.04.97
4. Government Decision on some aspects on distribution of annual net profit of state enterprises and joint stock companies with state participation no. 1396 of 12.12.2007
5. Government Decision on approving Regulation on state representation in companies no. 1053 of 11.11.2010

The state defines 3 main goals of public property management in the legislation:

- a) harmonize of public property size and structure and its administration as well with the state and administrative-territorial units functions;
- b) attract investment into the public sector of national economy and ensure effective management;
- c) boost competition in the national economy.

There is no other subsidiary body to the public interest that would guarantee supervision of public property management. We can state that the state has failed to achieve all these three goals. As for the first goal, the state had to identify several priorities, such as: gaining profit (not achieved), ensure employment (achieved), providing vital services to society (achieved partly, for example Railways). As for the second goal the state had the poorest performance in

attracting investment over the last 15 years. In terms of the third goal, namely the existence of state enterprises undermined competition while the state by legal and administrative tools favoured state enterprises to the detriment of those private.

The things are no better in terms of state enterprises management tasks. We would like to mention two main tasks:

1. Determine the value of public assets. We do not know the value of state owned assets so far and the Court of Accounts reveals, in its annual reports, properties worth hundreds of millions of lei, which are not recorded in the accounts of public enterprises and authorities. The Court of Accounts reveals, in its report in 2014 deviations in property management / recording at the local level of 1.8 billion lei, but in the report for 2013 we notice that there is unregistered property worth about 150-200 million in each district. In other words, we may estimate a total deviation of at least 5 billion lei only at the local level. A similar situation can be seen at the central level as well. The huge differences between the property owned and that registered could result in the loss by the state of the property it owns, which was not properly registered.
2. Enhancing management efficiency of state-managed enterprises by selecting managers on a competitive basis. The lack of this procedure is the explanation of the inefficient management of state managed enterprises.

The main state policies in terms of public enterprises administration are as follows:

1. The representatives of the Ministries of Finance and Economy should be members of the Management Board and they have to be the majority in state owned enterprises.
2. State representatives will promote the decision to distribute at least 30% of profit as dividends at the General Meeting of Shareholders.
3. Laws in force do not expressly stipulate either the procedure of appointment and removal of the state owned enterprise manager or appointment and removal of the state representative. All we have is a GD, which provides for two ways of appointing the state representative: appointing a person under an administrative act issued by the head of public institution or his/her election. Lack of clear criteria allows the appointment of both state representatives and enterprises managers based on political criteria and leads to the creation of a doubtful system of state property management based on clientelism.

Appointment to Boards of Directors is based on clientele relations and is a kind of bonus offered by public institution manager to their employees. The state is creating a conflict of interests by its current mechanism of property management. Thus, the ministries and agencies responsible for developing and promoting state policies in different domains are at the same time managing the enterprises within the sectors they regulate. Thus, ministries are responsible, on the one hand, for developing the private sector but, on the other hand, they are in charge of developing state enterprises, which are competing with private companies. As a result we notice administrative and legislative discrimination of private companies while state enterprises are favoured.

Legislation and regulatory framework provide no incentives/sanction mechanism of state managed enterprises managers in terms of achieving certain goals that have been set such as: profitability, market share, investment, number of employees, etc. The state does not either formulate goals or supervise their achievement.

Rethinking the management system of state-owned enterprises.

The main shortcomings of the current system of public enterprises and commercial companies management are as follows:

1. Conflict of interest. Public institutions responsible for promoting state policies in certain economic sectors are also the managers of enterprises competing with private companies in these sectors.
2. Clientelistic administration of enterprises. The appointment of state representatives in management boards is rather a favour to the person appointed than a state interest.
3. Unclear accountability. There is no transparent mechanism of assessing managers performance in state owned enterprises.

To solve all these problems it is necessary to rethink the whole system of public enterprises and commercial companies' management.

- It is necessary to separate state property management function from other state functions, including promoting state policies in various economic areas.
- It is necessary to consolidate the whole management process in a single institution responsible for public property management⁴.
- Status of This institution must have the status of government agency directly subordinate to the Prime Minister to avoid any conflict of interest.
- It is needed to ensure accountability and independence of boards of management members.

State representatives in enterprises have to make up a group of professionals who are not civil servants.

- Managers must be selected on a competitive basis and the management contract must contain clearly formulated managerial tasks that have to be assessed annually.
- The Parliament and the Government will formulate the main goals for the Agency related to enterprises management and the assessment will be carried out by means of an annual report submitted to the Government and Parliament.

The concentration of the whole management process in a single professional institution, with clear performance benchmarks, directly subordinated to the Prime Minister, will enable to improve property management and increase the responsibility of those engaged in this process.

⁴ More information in this respect can be found in, State-Owned Enterprise Governance Reform. An Inventory of Recent Change. OECD 2011.

Conclusions and recommendations

1. Moldova is a unique case in Europe, since 70% of employees are employed in the public sector, in enterprises that are managed or regulated by the state, while the OECD average is 20%.
2. The share of state-owned assets has significantly decreased over the last 15 years: from 71% to 48%. This decrease did not occur through privatization or liquidation of assets but rather due to a significant increase of both foreign private and domestic companies' assets.
3. We consider that the most important tool to reduce state share in national economy should not be privatization but attracting foreign investment and boosting domestic private sector. In an aphoristic way, we can claim that in our country it is not the state that is big but rather that the private sector is made up of too small enterprises. This situation underlines one more time the constraints the entrepreneurship is facing because of the state (administrative barriers, excessive controls).
4. The state dominates the economy through large enterprises and monopolies while the private sector is dominated by small and micro enterprises.
5. State assets are labour force consuming, since with the same volume of investment the state employs 30% more employees.
6. State efficiency is very low. In terms of revenue per employee, the state is surpassed by domestic private companies by 1.7 times and by foreign companies by 3.4 times.
7. Management efficiency is very uneven, 77% of the profit is generated by the first 3 largest companies. Most enterprises operate at a loss or have negligible a profit.
8. In order to reduce the number of conflicts of interest, enterprises have to be managed at the Government level and not by ministries.
9. State enterprises management authority should have a body of professional state representatives within management boards and a professional body of enterprises managers.
10. Enterprises managers' activity has to be assessed annually based on performance benchmarks set in the management contract.

ANNEXES

TOP Central authorities in terms of managed property value

	TOTAL	Public institutions, thousand lei	Economic agents, thousand lei
Ministry of Transport and Road Infrastructure	8.041.397,3	16.703,5	8.024.693,8
Ministry of Economy	6.992.817,5	410.558,0	6.582.259,5
Public Property Agency	5.103.659,2	13.924,1	5.089.735,1
Ministry of Education	3.707.068,0	3.695.235,0	11.833,0
Ministry of Health	3.253.007,2	3.231.447,5	21.559,7
Ministry of Agriculture and Food Industry	2.608.414,7	714.981,1	1.893.433,6
Ministry of Defence	1.790.087,0	1.427.056,2	363.030,8
Ministry of Interior	1.754.448,7	1.675.848,5	78.600,2
Ministry of Finance	1.626.691,3	1.297.433,3	329.258,0
State Chancellery of the Republic of Moldova	1.473.595,2	913.046,6	560.548,6
Academy of sciences of the R.M.	1.272.280,2	1.252.337,8	19.942,4
Ministry of Culture	962.014,1	415.509,8	546.504,3
Border Police Department	662.575,3	662.575,3	0,0
Ministry of Regional Development and Construction	610.194,4	485.838,7	124.355,7
Ministry of Information Technology and Communications	593.403,5	1.799,6	591.603,9
Agency "Apele Moldovei"	486.711,4	2.084,2	484.627,2
Ministry of Labour, Social Protection and Family	447.067,3	375.168,7	71.898,6
Ministry of Foreign Affairs and European Integration	431.726,4	384.641,0	47.085,4
Ministry of Justice	420.311,2	410.528,9	9.782,3
Department of Penitentiary Institutions	415.566,5	393.634,3	21.932,2
Security and Intelligence Service	311.129,3	307.598,1	3.531,2
National Social Insurance House	285.704,9	285.704,9	0,0
National Food Safety Agency	248.637,8	248.637,8	0,0
Ministry of Environment	189.889,0	166.063,7	23.825,3
Agency for Land Relations and Cadastre	186.643,2	15.244,6	171.398,6
Superior Council of Magistracy	179.337,6	179.337,6	0,0

	TOTAL	Public institutions, thousand lei	Economic agents, thousand lei
PBNI "Teleradio-Moldova"	178.970,9	178.970,9	0,0
Agency "Moldsilva"	168.859,4	37.477,4	131.382,0
Parliament Secretariat	154.628,3	154.628,3	0,0
Ministry of Youth and Sports	116.632,2	98.276,2	18.356,0
National Anticorruption Centre	78.059,6	78.059,6	0,0
General Prosecutor's Office	70.208,0	70.208,0	0,0
National Bureau of Statistics	70.068,1	56.485,8	13.582,3
Other public institutions and economic agents	55.976,0	44.837,1	11.138,9
Supreme Court of Justice	54.190,2	54.190,2	0,0
Court of Accounts	45.663,5	45.663,5	0,0
SE "State Agency for Intellectual Property Protection"	43.111,9	0,0	43.111,9
Material Reserves Agency	36.323,5	36.323,5	0,0
Broadcasting Coordinating Council	32.156,3	32.132,0	24,3
National Bank of Moldova	21.877,0	21.877,0	0,0
President's Apparatus	13.659,9	13.659,9	0,0
National Health Insurance Company	11.833,1	11.833,1	0,0
National Regulatory Agency for Electronic Communications and Information Technology	10.806,4	10.806,4	0,0
National Commission for Financial Markets	9.066,3	8.676,4	389,9
Constitutional Court	8.755,0	8.755,0	0,0
National Energy Regulatory Agency	6.271,9	6.271,9	0,0
Interethnic Relations Bureau	3.388,1	3.388,1	0,0
Tourism Agency	2.001,6	2.001,6	0,0
Enterprises abroad	0,0		0,0
TOTAL	45.246.885,5	19.957.460,7	25.289.424,8

TOP Local authorities in terms of managed property value

	Local public property value	Value of fixed assets and O.M.V.	Equity value	Public share, according to equity	Value of fixed assets and O.M.V.
mun. Chişinău	12.663.383,65	8.661.598,50	2.112.609,7	1.041.471,15	847.704,30
mun. Bălţi	2.603.667,30	2.194.160,80	229.984,30	480,00	179.042,20
Hînceşti	2.024.123,68	1.790.061,40	45.424,0	34.937,10	153.701,20
UTA Găgăuzia	1.586.842,35	874.955,80	338.969,00	130.553,75	242.363,80
Ocniţa	1.546.819,62	1.474.157,30	10.863,0	254,72	61.544,60
Drochia	1.293.718,00	817.970,20	395.118,1		80.629,70
Ungheni	1.272.445,00	1.191.314,70	10.949,8	5.739,30	64.441,20
Orhei	1.174.615,00	891.586,30	107.364,2		175.664,50
Soroca	988.597,00	711.695,70	201.476,2	35.955,20	39.469,90
Cahul	852.245,80	733.460,10	446,1	3.820,40	114.519,20
Floreşti	846.089,04	635.453,70	476,8	104.254,34	105.904,20
Ialoveni	776.703,32	641.921,90	88.889,1		45.892,30
Nisporeni	764.567,40	648.119,40	46.223,4		70.224,60
Ştefan Vodă	723.441,60	652.435,00	3.681,6		67.325,00
Sîngerei	713.269,30	565.685,70	64.298,7		83.284,90
Călăraşi	707.836,51	528.217,70	42.251,6		137.367,20
Criuleni	699.758,23	555.645,80	97.012,8	197,33	46.902,30
Căuşeni	685.799,53	646.284,93	2,7		39.511,90
Teleneşti	681.612,00	610.708,00	12.439,1		58.464,90
Străşeni	672.101,40	556.108,80	29.162,9	0,00	86.829,70
Anenii Noi	664.686,30	528.219,20	58.447,7		78.019,40
Făleşti	605.174,91	533.077,40	28.554,2		43.543,31
Briceni	582.329,57	506.084,71	18.280,2		57.964,67
Rezina	573.247,33	388.704,46	117.333,3	31.646,77	35.562,80
Leova	557.742,36	480.714,40	345,6	12.581,65	64.100,71
Edineţ	525.162,90	387.701,60	63.164,2		74.297,10
Rîşcani	519.061,06	446.080,60	36.795,7		36.184,80
Cimişlia	514.245,60	361.161,20	93.350,5		59.733,90
Glodeni	508.968,99	346.540,00	91.137,1		71.291,89

	Local public property value	Value of fixed assets and O.M.V.	Equity value	Public share, according to equity	Value of fixed assets and O.M.V.
Taraclia	447.182,40	292.360,00	95.964,1		58.858,30
Cantemir	415.311,01	376.560,80	9.553,2		29.197,01
Șoldănești	412.772,00	320.561,00	39.912,0		52.299,00
Basarabeasca	330.057,20	202.830,00	89.684,3		37.542,90
Dondușeni	324.881,50	273.974,60	4.836,5		46.070,40
Dubăsari	190,53	0,00	0,0	190,53	
TOTAL	40.258.649,39	30.826.111,70	4.585.001,66	1.402.082,25	3.445.453,79

TOP Authorities by number of enterprises and institutions managed

		TOTAL		Authorities and subordinated public institutions		State owned enterprises		Evo- lution (+/-)
		01.01. 2015	01.01. 2014	01.01. 2015	01.01. 2014	01.01. 2015	01.01. 2014	
1	Ministry of Education	139	148	136	144	3	4	-9
2	Ministry of Agriculture and Food Industry	107	117	25	25	82	92	-10
3	Ministry of Health	87	90	83	83	4	7	-3
4	Ministry of Interior	82	82	76	76	6	6	0
5	Ministry of Culture	59	59	25	25	34	34	0
6	Ministry of Labour, Family and Social Protection	58	58	56	56	2	2	0
7	Ministry of Economy	56	58	14	13	42	45	-2
8	Ministry of Finance	55	56	49	49	6	7	-1
9	Superior Council of Magistracy	51	0	51		0		51
10	Ministry of Foreign Affairs and European Integration	40	41	39	40	1	1	-1
11	National Bureau of Statistics	38	38	37	37	1	1	0

		TOTAL		Authorities and subordinated public institutions		State owned enterprises		Evo- lution (+/-)
		01.01. 2015	01.01. 2014	01.01. 2015	01.01. 2014	01.01. 2015	01.01. 2014	
12	Academy of Sciences of RM	38	38	27	27	11	11	0
13	Ministry of Transport and Road Infrastructure	37	38	3	3	34	35	-1
14	Department of Penitentiary Institutions	34	34	22	22	12	12	0
15	Agency "Moldsilva"	27	26	2	1	25	25	1
16	Public Property Agency	25	19	1	1	24	18	6
17	Ministry of Youth and Sports	24	24	23	23	1	1	0
18	Ministry of Defence	21	22	18	19	3	3	-1
19	Agency "Apele Moldovei"	20	20	1	1	19	19	0
20	State Chancellery of the Republic of Moldova	20	19	10	9	10	10	1
21	Ministry of Regional Development and Construction	18	19	4	4	14	15	-1
22	Ministry of Justice	15	66	13	64	2	2	-51
23	Material Reserves Agency	11	11	8	8	3	3	0
24	Ministry of Information Technology and Communications	8	9	1	1	7	8	-1
25	Ministry of Environment	7	7	6	6	1	1	0
26	Agency for Land Relations and Cadastre	7	5	3	1	4	4	2
27	Border Police Department	7	7	7	7	0	0	0
28	Other public institutions and economic agents	6	6	4	4	2	2	0
29	Enterprises abroad	6	0	0	0	6		6
30	National Food Safety Agency	2	0	2		0		2
31	Tourism Agency	2	2	2	2	0	0	0
32	National Commission for Financial Markets	2	2	1	1	1	1	0
33	Security and Intelligence Service	2	2	1	1	1	1	0

		TOTAL		Authorities and subordinated public institutions		State owned enterprises		Evo-lution (+/-)
		01.01. 2015	01.01. 2014	01.01. 2015	01.01. 2014	01.01. 2015	01.01. 2014	
34	Broadcasting Coordinating Council	2	2	1	1	1	1	0
35	Parliament Secretariat	1	1	1	1	0	0	0
36	Interethnic Relations Bureau	1	1	1	1	0	0	0
37	National Energy Regulatory Agency	1	1	1	1	0	0	0
38	President's Apparatus	1	1	1	1	0	0	0
39	Constitutional Court	1	1	1	1	0	0	0
40	Supreme Court of Justice	1	1	1	1	0	0	0
41	General Prosecutor's Office	1	1	1	1	0	0	0
42	National Health Insurance Company	1	1	1	1	0	0	0
43	Court of Accounts	1	1	1	1	0	0	0
44	National Bank of Moldova	1	1	1	1	0	0	0
45	National Social Insurance House	1	1	1	1	0	0	0
46	National Regulatory Agency for Electronic Communications and Information Technology	1	1	1	1	0	0	0
47	PBNI "Teleradio-Moldova"	1	1	1	1	0	0	0
48	National Anticorruption Centre	1	1	1	1	0	0	0
49	SE "State Agency for Intellectual Property Protection"	1	1	0	0	1	1	0
TOTAL		1128	1140	765	768	363	372	-12

