

Financial health of state-owned enterprises in Moldova – List of enterprises selected for evaluation

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Project

This document includes a list of Moldovan state-owned enterprises (SOEs), which have been selected to be subject to an assessment of their financial health, to identify the financial indicators and data necessary for evaluation and the data sources. The list has been developed under the initiative "**Promoting transparency and financial sustainability of regional policies, state-owned enterprises and local authorities in Moldova**". The initiative is being implemented from September 2017 through March 2019 by the Slovak Institute for Economic and Social Reforms (INEKO) in partnership with IDIS "Viitorul", Moldova with the financial support of the Official Development Assistance of the Slovak Republic (SlovakAid). The initiative aims to increase the transparency, financial accountability, and quality of regional policies, state-owned enterprises and local authorities in Moldova.

Background

Generally, the financial indicators are difficult to read, understand and evaluate. It is the main reason why public and many media representatives are not interested in monitoring or evaluation of performance of the state/municipality-owned companies. The Slovak experience says that if these data are processed and published in easy and understandable way (with the possibility to compare companies' performance data with the reference values) it attracts the public and media attention and increases the pressure on companies to increase their efficiency.

Being aware about the necessity to hold government and parliament accountable for the decisions they take on daily basis, citizens should have the necessary tools to do this. Citizens' wealth is affected by how the public property is managed by state and municipal owned companies. Moldova, as any other countries, after declaration of independence has controlled huge stakes in the national economies and it still does. Being fully aware of the risks related to vicious management of state property, as the recent scandals related to theft of money from the state controlled bank Banca de Economii and opaque and faulty decisions of the management of various state-owned companies, we developed this methodology to assess the financial stability of these companies in a more complex way.

State and municipal companies in Moldova are governed mainly by several law but the most important are:

1. The law on state companies approved in 1994¹. In 2017 government proposed a draft² for a new law on state companies, which unfortunately does not address the main problems related to state companies such as: the sectors and the purpose of funding the state owned companies are not defined; there is no important change related to holding management accountable; the professional requirements for the management and the transparency requirements of management selection; there are no delimitation and specifications related to acquisition procedures;
2. The law on public and local administration since 2006³;
3. The law on public property of local administrative units approved in 1999⁴;

In addition, it is important to mention that the state agency that monitors the state property – as stakes in companies or companies created from scratch by local and state institutions – is the agency of public property⁵.

Selection process of companies:

We aim to analyze companies from different sectors and according to their size, in terms of assets in place only if those assets exceeds 1 million MDL and if the state's share in company is more than 51%. The selection process will be conducted according the information presented by the agency on public property that holds the books with the companies that are owned by state and municipal institutions and which are updated yearly. The information about the state ownership in joint stock companies and the state companies was collected from agency of public property and is according up to date 2017.

Table 1. List of selected companies

	The name of the company Joint stock in which state holds shares	Services provided	State owned part		The value of Common Shareholder Equity, lei
			Shares owned by state	Shares owned by state in %	
1	S.A. "TUTUN-CTC"	Tabaco processor and cigarettes producer	5076982	90,81	373186180
2	S.A. COMBINATUL DE PANIFICATIE DIN CHISINAU "FRANZELUTA"	The biggest producer of bakery products	983203	52,51	273661530
3	S.A. "DRUMURI-CAHUL"	Construction and	2382336	98,85	32285220

¹ <http://lex.justice.md/index.php?action=view&view=doc&id=311598>

² <http://particip.gov.md/proiectview.php?l=ro&idd=4018>

³ http://lex.justice.md/document_rom.php?id=C8E304A4:037190E8

⁴ <http://lex.justice.md/md/311681/>

⁵ <http://www.app.gov.md/ro/advanced-page-type/registrul-patrimoniului-public>

		roads service			
4	S.C."GARA NORD" S.A.	Management of bus stations for the north region of the country	1700	85	30349260
5	S.A. "SANFARM-PRIM"	Pharmaceutical storage	445234	99,11	18230000
6	S.A."TERMOELECTRICA"	Provides heating and hot water in Chisinau	55405166	100	1735133390
7	S.A. "RETELELE ELECTRICE DE DISTRIBUTIE NORD-VEST"	Electrical distribution in the north west part of the country	10017369	100	277931000
8	S.A. "RETELELE ELECTRICE DE DISTRIBUTIE NORD"	Electrical distribution in the north part of the country	9079462	100	871023000
9	S.A. CENTRUL INTERNATIONAL DE EXPOZITII "MOLDEXPO"	Exhibit center	26790	100	41963500
10	S.A."Energocom"	Procurement and deliveries of electrical energy	1000	100	36081360
11	S.A. Uzina de tractoare "Tracom"	Manufacturing of tractors	2424191	93,18	60383300
12	S.A. "Metalferos"	The monopolist in collecting and exporting scrap metal	281065	78,28	339148700
13	S.A. MOLDO-RUSA "MOLDOVAGAZ"	Import and distribution of natural gas (monopolist)	4708876	35,33	-3132737000
14	S.A."MOLDTELECOM"	Telecommunication and phone services	98419395	100	4324877120
State companies					
	The name of the company		The value of equity	Assets, amount in lei	Profit or loss fiscal year 2016, amount in lei
15	I.S. pentru cercetarea in selectie si hibridarea suinelor "Moldsuinhybrid"	Research center of selection and swine hybridization	9940520	8335830	-3870510
16	I.S."Institutul de Tehnica Agricola "Mecagro"	Development of policies for agricultural sector,	43093100	15928400	2605700

		trade of agricultural equipment			
17	I.S."Centrul de Stat pentru Atestarea si Omologarea Produselor de uz Fitosanitar si a Fertilizantilor"	Certification and Approval of Phytosanitary and Fertilizer Products	6684560	2851000	1334030
18	I.S."Centrul National de Verificare a Calitatii Productiei Alcoolice"	Center for Quality Control of Alcoholic Production	33789930	19761160	1665370
19	I.S."Combinatul de Vinuri de calitate" Milestii Mici"	Wine producer	126446130	35553560	4405800
20	I.S."Centrul Informational Agricol"	Training courses for farmers	22622700	11123200	393300
21	I.S."Sistemul de gospodarie a apelor "Nistru - Centru"	Maintenance of Nistru river system	1172300	37891500	575900
22	I.S. Compania Aeriana "Air Moldova"	Airline company	115951700	587856830	8578450
23	I.S."Calea Ferata din Moldova"	Rail road company	2823455690	1975737110	-53236870
24	I.S."Administratia de Stat a Drumurilor"	Maintenance of national roads	7009937490	8142755350	930020
25	I.S."Portul Fluvial Ungheni"	River port services	69655340	76348230	-201500
26	I.S."Garile si Statiile Auto"	Maintenance of national bus stations	34542920	24861060	5814680
27	I.S."Registrul Naval"	Keeps the books of the national marine register	73890	0	22910
28	I.S."Moldaeroservice"	Provider of aviation services	26685080	26280430	85510
29	I.S. pentru utilizarea spatiului aerian si deservirea traficului aerian "MOLDATSA"	Provides services in maintenance of air traffic	215359240	123718100	2830640
30	I.S.de constructii a Caili Ferate "Confercai"	Maintenance and construction of rail roads	2656940	4314490	-2000
31	I.S.Institutul National de Cercetari si Proiectari in Domeniul Amenajarii Teritoriului,Urbanismului si Arhitecturii "Urbanproiect"	Researches and design in urban planning, urban design and architecture	8901200	1922770	85500
32	I.S.Institutul de Stat de Proiectare "Ruralproiect"	Architecturall and urbanistic projects	1731600	564600	49000
33	I.S."Combinatul Poligrafic"	Polygraphy and printing services	62431900	21315300	1022600

34	I.S. Firma Editorial-Poligrafica "Tipografia Centrala"	Central typography	16185400	21478000	57200
35	I.S.Firma Comerciala de Intermediere "Mold-Didactica"	Trades a wide range of teaching materials, sports equipment, school furniture and other commodities	6942110	3846700	88590
36	I.S."Centrul Tehnic pentru Securitate Industriala si Certificare"	Certification and testing of industrial materials	22447200	16386100	2392500
37	I.S."Directia pentru exploatarea imobilului"	Construction Of Residential And Non-Residential Buildings	16070000	15826300	221700
38	I.S."Moldelectrica"	Maintenance of the electric national networks	1127029800	1214932400	5612500
39	I.S."Centrul de Metrologie Aplicata si Certificare"	Certification and testing of measurement equipment	19284900	33798800	1145800
40	I.S. "Fintehinform"	The calculation and informative center that provides services for Finance Ministry	2741200	463400	357900
41	I.S."Fiscservinform"	The calculation and informative center that provides services for National tax inspectorate	7924300	9220400	1239800
42	I.S."Vamservinform"	The calculation and informative center that provides services for Customs	53803700	32841800	2267200
43	I.S.Directia Servicii pentru Corpul Diplomatic	Provides services for Diplomacy corps of Ministry of External affairs	9380200	2187500	2610600
44	I.S."Camera Inregistrarii de Stat"	Keeps the register and register companies	11031130	7319910	1347900
45	I.S."Servicii Paza"	Security services	77253400	35003230	1690200
46	I.S."Cartus"	Trade of fire arms and munition	8781500	89100	318500
47	I.S."Pulbere"	Trade of fire arms	1806800	54500	159600

		and munition			
48	I.S."Centrul de pregatire a specialistilor pentru Armata Nationala"	Training services for the workers in the National army	19584870	26760370	1527900
49	I.S."Centrul Resurselor Informationale de Stat "Registru"	Provides a wide range of services: issuance of passports, ID cards, registration of vehicles, register of population	276896900	269263600	17531600
50	I.S."Posta Moldovei"	Post services	74888400	80421600	10511500
51	I.S."MoldData"	Domain Name Registrar .MD and provider of generic domain extensions	1431900	8134600	129900
52	I.S."Centrul National pentru Frecvente Radio"	Provides radio frequencies for Radio companies	129011700	24818200	29642200
53	I.S."Radiocomunicatii"	Provides radio signal and digital TV	146558100	92241600	4925300
54	I.S."Detasamentul de Paza Paramilitara"	Provides paramilitary security services	2743900	600000	414900
55	I.S."Tipografia Academiei de Stiinte"	Provides typographic services for Academy of Science	1897200	1677380	-461200
56	I.S. Intreprinderea Editorial-Poligrafica "Stiinta"	Editorial and typographic services	4421000	1311990	57000
57	I.S.Institutul de Geodezie, Prospectiuni Tehnice si Cadastru "INGEOCAD"	Technical prospects and cadaster services	55740600	4453700	8031700
58	I.S."Cadastru"	Keeps the register and register the property such as buildings, land, etc.	116799500	59317900	1773200
59	Zona Antreprenoriatului Liber "EXPO-BUSINESS-Chisinau"	Exhibitional center	10869600	12293220	-5470
60	I.S."Palatul Republicii"	Provides rent services for concerts and other events	155159400	119839300	-1120900
61	I.S.Complexul"Casa Presei"	Rent services	22137300	655400	1469200
62	I.S."Agentia Informationala de stat "Moldpres"	Press agency	5335200	1982300	157100

63	I.S. "Centrul de Telecomunicatii Speciale"	Electronic signature and data services	63035400	37039900	832400
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Table 2. The indicators of the financial stability

Liquidity Ratios	Current Ratio	$\text{Current Assets} \div \text{Current Liabilities}$
	Quick Asset Ratio	$\text{Cash} + \text{Marketable Securities} + \text{Accounts Receivable} \div \text{Current Liabilities}$
	Cash Position Ratio	$\text{Cash} \div \text{Current Liabilities}$
Profitability Ratios	ROA - Return on Assets	$\text{Net Profit} \div \text{Total Assets}$
	ROE - Return on Equity	$\text{Net Profit} \div \text{Equity}$
	ROS – Return on Sales	$\text{Net Profit} \div \text{Sales}$
Leverage ratios	Total Debt to Total Assets	$\text{Total Debt} \div \text{Total Assets}$
	Debt-to-EBITDA Ratio	$\text{Total Debt} / \text{Earnings Before Interest Taxes Depreciation \& Amortization}$
Activity ratios	Working capital turnover ratio	$\text{Net Sales} \div ((\text{Beginning Working Capital} + \text{Ending Working Capital}) / 2)$ Note: Working Capital = Current Assets Minus Current Liabilities)
	Accounts receivable turnover ratio	$\text{Net Sales} \div ((\text{Beginning Accounts Receivable} + \text{Ending Accounts Receivable}) / 2)$
Indirect efficiency indicator of the company	The sales generated by one employee	$\text{Net sales} / \text{number of employees}$

Reliability and sources of the data

Since 2009, Ministry of Finance approved a methodical recommendation for the implementation of IFRS standards⁶, and especially the public companies such as banks, insurance companies and other joint stock companies had to comply to IFRS standards as the article number 4 from accountancy law⁷ specify this directly. For the selected joint stock companies in which state owns more than 51%, we assume that they report their statements according to IFRS standards due to legal bindings. Regarding the State and municipal companies that have a juridical status of "I.S (state enterprise) or I.M (municipal enterprise)", most of them still report their statements according to National Standards of Accountancy, which are not very different than IFRS in terms of classification, recognition, evaluation and reliability principles.

⁶ <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=335683&lang=1>

⁷ <http://lex.justice.md/viewdoc.php?id=351443&lang=1>

The data will be collected from the 3 financial statements (Balance sheet, Income Statement and Cash Flow statement) that every company is obliged to issue for the fiscal year and to present it to fiscal inspectorate yearly. Regarding the data on state aid – the information is public on the website of the companies.

Link of one analyzed company from where the data will be collected:

TUTUN CTC – [<http://tutun-ctc.md/wp-content/uploads/2017/06/raport-financiar-2016.pdf>]