Methodology for transparency rating of public enterprises[1]

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Project

The methodology was created within 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 until March 2019 by the Institute for Economic and Social Reforms in Slovakia (INEKO), in partnership with IDIS "Viitorul" in Moldova, and 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.

Objective

Improving public control over the functioning of state-owned enterprises through the publishing of Transparency ranking of 50 important Moldovan enterprises owned by the public sector.

Activities

1. IDIS expert: Research on state/municipality-owned enterprises and identification of data sources available for evaluating their openness (writing summary of at least 5 pages including the list of at least 50 enterprises to be monitored and data sources to be used in monitoring)
2. Transparency International Slovakia expert (cooperating Slovak expert of INEKO): Analysis of best and worst transparency practices in Slovak state/municipality-owned enterprises
3. TIS + IDIS: Developing of methodology (at least 5 pages) to be used for evaluating openness (transparency ranking) of at least 50 Moldovan state/municipality-owned enterprises
4. IDIS (with TIS expert as a consultant): Data collection and processing results of evaluation, calculating of rating; publishing of blogs about key problems and scandals related to transparency of state/municipality-owned enterprises

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[1] The methodology proposed for Moldova has been inspired by the Slovak project Making State-owned Companies More Transparent (http://firmy.transparency.sk/transparency.php?l=en) implemented by TI Slovakia in 2012 - 2015.

INEKO
Institute for Economic and Social Reforms

SlovakAid
GOOD IDEA SLOVAKIA

IDIS
VIITORUL
www.viitorul.org

5. INEKO: Programming of the interactive portal with the results of transparency ranking of 50 important Moldovan enterprises owned by public sector
6. IDIS + TIS: Publishing of results via seminar, press-report and the project web page; sharing of transparency know-how with selected Moldovan state/municipality-owned enterprises

Timeline

Activity/Month	2017			2018												2019			Responsible
	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	
1. Research on state/municipality-owned enterprises and identification of data sources for evaluating their openness (5 pages)	x	x																	IDIS
2. Analysis of best and worst transparency practices in Slovak state/municipality-owned enterprises (10 pages)					x	x	x												TIS
3 Developing of methodology for transparency ranking of 50 Moldovan enterprises (5 pages)	x	x																	TIS + IDIS
4. Data collection and processing results of evaluation, calculating of ranking; publishing of related blogs								x	x	x	x	x	x						IDIS (with TIS expert as a consultant)
5. Programming of the portal with the results of transparency ranking of 50 Moldovan enterprises														x	x				INEKO
6. Publishing of transparency ranting results; sharing of know-how with Moldovan enterprises																	x	x	IDIS + TIS

Background

The project takes inspiration from the Slovak project Making State-owned Companies More Transparent run in 2012 - 2015 by non-governmental non-profit organization TIS (Transparency International Slovakia) based in Bratislava.

There are hundreds of state or municipality-owned enterprises in Slovakia and many of them are responsible for running areas crucial for the country, such as transport, infrastructure, transmission

systems or health insurance. But because of their specific position on the border between the public and private sector, there is a lack of information about their performance.

They are also under less pressure from journalists, nongovernmental organization, politicians and civic activists. Moreover, the budgets of companies owned by a public sector are often huge and frequently in the hands of political nominees. For a better understanding, only 80 of important Slovak state and municipality-owned enterprises administered an annual budget of 9, 5 billion euros in 2015. This was the sum exceeding the half of the state budget expenses.

Hence, Transparency International Slovakia is convinced that public oversight in state and municipality-owned enterprises is crucial. In Slovakia, we try to use various strategies from publishing the scandals through comparing a transparency level of different companies, communicating with their managers, owners and politicians to bringing public pressure to bear upon them to make relevant laws stricter and focusing on the method of best and worst practices.

The strategy has proved effective. In May 2015 TIS prepared the transparency ranking of 81 important public companies as well as their comparison with several private and foreign state-owned companies. The results of ranking were widely published at 17 national media. Based on our research and our ranking results we also organized several meetings with the managers of state/municipality-owned enterprises, who showed their determination to improve their openness toward public oversight.

TIS experts also performed an anticorruption strategy in one of the biggest Slovak state-owned company Slovenská pošta (Slovak Post). In 2015, we presented dozens of our recommendations which improved transparency of this company. Moreover, they could serve as an inspiration for other companies owned by public sector as well.

Methodology

Companies selection

We are going to evaluate transparency level at least in 50 important Moldovan enterprises entirely (100%) owned by public sector. Based on the analysis of legal framework, competencies and data sources the Moldovan and Slovak experts will decide, if it is possible to compare state-owned and municipally-owned companies or Limited Liability Company and Joint Stock Company in the same sample. If so, the companies will be chosen mainly due to their total annual revenues and sample will be complemented with some minor city or region-owned companies from various regions of Moldova.

We will also include several foreign state-owned companies including some Slovak ones (or possibly also several private Moldovan companies) in the ranking in order to be able to compare the situation abroad with Moldovan public sector. The Moldovan companies owned by the public sector, the private

companies, and the foreign companies will be compared by responding to the same, shortened range of questions based only on the web check indicators.

Evaluated categories and indicators

The ranking indicators should be mainly focused on two key areas. The first group is related to the quality of rules for important decision-making processes. Effective system of rules is the important prerequisite for reducing corruption. Some society processes, such as the sale of property, hiring employees or bonuses of managers are more predictable and less arbitrary if there some binding rules exist. The second group of indicators will be focused on the fact how the companies owned by public sector publish valuable information about their activities. Open company is the best prevention of corruption and clientelism.

Transparency should be evaluated in six key areas: I. Economic Indicators; II. Communication and Access to Information; III. Procurement and Property; IV. Human Resources Management; V. Ethics; VI. Grants, sponsoring and Charity. The categories may be adapted by Moldovan experts according to the local preferences.

Data sources

The data for the ranking will be collected from various sources, for example: information provided on the companies' websites, Replies to Freedom of Information Act (FoIA) requests from IDIS (questionnaire), mystery shopping; data from the websites of the Public Procurement Agency, Ministry of Finance, Ministry of Economies, National Department of Statistics, etc.

Ranking and grades

The weights of the individual indicators and the categories will be designed by Moldovan and Slovak experts according their importance. Overall ranking of a company will range from 0 % to 100 %. The ranking will show not only the total percentage score of a company but also the score for individual policy areas. The ranking will also show grades for easier comparison; these will be assigned based on the following scale:

Grade: A+ (80-100%); A (75-79%); A- (70-74%); B+ (65-69%); B (60-64%); B- (55-59%); C+ (50-54%); C (45-49%); C- (40-44%); D+ (35-39%); D (30-34%); D- (25-29%); E+ (20-24%); E (15-19%); E- (10-14%); F (0-9%).

Recommendations

On the basis of the results of the Ranking of Transparency in companies owned by public sector and recommendations of OECD, European Commission, the World Bank and Transparency International we will publish a short list of recommendations on the portal, which can help the companies to be more

transparent. Our recommendations will be presented in the compliance with evaluated areas in our ranking.

Examples of the evaluated indicators (based on the Slovak ranking)

Category	Question	Source	Max points
I. Economic Indicators *(category weight 21%)*	Does the company publish the annual reports (including balance sheet and profit and loss statement) for the past three years on its website?	web	8
I. Economic Indicators	Does the company publish its balance sheets, profits and losses for the past three years on its website?	web	6
I. Economic Indicators	Does the company website say who the owner of the company is and what percentage of shares he owns?	web	4
I. Economic Indicators	Does the company's website state its current number of employees?	web	1
I. Economic Indicators	Does the company publish at least biannually economic indicators such as revenues, expenditures, loans, profit/loss, property, and number of employees on its website?	web	8
I. Economic Indicators	Does the company publish on its website plans of performance criteria, such as revenues, profits or indicators concerning the subject of its business activity for the current period?	web	5
I. Economic Indicators	Does the company publicly evaluate the fulfilment of performance criteria, such as revenues, profits or indicators concerning the subject of its business activity also retroactively?	web	5
I. Economic Indicators	Does the annual report contain analytical comparisons of financial indicators, number of employees and information regarding its own economic activity for at least the past three years?	web	5
II. Communication and Access to Information Policy *(category weight 30%)*	Is it possible to find the annual report within three clicks from the company's homepage?	web	1
II. Communication and Access to Information Policy	Is it possible to search and copy in the annual report?	web	4
II. Communication and Access to Information Policy	What is the quality of the publishing of contracts and is it possible to search and sort the mandatorily-published contracts?	web	22
II. Communication and Access to Information Policy	Does the company also publish non-mandatory contracts concerning the subject of their business or activity stated in the companies' registry?	web	4
II. Communication and Access to Information Policy	What is the quality of the published notices and invoices and is it possible to search and sort their data?	web	12
II. Communication and Access to Information Policy	Is the company's articles/memorandum of association/statute/charter published?	web	2
II. Communication and Access to Information Policy	Does the company publish the results of general meetings?	web	2
II. Communication and Access to Information Policy	Did the website list a contact for requests for information?	web	2

II. Communication and Access to Information Policy	Did the company provide information regarding the costs of business trips of the director and phone bills of the employees?	mystery shopping request	6
II. Communication and Access to Information Policy	Did the company reply to the information request in accordance with law and in a timely manner?	mystery shopping request	3
II. Communication and Access to Information Policy	Did the company respond to the TIS survey submitted according to the information request law in compliance with legal and time requirements?	questionnaire (under FoIA)	1
II. Communication and Access to Information Policy	Did the company supply information regarding print subscriptions and information service?	questionnaire (under FoIA)	1
III. Public Procurement Policy *(category weight 11%)*	What is the share of e-auctions in total procurement of the company since 2012?	Office for Public Procurement	3
III. Public Procurement Policy	What is the share of procurement amount purchased through competitive procedures since 2012?	Office for Public Procurement	3
III. Public Procurement Policy	What is the average number of competitors in public procurements?	Office for Public Procurement	3
III. Public Procurement Policy	What is the share of errors and objections towards the company's procurement since 2012?	Office for Public Procurement	3
III. Public Procurement Policy	Has the company used e-auctions when selling or renting property since 2012?	questionnaire (under FoIA)	2
III. Public Procurement Policy	Does the company publicize offers to sell or rent property on its website?	questionnaire (under FoIA)	4
III. Public Procurement Policy	Does the company have rules for the sale and rent of property and have these been provided?	questionnaire (under FoIA)	4
IV. Human Resources Policy *(category weight 20%)*	Does the website disclose the names of managers in the executive management, directorate and supervisory board?	web	7
IV. Human Resources Policy	Does the company provide information on its website regarding the education, previous employment and skills of the director as stated in his CV?	web	8
IV. Human Resources Policy	Does the company disclose on its website the CVs of members of its directorate and supervisory board?	web	4
IV. Human Resources Policy	Did the company provide information regarding the salary and bonuses of managers in the executive management, directorate and supervisory board?	questionnaire (under FoIA)	6
IV. Human Resources Policy	Does the company have rules and limits on management remuneration and did it provide them?	questionnaire (under FoIA)	4
IV. Human Resources Policy	Does the company have rules for appointing employees and did it provide them?	questionnaire (under FoIA)	4
IV. Human Resources Policy	Does the company publish job offers also elsewhere than on its website?	questionnaire (under FoIA)	1
IV. Human Resources Policy	Are employees hired through selection procedures and did the company make accessible their share since 2012?	questionnaire (under FoIA)	2
IV. Human Resources Policy	Does the company publish the results of selection procedures?	web	4
V. Ethics *(category weight 9%)*	Does the company have on its website a contact or form for communication with citizens?	web	1

V. Ethics	Did the company react to an email of a citizen concerning a negative experience with their employee?	mystery shopping request	2
V. Ethics	Did the company show willingness to address an anonymous enquiry?	mystery shopping request	1
V. Ethics	Does your company have a Code of Ethics regulating the conduct of the employees?	web	4
V. Ethics	Does the Code of Ethics address conflicts of interests, gifts and other benefits and the pertinent procedure in case of breach?	web	4,5
V. Ethics	Do they have an Anticorruption programme, or do they solve a risk of corruption and its prevention in the Code of Conduct or in another document?	questionnaire (under FoIA)	1,5
V. Ethics	Does the company have any mechanisms of whistleblowers protection?	questionnaire (under FoIA)	4
VI. Grants and Charity Policy *(category weight 9%)*	Does the company have written rules for assigning grants and donations or does the company declare on its website that it does not provide them?	questionnaire (under FoIA)	8
VI. Grants and Charity Policy	Does the company publish on its website the amounts and recipients of grants, donations, sponsoring and 2% of tax?	web	3
VI. Grants and Charity Policy	Does the company publish calls for financial support on its website?	web	1
VI. Grants and Charity Policy	Is the archive of financially-supported subjects public?	web	1
VI. Grants and Charity Policy	Does the company publish the names of the unsuccessful applicants for financial support?	web	1
VI. Grants and Charity Policy	Did the company provide information regarding sporting, cultural or educational events supported by the company?	questionnaire (under FoIA)	2
VI. Grants and Charity Policy	Did the company provide information regarding the recipients of support from 2% of tax mechanism?	questionnaire (under FoIA)	2
Total *(100%)*			**200**