

# **Promoting transparency and implementation of anti-corruption measures in state-owned enterprises and local governments in Ukraine**

Peter Golias, INEKO Director  
October 19th, 2018, Kyiv, Ukraine  
Project kick-off seminar

# About project

- Duration: October 2018 – March 2020
- Implemented by: INEKO in partnership with ICPS
- Funded by: The Official Development Assistance of the Slovak Republic (SlovakAid)
- Follow-up on the project „Transparent, Financially Healthy and Competitive Self-governments in Ukraine“ running since October 2015

# Project goals

- Goal: To improve the transparency and financial stability of local governments and state-owned enterprises by transferring know-how from projects implemented in Slovakia
- Objectives:
  - Regular expert evaluation of regional policies
  - Evaluating transparency and financial health of 50 biggest state-owned enterprises
  - Updating financial health and transparency ratings of local governments on existing web portals  
<http://budgets.icps.com.ua/> and  
<http://transparency.icps.com.ua/>

# Timeline 1/4

- Regular expert evaluation of regional policies
  - November 2018: Methodology
  - November 2018: Case studies from Slovakia
  - December 2018: Nomination of experts to the Evaluation Committee
  - Continuous: Monitoring and evaluating regional policies with outputs published in March 2019, June 2019, September 2019, December 2019, and March 2020

# Timeline 2/4

- Evaluating transparency of 50 biggest state-owned enterprises
  - November 2018: Case studies from Slovakia
  - December 2018: Methodology
  - June – November 2019: Data collection and processing
  - December 2019 – January 2020: Creating a new web portal
  - March 2020: Final conference in Kyiv, publishing results

# Timeline 3/4

- Evaluating financial health of 50 biggest state-owned enterprises
  - December 2018: Methodology
  - December 2018: Case studies from Slovakia
  - December 2018 – April 2019: Data collection and processing
  - April 2019 – June 2019: Creating a new web portal
  - June 2019: Seminar in Kyiv, publishing results
  - For inspiration, check <http://companies.viitorul.org/>

# Timeline 4/4

- Updating financial data and transparency rating of local governments
  - April – July 2019: Data collection
  - August – October 2019: Updating web portals
  - October – November 2019: Writing and publishing analysis of at least 20 pages on y/y changes
  - November 2019: Seminar in Kyiv

# Key milestones


- Publishing results of evaluating regional policies:
  - March 2019, June 2019, September 2019, December 2019, and March 2020
- Launching portal on financial health of 50 biggest state-owned enterprises:
  - June 2019: Seminar in Kyiv, study trips to regions
- Publishing updated portals and analysis on financial data and transparency rating of local governments
  - November 2019: Seminar in Kyiv, study trips to regions
- Launching portal on transparency of 50 biggest state-owned enterprises:
  - March 2020: Final conference in Kyiv, study trips to regions



# **Financial health of state firms**

# Example from Moldova 1/5

Home Ranking Profiles Comparison 0

Methodology About  

## Financial sustainability of 50 state-owned enterprises in Moldova

Did you know? Air Moldova is the state-owned company with the biggest losses



Search for an enterprise



Ranking

Rank	Enterprise	Financial sustainability rating	Capital structure	Debt structure	Profitability	Activity	Assets	Liabilities	Equity
1	SC "Gazprom Moldova"	6.5	100%	100%	100%	100%	100%	100%	100%
2	SC "Energetica Moldova"	6.4	100%	100%	100%	100%	100%	100%	100%
3	SC "Transporturi Moldova"	6.3	100%	100%	100%	100%	100%	100%	100%
4	SC "Industria Moldova"	6.2	100%	100%	100%	100%	100%	100%	100%
5	SC "Agricultura Moldova"	6.1	100%	100%	100%	100%	100%	100%	100%

Ranking

Display ranking



Detailed profile

Select enterprise

Comparison

Enterprise	Financial sustainability rating	Capital structure	Debt structure	Profitability	Activity	Assets	Liabilities	Equity
SC "Gazprom Moldova"	6.5	100%	100%	100%	100%	100%	100%	100%
SC "Energetica Moldova"	6.4	100%	100%	100%	100%	100%	100%	100%
SC "Transporturi Moldova"	6.3	100%	100%	100%	100%	100%	100%	100%
SC "Industria Moldova"	6.2	100%	100%	100%	100%	100%	100%	100%
SC "Agricultura Moldova"	6.1	100%	100%	100%	100%	100%	100%	100%

Comparison

Compare enterprises

# Example from Moldova 2/5

Home

Ranking

Profiles

Comparison

0

Methodology

About

2015

2016

Download

Columns

Financial sustainability rating

Liquidity

Profitability

Leverage

Activity

Add new column

Economic activity



All sectors

Add new economic activity

Name	RATING BREAKDOWN				
	Financial sustainability rating	Liquidity	Profitability	Leverage	Activity
1 I.S. Centrul de Stat pentru Atestarea si Omologarea Produselor de uz Fitosanitar si a Fertilizantilor	8.8	8.5	9.4	9.2	7.6
2 S.A. Metalferos	8.6	9.8	9.0	9.7	5.0
3 I.S. Fintehinform	8.5	7.6	8.7	10.0	7.3
4 I.S. Centrul National pentru Frecvente Radio	8.5	8.8	9.9	10.0	4.2
5 I.S. Centrul pentru Standardizarea si Experimentarea Calitatii Productiei de Conserve	7.9	10.0	5.1	10.0	5.7
6 I.S. Centrul Tehnic pentru Securitate Industriala si Certificare	7.9	6.9	9.6	9.5	4.4
7 I.S. Centrul National de Verificare a Calitatii Productiei Alcoolice	7.6	7.6	8.5	9.7	3.3
8 I.S. Camera Inregistrarii de Stat	7.6	4.7	7.3	9.4	8.7
9 I.S. Centrul Informational Agricol	7.6	9.5	6.7	9.0	4.0
10 I.S. Combinatul Poligrafic	7.3	8.3	7.1	9.6	2.8
11 I.S. Fiscservinform	7.2	3.1	7.9	9.5	8.3
12 S.A. Energocom	7.2	3.7	7.1	10.0	7.4
13 S.A. Tutun-CTC	6.9	6.2	8.6	9.7	1.5

# Example from Moldova 3/5

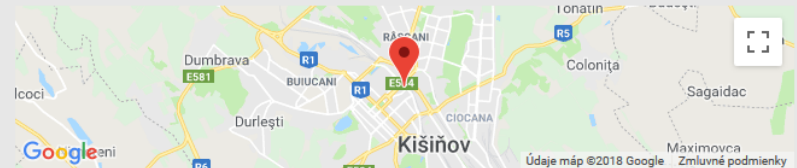
Home Ranking Profiles Comparison 0

Methodology About  



## S.A. MoldovaGaz

**MAIN ACTIVITY** Import and distribution of natural gas (monopolist)  
**ECONOMIC AREA** D 35  
**STATE OWNED PART** 35,33 %  
**NUMBER OF EMPLOYEES** 100-249  
**ADDRESS** str. Albisoara 38, mun. Chisinau  
**CONTACT (WEBSITE / EMAIL)** moldovagaz.md  
**LINK TO FINANCIAL REPORTS** -



Hide

2015

2016

Compare with average


Add to comparison

Download

	Financial sustainability rating	2.4	Poor
	Liquidity	1.7	
	Current Ratio	2.4	
	Quick Asset Ratio	2.3	
	Cash Position Ratio	0.2	
	Profitability	4.6	
	Return on Assets	4.2	
	Return on Equity	5.3	
	Return on Sales	4.6	
	Leverage	2.1	
	Total Debt to Total Assets	0.8	
	Debt-to-EBITDA Ratio	3.3	
	Activity	1.2	
	Working capital turnover ratio	1.7	
	Accounts receivable turnover ratio	0.8	

# Example from Moldova 4/5

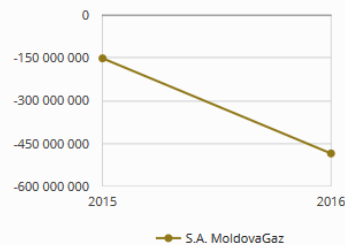
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## INCOME STATEMENT

VALUE

Net income/Loss	262,366,383
Sales Revenue	5,759,541,229
Cost of Sales	4,030,665,159
Gross Margin	1,728,876,070
Profit/(Loss) from operational activity	-484,807,782



Gross Margin	1,728,876,070
Other operating income	14,996,683
Other operating expenses	1,174,667,490
SG&A	81,560,222
Other operational expenses	2,837,259
Profit/(Loss) before tax	262,366,383
Profit/(Loss) from operational activity	-484,807,782
Profit/(Loss) from other activities	-222,441,399

## BALANCE SHEET

VALUE

Total Assets	12,030,081,346
Total Fixed assets	5,023,659,841
Intangible assets	17,267,755
Tangible fixed assets under construction	268,009,558

# Example from Moldova 5/5

- Methodology

- Background
- Selection of companies
- Definition of indicators
- Calculation of individual ratings
- Calculation of overall rating

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## Calculation of overall rating

When ratings for all indicators and all years are calculated, we take last four years into account to calculate final rating for each indicator using weights 4 for last year, 3 for the year before, 2 for two years before and 1 for three years before. Since only years 2015 and 2016 are available in our case, final score for each indicator is calculated as  $(4 * [2016 \text{ value}] + 3 * [2015 \text{ value}]) / 7$ . Finally, overall index and its sub-indices can be easily calculated by multiplying scores of individual indicators with their respective weights.

25 %	Liquidity	8,33 %	Current ratio
		8,33 %	Quick Asset Ratio
		8,33 %	Cash Position Ratio
25 %	Profitability	10 %	Return on Assets
		5 %	Return on Equity
		10 %	Return on Sales
30 %	Leverage	15 %	Total Debt to Total Assets Ratio
		15 %	Debt-to-EBITDA Ratio
20 %	Activity	10 %	Working Capital Turnover Ratio
		10 %	Accounts Receivable Turnover Ratio

# **Evaluation of regional policies**

# Summary

- Evaluation of regional measures proposed or implemented by local authorities
- Altogether, at least 30 regulations will be evaluated by at least 15 experts over January 2019 – March 2020
- The evaluations will be made on quarterly basis with results to be published for 5 quarters in: March 2019, June 2019, September 2019, December 2019, and March 2020



# Activities 1/4

1. ICPS: Research on competencies of local governments and mapping the areas of regulations suitable for regular expert assessments in Ukraine
  - Output: Writing summary of at least 5 pages
  - Deadline: November 30th 2018
2. INEKO: Research on the best and the worst examples of regional measures evaluated in Slovakia
  - Output: Writing summary of at least 10 pages
  - Deadline: November 30th 2018
3. INEKO + ICPS: Developing methodology for regular expert assessment of regional socio-economic measures in Ukraine
  1. Output: Methodology document of at least 5 pages
  2. Deadline: November 30th 2018

# Activities 2/4

4. ICPS: Creating the project webpage on [www.icps.com.ua/](http://www.icps.com.ua/)
  - Deadline: December 2018
5. ICPS: Creating the team of Experts for regular evaluation of measures
  - Output: List of at least 15 experts independent from local and central government – local activists, NGO experts, economic analysts, people from academy, sociologists, political scientists, business people, etc.
  - Deadline: December 15th 2018
6. ICPS + Experts: Continuous monitoring of regional measures proposed or implemented by local authorities

# Activities 3/4

7. ICPS: Selecting key measures to be evaluated every quarter and writing short characteristics of them
  - Output: List of at least 30 measures and their characteristics during 5 quarters: Q1 2019 – Q1 2020
  - Deadlines: March 2019, June 2019, September 2019, December 2019, and March 2020
8. ICPS + Experts: Regular (quarterly) submitting of questionnaire with selected measures and their characteristics for evaluation to the panel of independent experts; evaluation
  - Deadlines: March 2019, June 2019, September 2019, December 2019, and March 2020

# Activities 4/4

## 9. ICPS: Collecting and processing results of evaluation, calculating ratings

- Deadlines: March 2019, June 2019, September 2019, December 2019, and March 2020

## 10. ICPS: Publishing results via press-report and the project web page

- Deadlines: March 2019, June 2019, September 2019, December 2019, and March 2020

# Methodology

- Quality of the Measure [-3; +3]
- Importance of the Measure for the Society and Economy (%)
- Experts' Comments on Evaluated Measures
- Rating of the Measure [-300; +300]
  - The average quality grade of the measure is multiplied by a coefficient expressing the average value of the measure's importance

# Best practices

- Examples of top measures from Slovakia:
  - Electronic auctions
  - Publishing subsidies/contracts on internet (searchable)
  - Creating and publishing rules for giving subsidies, social flats or any handling with public assets
  - Open/Internet communication with citizens
  - Introducing and enforcing separated waste
  - Integration of Roma minority or poor people
  - Providing free internet access in public spaces
  - Participative budgeting, launching business incubators
  - Long-term investment plans, etc.

# Worst practices

- Examples of the worst measures from Slovakia:
  - Non-transparent public procurement, privatization
  - Non-transparent provision of subsidies, public flats, rewards, etc.
  - Abusing public media for political campaigns
  - Important decisions (e.g. construction in the city center) without sufficient public dialogue
  - Clientelism – preferential treatment of preferred suppliers
  - Limitations to freedom on information
  - Forced movement of problematic citizens (debtors) outside the municipality

**Time for discussion**