



UNIVERSITETI I EVROPËS JUGLINDORE
УНИВЕРЗИТЕТ НА ЈУГОИСТОЧНА ЕВРОПА
SOUTH EAST EUROPEAN UNIVERSITY



Virtual Seminar - 4 June morning (10.00 – 13.00)
Accountability, anti-corruption and transparency
policies in Public owned enterprises (POEs)

Key Performance Indicators of Public Owned
Enterprises in North Macedonia

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Outline

- Context and background of the problem
- Structure of POEs employees
- Financial indicators of POEs
- Effective management of POEs

Context and background of the problem

- Public enterprises are special forms of legal entities that perform activities of public interest.
- Operations of public enterprises and state-owned companies are regulated in the Law on Public Enterprises, the Company Law, as well as sub-sector laws defining the operations in specific areas (Law on Energy, Law on Railway System, Law on Public Roads, etc.)

LAW ON PUBLIC ENTERPRISES

Official Gazette of the Republic of Macedonia no. 38/96; 9/97

- A public enterprise, in the name of the Republic of (North) Macedonia, can be established by the Government of the Republic of (North) Macedonia (Article 3).
- For carrying out certain economic activities of public interest, public enterprises can also be established by municipalities and by the city of Skopje, within their competences, under conditions and in a manner prescribed by Law (Article 3).
- If funds from legal or natural persons are invested in a public enterprise, the public enterprise shall be organized as a limited liability company or joint stock company (hereafter referred to as - the company), and it shall perform its activities under conditions and in a manner defined with this Law and other Laws (Article 4).

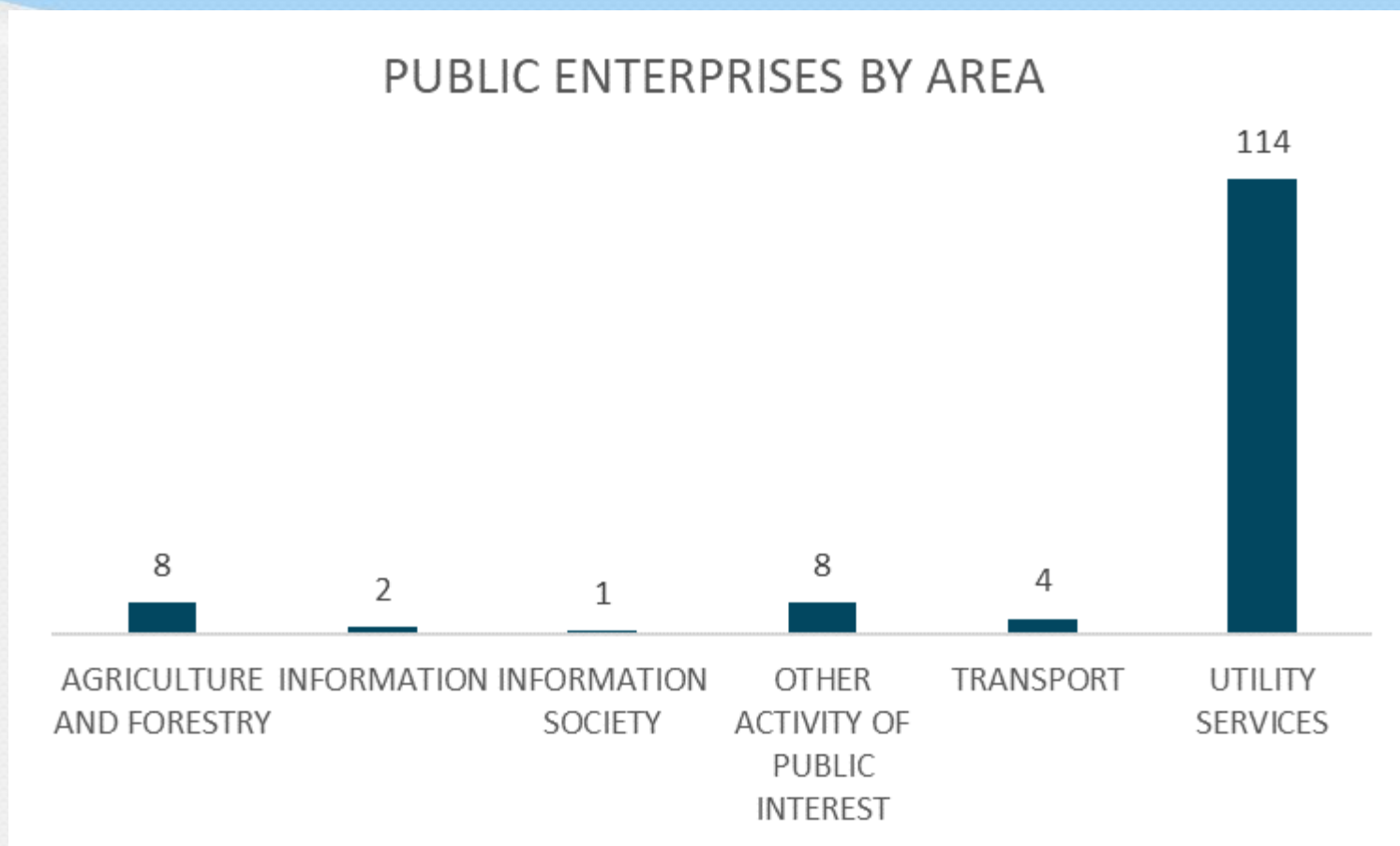
Privatisation Program

- The privatisation process in North Macedonia is almost complete and private capital is dominant in the market.
- Neither the central government nor any local government has announced plans to fully or partially privatize any of the utility companies or SOEs in their ownership (U.S. Department of State Report, 2019).

Number of POEs and main sectors of activities

- In 2019, there are 75914 active business entities.
- The 2018 data show that there are 137 public owned enterprises in North Macedonia, the majority of which are public utilities in which the central government is the majority shareholder.
- The 81 local governments also own local public utility enterprises.
- From the total of 137 public enterprises, 13 are founded by the Government of RNM, 3 are founded by the Assembly of RNM, and most of them, i.e. 121 are founded by the City of Skopje and municipalities.
- POEs operate in several strategic sectors including energy, transportation, and media (Investment Climate Statements: Macedonia, 2018).

Number of public enterprises by area



Source: MISA, 2019.

Number of employees in public enterprises by area

PUBLIC ENTERPRISES BY AREA	EMPLOYEES
UTILITY SERVICES	10,766
TRANSPORT	3,557
AGRICULTURE, FORESTRY	2,762
INFORMATION	878
OTHER AREA OF PUBLIC INTEREST	126
INFORMATION SOCIETY	112
TOTAL	18,201

Source: MISA, 2019.

Gender and age structure of POEs employees

- Analysing the gender structure of POEs the 2018 data show that men dominate in public enterprises (83.52%), which affects the balance of gender representation at the level of the entire public sector.
- The average age of employees in public enterprises was 48.61 years in 2018, whereas the age group 26-35 years is represented with 10.61%.

Equitable representation of community members

- The 2018 data show that 76.42% of employees in public enterprises were ethnic Macedonians, 15.32% were ethnic Albanians, 3.36% were ethnic Roma, whereas other communities were represented with 4.9% (MISA, 2019).

Educational structure of POEs employees

TYPE OF INSTITUTION	NQ	SQ	Q	PE	SVE	HQ	HE	UE	MA	Ph.D
PUBLIC ENTERPRISE	0.70%	0.36%	0.38%	24.41%	50.49%	9.52%	0.59%	12.75%	0.77%	0.03%

NQ=non-qualified; SQ=semi qualified; Q=qualified; PE=primary education; SVE= secondary education; HQ=highly qualified; HE=higher education; UE=university education; MA=Master's degree; Ph.D=doctoral degrees
Source: MISA, 2019.

Financial indicators of POEs

5 POEs with highest revenue in 2017	JSC ELEM	PE State Roads	JSC MEPSO	PE Macedonian Forests	Public Transport Enterprise Skopje (JSP)
million euro	219	146.3	89.9	27.9	27.4
5 POEs with highest financial losses in 2017	Macedonian Railways transport	Macedonian Railways-Skopje infrastructure	PE "Strezevo"- Bitola	Macedonian Post	Airports of Macedonia-Skopje
million euro	8.2	7.2	3.7	3.0	1.9

Effective management of POEs

- POEs are governed by board of directors consisting of members appointed by the government.
- They are subject to the same tax policies as private sector companies and are allowed to purchase or supply goods and services from the private sector without material advantages such as preferential access to land and raw materials (Investment Climate Statements: Macedonia, 2018).
- According to the amendments of the Law of Public Enterprises as of April 2018, public enterprises are obliged to submit annual and quarterly reports on their websites in order to ensure transparency by providing timely and transparent monitoring of the financial operations of these entities (2020-2022 Fiscal Strategy of The Republic of North Macedonia, 2019).

- In theory, one public enterprise should be governed by a managing board comprised of fields' experts, a CEO who shall execute their decisions and a supervisory board comprised of legal experts and economists which shall ensure that the decisions are lawful and to the best interest of the enterprise and the public.
- In practice, they are most often governed by CEOs as political officials, whereas managing and supervisory boards are filled-in by lower political party-affiliated or other non-expert staff who are there because of the fees in the amount of several thousands MKD they are entitled to monthly.

- The research of IDSCS shows that 43% of managing board members have had no experience in the field covered by the enterprise-water supply, roads, forests, public hygiene, etc.
- There are also members of supervisory boards who have no legal or economic educational background, which is a legal pre-condition so that they could be a member of such a body. This explains why some enterprises are flying in the wrong or undefined direction (IDSCS, 2019).

The system for preventing corruption in POEs

- Managing with the system of preventing corruption aims to help public owned enterprises to fight corruption of their employees and to assess the risk from corruption practices in their operations (Smilevska et al., 2019).
- Results of IDSCS (2019) research indicate that basic elements and requirements of the system for preventing corruption in POEs are not established.

- Thank you!