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SECTION 1.1:
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- 522.01. FINANCE

MONEY LAUNDERING RISK ASSESSMENT

PhD student Teodor ANDRUȘCEAC, ASEM

This article describes the overall vision on the phenomenon of money laundering, which is highlighted by legalization of dirty money. The scope is to identify and remove the risk elements related to money laundering. The econometric evaluation procedures of money laundering are outlined in this article, as well as the factors that make difficult the identification of suspicious transactions. Also it described the relationship between the level of money laundering and effectiveness of the judiciary and regulatory framework.

Key words: money laundering; shadow economy, illegal income, legalization of funds, beneficial owners.

Introduction

The risk of money laundering and terrorism financing appeared as a result of the interdependence and interconnections of banking international infrastructure, which enables transfer operation and access to banking services from any part of the planet, as well as the development of shadow economy, the phenomenon of corruption and other crimes related to the money laundering procedures. The risk of money laundering and terrorism financing, requires a special understanding, a detailed research, implementation and widespread application of an evaluation mechanism and a concrete action plan to remove the systemic deficiencies. The legalization of funds derived from illicit activities and predicate crimes drew public attention three decades ago. The professional community, the business world and supervision authorities have devoted to this topic numerous analytical papers, but which treats usually the legal matter of this problem and highlight only the money laundering transactions that were already identified. Less discussed, but I think much more important, is to identify the future volumes of money, that can be classified as legalization transactions, because in this case the crimes can be anticipated, and this transfers the focus from the penalties and enforcement matters (a legal component) to anticipation (a financial component). This paper aims to perform a study on possible methods for estimating the volume of money laundering transactions to identify one appropriate method for the Moldovan banking system.

Research analysis

Measuring the weight scale of money laundering is crucial for planning future methods and steps to be taken to combat money laundering and the legalization of funds obtained from illegal or semi-legal sources. In 2015 the IMF and the World Bank assessed the size of money laundering in approximately 3-5% of the global GDP. This figure was calculated using a basket of goods and services that are most often used to hide money derived from illegal actions (jewellery, shares, foreign currency, property). According to other researchers this figure does not reflect the reality of any developed countries or emerging countries. It is difficult to trace the money in the legalization process and to punish the people that are responsible for these actions. Only preventive acts with regulation and law enforcement character can influence the decrease of money laundering. Money laundering is the process whereby the funds (property) produced, purchased or gained from illegal actions is transferred or concealed to hide the origin of initial funds and illegal actions undertaken to obtain these funds. Criminals, who have illegally obtained funds, for example from drug business, can declare their revenues and use them legally even if money has from the start a criminal or illegal origin. This money eventually become legal (clean) and can be used without restrictions. Let's mention two important issues that have been highlighted 2 decades ago: The illegality (general practice) of money laundering implies the use of revenues obtained from illegal actions. Camouflage (special feature), which is the main purpose of money laundering schemes (hiding the source of the money). The main aspects of money laundering include the following components:

- *Economic;*
- *Legal;*
- *Procedural;*

➤ *Material.*

The economic component is analysed as the total illegal revenues in the economy. The money that is in the local shadow economy is gradually transferred into the legal economy. Along with the development of international cooperation worldwide in fighting the phenomenon of money laundering and the development of the internal legal framework of the participating countries, we observe the consolidation of the theory which implies that money laundering can be regarded as a multiplier of criminal financial actions, because the money laundering phenomenon aims to strengthen the relations between material and financial component of the shadow and legal economy.

The assessment of money laundering is performed and based on econometric models that do not using statistical information. The timing of such assessments is characterized by a very low frequency. To assess the level of money laundering usually are used the following basic methods:

1. *Linear;*
2. *Nonlinear;*
3. *Modular.*

The Linear method investigates the illegal service providers, consumers and tax inspections that are carried out by Tax Authorities.

The Nonlinear method is based on the assumption that the illegal businesses are using cash money to camouflage and hide the relations in the shadow economy. In this case, the size of the shadow economy is estimated by the difference between the total cash in circulation and the cash used in the legal economy. The Modular method is directed towards discovering the causes and the effects of shadow economy by analysing the patterns of the labour market, capital, goods and services using hidden techniques. The biggest problem in the modulation method is that it is used under special circumstances and the statistical data resulting from it are subjective and changes significantly if the modular specifications are modify. In his assessment method economist Filippo Busato has used the regular assessment of the real production sector to evaluate the level of shadow economy.

The double-sector method of economist M. Baghella starts from the definition of money laundering as a link between the shadow and legal economy. It require special attention because it gives the possibility to assess the volumes of funds laundered as well as unlawful influence that the money laundering phenomenon has on various jurisdictions. This approach is based on the existence of close links between different sectors of legal and shadow economy. Assuming that in the country X are both working, the shadow and legal economy at the same time, then the prices of services in the legal economy is not difficult to calculate, starting from cost of products and services and considering the regulatory framework. But, if we analyse the shadow economy (illegal) then the services costs will vary depending on how risky, dangerous and hard is to do a transaction and camouflage it, to avoid being charged or punished.

Personal vision

The Moneyval Committee of the Council of Europe highlights the danger and risky aspects of money laundering issues, given that it bears, a general systemic long term character, as a result of globalization and interconnection of global financial and economic relations. The term Money Laundering has become so popular, that it was used extensively by the international media sources in Panama Papers scandal, involving decision makers and people with high positions from 19 countries. The theft of a billion euros from the banking system and the colossal transit of USD 20 billion (from Russian Federation) by the Moldova's banking infrastructure, with the support of local judicial system, also outline the phenomenon of money laundering timeliness. The results of investigations by the forensic service company Kroll were not made public.

The final remained uncertain both for citizens of the Republic of Moldova and for the international community. Regardless of many materials and evidence, as well as the responsibility of decision makers in charge to clarify this case, the government refuse to disclose the details of investigations. This event raises big suspicions and worries. As with other crimes of this kind, people who suffer ultimately are the ordinary

citizens. In order to hide the money laundering actions the entities involved in this process are undergoing a bankruptcy and liquidation course and the funds that were stolen are lost in the immense space of global and cross-border finance. The result of these actions is the transfer of the burden of a billion euros on the shoulders of citizens through fiscal mechanisms. Money laundering schemes are often very simple and uncomplicated. The illicit funds can be legalized under a loan or investment contract followed by the transfer of these amounts to a company or more companies. In this context, it is vitally important to identify a mechanism for assessing the future fraudulent transactions, because fighting with this kind of crimes is necessary, not when it had become state debt, but at the appropriate time to stop them, diminishing considerable the risk of money laundering in the banking system. It is very complicated, however, to apply one of the assessing methods highlighted in this article for Moldova's banking system. And this is because the banks are interested in money laundering operations, charging significant foreign exchange commissions and transfer fees for avoiding the regulatory framework. In a weak economy with a deficit of creditworthy borrowers, money laundering transactions are very profitable. That explains the fact that many individuals and businesses who wants to launder money or legalize funds are attracted by Moldova's banking system. The process of money laundering through the banking system of the Republic of Moldova is a cheap, convenient and attractive process. The volume and the amount of overall annual cash laundered by Moldovan banks is not known, because no organization takes such statistics, the fact however is that Moldovan banks are used to legalize and launder money by residents as well as by non-residents for transit purposes. If in the case of transit funds, banks get commissions, and authorities in charge with preventing and combating money laundering have the right to seize the cash, and that, does not prejudice the local economy, then if the money are laundered by residents we observe a trend of funds legalization obtained from tax evasion and shadow economy which is a clear loss for the local economy.

In these cases the banks are charging significant foreign exchange or transfer fees. That explains the fact that many individuals and businesses who want to launder money, are attracted by the banking system. The process of money laundering through the banking system of the Republic of Moldova is a cheap process, convenient and attractive. The volume and the amount of overall annual value laundered by Moldova's banks is unknown, because no organization doesn't keep such statistics, the fact however is that Moldovan's banks are used to legalize and launder money by residents as well as by non-residents for transit purposes. If in the case of transit funds, the banks are getting commissions and the authorities in charge with preventing and combating money laundering have the right to seize cash and that does not prejudice the local economy, then if the money are laundered by the residents, we observe a trend of funds legalization obtained from tax evasion and from shadow economy which is a prejudice for the legal economy. International practice emphasizes eight factors that makes difficult the identification of money laundering transactions, this factors are characteristic for Moldova as well. Thereby the above mentioned factors are:

1. The similarity and likeness of money laundering and legal transactions (because they use the same tools and integrated banking services;
2. Tight link between legal and illegal activities in the business chain, which makes them apparently legal and allows the courts to declare them valid;
3. Small share of money laundering operations in the total transactions of a financial institution;
4. Large share of service sector and real (production) sector, to the detriment of the last;
5. The large share of small companies in the real (production) sector and division of market segments;
6. Frequent use of payment transfers, checks, credit cards and alternative payment systems etc.;
7. The low level of transactions regulation and financial operations;
8. Small share of illegal profits in the total economy profits.

One element that puts an important mark is the difference between international financial markets and the regulatory framework of national markets, as these two types of markets will interconnect in the future, the money laundering methods and transactions will become increasingly difficult to identify and discover.

In order to have clear understanding of how to build an anti-money laundering regime requires an overall assessment and knowledge of the influence that the phenomenon of money laundering has on Moldova's banking system. And here is a need of an original, innovative and systemic approach. Usually the assessment of the volume of money laundering transactions in a particular country carries an empirical character and clearly shows the share of money laundered operations in the G.D.P. For example, the average size of this share is equal to 14% of the Russian Federation G.D.P.

Conclusions

Having analysed the situation in Moldova for 2011-2015 period, we can conclude, that there is a strong relationship between the level of money laundering and effectiveness of the judiciary and regulatory framework. The more effective the money laundering operations are the more negative becomes the economic situation in a particular country. Large amounts of money are very welcome in the condition of economic crisis. The state has therefore a tendency to ignore the whole process related to anti-money laundering regime. Countries may approve legislation acts, that facilitates the attraction of dirty money (or potentially dirty funds) and camouflage them as legal money (clean). This is, what happened as a result in Moldova where the banking system is owned by off-shore companies and the origin of funds and beneficial owners are unknown. A weak economy is forced to limit its expenses and resources dedicated to combating money laundering and directed them towards the fight against unemployment, poverty and social instability. The risk of money laundering has become an economic and social phenomenon harmful to economic systems, with negative results as it affects the financial stability principles, finally brings to economic destabilization. This scourge affects the elements of state order, since it highlights the weakness of the legal framework, supervisory bodies, public institutions, banking organizations and of enforcement authorities entrusted with the role of preventing and combating money laundering. Preventing the risk of money laundering must be achieved through a strong mechanism of legal, economic, administrative and political actions. In this context the U.N. has classified the phenomenon of money laundering as no. 1 enemy of humanity. In my opinion, to build an anti-money laundering regime, it is necessary to ensure regular qualification of employees in the supervisory bodies, law enforcement agencies and other institutions directly or indirectly in charged with money laundering issues, which in result requires regular investments in such categories of employees. Such expenditures may be incurred only by a strong economy.

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GENERAL THEORETICAL APPROACHES REGARDING THE PUBLIC DEBT MANAGEMENT

PhD student Diana CAZAC, ASEM

Public debt management is defined as operations made by the government on the financial markets in order to change the composition of the outstanding public debt, for example with respect to the maturity structure. To distinguish between the effects due to public debt management and the effects due to fiscal policy, public debt management has to be self-financed. The aim of public debt management is to minimize the cost of public debt or, as a part of the economic policy making, to control aggregate demand. This paper aims to highlight the importance of effective management of government debt and to make some recommendations for the financial authority of the state in certain situations. The purpose of this research is to analyze the theoretical approaches of management public debt and to identify the particularities of debt management policy and how the financial authority of the state should act in various circumstances to improve the management of public debt.

Key words: *public debt management, financial market, aid management, debt policy,*

Introduction

Public debt management can be defined as open market operations carried out by the government in order to change the composition of the outstanding stock of government-issued debt instruments. Public debt management focuses only on changes in the composition of the outstanding public debt and takes the size of the public debt as given. The composition of public debt is usually characterized by the outstanding debt's maturity structure and public debt management is mainly concerned with changes in the maturity structure. The aim of public debt management is to minimize the cost of public debt or, as a part of the economic policy making, to control aggregate demand. The basic idea behind public debt management as a tool for economic policy making is the following; in order to induce investors to hold the new mix of government-issued debt instruments, changes in the structure of relative asset yields are necessary. These changes might have attendant effects on the firms cost of capital and the agents' consumption investment decisions, and accordingly on the real economy. The almost permanent budget deficits in many countries during the last two decades have led to a rapid growth in public debt that has stimulated the interest in public debt management. To finance these deficits many governments have been forced to introduce new types of debt instruments and to deregulate financial markets.

The purpose of this research is to analyze the theoretical approaches of management public debt and to identify the particularities of debt management policy and how the financial authority of the state should act in various circumstances to improve the management of public debt.

Critical analysis of the problem investigated

Public debt management is defined as operations made by the government on the financial markets in order to change the composition of the outstanding public debt, for example with respect to the maturity structure. To distinguish between the effects due to public debt management and the effects due to fiscal policy, public debt management has to be self-financed. This means that if the government purchases one type of government-issued bond it simultaneously has to issue other types of bonds in order to finance the purchase without affecting the level of government expenditure. To induce agents to hold the new mix of government-issued bonds, a change in the bond-prices might be necessary. This change might have attendant effects on the whole asset market, and through changes in the agents asset portfolios the effects of public debt management are transmitted to the real economy. If public debt management does not affect

the real economy, then it is neutral. Two types of conditions are crucial for neutrality to emerge. The first condition focuses on the private sector's internalization of the government's budget constraints. Public debt management is neutral if the agents can and also find it optimal to undo the effects of public debt management by changing their consumption and investment decisions. This condition hinges on whether the agents recognize the future effects of public debt management, on their future tax liabilities. The second condition focuses on the asset markets and how public debt management, via the asset markets, affects the assets' yields, the spanning of the economy's uncertainty, the trading opportunities, and accordingly the set of feasible consumption plans. For public debt management to be neutral it is necessary that the set of feasible consumption plans is not affected.

To avoid uncontrolled indebtedness, only one government authority should be authorized to borrow. It must be the authority responsible for fiscal management. The Legislation should provide for this point. Regulations can also provide for the amount of borrowing, which must conform to the annual budget. The annual budget should outline the annual borrowing plan. A public debt act can also provide guidance on the types of instruments and selling techniques that the government can use. However, this act should be flexible enough to adapt to developments in the financial market and to the level of technological sophistication. The objectives of the debt management policy should be clearly stated and made public. The basic objectives are to finance the budget deficit, or specific projects (for project loans), and to minimize the costs of borrowing. Governments also pursue other objectives in debt management, such as the development of financial markets, support for the monetary policy, encouragement of saving. The development of a large and liquid market for government debt facilitates monetary management and the development of financial markets. As indicated above, reduced uncertainty about the borrower debt program is generally rewarded with lower borrowing charges. Many countries announce their borrowing plans in advance. Taking into account uncertainty in revenue collection, the amount of future auctions can be presented in public borrowing plans within a range of ± 10 —20 per cent, and for example, the precise characteristics of a particular auction can be announced the week before it takes place. Issuance and pricing results should be published shortly after auctions. The government should provide Parliament with regular and detailed reports on its indebtedness and its debt policy, and publish statistics on the government debt, including guarantees.

Debt management has two main aspects: Central Bank borrowing operations as part of monetary policy and government borrowing to finance the fiscal deficit.

The use of government securities as instruments of monetary policy is seen a stimulus to the development of the financial markets. However, it requires adequate support arrangements, such as coordination between monetary and fiscal authorities regarding the amounts to be issued; protection against overfunding of the government budget for the purpose of monetary management; and sharing the cost of this funding.

The initial step in formulating debt policy for financing the budget deficit is to set borrowing objectives in conformity with fiscal targets. The second step is to determining strategic choices.

Concerning borrowings in the financial markets, the formulation of debt policy includes strategic and tactical policy choices that concern the choice of instruments, currency, targeted markets, etc. The choice of instruments and the establishment of an adequate mix of these instruments must be based on the needs of investors, risk factors, and the objective of promoting the liquidity and the overall development of the market. The choice of maturity is important in balancing the debt profile, adjusting the volatility of debt, and exploiting investor preferences. Targeting the wholesale domestic market reduces interest costs, but the development of the retail market may promote household savings. In developing countries and transition economies, extreme caution is required before considering certain instruments that increase volatility in debt service. Although portfolio theory suggests that borrowing in a variety of currencies diversifies risks and reduces the cost of borrowing, borrowing in foreign currency presents higher risks and costs in most

developing countries. The use of derivatives requires high degree of expertise and should generally not be considered in developing countries.

The formulation of debt policy, for financing the budget deficit, should rest with the Ministry of Finance, but close coordination with the Central Bank is required, and the effects on monetary policy should be considered. In developing countries, Central Banks are more knowledgeable about the functioning of the financial markets than Ministries of Finance. The distribution of responsibility for implementing the debt policy should be established according to technical capacities within the Ministry of Finance, the degree of development of the financial markets, and the objectives pursued. In several developing countries, the Central Bank is responsible for implementing the debt policy and securities management. In developed countries, there is currently a move toward placing debt management fully under the responsibility of the Ministry of Finance, with a view to avoiding any policy conflict between debt and monetary management.

Even in a cash-based budget system, double entry accounting should be: a double-entry system that permits the debit and credit sides of transactions to be recorded; on an accrual basis. The accounting system must distinguish repayments from interest. Risks related to contingent liabilities must be assessed and recognized. In middle-income countries, increased openness of financial markets tends to diminish differences between external debt and domestic debt. Market rating covers both external and domestic bills or bonds which may be issued in foreign currency and held by foreign lenders. However, the management of project and program loans needs specific procedures. In low-income countries, project loans and program loans make up the major part of external debt.

Individual vision on the investigated problem and the results of research

The Ministry of Finance, which is responsible for fiscal management, should be responsible for debt management and should determine the debt policy, review draft agreements, verify whether the loan terms fit debt policy and whether its purpose fits the budgetary policy, assess the future impact on the debt service, conduct financial negotiations, and keep books and the debt recording system. In several countries, statistics on debt are kept by the Central Bank. Although the government is responsible and accountable for debt management, this organizational arrangement is acceptable. It could ensure more comprehensive coverage of transactions, since every payment is made through the Central Bank. However, where such distribution of responsibilities is made, the statistics unit of the Central Bank must also be made to report to the Ministry of Finance, which is responsible for managing and implementing the medium-term external debt policy. A distinction must be made between functions related to debt management, budgeting and investment programming, and aid management. Budgeting and investment programming consist of prioritizing expenditure programs, and the Debt Management Office should not interfere in this aspect of public expenditure management. Aid management covers the relationships between the country and the lenders/donors. To avoid conflict of competencies, this function should be located within the Ministry of Finance.

Some countries have adopted other types of institutional arrangement, for instance, by installing an aid management unit within the Ministry of Foreign Affairs. Where such arrangements are made, the aid management unit must not be allowed to interfere in financial programming and expenditure programming. The unit responsible for aid management should not make decisions on contracting loans or launching a development project.

Conclusions

Debt management needs to be linked to a clear macroeconomic framework, under which governments seek to ensure that the level and rate of growth in public debt are sustainable. Public debt management problems often find their origins in the lack of attention paid by policymakers to the benefits of having a

prudent debt management strategy and the costs of weak macroeconomic management. In the first case, authorities should pay greater attention to the benefits of having a prudent debt management strategy, framework, and policies that are coordinated with a sound macro policy framework. In the second, inappropriate fiscal, monetary, or exchange rate policies generate uncertainty in financial markets regarding the future returns available on local currency-denominated investments, thereby inducing investors to demand higher risk premiums. Particularly in developing and emerging markets, borrowers and lenders alike may refrain from entering into longer-term commitments, which can stifle the development of domestic financial markets, and severely hinder debt manager's efforts to protect the government from excessive rollover and foreign exchange risk.

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THEORETICAL AND METHODOLOGICAL APPROACHES CONCERNING FINANCIAL BANKING MANAGEMENT

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This paper examines the approaches concerning financial banking management. The main objective of this research is to highlight the importance and features of management, especially for banking system. Modern management involves a large number of skills and orientations, many of which involve skills related to statistics, the use of information technology, accounting and mathematics. In this paper were analysed 3 main schools of management and its representatives, financial banking system and bank management problem. The research result shows us that an inefficient management leads to bankruptcy of banks, as: BC „Banca de Economii” S.A. BC „Banca Socială” S.A. and BC „Unibank” S.A. and worsening the entire banking system indicators.

Key words: *management, approaches, financial banking management, banking indicators, insolvency.*

Introduction

Currently, the role of banks and of the banking system in general has become extremely important. The banks are concerned about the permanent optimization of management process to achieve the results that they have proposed and to ensure its scheduled development. This paper presents an overview of the literature in this area, outlining the importance of financial banking management and the need to improve it permanent.

In recent years, the Moldovan banking system is facing several problems that affect the financial performance of banking activity. Recent events, such as the liquidation of three commercial banks in the

banking sector, demonstrates the existence of problems related to bank management, banking risks and the central bank's monetary policy. These problems bring major changes of indicators influencing the whole banking system.

The purpose of this research is to analyse approaches regarding the management, management principles and financial banking management. The research methodology consists in comparative analysis of theories and the visions of specialists in the field, studying literature, analysing bank's reports. Modern management involves a large number of skills and orientations, many of which involve skills related to statistics, the use of information technology, accounting and mathematics.

This research pursues the following objectives: identification the most modern visions of Management, investigation of management principles, identification the importance of management and its features, identification the trends of financial banking management, investigation of banking systems that promote the most efficient financial management, analysis of policies and practices of financial banking management in various situations. The fact is that management is not an exact science. Equally for sure is the fact that the use of knowledge helps us better understand and improve management's current practice. Management area intersects with a large number of disciplines - social science, logic, philosophy, mathematics, information technology, international relations, linguistics and culture.

To achieve the proposed objectives, the research was divided into 3 sections. In the first section are reported various schools of management in general and the representatives of these schools that have contributed to develop the concept of management. The second section describes the content, objectives and functions of bank management. The last section presents an analysis of the financial and banking system for 2012-2015, highlighting the problems of bank management.

1. Modern approaches and visions regarding the management

The literature published in recent years in finance, highlights the main directions of management, more attention being given to financial banking management. The management has a triple meaning: the practical activity (process), decision factor (team or individual) and science. A broader definition would be: *The management is the art and science of making others to act so as to achieve the objectives of an organization; is the statutory process and achieving the goals, by performing basic functions, specific in managing the use of human, material and financial resources of the organization.* [3]

Historical development of management includes 3 approaches, considered by some authors, essentials: a) classical approach, b) behavioural approach and c) quantitative approach. Even from the early twentieth century **F. Taylor** and **H. Fayol** considered the management as "scientific organization of labour". Mary Parker Follett is today known as the "mother of scientific management". Her contributions in modern management include: idea negotiation, conflict resolution and power-sharing.

The classic approach uses economic concepts and tools such as profits, spending and investment, especially in an analytical manner, concentrated on thinking how to increase work efficiency and organization. Specialists of this approach define three distinct orientations: scientific, administrative and bureaucratic management. Representatives of this approach were: **Frederick W. Taylor**, **Henry L. Gantt**, **Max Weber**, **Fayol H.** Behavioural approach or interpersonal relations, emphasizes the priority of using sociological and psychological concepts and methods and it is represented by works of **Hugo Muterberg**, **Mary P. Follet**, **Abraham Maslow**, **Douglas McGregor** and quantitative or mathematical approach, uses techniques of mathematical, statistical and informatic methods in making decisions and it is represented by **A. Kaufman**, **J. Star** and **Von Neumann**. **Peter F. Drucker** considers that "Management is a practice, not a science, does not mean knowledge, but performance". [8, 10, 11] Drucker's conclusion is that the needs of large organizations must be satisfied by ordinary people, capable of unusual performance. In order to achieve unusual performance, Drucker proposes the management based on objectives (MbO), which leads managers to identify and assess available alternatives, resulting in the default assessing management performance [6].

Later **J. Meleze** defines management as “being in a general approach of global target-setting, and the integration of all available resources in a system oriented in fulfilling these objectives and finally in managing system to overcome their economic environment”. **Stephen Robbins** in 1991 believes that management is a process of achieving efficient work with and through other people. **Robert Kreitner** in 1992, said that management is a work with and through other people in order to achieve the organization's objectives, using efficiently limited resources in terms of a changing environment. **Samuel Ceto** in 1994 defines management as a process to achieve the objectives of the organization, working with and through people and enhance the other organizational resources. According to **Robertson A.B.** the management is the art or science to direct, to conduct and to manage the work of others in order to achieve the set objectives, decision-making process and leadership, a factor of production for the organization and management of other factors (land, equipment, labor and capital) to obtain maximum efficiency, a social process involving responsibility for effective and economic planning and regulation operations in fulfillment of a purpose or a given task. [5]

Management theories have its roots since the time of Machiavelli. Anthony Jay shows how the new science of management is a continuation of the old art of government. Machiavellian precepts were applied by such modern corporations such as General Motors, Apple Computer and Microsoft. [14] **Dumitrescu M.** believes that management is the science that ensures the management of all economic process and utilities, all sectors of activity in all their functions, with the man in the foreground, attending their motivation and that involves solving problems in the forecasting organizational, leadership, decision making report, and control their realization in economic efficiency. [13]

We conclude that the author's vision regarding classical management, to lead, to be a manager means to anticipate, plan, command, coordinate and control. Authors of scientific management support the use of careful research to determine the optimal degree of specialization, and standardization of work tasks, which will make to work efficiently with subordinates.

2. Content, objectives and functions of banking management

Banking management emerged and developed originally in the United States under the name of “asset-liability management” (ALM). In the opinion of **Cristi Spulbăr** (2013): “Bank management can be understood, on the one hand, as a manifestation of requirements, conditions and overall management functions adapted to the specific conditions of such institution as banks “. Bank management complies to general regularities of management science, but has at the same time, specific systems, techniques and methods, and adequate governance arrangements. These characteristics are determined by the specificity of its contents: *specificity of object*, which is the money and its substitutes; *specificity of the process*, which represents a transformation manifested by copying, transferring and paying; *specificity of the market*, which induces banking processes and differentiated and determined banking risks adjusting significantly banking results; *specificity of banking products*; *technological specificity*, determined by other specificities of process and object, centered on information and not on substance, banking technology mainly using “computer equipment” for achieving the transformation process and additional services. [17, p.2-3]

From the domestic literature may be mentioned a series of studies by: **Dănilă N., Berea A.** in “Bank Management: fundamentals and orientations”; **Ganea M., Huidumac C.**, in “Introduction to bank management”; **Constantinescu D.** - “Banking Management”, etc. Bank management in their opinion can be defined as the process of functional integration of a set of specific and differentiated activities, focused on acquiring and combining human, informational, physical and financial resources in order to provide profitable products and banking services. [3] According to **Cesar Basno, Nicolae Dardac** in “Bank Management” promoting effective management within the bank, oriented to maximize profit and minimize risks, is performed in an economic and financial, social and political environment, that influence the managerial methods and tools, the effectiveness and performance of the bank [1]. In his work “Risk

management in commercial banks”, **Bunescu Gheorghe**, showed that the global management of the bank should start from business planning, business plan is the basic model of banking. [2] Another author, doctor of economics, **Liubomir Dimitrov**, in his work “Problems and factors of risks management in bank management”, analysed the function of the Moldovan banking system and the obtained results highlighted factors that are the priority directions of improvement of banking management, has proposed to improve the banking system based on investment risks management functions of individuals and the credit risk of commercial banks [6].

Banking activity behaves a risk, which gives also some specificity of management process. On the other hand, bank management covers all aspects of how the Bank's resources are organized and used in order to maximize profit and improve the activity on short, medium and long term. Ensuring an optimum ratio between profits and banking risks is a necessity of the first order without which success would be compromised bank management. Decisions on the relationship result - risk is another object of bank management.

Henry Fayol defined five main functions of bank management that represents essential attributes of bank management performance: *Forecast*, which set the objectives of the bank; *Organizing*, customizes the organizational structures in a network, and in this connection distribution of tasks; *Coordination* requires the harmonization and compatibility information, decisions and actions of personnel, both at management level and at the operational level; *Training*, defines specific activities that all bank staff are determined to achieve effective and efficient objectives related functions or activities and *Evaluation*, analysis and control, includes all the activities that the bank's performance targets are measured and compared, ensuring continuous liquidity and solvency of the bank. The bank's management features determines and defines eight primary areas: *liquidity management, asset management, liability management, capital management, performance management, risk management, human relations management, market management* [17].

Bank management, according to the specificity of individual institutions, manifest in the conditions where money and credit are the basic tools for stimulating economic development, through them is encouraging any positive phenomenon or discourage it, if necessary, the trends that could move towards achieving inefficient or speculative objectives. In specialty literature the first two functions are considered the most important and necessary. Banks' ability to achieve the objectives and functions described above is influenced by the environment in which it operates.

3. Analysis of financial banking system and bank management problems for 2012-2015

Analysis of banking activity determines the bank's activity possibilities in the present and future, compliance of the bank's financial statements, economic realities and rules imposed by supervisory authorities. Management of a bank represents a demanding task due to external circumstances and events that are constantly changing which often have a strong impact on the bank. The system of indicators, having in centre performance indicators, assesses the situation the bank at a given moment, suggesting developing perspective. Delimitations can be made in the system of indicators according to the hierarchical levels and the nature of the content. For bank management the system of indicators gives the possibility assessment of overall activity, the activities and areas, the organizational components on products and services - etc. highlighting the causes of failures, “narrow places” in terms of performance, generating decisions of great importance for the future development of the bank and its performance.

Currently, banking systems faces numerous problems due to external and internal factors, which leads to an unstable banking environment. Moldova's banking environment is unstable. This unstable environment produces the following effects on bank management: deeper awareness and understanding of the environment, increased attempts to anticipate changes, is put more emphasis on the ability of managers at all levels to learn and adapt, increased capacity to respond effectively to change.

A recent problem that was faced Moldovan banking system was liquidation three commercial banks: BC „Banca de Economii” S.A., B.C.”BANCA SOCIALĂ” S.A. and B.C. “UNIBANK” S.A., after some dubious transactions in large proportions. To confirm this fact, was analysed the evolution of the banking system indicators as: tier I capital, regulatory capital, risk-weighted assets, risk weighted capital adequacy, the share of foreign investments in banks, the balance of non-performing loans, assets, ROA, ROE, Principle –I – Long term liquidity ratio, Principle –II– Current liquidity ratio for 2012 – 2015 [16].

Table 1.

The evolution of financial indicators for 2012-2015

Financial indicators	2012	2013	2014	2015
Tier I capital, MDL mil.	6636,7	7926,26	8686,2	8995,70
Total Regulatory Capital, MDL mil.	7020,2	8167,58	9013,85	9278,65
Risk-Weighted Assets, MDL mil.	28794,4	35484,87	64764,02	35470,14
Risk Weighted Capital Adequacy, % (>16%)	24,5	23,02	13,92	26,16
Tier I capital / Risk-Weighted Assets, %	23,04	22,34	13,41	25,36
Share of Foreign Investments in Social Capital of Banks, %	71,4	72,24	77,56	82,92
TRC of 5 the largest banks by capital size/Total TRC, %	66,5	64,15	67,48	78,74
Balance of net non-performing credits debt /TRC, (%)	14,5	12,4	14,26	15,05
Assets, MDL mil.	58168,48	76190,11	93909,15	69095,55
Assets of five banks having the largest assets /Total assets, %	70,4	70,43	75,85	83,96
Total assets of the banking sector/GDP, %	63,23	76,28	84,03	57,68
Return on Assets (ROA), %	1,1	1,56	0,85	2,10
Return on equity (ROE), %	5,6	9,42	5,86	12,78
Efficiency ratio (ER), %	117,2	135,33	117,46	134,81
Principle –I – Long term liquidity ratio (≤ 1)	0,7	0,71	1,54	0,7
Principle –II – Current liquidity ratio ($\geq 20\%$)	32,9	33,76	22,48	41,55

Source: Elaborated by author based on the financial data reports of NBM

According to the data in Table 1 we can see significant changes of indicators. From 2012 when currency depreciation started in the banking sector, by 2014 the assets increased by 42%. During 2012-2015, and especially the end of 2014 it has significantly decreased profitability (ROA and ROE). This performance indicator of the banking sector demonstrates a reduced capacity management to use its own and borrowed financial resources and a decrease of bank profit from the perspective of the shareholders. The year of 2012 can be characterized by a halting or a worsening of the indicators determined by: the decrease of growth's rate of national economy, increase of non-performing loans and the decrease of return on assets and equity. The average risk-weighted capital adequacy denoted the orientation of banks towards lending the economy, and the assets are in upward trend due to increase of liabilities and capital, increase of receivables, loans and cash. At the same time it increased the risk weighted assets by nearly double, being 64.764 billion lei. Another important indicator that suffered is liquidity, according to principle I -Long-term liquidity ratio. This indicator exceeded the permissible norm of 1% which suggested that this situation has brought unexpected cash discounts that needed to attract additional resources with high costs, thus reducing the profitability of the banks. During the period of 2012-2015 the risk-weighted capital adequacy

under the norm of 16% has decreased. Also during the same period, the foreign investment in banks has increased with the same growth trend as assets of five largest banks having the largest assets in total assets.

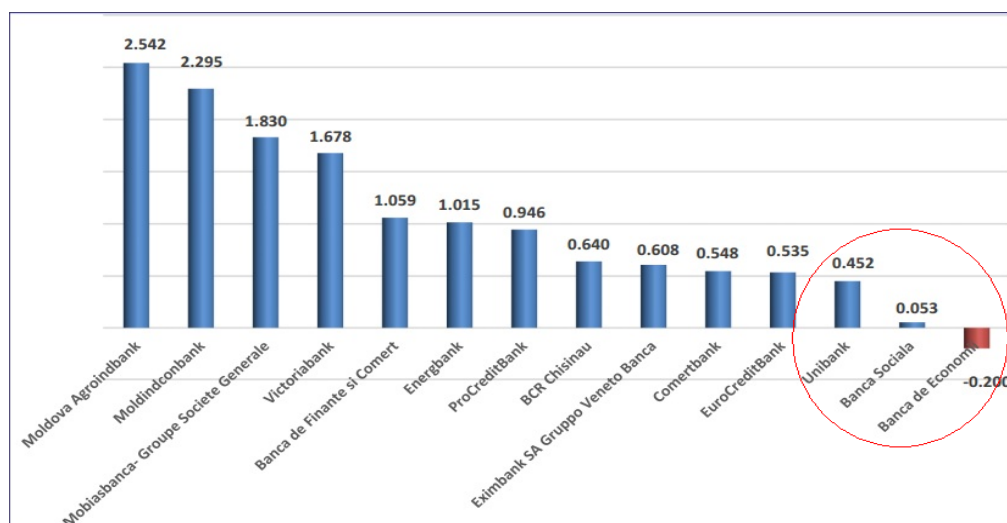


Figure 1 Ranking efficiency of commercial banks in Moldova in the Q2 of 2015

Source: www.bancamea.md

According to the analysed indicators, financial reports of banks and Figure 4, the rating of efficiency of commercial banks in Moldova in second quarter 2015, was observed a worsening of the economic and financial situation and activity of the three banks: BC „Banca de Economii” S.A. which held 3.75% of loans granted by banks, BC „Banca Socială” S.A - 7,51% and BC „Unibank” S.A. - 7,94% [15].

Another major problem faced by the Moldovan banking system is that members of the boards of banks have no education / training in financial banking field. This fact is described in the Bulletin of External Policy of Moldova, Nr. 64, February 2013, by **Angela Secrieru** “Corporate governance in the banks from Republic of Moldova under the impact of the Basel Committee regulations”, in which according to the data that was observed that in the case of three banks as: BC „Moldindconbank” S. A., BC „BANCA SOCIALĂ” S. A. and BC „UNIBANK” S. A., none of the members of council does not have the banking and financial training. In the case of BC “Moldova-Agroindbank” S.A., only 4 members of 5 have financial and banking studies.

Conclusions

The research results allowed the formulation the following conclusions: lack of a common approach to the concept of management, this being divided into three approaches: a) the classical approach, b) behavioural approach and c) quantitative approach. Each type of approach correspond some representatives, tried to formulate management principles. Managers carry out the functions of planning, organizing, staffing, leading, and controlling. Managing is an essential activity at all organizational level. Managing as practice is art; organized knowledge about management is science. The development of management theory involves the development of concepts, principles, and techniques. There are many theories about management, and each contributes something to our knowledge of what managers do. Each approach or theory has its own characteristics and advantages as well as limitations. The systems approach to management includes inputs from the external environment and from claimants, the transformation process, the communication system, external factors, outputs, and a way to reenergize the system. The most important aspects that are pursued through bank management activity covers: operations management assets and liabilities of banks; the outcome on the basis of balance sheet data, human resources management, banking products and services, managing bank risk, bank etc.

Banking systems are facing many problems due to external and internal factors, which lead to an unstable banking environment. Moldova banking system is unstable, largely due to an inefficient management, which led to the bankruptcy three commercial banks: BC „Banca de Economii S.A., B.C. “BANCA SOCIALĂ” S.A. and B.C. “UNIBANK” S.A. An unfavourable situation recorded in the some banks, that more than half of the board members have no education / training in finance - banking. And in this case it is threatened bank performance and stability.

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TAX EVASION AND THE MAIN REASONS FOR THIS PHENOMENON

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The main fiscal offense is tax evasion. Most often it is the response of entrepreneurs and citizens to a tax burden, which is very high in their opinion. But tax evasion, resulting in budgetary resources deficiency, makes the government raise taxes in order to cover the budget deficit. Thus, a vicious circle is formed: the taxpayers don't pay high taxes - the government does not receive sufficient budgetary funds and to cover the budget deficit they are forced to raise taxes that are burdensome on taxpayers. But in addition to the high tax burden there are also other causes of tax evasion that are necessary to be studied in order to formulate an effective and efficient tax policy designed to reduce the amount of tax evasion.

Key words: *taxes, tax evasion, tax burden, tax policy, shadow economy, tax laws.*

Introduction. At all times, taxes have been in sharp contradiction between public and private interests. The society represented by the government authorities is as a rule dissatisfied that tax revenues do not come in full, which does not allow them to fully perform their functions. Citizens and businesses, in their turn, are critical of the excessive burden of taxes. As a result, the government is trying to increase the collection of taxes, which inevitably increases the desire of payers to evade their payment. Companies come up with new ways to evade payment of taxes, which pushes the government to tighten the tax regime.

The particular solutions to remove the above mentioned contradiction appear to be rather often causing permanent hope for the radical improvement of the situation. But after a while it becomes clear that the particular proposals besides their positive aspects have their particular weaknesses as well (according to the principle: the new law blocked the old tax loophole but created a new one). It seems, therefore, that this important issue deserves a thorough analysis on the fundamentally theoretical level.

The purpose of this article is to identify the main reasons for tax evasion and to formulate some recommendations for decreasing its negative impact.

Tax evasion involves the violation of tax legislation and evasion of tax liability through non-payment of taxes, distortion of tax reporting, submission of false information, illegal use of tax incentives, and late payment of taxes.

Some scientists have identified the following groups of reasons for tax evasion¹. The first main group of reasons for tax evasion is economic ones, which include the following reasons:

- a) worsening of financial standing of businesses and population, typical of periods of economic crises;
- b) existence of an excessive tax burden on taxpayers and ineffective tax policies aimed at implementing fiscal rather than regulatory function of taxes;
- c) lack of legal opportunities for competitiveness in certain business areas.

The economic situation of the payer is usual determinant of tax evasion. The taxpayer calculates whether the benefit gained by tax evasion will justify those troubles, which may arise if the deceit will be revealed. It is a purely economic issue. The higher are the tax rates, the greater is the temptation to evade payment of taxes. The more insecure is the financial standing of the payer, the stronger is his intention to hide some of his income from taxation.

However, not only the economic situation of the taxpayers affects the frequency of tax evasion phenomenon. The general economic conditions also affect it. This is primarily due to the fact that the economic situation considered enables to some extent the tax shifting facilitation. The higher is the possibility of the sale of products, the more likely is the broad tax shifting on the consumer. Therefore, in such cases, the need for tax evasion is considerably reduced. On the other hand, economic recession boosts search for tax evasion.

The shadow economy is a very severe problem of modern society. The scale of this phenomenon varies considerably from country to country, but to a greater or lesser degree, the shadow economy is present both in economically developed countries (where it accounts for no more than a quarter of economic activity), and in underdeveloped countries (where the informal sector covers legal activity). Experts give various reasons for the emergence and increase of the shadow economy scale, but most of all among these reasons is a high tax burden. Many experts and analysts agree on the fact that the tax burden is the main reason for pushing the economic agents into the "shadow". According to some scientists the increase in the tax burden leads to the shadow economy growth even in economically developed countries such as the United States:

¹ КИКУ, Н.Г., КУЗЬМИНА О.А. *Курс лекций по дисциплине «Основы налогообложения»*. Кишинэу, МЭА, 2006. – с.89

the main reasons for the shadow economy growth in the USA are the increase in the tax burden and social security contributions².

But there are also other points of view on the impact of the tax burden on the shadow economy scale, which have been subject to different research to get their soundness. One of the most influential studies in the field of the shadow economy is the scientific reports prepared by an international research group of F. Schneider, A. Buehn and C. Montenegro with the support of the World Bank³.

The indicators of the shadow economy scale in different countries were compared with the indicators of the national tax system. These are the following indicators: the size of the tax burden as a share of taxes in GDP; the time required for establishment and payment of taxes (on the basis of mandatory payments as a tax on corporate income, VAT or sales tax, income tax, social security contributions); the share of government revenues in GDP. The source of information was the World Bank data. The analysis of these indicators was conducted across all the countries in the sample (120 countries), and for certain groups of countries combined according to their economic, political or territorial common features.

First of all, we were interested in the trends of the shadow economy functioning relevant to our country, so we will consider the data on the impact of the tax burden on the shadow economy scale according to the countries with economies in transition. There is an inverse correlation between the studied phenomena: the higher is the tax burden in the country, the lower is the shadow economy scale in this country. A similar pattern is observed in the analysis of all 120 countries. So we can acknowledge that the conventional wisdom that high taxes push economic agents into the shadow is groundless. Usually the opposite happens - in countries with low taxes there is a large scale of shadow economy. In fact, while analyzing we got the "Laffer counter-curve".

At the same time there is a direct correlation between the amount of time required for establishment and payment of taxes and the shadow economy scale. The analysis of all the 120 countries and in all eight groups revealed a direct correlation between the number of hours the taxpayers annually spend on calculating, registering and paying taxes and the shadow economy scale. These data suggest that even if the national tax system has some influence on the number of businesses hiding in the "shadow", it happens not due to higher tax rates, but because of the complex administrative and bureaucratic procedures related to tax accounting, calculation and payment of taxes⁴.

Thus, we can say that our tax system burdens the economy not always with higher tax rates but with excessive bureaucratic procedures and scrutiny in exercising tax control.

The revealed paradoxical inverse correlation between the size of the tax burden and the shadow economy scale to a certain extent accounts for the fact that in economically developed countries the higher tax burden enables to create more favourable conditions of life by funding public goods through tax sources, thereby reducing the incentive to evade payment of taxes and go underground.

In order to assess how interconnected are the total amount of government revenues and the shadow economy scale, there has been carried out a correlation analysis between these indicators as a whole in 120 countries and in eight separate groups. In the group of countries with economies in transition, to which our country belongs, there is not a very strong inverse correlation, but still in countries with a greater amount of government revenues in GDP the shadow economy scale is usually lower due to the regularities mentioned above.

In this regard, we can say that the increase in the share of total government revenues and expenses respectively in the country's GDP often leads to a decrease in the scale of shadow economy in the country as higher government spending creates more comfortable conditions of life for citizens and businesses, which, in turn, reduces the motivation of people to go underground and to hide their businesses in the "shadow".

² ФЕДОТОВ Д.Ю. Влияние налоговой системы на теневую экономику. *Финансы и кредит*, 2015, №41, с.11

³ <https://openknowledge.worldbank.org/bitstream/handle/10986/3928/WPS5356.pdf?sequence=1&isAllowed=y>

⁴ ФЕДОТОВ Д.Ю. Влияние налоговой системы на теневую экономику. *Финансы и кредит*, 2015, №41, с.14

Ideally, the scheme of financial relations between the company and the government has to be closed. That is, the firm pays taxes, and for this amount of money the government provides goods and services called public goods. In this situation, there is no motive for tax evasion or at least the desire to evade payment is not increased. In reality, however, it does not work, as the government has not only an economic function, directly relating to the activities of each company, but also a nationwide function, which affects the company indirectly, through social environment.

The economic benefits created by the government refer to the whole society and only to a smaller extent to a particular company. In addition, the government assumes the important functions of regulating social relations, strengthening the social foundations of stability, improving the standard of living and social security of citizens, dealing with the external defense of the country.

Thus, in reality, the closed scheme of relations between the firm and the government is transformed into an open one characterized by gaps and unequal cash flows. Firms pay taxes but in return receive inadequate amount of public goods. If to make a balance of the relationship between the company and the government, then the company's expenses are equal to the taxes paid, and the revenues are made up of public goods which the company uses directly and the part of public goods which the firm receives indirectly through social environment. It turns out that the firm's expenses exceed its revenues. More precisely, they exceed the revenues by the amount of wasteful spending of the government and that part of public goods that is scattered in social environment and does not reach the company. We can say that in the relations between the government and the company there arise three problems: the efficiency problem, the problem of "free rider" and the motivation problem⁵.

The efficiency problem. Part of the revenues received in the form of government taxes goes for unsustainable expenses. The higher they are, the worse is the social climate in relation to the payment of taxes. Due to the lack of society's trust in government it becomes a common practice for a firm to evade payment of taxes.

The problem of "free rider". As known, in theory we call it the situation when the consumer has the opportunity to benefit from the use of public goods without paying for them. Among the companies there are always those who do not pay taxes but receive social benefits from the government. It turns out that companies use the public sector services free of charge. The reason for this phenomenon lies in the public good peculiarity, which is non-excludability, i.e. physical impossibility to exclude anyone from the use of this good or executing excludability only at a very high cost.

For example, the protection of property rights in the country implies the existence of a large and costly court system, control authorities, registration authorities, etc. For a company a reliable protection of its property rights is a valuable asset. However, because of the fact that this system is national and universal it is impossible to exclude from the number of its users the tax evaders.

The motivation problem. The use of taxes for the creation of public goods such as law enforcement, the judicial system, market infrastructure, and so on can be felt by the company. But the use of funds for the maintenance of the appropriate social level of society the firm cannot track. Although in fact it is an important detail in the company's activities. As the unstable social atmosphere leads to demotivation of staff, strikes, the emergence of criminal structures.

For a more visual coverage of the problem let us analyze the structure of the national public budget spending of Moldova during the year of 2015, presented in Figure 1.

⁵ БЕККЕР Е.Г. Совершенствование институциональной системы как метод сокращения уклонения от налогов. *Финансы и кредит*, 2004, №4 (142), с.51

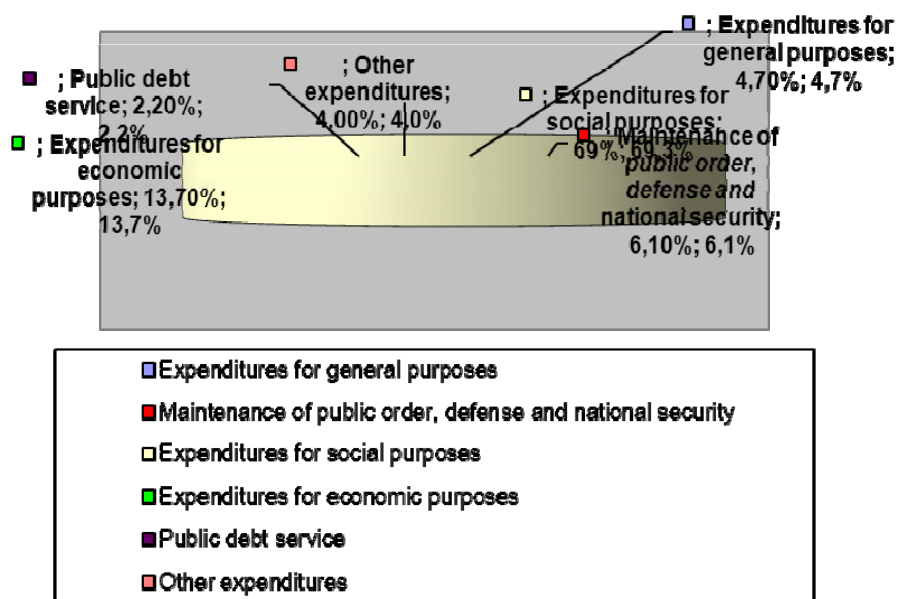


Figure 1. The structure of the national public budget spending of the Republic of Moldova during 2015, %

Source: developed by the author on the basis of data of the Ministry of Finance of the Republic of Moldova.

http://www.mf.gov.md/files/reports/BPN_2.pdf

The figure demonstrates clearly that the budget expenditures of non-economic nature are very high (86.3%), hence the entrepreneurs of our country have every reason to believe that they pay taxes completely non-reciprocally, that is without receiving from the government any pay-off.

Faced with these problems the company decides what it is cheaper: to honestly pay taxes or to evade their payment. For this it can calculate the efficiency of payment and non-payment of taxes. The coefficient of the efficiency of payment of taxes by the firm can be determined by the formula 1. Ideally, it should approach one. When this coefficient is far from one, the company gets every reason for tax evasion.

$$\text{The coefficient of tax payment efficiency} = H / (OB1 + k(OB2)) \quad (1)$$

where H – taxes, OB1 – public goods used by the company directly in its activity, OB2 – public goods whose impact the company can feel only through the social environment development. It is also possible to calculate the coefficient of tax evasion efficiency (formula 2).

$$\text{The coefficient of tax evasion efficiency} = H / (X \times III + PO) \quad (2)$$

where X – the probability of discovering tax evasion of the company by the government, III – the amount of fine paid by the company when tax evasion is discovered, PO – expenses on tax evasion service⁶.

If the coefficient of tax evasion exceeds one, then it is advantageous for the company to evade taxes, but if this figure is below one, then there is no point in evading taxes. In practice, the values of both coefficients usually show that paying taxes is not advantageous, but evading them, on the contrary, is very profitable.

The second group of reasons for tax evasion is political ones. The level of fiscal discipline depends on the overall political situation in the country. In times of the governmental power crisis there has been noticed a sharp decline in tax collection due to the mass non-fulfilment of tax obligations by the taxpayers. If when conducting government policy the interests of individual groups are put above the interests of others without any economic reasons, then the taxpayers who consider themselves overlooked seek a variety of options from reducing the tax payments to direct concealment of taxable income and assets.

The group of legal reasons for tax evasion includes:

- lack of coordination between many tax laws and previously adopted legislative acts;

⁶ БЕККЕР Е.Г. Совершенствование институциональной системы как метод сокращения уклонения от налогов. *Финансы и кредит*, 2004, №4 (142), с.52

b) unclear wording, which creates the possibility of their equivocal interpretation;

c) tax legislation variability, which is manifested in frequent and sudden introduction of changes and amendments. We can see it from practical experience of our country on introducing amendments to the Tax Code in 2015.

The technical complexity and inconsistency of tax legislation enable the taxpayer to avoid the payment without breaking the law. This makes the practice of tax control more difficult. Its results are directly dependent on the clarity of the taxation methods, the technical equipment of tax audits, accounting and reporting.

There are also institutional reasons for tax evasion, which include:

a) lack of a clear interaction between the tax, regulatory and law enforcement agencies;

b) underdevelopment of international cooperation in the fight against tax abuse. The uncontrollable expansion of freedom of international capital movements contributes to tax evasion. The tax control is often limited within the national territory. It is armless in front of the transnational companies and joint ventures. This creates favorable conditions for technical tax evasion.

The last on the list of groups of reasons, but not the least are the ethical and psychological reasons, which include:

a) negative attitudes towards the existing tax system and government officials;

b) lack of fear for offense in the form of inevitable punishment.

It is well known that for many people to steal from the government does not mean to steal. Moreover, in any country there are cases of corruption in the top government echelons, the use of public funds for personal needs. Therefore, the taxpayers do not feel moral responsibility for tax avoidance. At the same time, the perception of the government as a manager of public goods for most citizens is such an abstract concept that it is not recognized at all.

Tax evasion is a significant danger to the public. Firstly, the government receives less budgetary funds than they are due, and therefore the funding of state programs is reduced. Secondly, tax evaders are in a better position compared to the law-abiding taxpayers in terms of market competition and may provoke through their actions other economic agents into evading. Thirdly, with widespread fiscal offenses leading to the budget revenues deficit, the government can compensate for the lack of funds by introducing new taxes or increasing the rates of existing taxes and duties.

With regard to the economies that are in a phase of recession or crisis, tax evasion could be one way of survival for entrepreneurs. But even for relatively prosperous national economies fiscal offenses are rather common. The budgets of advanced economies are short in this regard of up to 1/3 of due tax revenues⁷.

Tax practice recognizes two basic ways to combat tax offenses: prevention (preventive methods) and punishment (repressive methods). An important condition for reducing the number of offenses is to expand the scope of preventive tax control. The complex of preventive measures include the delivery of technical and instructional assistance to the taxpayers, timely coverage of changes in tax laws in public sources, the publication of the most typical and gross violations of tax laws and the review of arbitral and judicial procedures. Especially major violations of tax laws entail the application of the relevant articles of the Criminal Code. The liability for gross violations of tax laws is viewed by the experts in a controversial manner. Most of them believe that these measures are extremely alleviated. It should be presumed that the really gross tax offenses should be punished with full weight of the law.

Conclusions.

The analysis of the main reasons for tax evasion has revealed that the main group of reasons is the economic one. That is, the financial standing of the taxpayer. At the same time, the analysis conducted by the scientists regarding the impact of the tax system of the country on the shadow economy scale has

⁷ СУТЫРИН С.Ф., ПОГОРЛЕЦКИЙ А.И. Налоги и налоговое планирование в мировой экономике. Санкт-Петербург. 1998, с. 124

revealed that the desire of entrepreneurs to go underground is mostly influenced not by the high tax burden in the country but by the bureaucratic costs for the fulfillment of tax obligations to the budget system. The more time the taxpayers spend on calculating, registering and paying taxes and other commitments, the stronger is their desire to take their business underground. That is why the top priority of tax policy in our country should be the simplification of the tax system procedures.

To reduce the tax evasion scale it is possible to apply such measures to combat tax evasion as the active use of international cooperation in the field of detection of tax offenses; the ongoing analysis of the existing legislation in order to identify the existing tax loopholes and to eliminate them; the study of legislation and its detailed explanation in regulatory acts in order to avoid the cases of equivocal interpretation of tax laws.

One more good solution to the problem of tax evasion is the increase in the transparency of public spending. When the need for certain public expenditures is clear-cut, the resistance to participate in their funding is reduced.

In order to stop the taxpayers' participation in tax fraud schemes in some countries there are launched and widely advertised the programs of "voluntary" cooperation. To encourage the violators of tax laws to come out of the "shadow", some countries have adopted tax amnesty programs excluding the prosecution of persons who previously practiced tax evasion in exchange for the payment of debts or on other terms and conditions.

In our opinion, tax evasion is an inevitable process, but its dimensions are manageable. The budget losses should be replenished firstly at the cost of the sharp decline in unproductive public expenditures and secondly due to upgrading of penalties for deliberate concealment of income and its movement into the foreign bank accounts.

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TRACKING THE IMPACT OF FINANCIAL CRISES ON ECONOMIES WITH DIFFERENT LEVELS OF DEVELOPMENT

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Globalization, with all its fundamental components generate chain reactions when a phenomenon occurs, be it positive or negative. The origin of the financial crisis must be sought in various macroeconomic indicators and more extensive use of derivatives. In terms of risk and uncertainty, the outbreak of the financial crisis is envisaged macroeconomic context, the policy of central banks and their effects on the banking system. The dynamics of macroeconomic variables come with a series of measures adopted by the authorities in response to the emergence of

economic imbalances - monetary policy and prudential supervision, as measures taken to maintain financial stability. Prudential indicators, highlight both its performance and vulnerabilities, and the risks it faces

Key words: *financial crisis, financial stability, banking system, inflation, economic recovery.*

Introduction

Financial crises are an indispensable element of economic life. Today, many economic areas, including countries that are confronted with crises, the Republic of Moldova included, which records a huge economic decline. At the same time it should be noted that the financial crisis is not a new element of economic life. They have disrupted economic systems from different states throughout history. The twentieth century was the “richest” in this regard: the pound and the French franc crisis of the 60s, the fall of the Bretton Woods system in the early 70s and the debt crisis of the 80s. In this context it should be mentioned that the 90’s came up with a series of crises that have disrupted the economies of various regions, such as: the crisis in the European exchange system from 1992 to 1993, crises in Latin America in the 1994 -95, the Asian crisis of 1997-98, which influenced the regional crisis of the Russian Federation in 1998, which had a negative impact on the economy of the Republic of Moldova. Among recent crises, there was real estate crisis of 2008, which also negatively affected the domestic economy.

Identifying the vulnerability of economies against financial crises according to their degree of development

Financial crises have been analysed by experts in the field during a long time. The contemporary crises take more complex forms, requiring many more steps to be overcome. In the literature we find several types of crises, but with a greater impact on the economy are likely to be:

- The monetary crisis;
- The banking crisis;
- Systemic financial crisis;
- External debt crisis.

All these types of crises have many common roots, namely the accumulation of unsustainable economic imbalances and misalignments in asset prices or exchange rates, which are in a context of financial sector distortions and structural rigidities. The crisis may involve sharp declines in asset prices, and failures of financial institutions and non-financial corporations. In this context we can say that if crises have common features means that they can be identified in some way.

Financial crises affect different developed and developing economies. In order to identify them are required operational criteria to describe monetary and banking crises. Monetary crisis can be identified by substantial devaluation of the national currency. The banking crisis is more difficult to identify due to the complexity of the problem. They generally come from a prolonged deterioration of the asset quality. This suggests that variables such as: the share of bad loans in banks' portfolios, fluctuations in investment real estate and stock prices, and indicators of bankruptcies could be used to identify such crises.

Analysing the banking and the monetary crises in retrospect, we can say that the monetary crises were frequently encountered throughout history, as they appeared more often in countries with emerging industries. The same is seen with banking crises, industrial countries, being more protected against this type of crisis.

At the same time it is noted that these two types of seizures may occur simultaneously, but banking crises often precede monetary crises than vice versa. Crisis costs are also very high. Such is the need to restructure the financial sector under an inability effective financial market activity, and this implies a reorientation of fiscal policy. Just in time of crisis is failure to effectively present and a lack of resources, leading to system problems.

Monetary crises, affect more developing countries, which can be viewed in Table 1. As mentioned above, developed countries are more protected from crises, so they bear 2.5 times fewer crises than developing countries. But they need more time to restore the trend of GDP, which is approximately 1.9 years, while developing countries - 1.5 years. This can be explained by a more flexible market conjuncture of developing countries, which creates his rigid system, but which at the moment can be changed easier than the market mechanism of developed countries.

Table 1.

Post-crisis economic recovery

The type of crisis	Number of crises	The average time to recovery (years)
<i>The monetary crisis</i>	158	1,6
Developed countries	42	1,9
Developing countries	116	1,5
<i>The banking crisis</i>	54	3,1
Developed countries	12	4,1
Developing countries	42	2,8

Source: [2]

If we analyse banking crisis, then developing countries have incurred 3.5 times more crisis than developed ones, and time to return to a normal trend is about 4.1 years in developed countries, but the emerging need only 2.8 years. Thus it is observed that banking crises have a greater impact on countries' economies.

At the same time banking crises are based on a set of macroeconomic indicators: unsustainable macroeconomic policy, weaknesses in the financial structure, global financial conditions, misalignments of exchange rate and political instability. Such macroeconomic factors, particularly related lending, have been shown to play an important role in creating the financial sector vulnerability in many countries with developing economies. Experience shows that countries with high levels of short-term debt, liabilities with variable rate debt denominated in foreign currencies are likely to be particularly vulnerable to external or internal shocks, and therefore susceptible to financial crises.

Analysing monetary crises we can say that the solidity of the real exchange rate behavior can be analysed by dividing the sample into several subsamples: crises in developed countries, crises in the developing markets, crises characterized by currency shocks, crises based mainly on losses reserves and seizures associated with serious problems in the banking sector. Except crisis characterized by loss reserves and the associated problems in the banking sector, medium model of the behaviour of real exchange rate is similar, that difference is about 7 percentage points from the average pattern for normal development. If crises characterized by reserve losses, there was no significant difference in the exchange rate dynamics, on average, remained at the same level throughout the period. For monetary crises, accompanied by problems in the banking sector, it was not observed visible signals before these crises occur.

At the same time, there was observed a specific dynamics of indicators. One of them is the reducing of exports. Thus the pre-crisis period, in general, there is deterioration in the value of exports and increased of imports, that bring a imbalance of payments balance, thus a depreciation of the national currency.

As inflation has a specific dynamic, so in the period of 12-24 months before the crisis, there is an increase [1]. This is often a result of improper intervention of the authorities, who want to improve the situation in the short term but in the medium and long term, these measures provide a deeper deterioration of national currency, thus economy become more vulnerable.

Many crises are associated with dismissal of capital inflows. Moreover, in some cases, internal liquid bank bondholders tried to convert them into foreign currency. Thus the ability of the banking system to

withstand the pressure on the currency depends in part on how the internal bonds are backed by foreign exchange reserves. Currency crises have often been preceded by a boom in asset prices.

If we will make a similar analysis with the one made for the monetary crisis, it suggests that before the banking crisis, there is an intensive growth of domestic amount credit and internal pressures on the banking system are often preceded by financial liberalization.

The liberalization of financial markets are reflected in increase of deposits and high levels of real interest rates, which tend to peak around a point of crisis. High real interest rates, however, may reflect also unsuccessful attempts by monetary authorities to reduce lending and induce to softer fall. In many cases, banking crises were also preceded by large inflows of short-term capital. Starting with about a year before the crisis, the dynamics of stock markets start to fall, as well as activity in the real sector show a downward trend.

Banking crises are the result of deficiencies in the activity of the financial sector. The lack of consistent data on the activity in the financial sector makes it difficult to analyses the existing situation and the financial sector's ability to survive in adverse conditions. However, it is noted that in many countries that had suffered from the banking crisis, the system was subjected by excessive influence of government or, on the contrary, was liberalized before prudential regulations and supervisory arrangements appropriate was implemented.

The identification of crisis periods

Given the costly adjustment whose economies are exposed in the financial crisis, there is considerable interest in identifying economic variables that can serve as early warning signals of crisis. At the same time, it is very difficult to identify indicators that could detect and indicate enough early future crises and with a high degree of certainty. Otherwise, if it will be a false signal, the effect can be even more destructive.

However, potential, we can identify a large number of variables that could serve as indicators of vulnerability. Their choice is determined, largely, primarily for understanding the causes and then the determinants of crisis that is coming.

If we analyses the crisis' factors, then it is considered that financial crises are caused primarily by tax issues, namely by so variables such as budget deficit, government consumption and public sector loans through the banking system.

The Republic of Moldova, which is with a developing economy, has been hit by several crises, such how it is observed (Figure 1) the regional crisis of 1998 had a significant impact GDP growing just 2.3% this year, compared the growth attested by 20.34% in 1996. It is noted that the economy has recovered quickly to the normal trend. The same fact was observed in 2008 when the economy was affected more, evidencing a essential decrease in GDP, attesting to a lower value of 3.96 p.p. than in 2008.

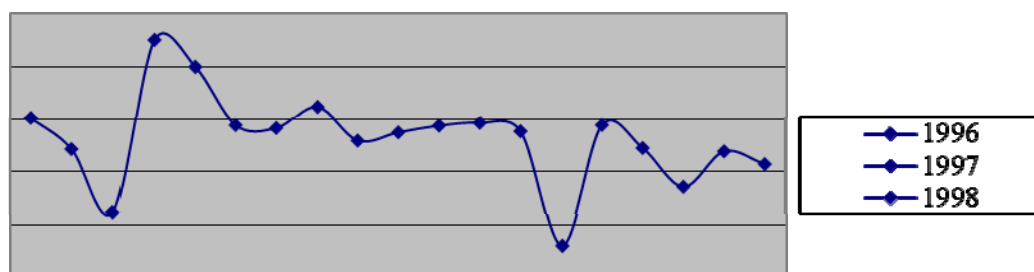


Figure 1. The evolution of GDP in Republic of Moldova during 1996- 2014

Source: Prepared by the author based on data of National Bureau of Statistics

The distortions in the financial sector, together with macroeconomic volatility, form another group of factors behind many banking crises. To these must be added the fact that governments often take political

measures, as they are presented as prompt and accurate, but they therefore bring more losses and more difficult to manage.

Prudential regulation and effective control of banks are essential in creating financial stability and generally in the economy, as commercial banks, today, play a very important role in the economic life of a state. An important role in this has central banks or banking supervisors. The Basel Committee exposed the 25 basic principles necessary as banking supervisory to work effectively.

Considering that banking assets have a very high share in GDP, especially in developing countries, we can say that the commercial banks have a major impact on the state economy at the macroeconomic level and vice versa, the macroeconomic development of the country has an influence on the vulnerability of banking system.

Balance of payments and external sustainability are important indicators of an economy in macroeconomic analysis. Thus, the first step is examining whether the country is solvent, if the balance of payments is sustainable and does not have a too large deficit.

In developing countries, the balance of payments is unbalanced and can be characterized by the transition of these countries towards higher levels of production, which means that the steady state may not be appropriate benchmark to evaluate the durability of the balance of payments. In other words, there can be no presumption that, in the short and medium term, a rapidly growing economy with a low level of external liabilities should aim at stabilizing the ratio of external debt to GDP or exports at its current level.

Other indicators, such as the volatility of terms of trade, can provide a measure of a country's vulnerability to external shocks. The main obstacle facing sustainability analysis based on these indicators is how to classify different indicators and how to arrange a general measure of external sustainability and vulnerability to external shocks.

On the other hand weaknesses in the financial sector, which are perceived as being based on financial crises are determined by such variables such as: the rapid growth of private credit sector, excessive measures of financial liberalization, high-level of short-term external debt of the banking system, uneven structure of internal interest rates, changes in prices of capital, changing bank asset quality measured by the extent of bad loans, and others.

For developing countries with a rapidly growing, especially countries with large capital inflows, the failure of prudential regulations was caused by the inability to keep pace with progress in financial liberalization and this led to a vulnerability in the banking sectors due sudden change in investor sentiment.

Meanwhile, the causes of banking crises are often similar to those of currency crises, especially with weakening national currency, inflationary trends in the economy and increase financial bubbles, thus artificially rising of asset prices and other indicators are also similar.

In this mode it is noted that at the base of crisis and of overcoming them are a set of macroeconomic indicators. We also consider it important to analyse the behaviour of indicators in the pre-crisis, during the crisis and after the crisis.

Conclusions

In conclusion we can say that, of course, it is impossible to predict a crisis, and any attempt, even successful, to build models to achieve this, would affect the behaviour of decision makers and participants on financial markets, which would make the models to be incorrect. Moreover, crises resulting from spill over effects, early warning signals may not be available because crises come from inherently undesirable and unpredictable of market. More achievable it is to identify weaknesses, which usually make economies vulnerable to financial crises, including spill over effects, whether if the crisis materializes.

The settlement of banks problems, usually, requires a careful adoption of a set of financial measures. Banking sector restructuring strategy aims to restore confidence in the banking system and to bring them back strength and profitability. Usually, restructuring strategy is based on three groups: shareholders and

top management, borrowers and lenders, banking supervisors. At the first signs of the emergence of crisis, managers try to hide this fact in order to not bring the panic. Thus they grant further loans, trying to hide bad loans and show a vision of solvency. As management take decisions to raise interest rates on deposits to attract more deposits, minimize their liquidity risk and such banks, often involved in projects with a high risk, and with a high expected profit in order to minimize losses.

These measures are ineffective, as history shows. It requires an asset restructuring or recapitalization. Central banks, or financial agencies in some cases, have an important role in this direction. Experience shows that a method for commercial banks with a majority state share and deficiencies in performance is privatization. But privatization is needed to achieve a well determined. Otherwise this could lead to the creation of a banking crisis further.

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BANKING SUPERVISION IN THE CONTEXT OF PRICE AND FINANCIAL STABILITY OBJECTIVE

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Price stability through a stable monetary environment facilitates the smooth functioning of financial markets and overlaps with that of financial stability. Currently NBM doesn't have a well legally defined role in maintaining financial stability, but has tasks in this field through regulation and prudential supervision of the banking sector, oversight of payment systems, providing liquidity as a lender of last resort for banks, in exceptional cases of course. With this publication we aim to analyse the legal and regulatory framework that governs financial stability and banking supervision in Moldova and create insights and solutions to improve them. In the context of current issues related to the critical situation in the banking sector in Moldova, including the loss of NBM credibility among the population and the foreign development partners of Moldova, it is imposed the development of the oversight function, which should be an objective of strategic importance to NBM in the coming years.

Key words: banking, banking supervision, price stability, capital, currently, regulatory activities

I. Introduction.

The supervision of financial markets and banking sector in particular has always been a topical issue. The global crisis that affected the financial sector since 2007 was the consequence of excessive risk and

negative developments in the financial markets. In this regard, the supervisory authorities have developed a series of methods and techniques to detect, monitor and predict risk. In the current context, to improve the stability of the banking system and prevent systemic risk, it was needed a fundamental revision of existing prudential regulations embodied in Basel III. This new agreement brings more clarity in the banking financial sector and addresses to a wider range of risks by providing better regulation.

Based on these findings, we aim through this publication at analysing legislative and regulatory framework that is regulating financial stability and banking supervision in Moldova and formulating solutions to improve them.

II. Critical analysis of the domain investigated.

In accordance with Art. 4 of the Law on the National Bank of Moldova its fundamental objective is to achieve and maintain price stability.

Price stability can be defined as a situation where the price increase is sufficiently low and stable so that it does not exert a significant influence on the economic decisions of the society. According to NBM, price stability can be quantitatively defined by the inflation rate measured by the consumer price index published monthly by the National Bureau of Statistics.

In addition to ensuring and maintaining price stability which is the primary objective of the monetary policy, the NBM has other secondary macroeconomic objectives, including ensuring economic growth and employment. These goals are pursued to the extent that they do not affect the fundamental objective of the NBM.

Price stability and keeping inflation at a low level is the most important objective of the NBM because it contributes to a stable economic framework which enables economic development and ensures a sustained level of growth.

At the same time, price stability does not mean that all prices are stable or fixed, but the focus is on maintaining stability in average prices, aiming ultimately to their relative stability and, not absolute stability.

Thus, achieving price stability by keeping the speed or time value erosion of the purchasing power of money provides a favourable framework for sustainable economic growth and macroeconomic stability. In this sense, the concept of price stability through a stable monetary environment facilitates the smooth functioning of financial markets and overlaps with that of financial stability.

III. Financial stability

Financial stability is the characteristic of the financial system which withstands systemic shocks on a sustainable basis without major disruptions, to efficiently allocate resources across the economy and identify and manage risks.

Despite the fact that currently the NBM does not play a role in legally maintaining financial stability, the NBM has tasks in this field through regulation and prudential supervision of the banking sector, oversight of payment systems, providing liquidity through its role as a lender of last resort for banks, in exceptional cases.

Thus, with the primary objective of price stability, the NBM must pay particular attention to financial stability and the overall evolution of the macroeconomic indicators. For a healthy financial stability it is necessary not only price stability, because this also depends on many other factors.

Therefore, NBM must keep in mind that on long-term, price stability and financial stability are mutually favoured, but in short-term conflicts may arise between them, which was shown in 2014-2015 crisis in the Moldovan banking system. Conflicts in the short term may also have derived from vulnerabilities of the financial stability induced by high interest rates, the need to grant loans of last resort to banks in exceptional cases to maintain the stability of the banking sector, the amendment of mandatory reserves that can create some pressure on liquidity of banks etc.

Own vision on problem and the results obtained during research. To avoid frictions between the objective of price stability and financial stability in the coming period, we believe that NBM should follow:

- Improve the quality and scope of supervisory and regulatory activities;
- Increasing transparency of financial institutions, focusing on disclosure of information on lending practices and attracting deposits, also providing other services;
- Exchanging information with national supervisors of international financial groups and developing stress tests at different levels;
- Implementation with pragmatism and transparency of monetary policy with widespread use of communication.

According to art. 5 of the Law on the National Bank of Moldova, the NBM has the following functions:

- a) establishes and implements monetary and foreign exchange policy;
- b) act as banker and fiscal agent of the state;
- c) prepare economic and monetary analysis and based on them address proposals to Government, informs the public about the results;
- d) license, supervise and regulate the activity of financial institutions;
- e) credit banks;
- f) supervises the payments system in the country and facilitates efficient functioning of the interbank payment system;
- g) act as the sole issuer of currency;
- h) determine, through consultation with the Government the exchange rate regime of the national currency;
- i) hold and manage national currency reserves;
- j) in the name of the Republic of Moldova, takes responsibilities and performs transactions resulting from participation of the Republic of Moldova in the activity of international public institutions in domains such as banking, credit and monetary in accordance with international agreements;
- k) settles balance of payments of the country;
- l) performs regulation of foreign exchange in Republic of Moldova.

At the same time, the Law on the National Bank of Moldova regulates in art. 44 the relations with financial institutions on the supervision and regulation of financial institutions. NBM is exclusively responsible for the licensing, supervision and regulation of financial institutions. NBM is empowered for this purpose:

- a) to issue necessary regulations and take appropriate measures to exercise the powers and duties under this law, the licensing of financial institutions and the development of supervisory standards and determine how to apply the regulations and actions mentioned;
- b) to conduct with its officers or other qualified personnel for this purpose, controls of all financial institutions, and to examine the books, records and accounts, the conditions in which they operate, and compliance of these institutions of legislation;
- c) to require from any employee of the financial institution to provide NBM necessary information for the supervision and activity regulation of financial institutions;
- d) to impose to any financial institution remedial measures or apply penalties according to the Law on Financial Institutions, if the financial institution or its employees:
 - Have violated that law or any regulatory action of NBM;
 - Breached a fiduciary duty;
 - Have engaged in unsafe or unsound operations of the financial institution or any of its subsidiaries.

With regard to prudential regulation, art. 46 ensure that any financial institution will fulfil the requirement of the regulations of NBM on:

a) balance sheet accounts, off-balance sheet liabilities, revenues and expenses related to ratios among accounts;

b) restrictions or conditions on certain types of credit or investments that exceed an established level; certain risk-bearing liabilities; matching to maturity of assets and liabilities and off-balance sheet items; open foreign exchange positions, swap; access to the payment system.

Financial institutions are obliged to provide the NBM any information and data it requires, necessary for the exercise of his duties.

NBM may publish this information and aggregated data wholly or partly in classes of financial institutions according to the nature of their business.

According to art. 28 of the Law on Financial Institutions banks are required to comply with the following maximum limits provided by the NBM:

a) maximal indices and positions to be maintained by a bank concerning its assets, risk weighted assets, the balance sheet items and various categories of capital and reserves;

b) the maximum amount of loans and contracted relative to regulatory capital that a bank has the right to grant a person or group of persons having special relationships with the bank;

c) the maximum amount of loans and contracted relative to the total amount of bank loans, which can benefit the 10 biggest borrowers (including groups of persons having special relations with the bank).

According to National Bank regulations, banks must meet the requirements for:

a) the minimum amount of liquid resources or specific categories of such resources in relation to the value or change in value of assets (including guarantees and collateral received) or specific categories of these or related to the amount or change in amount of liabilities or some specific categories thereof;

b) the maximum amount of investments in real estate or specific categories thereof;

c) the classification and valuation of assets / liabilities, for losses on assets / conditional commitments;

d) granting certain types and forms of credits and investments;

e) harmonization of terms and interest rates on assets and liabilities;

f) unsecured positions in foreign currency, precious metals or precious stones exceeding a certain limit;

g) the transparency of the ownership structure of the bank and control over the bank by acquiring, accumulating, storing and updating information on shareholders (beneficiary owners);

h) outsourcing activities of material importance;

i) internal control systems;

j) assets transmitted in possession / purchased in exchange for debt repayment.

Failure to follow these requirements entails sanctions.

International practice in banking supervision, suggests that under equity fragility of banking institutions, can occur in the near future a process of capitalization of the banking institutions. Regaining public confidence and strengthening financial stability requires this as being necessary. Thus, Basel III focuses on strengthening equity levels and reduces excessive lending. There are discussed two additional safety systems:

– “Capital conservation buffer” imposes an additional capital requirement over core capital. If the banks do not reach the required target of this indicator, supervisors are able to restrict the granting of bonuses, dividends or buybacks.

– “Countercyclical buffer”, will involve additional capital requirements if the authorities observe the phenomenon of excessive lending, its role is to protect the banks if the economic cycle suddenly changes and a large number of bad loans appear.

Another critical issue is the process of universalization - banking specialization. The problem of the degree of consolidation of banking systems must be addressed in the context of the development of financial conglomerates which may be a factor jeopardizing financial stability, even if they offer a diversification of risks, a phenomenon demonstrated by the current financial crisis.

In the banking regulation sector and supervision at international level requires a closer cooperation between central banks, regulators and supervisors (if different from the central bank).

It is also important to take into account the advantages and limits of prudential supervision models at national level:

- the model involving independent oversight institution, different from the central bank;
- Central bank model;
- the model involving banking supervision granted to Ministry of Finance.

It may be an object of debate and issue the number of supervisors and the exercise area, the size of financial market segments:

- Sectorized supervision;
- Integrated supervision.

Some solutions to increase the stability of banking systems can be inspired by the Islamic banking model. Islamic banking is based on the following fundamental principles: the prohibition of charging interests; banning speculative trading and based on uncertainty; prohibition on funding of unethical activity or negative impact on society; the principle of participation in profits and losses; Islamic financial transactions must be directly linked to a real and tangible asset, meaning the real economy. Thus bypassing the first principle, all others can be considered suitable as financial regulations, which aim to reduce financial speculation made by banks; sharing both profits and risks to stakeholders; channelling bank loans by activities related to the real economy, especially to production and not to speculative financial transactions.

In the context of current issues related to the critical situation in the banking sector in Moldova, including the loss of the NBM credibility among the population and the foreign development partners of Moldova, it is imposed the development of oversight function, which should in the fourth coming years be an objective of strategic importance to NBM.

Development of corporate governance regulation in the banking sector and implementing a solution for optimization of licensing and monitoring process of transparency of the shareholders are required objectives in the coming years to modernize the NBM internal processes and activities in these areas. Achieving these objectives will enhance the efficiency and quality of operations and banking supervision regulatory authority.

However, for the development of regulatory and supervisory reporting entities in preventing and combating money laundering and terrorist financing, the National Bank should implement IT solutions on analysis remotely, which will optimize the process of data analysis and enhance the approach risk-based supervisory practice.

In the context of compliance with international standards and practices, NBM, as the supervisory authority, should seek to promote a strong and competitive financial system with as few risks as possible. Thus, NBM should ensure a high level of assessment and monitoring of credit risk by implementing credit risk register. To prepare for the registry of credit risk, NBM will have a dynamic tool which will reduce the time required to gather information on loans checked by NBM inspectors during the controls on the ground and also the time required for preparation of the report on control of credit risk.

IV. Conclusions.

The concept of price stability through a stable monetary environment facilitates the smooth functioning of financial markets and overlaps with that of financial stability.

Although currently NBM has a well-defined role in legally maintaining financial stability, the NBM has several tasks in this field through regulation and prudential supervision of the banking sector oversight of payment systems, providing liquidity through its role as lender of last resort for banks, in exceptional cases.

To avoid frictions between the objective of price stability and financial stability in the coming period, we believe that NBM must pursue: improving quality and scope of supervisory and regulatory activities;

increasing transparency of financial institutions, focusing on disclosure lending practices and attracting deposits and the provision of other services; exchanging information with national supervisors and international financial groups developing, stress tests at different levels; implementation pragmatism and transparency of monetary policy and widespread use of communication.

Development of corporate governance regulation in the banking sector and implementing a solution for optimization of licensing process and monitoring transparency of shareholders are main objectives in the coming years to modernize the NBM internal processes and activities in these areas. Achieving these objectives will enhance the efficiency and quality of operations and banking supervision regulatory authority.

However, for the development of regulatory and supervisory reporting entities in preventing and combating money laundering and terrorist financing, the National Bank should implement solutions on analysis remotely, which will optimize the process of data analysis and enhance the approach of risk-based supervisory practice.

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FUNDING OF HEALTH IN MOLDOVA

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Maintaining and improving health are not only individual values but also contribute to social welfare through its impact on economic development, competitiveness and productivity. In this context, investment in health is a contribution to human development, to the welfare of population. Therefore, we can consider the volume of investments in health as an indicator reflecting policy in this sector. Considering that the health system needs funding to fulfill its role, the study of economic indicators, especially those reflecting financial expenses in the health care system, presents an enhanced interest.

Key words: *funding, expenditure, budget, health care system.*

I. Introduction

The Ministry of Health takes care about people's health and sets priorities related to public health. Funding for most services is provided by National Health Insurance Company (NHIC). Public health services are provided under the responsibility of the Ministry of Health. It coordinates a number of national

health programs (NHP) for priority public health issues, such as prevention and control of tuberculosis, mental health, hepatitis, diabetes prevention and control, public immunization, HIV / AIDS, etc. .

In Moldova, apart from the Ministry of Health, healthcare is provided by specialized institutions and other ministries (e.g.: State Chancellery, Ministry of Interior, Ministry of Defence etc.).

Moldovan Health System is supported as well by international institutions, benefiting from support regarding elaboration of policies and service providing.

At the end of 2014 there were 408 public health institutions. Hospitals use the majority of health system resources and remain the leading healthcare providers. At the end of 2014, Moldova was operating 56 general hospitals, three psychiatric and substance abuse (addictions) hospitals and 10 specialized public hospitals. Medical services in the majority of these institutions are paid by NHIC.

In the same period, there were approximately 612 private medical institutions, of which only 13 offer inpatient services (11 are located in municipality Chisinau and one in municipality. Balti and Briceni).

The aim of the study is to elucidate how health system in Moldova is funded by reflecting spending on health the service provider has incurred during the reporting year.

Existing data allow us to establish a relationship between the funding of the health and activity indicators of the health care system.

II. Critical analysis of the domain of the investigated problem

Financing of public health is an essential factor for assessing the health of the population. The low level of funding allocated and inefficiently used resources are reflected in public health indicators, which place Moldova far below the EU average.

For Moldova, total health expenditure, made up 11.159 billion lei (2013-99 billion lei), which is equal to about 794.9 million US dollars. Considering that the total GDP for 2014 was 111.8 billion lei (US \$ 7.96 billion), total health expenditure accounted for 10.0% of GDP (2013 - 10.4%) (Figure 1) .

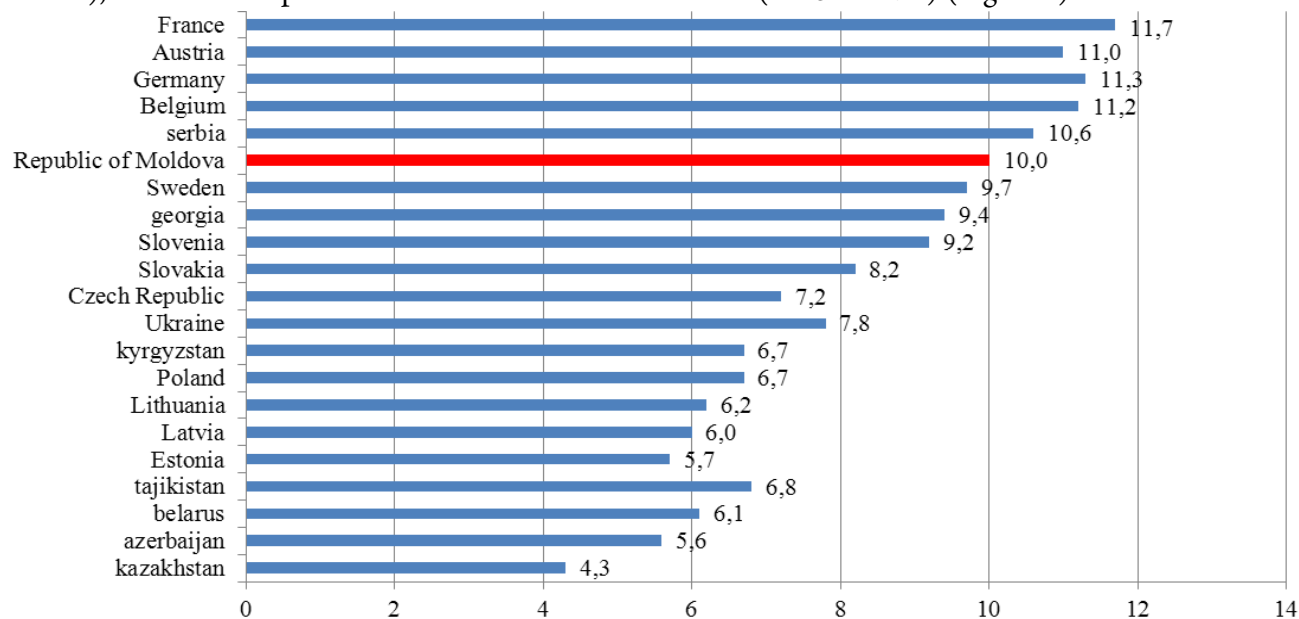


Figure 1.Total health expenditure compared to GDP 2014 (%)

Source: www.cnms.md

According to the findings public spending accounted for - 5.3% of GDP private spending - 4.1% and external expenses (without credits) - 0.6%.

Compared to data provided by international organizations Moldova is below several CIS countries in terms of per capita expenditure on health (Figure 2).

According to the National Bureau of Statistics 3555.2 thousand people (2013 - 3559.5 thousand) lived in Moldova at the end of 2014. Based on these data, health spending per capita represents on average 3145.2 lei (2013 - 2.767.5 lei) or US \$ 223.6 (2013 - US \$ 219.8).

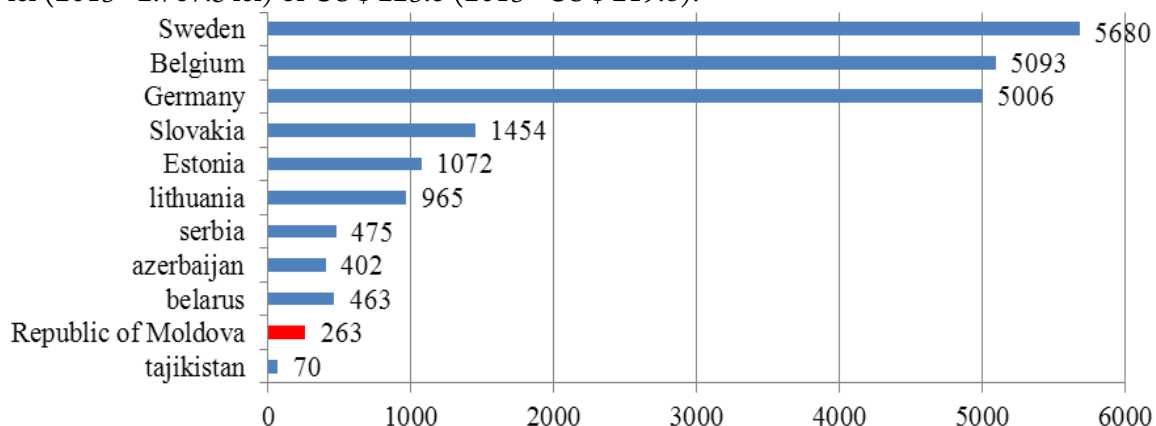


Figure 2. Total health expenditure per capita, USD, 2014

Source: www.cnms.md

Only 85% of the population (2013 - 83.2%) were insured by NHIC 2014. The expenses for an insured person constituted 1548.6 lei (2013 to 1427.7 lei) or US \$ 110.3 in 2014 (2013 - 113.4 US dollars).

Funding sources

Funding sources are entities that provide health funds. This category includes the Ministry of Finance of Moldova, households and donors.

Total health expenditure is formed from three main sources of funding. Public sources accounted for 53.3% of total health expenditure. The private sector, including private institutions, nongovernmental organizations (NGOs) and households made up 40.7%, foreign sources made up 5.9% of total health expenditure (THE) and transfers from the Transnistrian region 0.1% (Figure 3).

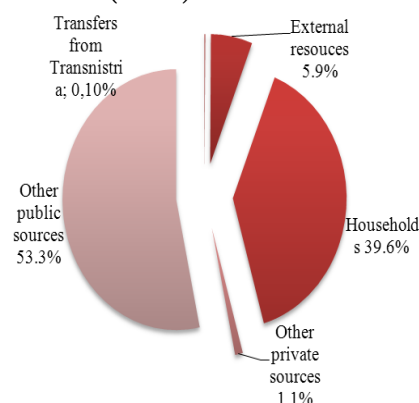


Figure 3. Sources of funding in Moldova, 2014

Source: www.cnms.md

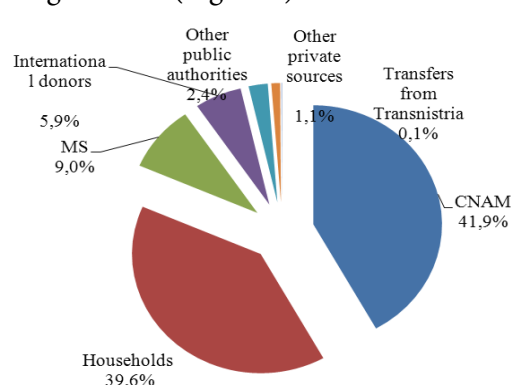


Figure 4. Total expenditure from health funding agents, depending on funding agencies 2014

Source: www.cnms.md

Central Public Administration (CPA) distributes resources mainly through the National Health Insurance Company (78.6% of spending CPA) and MH (16.9%). The remaining section includes resources for other institutions of the central government (expenditures in the Ministry of Labour, Social Protection and Family, Ministry of Defence, Ministry of Internal Affairs etc.), local government and the health care budget of the State Social Insurance (NSIC).

Funding agents

Funding agencies in Moldova can be divided into three categories: public sector, private sector and external resources. From these agents, the health system is mainly financed by the public sector 53.3% and

40.7% by the private sector. The private donations slightly exceed 5.9% and other 0.1% represents the transfers from the Transnistrian region.

In Moldova the public sector is financed by more financing agents (Figure 4). Most public health expenditures are distributed by NHIC. It administrates 78.6% of public funds and 41.9% of THE of the country, NHIC mainly finances rehabilitation services and local authorities play a very insignificant role in financing the health sector of the country. The Ministry of Health is financing 16.9% of public funds and 9% of THE. The remaining funds are managed by other public authorities.

Private expenditures on health (PHE) are provided by four different financiers: private insurance companies, private companies, non-profits and individuals. Private insurance share was very low (0.4% of PHE and 0,2% of THE). NGO expenses were 0.1% of THE and 0.04% of PHE. Expenses of private companies were estimated in 2014 at 2.3% of THE and 0.9% of PEH. Most private health expenditures are covered by households. They represent 97.2% of all private expenditures.

Curative services (hospital, outpatient and home), medical transportation and emergency aid are financed mainly from the NHIC budget, while outpatient dental care, laboratory services, diagnostic imaging services, rehabilitation services and medicines are mostly covered by patients.

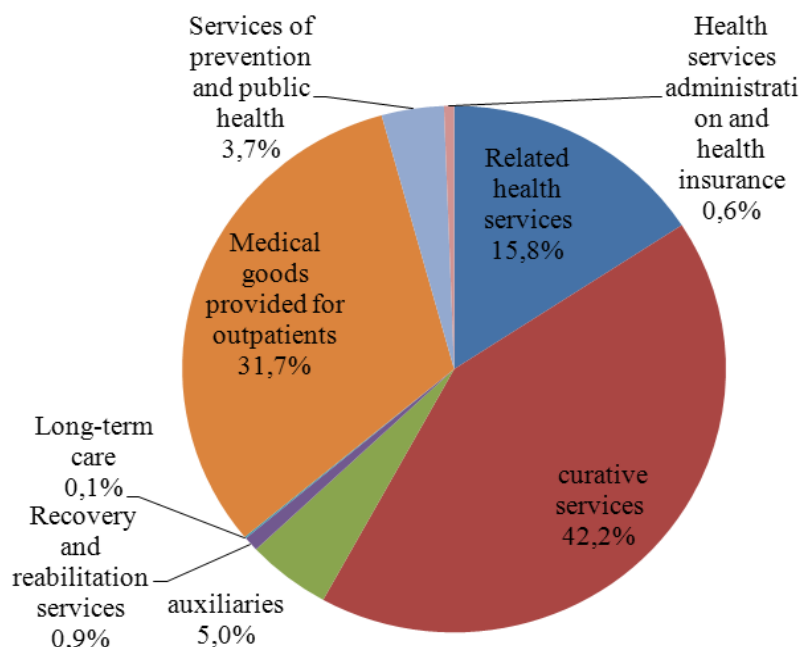


Figure 5. Health expenditure depending on the services provided, 2014

Source: www.cnms.md

Household expenditures

Household resources occupy a substantial share in financing health care sector in Moldova. Their share in health expenditure indicates 39.6% of THE and 97.2% of PHE. During 2014, household expenditures for health were maintained at the level of 2013, but was observed a rise in spending for food.

Individuals spend most of their resources for health for medicines and medical devices. Costs distribution to households for medicines and medical devices to patients in an outpatient setting is as follows: 98.8% for paid medicines (2013 - 95.5%) and 1.2% for durable and non-durable goods (2013 - 2.0%).

Households pay for inpatient curative services 6.5% (2013 - 6.9%), primary care and diagnostic services (doctor visits) 10.8% (2013 - 11.1%) and specialist outpatient services 0,8% (2013 - 11.9%), dental care 0.9% (2013 - 4.7%), other (public health services) - 1.1%. The remaining costs are for auxiliary services - 0.2% (2013 - 2.7%).

Health care providers

Providers are entities that receive money in exchange for or in anticipation of producing health activities.

Out of total health expenditure, hospital expenditure is 35.3% (2013 - 35.5%) (Table 1). The share of resident care institutions expenses (sanatoriums, orphanages) is 1.2% of THE. The proportion of expenditures for ambulatory care providers was 25.1% of THE (2013 - 24.2%). The largest share belongs to primary health care institutions - 17.1% of THE (a.2013 - 18.5%) (68.0% of expenditures for ambulatory care providers). Dentists had a share of 0.5% of THE (2% of expenditure for ambulatory care providers). The proportion of expenditure for medical and diagnostic laboratories was 1.1% of THE (4.5% of expenditures for ambulatory care providers). Other providers of ambulatory care will total 6.4% of THE (25.4% of expenditures for ambulatory care providers).

The largest share held by 35.3% of the total hospital expenditure on health (2013 - 35.5%). Pharmacies and other providers of medical goods held 31.7% of total health expenditure (2013 - 33.3%). The share of expenditures by institutions of the State Service for Public Health constituted 2.5% of total health expenditure (2013 - 3.7%). The share of health sector administration and health insurance is 0.6% of THE, and of the institutions of education and training is 3.6% of THE.

Table 1.

Health expenditure by type of service provider, 2014

Type of provider	Thousands MDL	Share of THE
<i>hospitals</i>	3 942 219,08	35,3%
<i>Rehabilitation and palliative care institutions</i>	134 502,78	1,2%
<i>Ambulatory medicine providers</i>	2 797 915,66	25,1%
<i>Retail dealers and other providers of medical goods</i>	3 536 796,43	31,7%
<i>SSSP and NSP delivery and management</i>	272 905,42	2,5%
<i>Leading health care and health insurance</i>	68 279,22	0,6%
<i>Other providers of health services (rest of the economy)</i>	0,00	0,0%
<i>Institutions offering services related to health</i>	406 680,50	3,6%
Total health expenditure	11 159 299,09	100%

Source: www.cnms.md

Hospitals

Hospital expenses are distributed as follows: public sector share - 83.6% (a.2013 - 80.7%), mostly covered by health insurance funds and social insurance funds - 81.5% (a. 2013 - 87.9%), Ministry of Health covering 15.4% (a.2013 - 9.3%), other ministries and local authorities - 2.6% and the Academy of Sciences - 0.5% of all public expenditures for hospitals.

SCIENTIFIC SYMPOSIUM OF YOUNG RESEARCHERS

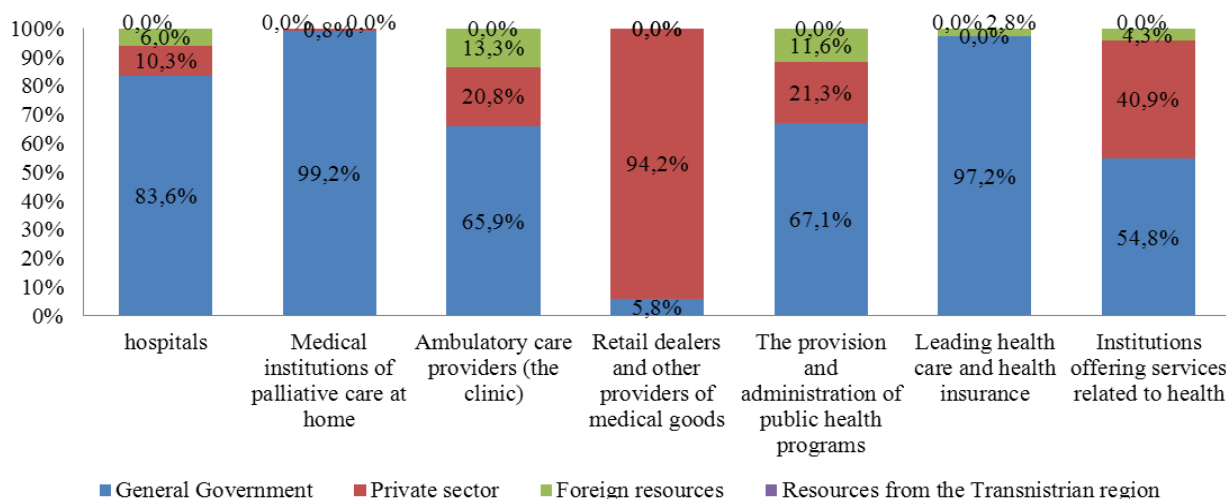


Figure 6. The expenses of healthcare providers by type of financing agents 2014

Source: www.cnms.md

Private expenditure on hospitals accounted for 10.3%, being covered mostly by households - 84.2%, and others: NGOs - 0.9%, private institutions - 12.9% and private health insurance companies - 2.0%. The share of expenditures from international donors is 6.0%. Distribution of total health expenditure (THE) depending on type of provider is shown in (Figure 6).

Ambulatory care providers

Distribution costs for providers of ambulatory healthcare differs from the hospital. Share of the public sector (65.9%) (a.2013 - 70.4%), NHIC contributed with 92.4% (a.2013 - 91.0%), MS - 3.8% (a. 2013 - 5.7%), the share of other ministries and departments was 2.1%, and of the local authorities - 1.7% of PHE for ambulatory care providers.

The share of private expenditure on health (PHE) for ambulatory care providers was 28.2%; 95.9% of them belong to the households, 2.2% to private institutions and 0.003% to NGOs, used for outpatient care providers. International donors expenditure amounted to 1.7%.

Resident care units

Public sector spending in 2014 for resident care units were 99.2% (a.2013 - 84.3%). Most of the costs were covered by the Ministry of Labour, Social Protection and Family - 50.9%, share of the Ministry of Health - 42.5%, of NSIC - 1.8% and of other ministries - 4,8% of PHE for resident care units. International donors have contributed to this significant funding compartment.

Providers of medical goods

Retailers and other providers of medical goods (in most pharmacies) had in 2014 a share of 31.7% of THE (2013 - 33.3%). Public sector share was 5.8% (100.0% covered by NHIC) and the private sector share - 94.2% (a.2013 - 95.0%) (100.0% covered by households). International donors have made insignificant contributions to this department funding.

National Health Programmes (NSP) and the State Service for Public Health

Distribution of expenses for the State Public Health Service (SPHS) and NSP: the public sector amounted to - 67.1% (2013 - 50.6%) (highest proportion belongs to the Ministry of Health - 84.2%) (2013 - 95.9%), the private sector had a share of 21.3% (the share of households - 39.8%, private institutions - 60.1% and NGOs - 0.1%), external resources had a share of 11.6% in this area of expenditure

As shown in Figure 5, the biggest part of expenditures on services or activities the service providers carry out with their own funds belong to curative services (42.2% of THE) (2013 - 43.7%), followed by medical goods provided for outpatients (31.7%) (2013 - 33.6%) and other medical services (26.1%). It is important to note that the share of general government health administration is 0.6% of THE. NCS

findings show a relatively small percentage of funding for capital formation. During 2014 for this purpose were spent only 11.2% of THE (2013 - 6.5%).

According to the results, 64.0% of auxiliary service costs are spent for patient transport and emergency aid. For diagnostic imaging services are spent 26.0% and 5.0% are spent for laboratory services. Other auxiliary services represent 5.0% of total expenditure for auxiliary services.

In 2014, the spending on medical goods distributed to outpatients were 3.5 billion lei (in 2013 - 3.3 billion lei) or 31.7% of THE.

In 2014, 90.65% of spending on medical goods provided for outpatient care were for counter medicines (2013 - 90.65%) and for prescription medicines - 7.44% (2013 - 7.44%).

2.6% of THE are spent for prophylaxis and disease prevention. Of these, 51.1% were spent on the prevention of communicable diseases, followed by those for the prevention of non-communicable diseases - 48.9%. Also, spending on prevention and control of communicable diseases was distributed as follows: 20.5% belong to the National Programme for Prevention and Control of Tuberculosis for 2011-2015; 38.5% - to The National Programme for Prevention and Control of HIV and STIs for the years 2014 to 2015 and 3.1% - to the National Programme for Control of Hepatitis B, C and D for 2012-2016. National Immunization Program for 2011-2015 have spent 35.8% of the expenditures for the prophylaxis and control of communicable diseases.

A part of the financial resources for the prevention of non-communicable diseases were directed to National security program and national self-insurance transfusion with blood products for the years 2012-2016 (66.9%), which is followed by the National Mental Health Programme for 2012-2016 (16.4%), National Programme for prevention and Control of diabetes "MoldDiab" for 2011-2015 (4.9%) and National program to promote healthy lifestyle for 2007-2015 (3.6%). Other national programs that were not mentioned above and included in the category of non-communicable disease prevention had a share of 8.2%.

It must be remembered that the results of the National Health Accounts (NHA) covers only the costs associated with Moldovans. This means that it does not reflect the cost of health services offered to Moldovan citizens living abroad and the cost of medical goods purchased by them.

III. Own vision on the problem and the results of research

In the last decade total spending on health has significantly increased, the state continues to be the main funder of the health system. At the same time, national statistics show that household expenditures in the health system continue to be at a high level, especially for drugs and pharmaceuticals, which constitute 72% of direct payments for health.

Total Health Expenditure (THE) include curative health activities, nursing and rehabilitation services depending on service provision, such as inpatient, outpatient, home care and daytime cases. Spending on health also include SPHS and NSP services, medical supplies and equipment (mostly medicines), occupational health and management in public and private health sectors.

THE include health spending of central government (including expenses for health services in parallel sectors such as the Ministry of Interior, Ministry of Defense etc.), local government, personal expenses, such as households (individuals), private insurance, non-profit institutions serving households (NGOs) and private companies costs (usually employers).

THE include data from all healthcare providers regardless of their ownership type (public or private). These include funds allocated to hospitals, outpatient services, nursing homes and rehabilitation institutions, institutions that provide and administer health programs, public institutions that manage the health sector and compulsory health insurance (e.g. MH, NHIC etc.) and pharmacies.

However, total health expenditures on health do not cover research and development in health, environmental health and other services (whose primary purpose does not reflect improving health). The expenditures do not include payments related to health, such as: allowances for temporary work incapacity or maternity.

Informal payments are widespread in Moldova, even among the insured population. The share of informal payments of direct payments was in 2010-37% for services within primary health care and specialized outpatient, and 94% for hospital services. Informal payments discredit the public funding system and double the cost of medical services for beneficiaries of the health system.

In Moldova, the development of private insurance would not only bring additional resources into the system, but it would take some of the current NHIC financial pressure. Resources must be managed more efficiently in primary health care and outpatient treatments in order to relieve NHIC from very high hospital care costs, which in many cases is unnecessary. About 20% of the population is not classified in the mandatory health insurance (MHI) system and do not benefit from full financial protection and access to health services.

Another financial dimension of the health system is the management of compensated medicines (CM) and free medicines funding which are increasingly more complex, because ensuring access to medicines is the main focus of health policies of the state. One of policies to increase the affordability and availability of medicines is the implementation of the scheme medication.

IV. Conclusion

Today Moldova is facing a quite serious financial crisis in the healthcare system, situation caused by the debt the Finance Ministry has towards the NHIC. The Finance Ministry has a debt towards hospitals which rises to almost half a billion lei and there are no money in the budget. The current situation shows for the first time such a large debt of medical institutions. Accordingly, the NHIC is already in debt towards hospitals, as indicated in the contracts between the NHIC and hospitals. Consequently, medical institutions are also in debt. According to the Ministry of Health, the deficit is the result of the debt the Ministry of Finance has towards the NHIC, i.e. transfers from the state budget for health insurance for categories of persons insured by the Government - children, students, pensioners, disabled people, pregnant women and other groups. As a share, such income constitutes almost half of total insurance funds accumulation.

The deficit is also a result of debts that the medical institutions have towards other economic entities from which they buy all the necessary things - medicines, supplies, heat, water, food in hospitals. Another cause is the poor planning and management of public resources by the National Health Insurance Company over the past few years, as witnessed in the latest reports of the Court of Auditors.

The volume of financing health care system affect the demographic situation, but only by increasing the volume of investment in health we will not improve indicators of population's health and we cannot guarantee the improvement of medical-demographic situation of the country. The strategy of resources allocation is very important. Implementation of mechanisms for rational use of available resources, combined with an increased service quality and a sustainable economical growth of the country will help increase the effectiveness of the healthcare system and will be reflected in improved indicators.

Health reform will necessarily imply a clear definition of priorities and allocation according to related funding. Considering the financial challenges all the healthcare systems are facing, prevention programs and outpatient treatment will have to be on the list of priorities and must get adequate funding.

Financial resources are certainly limited, but there are alternative solutions and supplementation and efficientization mechanisms of health spending.

All data is consistent with health policies and is the result of strengthening data provided by health care providers. They may be different from those presented by the Ministry of Health for several reasons, namely:

1. Differences in National Health Programs data.
2. The Ministry of Health submitted a consolidated NHP funding but not the beneficiaries of funds or purchased medicines.
3. It is not excluded that medical institutions have submitted erroneous data.

In conclusion it is worth mentioning that the amounts which do not correspond to those presented by the Ministry of Health were not omitted but were reflected in other positions, so overall financing of the health system remains the same.

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REGULATION OF THE PUBLIC OFFERING ON THE DOMESTIC CAPITAL MARKET

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The implementation and activation of viable mechanisms for investment attraction and increasing the liquidity on the domestic capital market should be a crucial one to the authority for regulation and supervision, issuers and professional participants. The trading of securities through public offerings is an important process for the continued development of a transparent capital market. This article will identify the theoretical classifications of public offerings and compare them with the classifications approached within the domestic legal framework.

Key words: public offer, bidder, issuer, potential investors, securities, liquidity, transaction, regulated market, transparency.

The public offering is a mechanism for trading securities on the capital market with a high degree of transparency of the process of trading, of the issuer of these securities and the tenderers other than the issuer, in order to ensure the safety of potential investors and existing holders of these securities.

The public offering is considered a special, firm operation, non-negotiable after the launch; where the bidder, considered to be the initiator of the offer, will follow at least the initial terms and conditions when buying or selling large blocks of securities.

Any public offer can only be made following the publication of a prospectus with free access for interested persons indicating more operating conditions thereof and the parties involved. From a different point of view, the public offer is understood as a statement addressed to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to take a decision on the purchase or to subscribe to these securities.

Public offerings can be sale or purchase offers of securities and the initiators may be: the issuer of such securities, either the existing owners, potential investors, as well as the state. The offers may be directed towards the enhancement of liquidity of securities on the capital market for the sale offers as well as for consolidation of packages securities by the existing holders or potential investors for takeover bids.

Public offerings are all initiated by the issuer on the primary market or by other bidders on the secondary market. The issuer may also launch public offers on the secondary capital market if he holds Treasury securities. In international practice these offers are given an increased interest and are used as an indicator to determine the degree of liquidity, transparency and capital market development.

The public offerings are:

- IPO (Initial public offer) – an offer used by the issuer for issuing new shares on the primary market for a wide circle of potential investors in order to access trading on a regulated stock market;
- PO (Private or public offering) – an offer used by the issuer for issuing new shares on the primary market for a narrow circle of potential investors to access trading on a regulated stock market;
- PPO (Primary public offering) – an offer used by the issuer to issue additional new shares on the primary market which are already traded on a regulated stock market;
- SPO (Secondary public offering) – an offer used by existing shareholders for estrangement on the secondary market of large blocks of shares;
- DPO (Direct public offering) – an offer outside a regulated stock market conducted by the issuer directly to primary investors or existing shareholders.

In practice, all these offerings are called IPO because they have the same goal, such as the public share among large circles of investors of securities. These types of transactions are specific to Anglo-Saxon states that see the capital market as a serious source of attracting investment. Even the governments of these states raise capital for its needs through the privatization of state companies through IPO. Companies in these countries attract up to 15-20% of all investments in the capital through public offerings. Another situation is in European countries that have a different model of development of the financial market and are directed towards bank loans. Here the rate for attracting investments through public offerings in capital is 5-10%.

Takeover bids - in which a bidder presents its intention to buy securities on the secondary market in an amount set at a well-defined price, addressed to all the shareholders through various sources of information possible. These deals can be voluntary or imposed by legislation.

It is important to note that public tenders are conducted through financial intermediaries, and each time it requires permission from the regulatory and supervisory bodies of the capital market.

On Moldovan stock market, the public offering is regulated by Law no. 171 of 11.07.2012 on the capital market. The aims of this regulation consist of the same things mentioned above, such as more transparent process of equity trading, ensuring the safety of the issuer, shareholders and potential investors. The public offering is seen less as a mechanism for creating liquidities on the stock market and more like one for consolidating shares in larger packages of shares; a specific situation for the capital market in Moldova.

The legal framework does not provide a distinct classification of the types of public offerings that may be on the domestic capital market, especially in the case of offers for sale which can be determined through deduction, applying the theoretical and practical aspects of other capital markets. An increased emphasis is on takeover bids by additional regulations, as Regulation no.33/1 of 6.16.2015, regarding takeover bids that are of any classification and stricter regulation.

However, in brackets, there is mention of the types of public offerings such as: of placement, of admission on the regulated market, takeover, resale, purchase.

Proceeding from those mentioned above, we can conclude that on the domestic capital market there are initial public offerings and takeover bids. Public offerings are those of placement, of admission on the regulated market and resale. If we reformulate their names from a theoretical point of view and based on the

international practice, then we can say that on the domestic capital market we have primary public offering (PPO), initial public offering (IPO) private public offering (PO) and secondary public offering (SPO).

Takeover bids and offers of procurement are offers of purchase. According to the legal framework, the takeover bids are divided into voluntary and mandatory offers.

The voluntary takeover bids are made when the bidder, not having this obligation under the law, addresses a takeover bid on the purchase of a number of securities with voting rights of an issuer that is in the public interest, who aims for a more than 50% of the total number of these securities. For Romania this threshold stands at 33%. The bidder can be a potential investor or a shareholder, but it can't be the issuer of these securities.

The mandatory offers are the offers imposed by legislation to the existing holders of securities, which have previously purchased, together with affiliated persons, more than 50% of the issuer's securities. It is a mechanism to protect the shareholders of the issuer. If the existing shareholders have any doubt about the ability of the investor, then they have every right to sell the securities they are holding.

In order to protect the interests of shareholders and of the minority on the domestic capital market there are two special arrangements for conducting public offering in both directions, buying and selling, appointed under the legislation, in the first case, the mandatory withdrawal request and in the second case, the application for compulsory acquisition. These types of offers appear, when there is a majority holder of securities of over 90% and who has the right to request the purchase of all securities from remaining holders, the minority holders have the right to require the sale of securities by the majority holder.

The takeover bids and also the special offers are carried out at a fair price which is calculated as:

- the highest price paid by the bidder or by the persons whom he has been collaborating with during 12 months prior to the public offering; or if it cannot be applied:
 - the weighted average trading price on the regulated market for the last 6 months prior to the offer; or if it cannot be applied one of the following:
 - the weighted average trading price of the last 12 months prior to the offering;
 - the net asset value per share of the company, according to the latest audited financial statements;
 - the value of the shares resulting from a survey conducted by an independent evaluator in accordance with international valuation standards.

The legal framework states that public offers are made only through investment companies and supported people that are approved by regulating and supervision body of the domestic capital market, the National Commission of Financial Market, to perform services and activities of investment on the territory of Moldova.

Making public offering, without considering its meaning, sale or purchase, is required to be accompanied by the publication of a public offer that was previously approved by the National Commission of Financial Market. The prospectus shall contain at least information concerning the issuer and / or the tenderer, securities, also all information that is to allow investors to make an assessment in awareness of its assets and liabilities, financial position, profit or loss on prospects of the issuer, tenderer or guarantor of the issue, if there is one, and the rights associated to such securities.

The given prospectus is published on the websites of the issuer, the regulated market and the regulatory and supervisory body, also in one or more circulated newspapers.

According to the rules of the regulated market Moldova Stock Exchange, besides the conditions of accession of the companies on this market such as market capitalization or that the equity of the issuer must be at least the equivalent in MDL of one million euros calculated at the official rate of the National Bank on the date of admission; the value of debt securities issuance set in order to be admitted to trading on the regulated market must be at least the equivalent in MDL of EUR 200,000 calculated at the official rate of the National Bank on the date of admission; at least 10% of the shares of the same class to be in free

circulation, the net assets of the issuer should not be less than the share capital over the last two years of the activity etc., also it is required to publish a prospectus for public offering.

I did not notice a prompt compulsion to make a public offer for the admission of securities of a company on the regulated market, apart from publishing a public offering. The evidence for the above mentioned is this point in the Rules of MSE: "If the admission to trading of shares is preceded by a public offer, the foreseeable market capitalization is calculated by multiplying the total number of shares by the public offering price. If the admission to trading of the shares is not preceded by a public offering, there will be used the equity of the issuer, indicated in the latest audited financial statements"⁸. Thereby it is suggested that the issuer himself chooses how to be admitted to trading on a regulated market, in case he meets the criteria for admission.

Over the course of seven years, from 2009 to 2015, on the secondary market, at the Moldova Stock Exchange there were transactions via public offers worth MDL 347.1 million, which involves 11.62% of the total value of transactions on this market of MDL 2987.9 million.

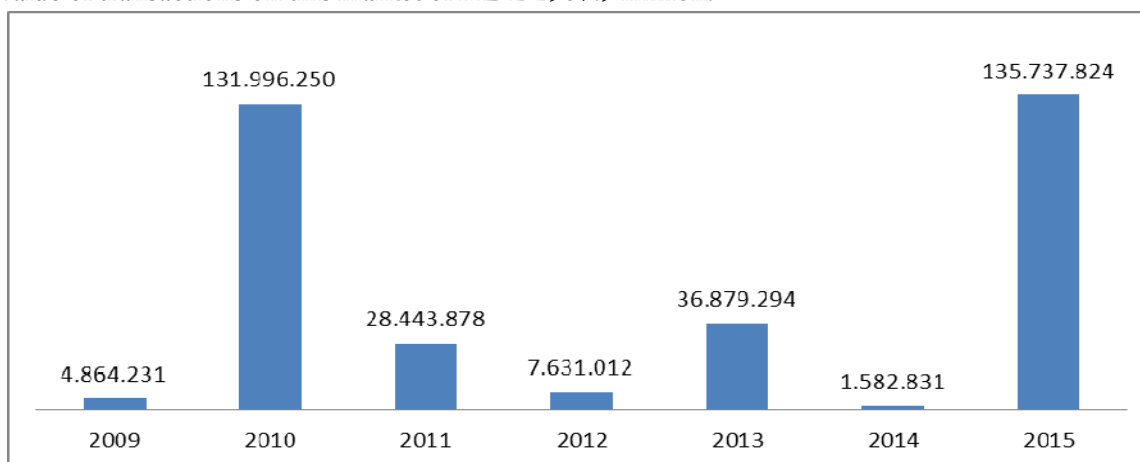


Figure No.1 The value of transactions through public offering at the Moldova Stock Exchange, during the years 2009-2015 (MDL)

Source: elaborated by the author according to the data of Moldova Stock Exchange

All these public offerings were offers to purchase securities on the secondary market.

Through them, there was held the consolidation of large blocks of shares. In 2015 the share of transactions through public offers was 74.19% of total transactions recorded at Moldova Stock Exchange. There has been no offer for sale of securities in the primary and secondary markets.

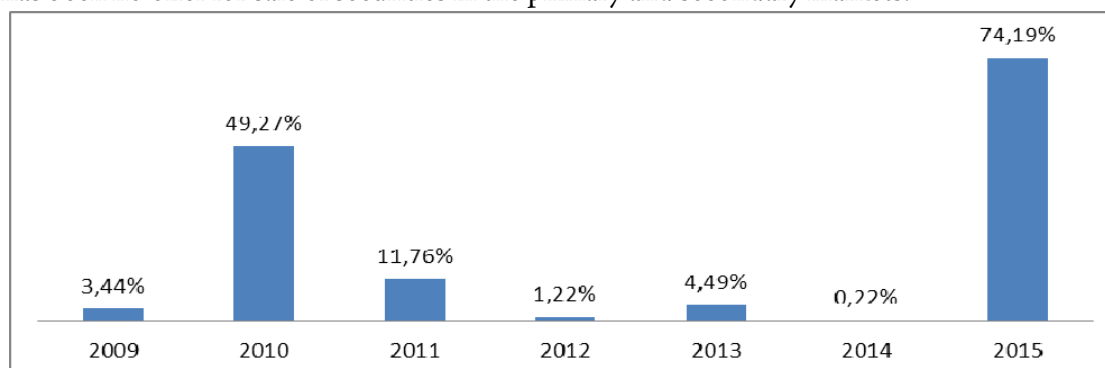


Figure No. 2 Share of transactions through public offering of total transactions at Moldova Stock Exchange during the years 2009-2015 (%)

Source: elaborated by the author according to the data of Moldova Stock Exchange

⁸ Regulated market rules of Moldova Stock Exchange, http://cnpf.md/file/Statistica_2015/mai/22/Regulile%20pietei%20reglementate%20-%20Bursa%20de%20Valori%20a%20Moldovei_ro.pdf

During the years 2009 – 2014 the IPOs were organized under Law no. 199 - XIV of 18.11.1998 on the securities market which was substituted by the aforementioned Law on capital market.

Law on Securities Market was classifying public offerings by public offerings on the primary market for public issuance of new securities and on the secondary market, which in turn were divided into public offers for sale and purchase such as voluntary, mandatory and of purchase. Likewise it was stipulating who could be the bidders, the issuer, shareholders or potential investors, specific to each type of public offer. For each type of offer there were set out clear statements that answered the following questions: when it was performing? by whom? and for what? An increasing attention has been given to takeover bids on the secondary market, as proven by the additional regulation - Instruction on public offer of securities on the secondary market (NCFM Decision no. 64/4 of 31.12.2008).

Following the reported I may find that IPOs are trading mechanisms with a high degree of transparency on both activities of the Issuer and potential investors. The level of transparency applied on domestic capital market meets the criteria required for public offerings established in the international practice. As proven by the application of the EU directives in the law on capital market.

The safety fair conditions trading securities for securities holders and also for potential investors are assured by provisions regarding the fair price.

On the domestic capital market fully prevails the takeover bids that have an impact on liquidity on the market through consolidation of securities in large packages. This is affecting negatively the activity of the regulated market.

Accession on a regulated market by issuers must necessarily take place after a public offering, as required on a regulated market of stable companies with growth potential and liquid securities. For continuous development of the domestic capital market it is necessary to emphasize and increasingly promote the public offerings, in order to increase the liquidity on the market. Also I consider that it is needed to promote public offerings among issuers, securities holders and local potential investors.

A positive impact on the perception of better activity of the capital market in my opinion would be the classification of public offerings by theoretical aspects for a greater clarity and a better comparison offered to potential local investors, even despite the fact that from the legal aspect, their regulations are not so much separate. Also statistical presentation of transactions of a public offering would be good to be separated into subdomains by each sense of the public offering and type of bidder.

Last but not least, the state presence is necessary in the public offerings market. The privatization processes in Moldova that take place through auctions with "calling" would be good to be passed through public offers. The international experience has shown, the example of Poland or Romania, that the privatization of state assets (companies) through public offers have a positive impact on revenue of the state and future work of the issuers, on the liquidity level of the regulated markets, but also on the perception of the market by population and for attracting new foreign and local investments.

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METHOD OF BANK SANATION THROUGH BAIL-IN MECHANISM

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The European Union has recently introduced the Single Resolution Mechanism (SRM) to provide a consistent set of rules concerning Eurozone bank resolution. In this article we describe the cases of bank insolvency and its ways of sanitation, especially through bail-in mechanism. In the same time were analysed legal aspects of bail-in mechanism and the possibility to apply in the Republic of Moldova.

Key words: bank sanitation, insolvency, systemic risk, bail-in, bail-out, legal framework.

Introduction

A disaster in Greek financial-banking sector gave birth to a lot of questions among all financial systems of all member countries of European Union.

Bank resolution is a big and sensible topic in these days. The meaning of "bank resolution" is something like "insolvency process".

During the recent financial crisis, it was necessary for the authorities to intervene to limit the disruption from failing banks and other financial firms. This included providing public funds to recapitalize some banks. Although this successfully stabilized the financial system, the cost of doing so was borne by the public. As part of the package of measures adopted in the aftermath of the crisis, a new tool – known as bail in – was introduced to help ensure that shareholders and creditors bear the costs of firm failure. Its development forms a key part of the efforts under way to remove the need for public funds to be used in this way again.

Bail-in is not a silver bullet. By itself it cannot guarantee that the resolution of a failed firm will be orderly. However it is an essential component of a wider framework that, taken together, will allow authorities to intervene to manage the failure of large, complex firms in an orderly way. This process is known as resolution.

The ways of insolvent bank sanitation – international practices

The recent financial crisis has shown that there is a need for better regulation of banks. It has become clear after the crisis that an enhanced cooperation is needed between countries in order to protect the financial stability. Several steps were taken in order to establish a framework which would be oriented to avoid the insolvency of banks. The International Monetary Fund drafted the Proposed Framework for Enhanced Coordination for Cross -Border Banks. This framework is aimed at cooperation of countries in

order to coordinate their resolution efforts with their counterparts in other jurisdictions to the maximum extent consistent with the interests of creditors and domestic financial stability.

In order to avoid insolvency of banks strong supervision is needed. The national supervising authority's functions are very important in maintaining the solvency of the bank. The prudential regulation is one of the key aspects to be discussed within the supervision. The robust supervision of banks is aimed at maintenance of the solvency of banks and often the early intervention helps to avoid the future bankruptcy of a bank. The examples provided in the relevant chapters have been chosen randomly in order to better illustrate the aspects of the bank insolvency proceedings, to underline the differences between countries applying various principles (territoriality or universality, single entity or separate entity or *pari passu* principle) during the insolvency proceedings.

The banks need special treatment in comparison with other companies. "Banking is an inherently risky business, and it is so by design. Banks are highly leveraged institutions that raise debt to invest in risky assets. Adding to the risk is the maturity and liquidity transformation that banks tend to engage in: their assets tend to be longer-term and less liquid than their liabilities".

Article 4 (1) of Regulation (EU) No 575/2013 of The European Parliament and of The Council defines "*credit institution*" as an undertaking the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account.

The "bank" is any financial institution which attracts available free resources from the economy and is granting credits for its own account and risk.

As we have defined what the term "bank" means, it is possible now to refer to the meanings of bankruptcy and insolvency. While examining these terms we can see that during bank insolvency cases the application of general bankruptcy laws is excluded. This also indicates that banks have special treatment.

European Union Bank Recovery and Resolution Directive (BRRD) defines "*the resolution*" as the restructuring of a bank by a resolution authority, through the use of resolution tools, to ensure the continuity of its critical functions, preservation of financial stability and restoration of the viability of all or part of that institution, while the remaining parts are put into normal insolvency proceedings.

The EU Bank Recovery and Resolution Directive provides authorities with more comprehensive and effective arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures.

Effective resolution should also address moral hazard, as one of its key functions is to enhance discipline within the markets. Resolution is thus a vital complement to other work streams designed to make the financial system sounder, e.g. making banks stronger through requiring greater levels of better quality capital, greater protection of depositors, safer and more transparent market structures and practices, and better supervision.

European Union framework for bank recovery and resolution is needed because of during the recent financial crisis; a number of banks were bailed out with public funds because they were considered "too big to fail". The level of state support was unprecedented. While this may have been necessary to prevent widespread disruption to the financial markets and real economy, it is clearly undesirable for taxpayers' money to be used in this way at the expense of other public objectives. In the future, the financial system must be more stable and banks must be permitted to fail in an orderly manner, so that government bail-outs are not needed. The high profile national and cross-border bank failures in the last few years for example, (Fortis, Lehman Brothers, Icelandic banks, Anglo Irish Bank and Dexia) revealed serious shortcomings in the existing tools available to authorities for preventing or tackling failures of systemic banks, those that are intrinsically linked to the wider economy and play a central role in the financial markets. The ability of governments to support banks which are too big to fail with squeezed public finances is becoming increasingly unsustainable.

Therefore, a clear and comprehensive bank recovery and resolution regime – that covers both national and cross-border bank failures - is crucial for ensuring long term financial and economic stability, and for reducing the potential public cost of possible future financial crises.

European Union Bank Recovery and Resolution Directive (BRRD) explains the main aim for “bail-in”, is to stabilize a failing bank so that its essential services can continue, without the need for bail-out by public funds. The tool enables authorities to recapitalize a failing bank through the write-down of liabilities and/or their conversion to equity so that the bank can continue as a going concern. This would avoid disruption to the financial system that would likely be caused by stopping or interrupting the bank's critical services, and give the authorities time to reorganize the bank or wind down parts of its business in an orderly manner – an 'open bank resolution'. In the process, shareholders should be severely diluted or wiped out, and management be replaced.

In a 'closed bank resolution' the bank would be split in two, a good bank or bridge bank and a bad bank. The good bank-bridge bank is a newly created legal entity which continues to operate, while the old bad bank is liquidated. Bank creditors that are not systemic can either be left with the old bank and undergo losses as part of the liquidation or be transferred to the new bank either reducing their claims or converting them into equity.

Directive 2014/59/EU of The European Parliament and of The Council defines “*bail-in tool*” means the mechanism for effecting the exercise by a resolution authority of the write-down and conversion powers in relation to liabilities of an institution under resolution in accordance with Article 43 of the given Directive.

Another explanation of “bail-in” is given by The National Bank of Romania: “The bail-in tool is the tool when the resolution authority exerts its powers to convert to equity or reduce the principal amount of certain claims of the institution under resolution in order to contribute to the absorption of losses and recapitalization of the institution to the extent sufficient to comply with the authorization and to continue to carry out the activities for which it is authorized as well as to maintain market confidence. Applying the bail-in measures is always preceded by the absorption of losses by shareholders and by the owners of other equity instruments. The bail-in is applicable in all Member States of European Union and represents the main element of the reform of the bank crisis management system in Europe”.

In The Republic of Moldova the regulating and supervising authority of the licensed banks is The National Bank of Moldova. The National Bank of Moldova runs its activity in conformity with The Law on The National Bank of Moldova no. 548-XIII of July 21, 1995.

In conformity with Art.18 (1) The National Bank can grant credits to banks under the terms established periodically by the National Bank and collateralized with: securities issued by the Government, securities issued by the National Bank or any other eligible financial assets established by the National Bank. As we can see, that the domestic legal framework provides “bail-out tool” in case of bank resolution, whereas “bail-in tool” is not stipulated anywhere. In order to be introduced the “bail-in” mechanism it is necessary to harmonize domestic legal framework with the European Union Directives, and especially to raise the sum of guaranteed deposits in The Republic of Moldova.

The possibility of applying the bail-in mechanism in sanation of insolvent banks in the Republic of Moldova

In a bail-in, the claims of shareholders and unsecured creditors are written down and/or converted into equity to absorb the losses of the failed firm and recapitalize the firm or its successor. This is done in a manner that respects the hierarchy of claims prescribed in insolvency law. A bail-in allows the firm to continue to operate and to meet supervisory requirements so that the critical functions the firm provides can be maintained immediately after entry into resolution.

The concept of bail-in evolved in the aftermath of the failure of Lehman Brothers in 2008. Some of those who had been involved in the discussions on how to handle the fallout from the failure of a large,

cross-border investment bank set out a method for using the firm's own resources, rather than public funds, to restore the balance sheet of the firm.

Bail-in has the considerable advantage that it does not depend on the authorities finding a willing and able purchaser for all or part of the business in a short period of time. Nor does it require the firm to be broken up immediately. Bail-in is therefore the tool most likely to be used for the largest, most complex firms where the prospect of finding a willing private sector purchaser for significant parts of the business is low and where the complexities of affecting a full or partial transfer would be substantial.

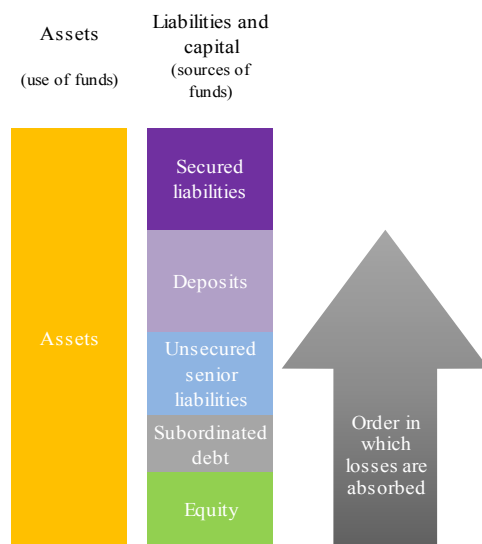


Figure nr.1. Simplified bank balance sheet of a bank.

Source: *Bank failure and bail-in: an introduction by Lucy Chennells and Venetia Wingfield of the Bank's Resolution Directorate. Quarterly Bulletin 2015 Q3.*

As we can see from the figure nr.1, it shows a stylized balance sheet of a bank. The bank's 'sources of funds' (its liabilities and capital) are shown on the right-hand side, and its 'use of funds' (its assets) are shown on the left-hand side. The bank's assets include loans that it has made to households and businesses; lending to other financial institutions; and holdings of securities such as government and corporate bonds, as well as its holdings of cash. The bank's liabilities are what the bank owes to others. They include deposits from households and firms as well as funds that the bank has borrowed, for example from institutional investors such as pension funds, by issuing debt in the form of bonds. Liabilities are shown in order of 'seniority' in the hierarchy of creditors, with the most senior liabilities at the top and the most junior, which are first to absorb losses, at the bottom. Senior liabilities include, for example, liabilities that have been secured against assets on the other side of the balance sheet, cash deposits and high-quality debt (such as senior unsecured debt). Junior liabilities include lower-quality, or subordinated debt. Equity, which is fully loss absorbing, is the firm's capital.

In common with the other resolution tools, bail-in allows a failing firm to be stabilized prior to a restructuring. There are two distinct steps to the stabilization phase:

(1) *Absorbing losses.*

The first step is to estimate the outstanding losses of the firm, which is achieved through an initial valuation of its asset and liabilities. This is necessary prior to any resolution, in order to establish whether the firm is failing, or likely to fail. Losses which have not already been fully recognized are absorbed by writing down the value of assets. The losses may or may not wipe out the existing equity in the firm, but they are likely to push the firm's capital level below that which is required by the firm's prudential supervisor. If the losses exceed the existing

equity, each layer of unsecured creditors in the creditor hierarchy will be written down, in the order of their ranking in insolvency, until the amount necessary to recognize the outstanding losses is covered.

Holders of regulatory capital instruments will bear losses before other creditors. The Bank Recovery and Resolution Directive introduced a mandatory write-down of regulatory capital instruments at the point of non-viability (PONV). This means that common equity (CET1), additional Tier 1 (AT1) and Tier 2 (T2) that qualify as regulatory capital instruments must absorb losses, up to the extent required to meet the resolution objectives, before or together with the use of any of the resolution tools. Although it is possible that a PONV write-down alone could restore a firm to viability, where the losses are limited and the business model remains sound, the expectation is that it would generally be applied at the same time as the relevant resolution tools.

(2) *Recapitalizing the balance sheet.*

The second step is to restore the capital the firm needs to support its activities, to ensure that the market has confidence in the firm, and to meet the requirements of the prudential supervisor through the subsequent restructuring phase. The bulk of the recapitalization is likely to be achieved by converting the claims of creditors into equity. The capital requirement set by the supervisor will depend, among other things, on the expected nature of the business in the future, after any restructuring has taken place, and the costs of restructuring.

During 2015 year in The Republic of Moldova three licensed banks faced difficulties in their activities caused by interbank deposits and excessive granting of non-performing loans.

On October 16, 2015 The Executive Committee of The National Bank of Moldova decided to withdraw the license for running financial activities of the following banks: C.B. “Unibank” JSC, C.B. “Banca Socială” JSC and “Banca de Economii” JSC as a result of insolvency of these banks and other legal violations and beginning of insolvency process in conformity with Law on Financial Institutions.

In case of these banks, National Bank of Moldova offered a loan in amount of more than 14,2 billion Moldovan lei, secured by Government, due to it were reimbursed all individuals deposits. In this case, the resolution authority (National Bank of Moldova) used “bail-out” tool, because the “bail-in” mechanism is not stipulated in domestic legal framework.

After the Government intervention to save these banks has formed a huge gap in the public budget. In order to cover this gap the Government converted this guarantee into public debt. If we divide the sum of 14,2 to 35 million of people living in the country (at the end of December 31, 2015), we can see that every citizen shall pay almost 4000 Moldovan lei.

Conclusion

A key lesson from the recent financial crisis was that authorities in many jurisdictions had insufficient tools to deal with the failure of their largest, most complex banks. As a result governments were forced to inject capital into, or bail out, some firms in order to prevent widespread disruption. This article has set out how the new resolution tool known as bail-in can help to prevent the need for bailouts in the future.

Practical mechanisms for carrying out a bail-in continue to evolve. However the legal framework to support it is now extensive, the planning and preparation for its use is robust and the market has begun to understand — and to price in — its effects.

This means that despite being untested, bail-in has greatly reduced rating agencies’ expectations that government support will be provided. They have adjusted their methodologies for rating banks, substantially removing the former weight placed on the likelihood of systemic banks receiving public support, and as a consequence the ratings for many firms have been downgraded. This appears to have reduced the funding cost advantages that large banks previously received due to expectations that they would be “too big to fail”.

In basis of stated above we can deduct the following main advantages of “bail-in” tool:

1. Cost reduction – applying this tool the resolution authority does not imply public financial resources;
2. This instrument saves financial institution – it offers the possibility to a bank to meet its obligations;

3. In case of bail-in appears at a bank it continues the activity thus, the danger of contagion effect is suppressed.

Of course, “bail-in” tool has a number of disadvantages, here are some:

1. Forces deponents – thus the fundamental right, the right for property is violated, clients owing a deposit more than 100 000 EUR are forced to convert their deposits in bank’s capital;

2. Bail-in is a cause of contagion, not a remedy for it - Because financial institutions tend to hold each other’s debt, bail-in has been described as a potential cause of contagion. For instance, if a bail-in occurred at Bank A, other firms holding debt or equity issued by Bank A would experience a loss, and possibly a change in the nature of their investment (from debt to equity). The wealth shock that investors experience when firms fail is not a new risk — indeed it is the norm when a non-bank firm fails. What bail-in does change is the fact that, when a bank fails, investors in that bank incur the loss rather than transmit that wealth shock to the wider population of taxpayers through a government bailout.

3. Bail-in is not the silver bullet that solves too big to fail - some commentators appear to believe that bail-in is the only change necessary to solve the problem of ‘too big to fail’, and that once the tool has been incorporated into resolution regimes, the job will be complete. By itself, the bail-in tool is not sufficient to solve the difficulties posed by the failure of a large complex international bank. Bail-in is a necessary addition to the authorities’ resolution toolkit, but needs to be accompanied by a set of measures that ensure a bail-in can be carried out without causing unacceptable adverse consequences for the financial system and the wider economy.

Bail-in mechanism can be used in raiders attack on a bank, by placing “big deposits” in a bank, run a suspicious activity and artificially lead to insolvency situation. Through this resolution mechanism some people will become the new shareholders of the bank after applying “bail-in” tool.

In order to make “bail-in” tool applicable in The Republic of Moldova there is a need to review the domestic legal framework. Mainly, the Law on the National Bank of Moldova no. 548-XIII of July 21, 1995, to introduce the resolution methods including “bail-in” and where will be stated the legal procedure of “bail-in” mechanism. Another Law which has to be revised is Law on financial institutions where shall be stated the procedure of bank resolution in case of insolvency. It is necessary to be clearly defined the meaning of “big deposits” thus shall be harmonized the Law Nr. 575 from 26.12.2003 regarding individuals deposits guarantee in conformity with Directive 2014/49/UE of European parliament and Council from April 16, 2014 regarding schemes of deposits guarantee.

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IMPORTANT DIRECTIONS ON THE GROWTH OF THE INVESTMENT POTENTIAL OF NON-STATE PENSION FUNDS FROM THE REPUBLIC OF MOLDOVA

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The existing social security system in the Republic of Moldova is given by one single tier, based on the pay-as-you-go principle, which does not ensure the well-being of the society, and can only assure the payment of pensions in amounts that are even smaller than the subsistence minimum for the persons who have reached the retirement age and retired. This situation is aggravated by the population migration within the last two decades. Thus, appears a drastic necessity of the development of facultative pensions system, and, therefore, of the determination of the main directions on the growth of the investment potential of non-state pension funds in the Republic of Moldova.

JEL code: J 32, G 23

All the countries and Governments in the world set as one of their main objectives the well-being of the population. Various tools and projects are implemented in order to reduce poverty, and maintain sound conditions for the society. These regard not only the young and adult part of the population, but the retired people as well, thus the systems of social insurance are permanently reevaluated and improved.

The current pension system in the Republic of Moldova is represented by only one tier, although the international practice proves the efficiency of three, or, at least, two tiers. The social situation is aggravated by the demographic changes within the country from the last two decades, mostly affected by massive migration of active population. The employed persons within the country are pressed by mandatory allocations from their wages to social insurance fund, collected by the National Office of Social Insurance, while most retired people receive pensions that are smaller than the subsistence minimum.

As can be seen in the figure 1, there is a slight growth in both – the aggregate amount of employed people in the Republic of Moldova, and the total amount of pensioners on the evidence of social insurance institutions comprised in 2012 – 2015 period. Should be emphasized, that here was analyzed the amount of employed people, within the country, instead of the aggregate amount of active population, while it is just the officially employed people being the only ones, who pay social insurance contributions, which, in their turn, are redistributed to pensioners. As well, should be noted, that the amount of pensioners on the evidence of social insurance institutions, as shown in figure 1 comprise the amount of pensioners, who reached the retirement age, so that these two figures should not be considered for summing. Thus, can be easily computed, that the ratio between the employed people and aggregate amount of pensioners is given as approximately 1,77:1 in the examined period (the amount of employed people with relation to the aggregate amount of pensioners fluctuates between 1,76 – 1,78 in 2012 - 2015). In the international practice, the optimal relationship between the amount of employed persons and pensioners is considered to be 4:1, or, even better, 5:1. Still, taking into consideration the amount of contributions paid for social insurance in the Republic of Moldova, at current rates (a 6% mandatory contribution paid by the employees from their salary, and a 23% mandatory contribution paid by the employer from the employee's salary), a ratio of the employed persons to the aggregate amount of

pensioners of approximately 3,5:1 would be enough to ensure a proper functionality of the PAYG system. Still, even the increase in the retirement age did not contribute to the achievement of this ratio, as can be concluded from the data presented above.

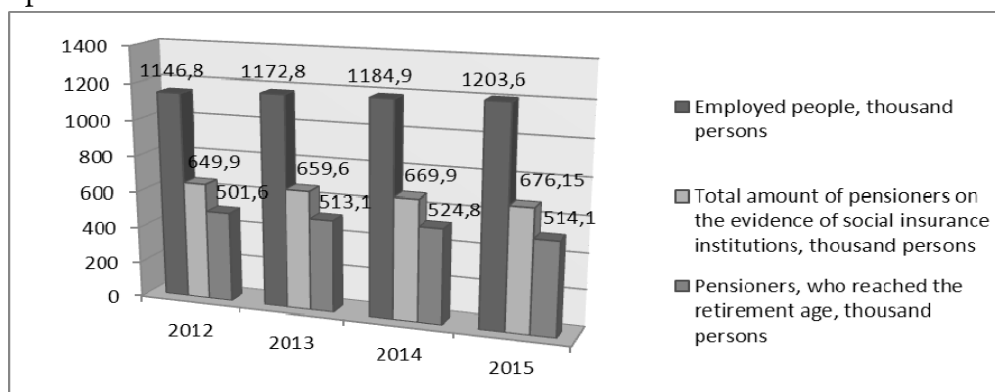


Figure 1. Relationship between employed people and pensioners on the evidence of social insurance institutions from the Republic of Moldova, analyzed period comprised between 2012 – 2015

Source: Adapted by the author according to the database of the National Bureau of Statistics of the Republic of Moldova (online), available on <http://statbank.statistica.md/pxweb/Database/RO/04%20NIV/NIV05/NIV05.asp>; and data provided by the National Office of Social Insurance of the Republic of Moldova (online), available on <http://www.cnas.md/libview.php?l=ro&idc=360&id=2999>

On the other hand, although this ratio would be a satisfactory one for the current pay-as-you-go system, it would not permit the accumulation and capitalization of the national social insurance funds, thus there would be no security for the future payments, little or no possibilities to appropriate increase in the pension amount, and to decrease the amount of contributions to be paid by the officially employed people. The latter would represent a positive change, which would potentially generate lots of benefits for all parties: for employers it would represent a decrease of remuneration expenses, as well as for employees – a smaller mandatory contribution to be paid out of their wages, both being an incentive for an increase in the official salaries, that, in its turn, would generate the increase in the total amount of contributions accumulated by the National Office of Social Insurance.

In this context, it would be interesting to analyze the evolution of the amounts of the average pension paid to persons who reached the retirement age and retired and the gross average monthly wage, which is presented in table 1.

Table 1

Evolution of the amounts of the average pension paid to persons who reached the retirement age and retired and the gross average monthly wage in the Republic of Moldova, 2012 – 2015

Indicator	2012	2013	2014	2015
Average pension paid to persons who reached the retirement age and retired, MDL	987,02	1049,92	1114,73	1202,68
Gross average monthly wage, MDL	3386,2	3674,2	4089,7	4665,8

Source: Adapted by the author according to the database of the National Bureau of Statistics of the Republic of Moldova (online), available on <http://statbank.statistica.md/pxweb/Database/RO/04%20NIV/NIV05/NIV05.asp>; and data provided by the National Office of Social Insurance of the Republic of Moldova (online), available on <http://www.cnas.md/libview.php?l=ro&idc=360&id=2999>

As can be seen, both indicators analyzed in table 1 have grown in the period 2012 – 2015. In the analyzed period, the growth of the mentioned indicators has exceeded the official rate of inflation claimed

by the National Bank of Moldova. Still, taking into consideration the rates of growth of the two indicators can be noted that there is a difference (figure 2).

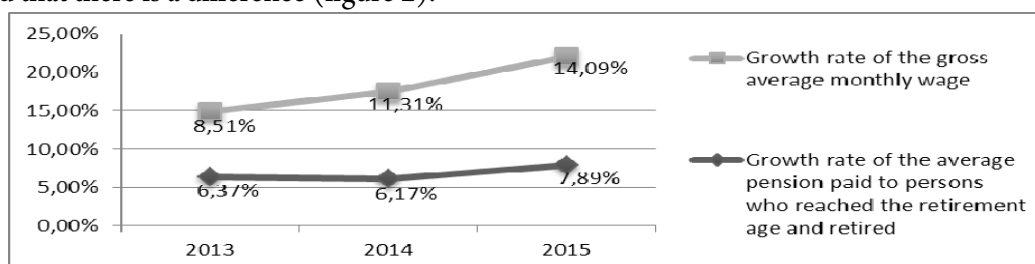


Figure 2. Growth rates of the average pension paid to persons who reached the retirement age and retired and the gross average monthly wage in the Republic of Moldova (according to current amounts)

Source: Adapted by the author according to the database of the National Bureau of Statistics of the Republic of Moldova (online), available on

<http://statbank.statistica.md/pxweb/Database/RO/04%20NIV/NIV05/NIV05.asp>; and data provided by the National Office of Social Insurance of the Republic of Moldova (online), available on <http://www.cnas.md/libview.php?l=ro&idc=360&id=2999>

Thus, the average monthly wage, within the analyzed period, has higher growth rates than the average pension paid to persons who reached the retirement age and retired, while the rate of the latter has even registered a decline with 0,2 p.p. in 2014 with regard to 2013. The difference between the two growth rates can be caused by the way the pension indexation index is calculated, and mainly by the annual growth of the consumer price index.

According to the National Development Strategy “Moldova 2020”⁹, currently, the pension indexation index is calculated as a mean between the annual growth of the consumer price index and the annual growth of the average country wage level for the previous year. Usually, the growth of the consumer price index is slower than the growth of the average country wage level, which leads to a decrease in the replacement rate. This methodology was borrowed from the international practices, while the lack of indexation of former insured revenues is a practice with no precedent.

Thus, usually the average pension amount received by the people who reached the retirement age and retired, results to be lower even than the minimum subsistence level for pensioners who reached the retirement age and retired, as shown in figure 3. In none of the years comprised in the examined period the average pension amount did not exceed or even equal the subsistence minimum.

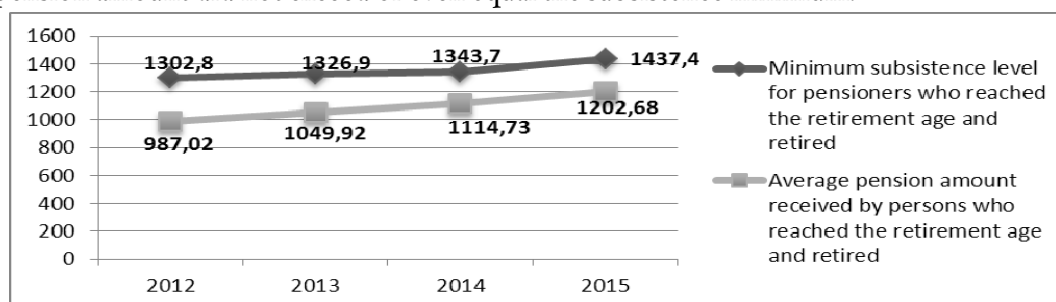


Figure 3. The relationship between the minimum subsistence level for pensioners who reached the retirement age and retired and the average pension amount received by the persons who reached the retirement age and retired in the Republic of Moldova within 2012 – 2015 period, MDL

Source: Adapted by the author according to the database of the National Bureau

⁹ National Development Strategy „Moldova 2020”: seven solutions for economic growth and poverty reduction empowered by the Law of the Republic of Moldova on the approval of the National Development Strategy “Moldova 2020” nr. 166 from 11.07.2012. In: the Official Monitor of the Republic of Moldova nr. 245-247 from 30.11.2012.

of Statistics of the Republic of Moldova (online), available on <http://statbank.statistica.md/pxweb/Databse/RO/04%20NIV/NIV05/NIV05.asp>; and data provided by the National Office of Social Insurance of the Republic of Moldova (online), available on <http://www.cnas.md/libview.php?l=ro&idc=360&id=2999>

As a matter of fact, the National Development Strategy “Moldova 2020”, in its “solution” which regards the pension system as “equitable and sustainable” sets the goal of reaching the weight of the average amount received by persons who reached the retirement age and retired in the minimum subsistence level for persons who reached the retirement age and retired, by 2015, of 75%. Thus, as can be seen in figure 4, the goal was achieved, and even overcome. On the other hand, for a sound situation for retired people, these indicators should be at least equal.

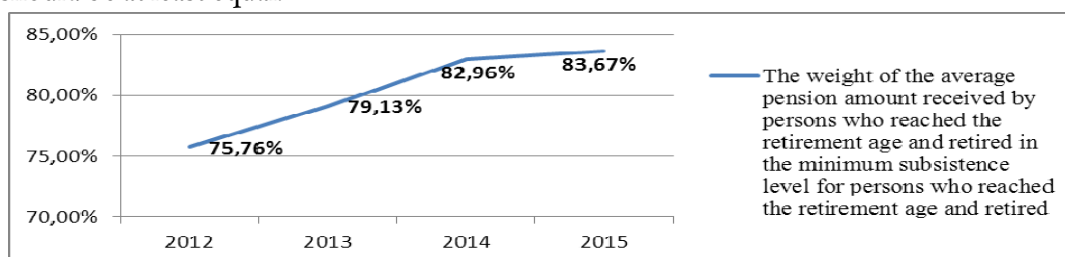


Figure 4. The weight of the average pension amount received by persons who reached the retirement age and retired in the minimum subsistence level for persons who reached the retirement age and retired in the Republic of Moldova, 2012 – 2015

Source: Adapted by the author according to the database of the National Bureau of Statistics of the Republic of Moldova (online), available on <http://statbank.statistica.md/pxweb/Databse/RO/04%20NIV/NIV05/NIV05.asp>; and data provided by the National Office of Social Insurance of the Republic of Moldova (online), available on <http://www.cnas.md/libview.php?l=ro&idc=360&id=2999>

Furthermore, seemingly, the subsistence minimum (data provided by the National Bureau of Statistics), does not include the expenses pensioners must bear with regard to utilities' payment. Thus, the pensioners' expenses should be considerably higher than their only current revenue – their pension.

Based on the information provided, it becomes more and more obvious, that the people of the Republic of Moldova should look for and obtain possibilities to ensure their well-being after their retirement, other than the mandatory social insurance. Currently, the only other option existing in the Republic of Moldova is given by the non-state pension funds, but their efficiency for the population is questionable, and here is why.

Moldovan non-state pension fund have a low investment potential due to a series of factors, all of them being of great importance and impact on the non-state pension funds' activity. Examples would regard the lack of credibility of population in the security of these kinds of financial institutions, imperfectness of the associated legal framework, lack of efficient opportunities to invest the accumulated funds, lack of state interest in the development of the facultative pensions sector, and other factors.

The law on non-state pension funds was adopted back in 1999 in order to set, regulate and stimulate the activity of non-state pension funds. Since then, the first pension fund was founded in 2007, and currently there are three non-state pension funds in the Republic of Moldova. None of them has registered any activity until now. It should also be mentioned, that the assets of non-state pension funds can be managed and invested only by a licensed manager. At the present moment, in the Republic of Moldova, there is only one single licensed manager of the non-state pension funds' assets. As the adoption of the Law did not trigger the development of non-state social insurance system, in 2013 a Project for the Law on facultative pension funds was issued, but it has not been enforced until now.

According to the Project, the area of investment domains for the assets of non-state pension funds has been expanded (see table 2).

Table 2

Investment domains for the assets of non-state pension funds according to the Law on non-state pension funds¹⁰ and the Project for the Law on facultative pension funds¹¹	
Law on non-state pension funds	Project for the Law on facultative pension funds
a) monetary assets, including bank accounts and deposits at commercial banks that have a license issued by the National Bank of Moldova and that have a regulated capital not less than 5 mil. USD; b) government securities; c) securities registered by the National Commission for Financial Markets and listed on the stock exchange of the Republic of Moldova; d) bonds issued by foreign Governments or indexed funds, with a high international rating; e) other investment domains allowed by the National Commission for Financial Markets of the Republic of Moldova.	a) money market instruments, current and deposit accounts at commercial banks that have a license issued by the National Bank of Moldova; b) state securities, issued by the Ministry of Finance of the Republic of Moldova, or issued by EU member states; c) bonds and other securities issued by the local public administration authorities from the Republic of Moldova or EU member states; d) securities traded on regulated and supervised markets in the Republic of Moldova and EU member states; e) bonds issued by the World Bank, EBRD, EIB, traded on regulated markets; f) bonds and other securities issued by non-governmental foreign institutions, others than mentioned above, if these securities are traded on regulated and supervised markets, and that meet the rating requirements; g) stocks issued by the undertakings for collective investments in securities from the Republic of Moldova; h) derivatives traded on regulated and supervised markets in the Republic of Moldova and EU member states.

Source: adapted by the author based on the Law of the Republic of Moldova on non-state pension funds and the Project of the Law of the Republic of Moldova on facultative pension funds

Information provided in table 2, on one hand, generates the idea of an eventual beneficial impact on the investment potential of the non-state pension funds from the Republic of Moldova, in case the project of the Law of the Republic of Moldova on facultative pension funds is enforced. On the other hand, (1) trading on foreign stock exchanges is limited to the ones of the European Union member states, most of which are not the most volatile in the world; (2) the experience of trading on stock exchanges is extremely short and weak, and there are too few trading specialists; (3) most of the national investment domains specified do not provide high returns; (4) there are no bonds issued in the Republic of Moldova by now; (5) there are no derivatives issued in the Republic of Moldova by now. Thus, although the project of the new Law does expand the investment opportunities, on the short run there can be just a small positive impact on the non-state pension funds' investment potential.

¹⁰ Law of the Republic of Moldova on non-state pension funds nr. 329-XIV from 25.03.1999. In: the Official Monitor of the Republic of Moldova nr. 87-89/423 from 12.08.1999.

¹¹ Project of the Law of the Republic of Moldova on facultative pension funds (online). Available on <http://cnpf.md/file/BazaNormativa/Proiecte/Lege%20FPF%20ro.doc>

As well, some other aspects of the Project should be taken into consideration. For example, point (9) of the 11th article states, that the National Commission for Financial Markets has the right to suspend the license of the non-state pension funds' assets' manager for not more than 90 days, if the licensed entity either did not start the managing activity within a year from the moment of receiving the respective license, or did not perform any activity covered by the respective license within a period of 6 month. As it was already stated, there is only one non-state pension funds' assets' manager in the Republic of Moldova, and, as the existing non-state pension funds do not have any activity, neither does the manager. Thus, according to the Project of the Law of the Republic of Moldova on facultative pension funds, this manager's activity should have been suspended for three months, every six months.

Furthermore, the Project states, that the National Commission for Financial Markets has the right to revoke the manager's license, in case the returns of the managed non-state pension fund are lower than the minimum returns of all national non-state pension funds, during four consecutive trimesters. Even if this statement was aimed at competition promotion, it can generate an opposite effect. Let us assume, hypothetically, that the assets of all three Moldovan non-state pension funds would be administered by separate managers. In time, some returns will be higher, others will be lower, that, on the long-run, would have reduced the number of non-state pension funds' managers again to one single manager, a result that is opposed to competition.

The National Development Strategy "Moldova 2020", with regard to non-state pension funds, just describes the existing situation, while not giving any prospects or views on the development of facultative pension system. The document that does state non-state pension funds is the Activity Program of the Government of the Republic of Moldova 2015 – 2018¹². One of its numerous objectives is aimed at the reexamination of the system of taxing the revenues of non-state pension funds and of the system of subtracting the contributions to non-state pension funds. To mention, that this is the only objective that regards the non-state pension fund system, and it is aimed at the revenues of the funds' revenues that, actually, do not exist.

Based on the data and information presented in this article, the following main directions on the growth of the investment potential of non-state pension funds from the Republic of Moldova can be derived:

1. Setting as one of the main national priorities the development of facultative pensions system;
2. Acceleration of the enforcement of the Law of the Republic of Moldova on facultative pension funds, while
3. Excluding the clause regarding the returns on facultative pension funds' assets,
4. Increasing, on the short run, the terms on license suspension and revocation,
5. Broadening the trading possibilities of non-state pension funds' resources on world regulated markets, instead of limiting these to the regulated markets of EU member states, and
6. Simplification of the conditions of registration of, and license issuance to the non-state pension funds' assets' managers.

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¹² Activity Program of the Government of the Republic of Moldova 2015 – 2018 enforced by the Decision of the Parliament of the Republic of Moldova nr. 161 from 30.07.2015. In: the Official Monitor of the Republic of Moldova nr. 409 from 07.08.2015

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THE ROLE OF NATIONAL AND INTERNATIONAL PROGRAMS FOR INCREASING THE INVESTMENT FLOW IN RENEWABLE ENERGY SOURCES

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The study reflects the volume of investment flow in renewable energy sources, identifies the economic determinants of investment flow in the area of renewables. One of the factors to sustain the investment flow is governmental and international programs. The state support occurs mostly in the form of different subsidies, described in the article, the international programs have various forms to support investment. The examples of effective subsidies in European countries and successful implementation of international programs are given in the article.

Key words: *energy, renewable energy sources, investment flow, subsidies in energy sector, international programs.*

Introduction. The Republic of Moldova energy system has a number of negative characteristics. The main problems are the lack of own energy resources, excessive dependence on imported natural gas, the low level of use of renewable energy sources, insufficient power generation capacities, high percentage of losses, low energy efficiency and poor condition of most energy infrastructure. In these terms attracting of investment flows in renewable energy sources is essential for development and modernization of the energy sector.

The Energy Strategy of Moldova until 2030 aims to create a more efficient, competitive and secure energy complex, ensuring at the same extent, energy security of the country, the infrastructure upgrade, improving energy efficiency, boosting the use of renewable energy and the integration into the European energy market. Renewable energy and energy efficiency are among the main objectives of the Energy Strategy of RM 2030, also it will contribute both to security of energy supply and to environmental sustainability and combating climate change. Thus, the strategy Moldova 2030 has common objectives as those of the European Energy Community.

In the previous studies we have already analysed the actual condition of the energy sector; identified the RM's energy sector problems; underlined RM's energy priorities; analysed the development trends of the energy sector in EU countries and also studied the evolution of investments in RES sector in Moldova. The objectives of the present paper are:

- to identify the economic determinants of investments in renewable energy sector;
- to analyse the ways of support for the development of RES;
- to study the main forms of state subsidies to support renewable energy;

- to analyse the successful experience of other countries that have already implemented different forms of support for RES;
- to study the existing international programs and how they are implemented in the Republic of Moldova.

In the following diagram we can see the gross amount of private and public investment as a share of GDP for the period 2011-2015.

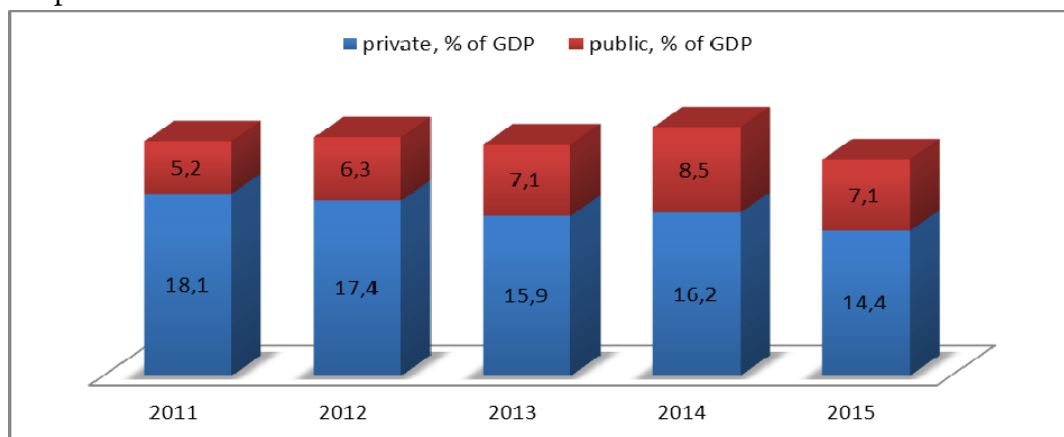


Figure 1. The share of private and public investment of GDP, %.

Source: www.statistica.md

As we can observe the private investment is much higher than public, however if we refer to investment in renewable energy sources, from the previous studies¹³ we already know that public investments are more effective.

The economic literature suggests two broad categories of drivers in RES¹⁴. The first category includes traditional determinants of investment, as for example, interest rate, income level and growth, production costs. The second category covers specific determinants of green capital accumulation:

Economic growth and income level. Economic activity boosts the demand for energy and as a result for investments in the energy sector, thus the so called accelerator effect occurs.

- Population. Countries with rapidly increasing population face important energy needs; these needs require investment in alternative energy source, especially when fossil fuels are scarce and very expensive, as in RM, for example.

- Technological progress and innovation. For example, new techniques to store energy foster the use of intermittent energy sources like solar and wind power.

- The cost of fossil energy sources. High fossil energy prices are expected to foster investments in renewable energy sources.

- The production cost of green capital goods. The demand for investment should be inversely related to its cost.

- Public policies to support green investment.

- Geophysical conditions. The availability of natural resources, number of hours of sunshine in a year, or the water and the wind supply available are key factors in attracting investment in renewable energy sector.

As to the Republic of Moldova, we have to state, that we lack behind at many of this key positions, however there are some determinant factors that should make us aware of the need to invest in green

¹³ CEAUSCEAC I., *Creșterea rolului investițiilor în dezvoltarea sectorului surselor de energie regenerabilă al Republicii Moldova*, **Culegerea de articole** din cadrul Conferinței Științifice Internaționale "Rolul investițiilor în asigurarea dezvoltării economice durabile în contextul integrării europene", 29-30 octombrie 2015

¹⁴ IMF Working Paper, WP/11/296 *Who's going Green and Why? Trends and determinants of green investment*

energy. First, we are highly dependent on very expensive imported energy sources, second we have to be in compliance with the European standards, and third we can benefit from our geophysical position and develop wind energy, solar energy and biomass.

There are two ways to support green investment: state programs and international program. In both cases the objective are as follows: to reduce the carbon emissions; to provide energy security by diversifying the energy sources; to increase economic growth by promoting competitiveness, job creation and innovation in new industries.

In the case of state support of investment in renewable energy sector we speak almost about different types of subsidies¹⁵ that are presented in the table below:

Table 1.

The ways of providing subsidies in renewable energy sector

Type of subsidy	
1	Subsidies can be paid directly to renewable energy producers.
2	Subsidies disbursements can be tied to renewable energy outputs, as a fixed support per unit of output for a specific type of renewable energy produced.
3	Current factor inputs can be supported. For example, biofuels, where the raw material comes from the agricultural sector where outputs can be subsidized.
4	Support to capital in the form of subsidized financing, but also as direct support to capital purchase.
5	Guaranteed producer prices, the so called feed-in-tariff schemes.
6	Avoided taxes, when taxes are paid on other energies that can be replaced by renewable.
7	Government support to renewable energy developers' and producers' research and development (R&D) efforts

Source: adjusted by the author

In the table 2 we can see the successful implementation of tax exemption for bioethanol and biodiesel. These values are generally higher in Europe than in the USA. They are the highest in Germany which is not surprising, as this country is Europe's most significant biofuels producer.

Table 2.

Production Volumes (thousand tons) and Values of Tax Exemption (euro/cents per litre), for Bioethanol and Biodiesel in Major European countries and the United States, 2006

Country	Bioethanol production	Bioethanol exemption	Biodiesel production	Biodiesel exemption
France	297	38	671	33
Germany	608	65.5	3039	47-32
Italy	0	0	223	41.3
Spain	227	37	79	27
Un. Kingdom	93	28	162	29
Un. States	19000	15	88	20

Source: IMF Working Paper, Energy Efficiency and Renewable Energy Supply for the G-7 Countries, with Emphasis on Germany, WP/07/299

Thus we can observe that Germany is a vivid example of state support to renewable energy.

Unfortunately, there are very few forms of support to renewable energy in the Republic of Moldova. We can only mention some projects; one of them is **Moldova Energy and Biomass Project**. It envisages

¹⁵ IMF Working Paper, Energy Efficiency and Renewable Energy Supply for the G-7 Countries, with Emphasis on Germany, WP/07/299

contributing to the establishment of a reliable, competitive and sustainable system to produce energy from renewable sources, especially out of agricultural waste biomass. The Project will enhance the consumption of renewable energy, mainly by the rural municipal institutions and households.

This should lead to the creation of operational biomass processing technology markets, which would ensure sustainability to Project interventions after its completion. New jobs will be created and new income sources will be ensured as a result of setting certain biofuel distribution channels and providing with advanced technologies at the local and regional levels.¹⁶

On the other hand we can mention many international programs Moldova takes part in. For example, INOGATE's support includes assistance in developing a structured approach to awareness raising, assisting in the development of a concept, strategy and action plan for the Centre and assisting in the development and provision of information materials and exhibits as well as training for the centre's personnel. One of the recent achievements is the opening of a national Sustainable Energy Information Centre for Moldova with the support of experts from the EU-funded energy program INOGATE. The centre, will be a hands-on, learning environment to create greater awareness of energy efficiency (EE) and renewable energy (RE) among householders, energy managers and other stakeholders in the public and private sectors. The Centre will be hosted by the Moldovan Agency of Energy Efficiency (AEE) and its development is supported by INOGATE experts, the national NGO AEER and the Ministry of Economy of Moldova.

Another important organization that supports green investment in Moldova is EBRD. The EBRD is making the switch from conventional high-voltage street lighting to low energy LED bulbs in [Moldova's](#) capital, Chisinau.¹⁷

The total investment, which includes an upgrade of the city's major streets, amounts to €11.7 million granted by the EBRD and the EBRD-administrated Green Energy Special Fund funded by the Taiwanese International Cooperation and Development Fund (TaiwanICDF), further topped up by €10.3 million from the [European Investment Bank](#).

Conclusion. Generally we can state that in the RM the investments in renewable energy sources are mostly supported by international organizations, while the domestic programs are not numerous. The last several years were done many things towards the popularization of RES, for instance the legislative and normative framework for renewable energy was created, the agency for energy efficiency was opened, however, without adequate financial support we cannot afford many results in the domain of renewable energy.

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INSURANCE RESERVE DEFICIENCY CAUSED BY LOW TARIFFS

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Insurance companies are financial institutions and the value of the assets and liabilities thereof depends on the alteration of the conditions that exist within financial markets. Moreover, the value attributed by the purchasers of insurance products depends on the financial strength of insurance companies. The activity of insurance companies involves certain risks that are impossible to be completely excluded. If an insurance company has an appropriate risk management development, the risk of bankruptcy thereof cannot be removed, there existing the possibility of certain unpredictable events against which the insurer failed to provide a means of protection. An insured risk is due to well-established strategic factors such as the fees for motor, CASCO and the Green Card insurances.

Key words: Insurance companies, tariffs, insurance compensations, indemnities, insurance, financial institution, risk

According to the information operated by NCFM the Green Card for motorcars, that is one of the most requested in the market, has a share part of about 12% of the overall portfolio of insurance companies. The greatest numbers of Green Card insurance policies are being sold for Ukraine and Belarus, particularly by economic agents. Regarding the insurances sold in 2012, the insurance premium for CIS zone represents 26 million lei as compared to 12 million lei for the EU zone. The amendments that were intended to enter into force could have reduced by 4% the insurance market, representing thus an amount of 9 million lei. In other words, the value of premiums subscribed would have been reduced by this amount, taking into account that the number of Green Card policies sold remained the same. NCFM provided the following preliminary data for 2015 that demonstrate a symbolic increase by 1.5% of gross subscribed premiums as compared to 2014, while the paid insurance compensations and indemnities decreased by 25.11% as compared to 2014.

Apparently, the reduction of tariffs employed by Moldcargo is a beneficial practice for motorists. The National Bureau is of the opinion, however, that this practice can cause serious problems for motor car insurers, as the tariffs which seem to be high, are calculated based on potential risks, taking into account the maximum level of the amounts of compensation provided in European Union countries (Euro 1 million damage to property and Euro 5 million damages to life and health). A representative example of harmful application of dumping prices in the insurance market is the situation in Ukraine.

Unreasonably low tariffs and high fees offered to brokers by some companies led to the default thereof. As a result, three large Ukrainian insurance companies had to stop their activity within the Green Card system. In turn, the National Bureau of Ukraine adopted a decision to increase the amounts reimbursed by the companies issuing Green Card to the Bureau's Guarantee Fund. It is obvious that this will affect the pricing policies of the companies - members of the National Bureau of "Green Card" insurers of this country.

The motorists and even certain insurance companies use to simplify the calculation formula of these tariffs, ignoring the risk of large payments in the long term perspective. It should be noted that in Moldova there existed a case when a company has been withdrawn the membership within the National Bureau for failure to execute its obligations to pay the compensations.

According to the latest amendments to the NCFM Decision No.26/10 of 13 June 2013 on the of compulsory motor vehicle liability insurance premiums, it has been set up the new amount of basic premiums for internal and foreign compulsory motor vehicle liability insurance. The Motor Vehicle Liability Insurance premium (RCA) increased from 500 lei to 715 lei, but taking into account that there were included two new rectification coefficients offering to insurance companies the possibility to provide legal discounts depending on the financial capacity and marketing policy of the company, the increase of

the cost for one insurance being between 22% -43%. The premiums for Green Card insurance have altered depending on the coverage zone. Thus, for Zone 1 (Ukraine and Belarus) the basic rate decreased by 36%, for Zone 2 (Ukraine, Belarus and Russia) the basic rate increased by 26% and for Zone 3 (all countries of the Green Card System) the basic rate decreased by 5.5%. It is worth mentioning that these amendments entered into force on 31.12.2015.

There has not been placed a special emphasis on CASCO and RCA, still attempts were made to lower the tariffs in order to acquire more customers, however the tariffs remain unchanged if we make a calculation according to the formula.

In case of CASCO insurance, each insurance company sets its minimum and maximum level of prices. It also does not take into account the compensations in case of particular situations and the insured finally receives the minimum limit of indemnity. The deficit of reserves of insurance companies is influenced by macro and micro-economic situation of Moldova. The average rate in the insurance market of CASCO-type insurance represents 4% - 5% of the cost of the car. For an insurance company it is required to double the rate from 4% to 8% in order to establish a financial reserve for indemnities. Insurance companies together with NCFM and the National Bureau of Insurers must set up a new tariff by applying the calculation formulas thereof so that the insured is being provided the compensations according to the European standards.

One of the most important issues related to the situation of damages within RCA insurances is that, despite a steady increase in the level of indemnities, RCA tariffs have been maintained at a relatively low level. As a matter of fact, the price for RCA has always been a sensitive issue for companies, given that this is the most developed form of insurance in Moldova and attracts a great part of income.

However, according to experts this will finally have a negative influence on the insured due to the fact that, as a driver, one chooses the cheapest RCA insurance, thinking that it's not for himself, but for the other, still the reverse of such a generalization of this situation among drivers occurs when one is injured.

Conclusions

Despite the fact that a proactive attitude of the insured is a positive phenomenon that has to be encouraged, sometimes the claimed amounts for certain specific cases may be considered to be too high. Thus, more people, weather assisted or not by specialized lawyers became aware of this right and, most often, seek the maximum compensations allowed by law.

Estimates are difficult to make given the fact that the Republic of Moldova has to face the issue related to its suspension from international Green Card insurance system. In case the Republic of Moldova remains within this system, it is estimated to have an increase by about 6 % of the results of the insurance market at the end of 2016. We also plan to update the legal requirements related to the strengthening of the financial stability of insurers. Another aim is to finalize the drafting of the regulations on the creation of the Insurance Guarantee Fund and the institutionalization thereof.

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TAXATION SYSTEMS IN THE EU COUNTRIES

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The taxation system reforms and processes in the EU have varied in terms of extent and content, ranging between implementing own tax policies by increasing or decreasing the tax burden and implementing some components of the European tax policy, in harmony with the requirements or recommendations of the European Union.

The taxation systems of the EU countries were influenced during the last decades by the effects of the global and regional crises, as well as by the tax policies implemented separately by each state in order to mitigate the negative effects of the crisis.

Particularly during this period it was proved that coordinated action taken by the EU countries is a much better method to overcome the global economic crises, from the perspective of the national economies recovery "costs".

Key words: *European Union, taxation system, tax pressure, tax sovereignty, tax competition, Community acquis.*

I. Introduction. Accession of the Republic of Moldova to the European Union implies multiple changes with direct impact on different areas, particularly taxation system.

One of the most important aspects of the integration process consists in the sovereignty of the accessing state, specifically its tax sovereignty. The question arising in this respect is the following: who may decide on the tax policy, specifically with regards to direct or indirect taxes? The RM-EU Association Agreement reflects, on the one side, the decision of the Governments of Member States to accept the Republic of Moldova to the 28 States European Group, thus proving a special pre-accession status, and on the other side, the decision of the Republic of Moldova to become member of this group.

The legal meaning of this agreement is that the Republic of Moldova becomes a beneficiary of the EU rights and advantages, as well as duties, and must contribute to and participate in the joint efforts to the European development.

The harmonisation process focuses primarily on indirect taxes, in order to eliminate obstacles to the exercise of the freedoms of establishment and movement of goods, services and capital, but also to eliminate border controls and limit unfair tax competition between states. With this in mind, the EU tax strategy focused mainly on customs duties, value added tax and excise taxes, thus a large number of directives have been imposed and implemented over the time as a legal basis for each area separately, accordingly, a part of competences have been ceded to the European Union, i.e. the Member States competences have been limited [1].

The harmonisation of direct taxes is much more limited, mainly aiming at not affecting the free market competition, minimising tax evasion possibilities and avoiding double taxation, on the basis of bilateral agreements signed between Member States, as well as avoiding the negative effects of the competition between Member States, particularly avoiding the transfer of the tax base by the migration of businesses in search for a better tax regime.

On the other hand, the main task of each state, stemming from the need to put up public funds, which would enable public authority to exercise its internal and external functions "tax sovereignty is the indisputable right of the state to establish freely and independently first the taxation system, contributions, and, second, but no less important, to establish the government's tax policy and the financial and fiscal apparatus, tax management administrative methods, specific legal norms"[2].

Thus, the taxation systems from the EU countries are in two opposing processes, particularly: (1) harmonization process (2) tax sovereignty and competition between countries. The latter determines some significant differences in taxation systems of EU countries.

II. Critical analysis of the researched issue. European Union is a region with quite a high level of tax pressure, compared with other international economic zones. It is proved by the tax pressure indicator in the Gross Domestic Product (GDP), which in 2014 reached the value of 40% of GDP.

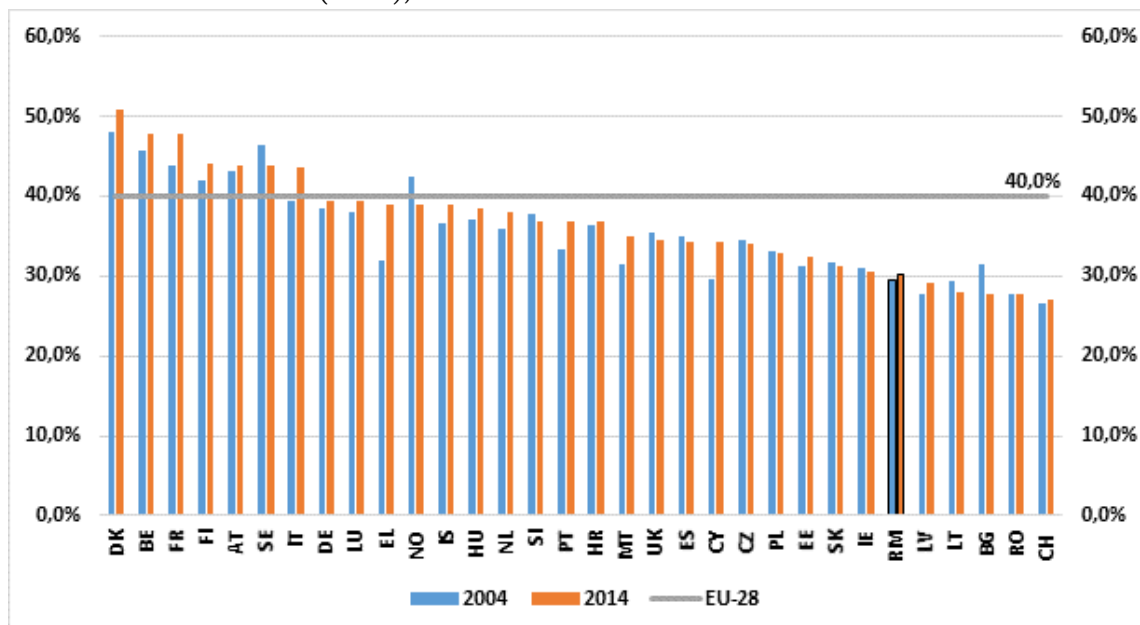


Figure 1. Development of tax pressure in the Republic of Moldova and in the EU countries (tax revenue, including compulsory contributions reported to GDP), %, 2004 - 2014

Source: Developed by the author on the basis of on data of the European Commission, National Bureau of Statistics and Ministry of Finance.

However, the taxation system of the Republic of Moldova differs a lot from one of the EU countries. Thus, the level of tax pressure, including social insurance contributions reported to GDP, differ by over 23%, if compared with the level of 50.8% in Denmark, under 27.7% in Romania, thus showing significant difference between the EU countries in terms of Government's role in the economy. More specifically, the tax pressure is by about 83% higher in the country with highest taxation, compared to the country with the lowest pressure.

On the basis of the Figure presented, we can mark off 3 categories of countries:

1. EU Member States, which are above the average: Denmark (50.8%), Belgium (47.9%), France (47.9%), Finland (44.0%), Austria (43.8%), Sweden (43.8%) and Italy (43.7%).
2. EU countries, which are around the average of 40%: Germany - 39.5%; Luxembourg - 39.4%; Greece - 39.0%; Iceland - 38.9%; Norway - 38.9%; Hungary - 38.4%; Netherlands - 38.0%; Serbia - 37.4%.
3. Countries with the lowest taxation level: Romania - 27.7%; Bulgaria - 27.8%; Lithuania - 28%; Latvia - 29.3%; Ireland - 30.5%; Slovakia - 31.2%; Estonia - 32.5%.

During 2004 - 2014, the following EU countries decreased the tax burden:

- Bulgaria: from 31.5% in 2004 to 27.8% in 2014, or by 2.7 p.p.;
- Norway: from 42.4% in 2004 to 38.9% in 2014, or by 4.6 p.p.;
- Sweden: from 46.5% in 2004 to 43.7% in 2014, or by 2.8 p.p.;
- Lithuania: from 29.3% in 2004 to 28.0% in 2014, or by 1.3 p.p.;
- United Kingdom: from 35.5% in 2004 to 34.4% in 2014, or by 1.1 p.p.;

The tax burden in the following countries: Germany, Austria, Czech Republic, Croatia, Romania, Poland, Slovakia, Ireland remained almost unchanged, varying up to 1 p.p.

On the other hand, the following five countries increased the most the taxation reported to Gross Domestic Product:

- Greece: from 32.1% in 2004 to 39.0% in 2014, or by 6.9 p.p.;
- Cyprus: from 29.6% in 2004 to 34.2% in 2014, or by 4.6 p.p.;
- Italy: from 39.4% in 2004 to 43.7% in 2014, or by 4.3 p.p.;
- France: from 43.9% in 2004 to 47.9% in 2014, or by 4.0 p.p.;
- Malta: from 31.5% in 2004 to 35.0% in 2014, or by 3.6 p.p.;

Note that in the Republic of Moldova this indicator has increased in the reporting period from 29.4% to 30.2%.

Thus, as a result of the above analysis, we can state that in spite of some supra-national rules and regulations (*acquis communautaire*), which aims to standardize the taxation system in the EU Member States, because taxation systems are quite different, which means a very large tax sovereignty, particularly in terms of direct taxation.

As revealed by the specialized literature, the states whose budget revenue is formed mainly by direct taxes are advantaged by the fact that they ensure a better tax fairness and fair redistribution of the national revenue. Moreover, they are less affected by economic and financial crises.

The countries, whose budget revenue is based on indirect taxes, bear additional costs to overcome economic crises, either by taking loans, increasing the taxes or by reducing the public spending. These measures could result in a delayed overcoming of the economic crisis, as proved by the Republic of Moldova, when the tax revenue turned to normal (the level registered before economic crisis) in 2012 only, registering subsequently a descendant trend.

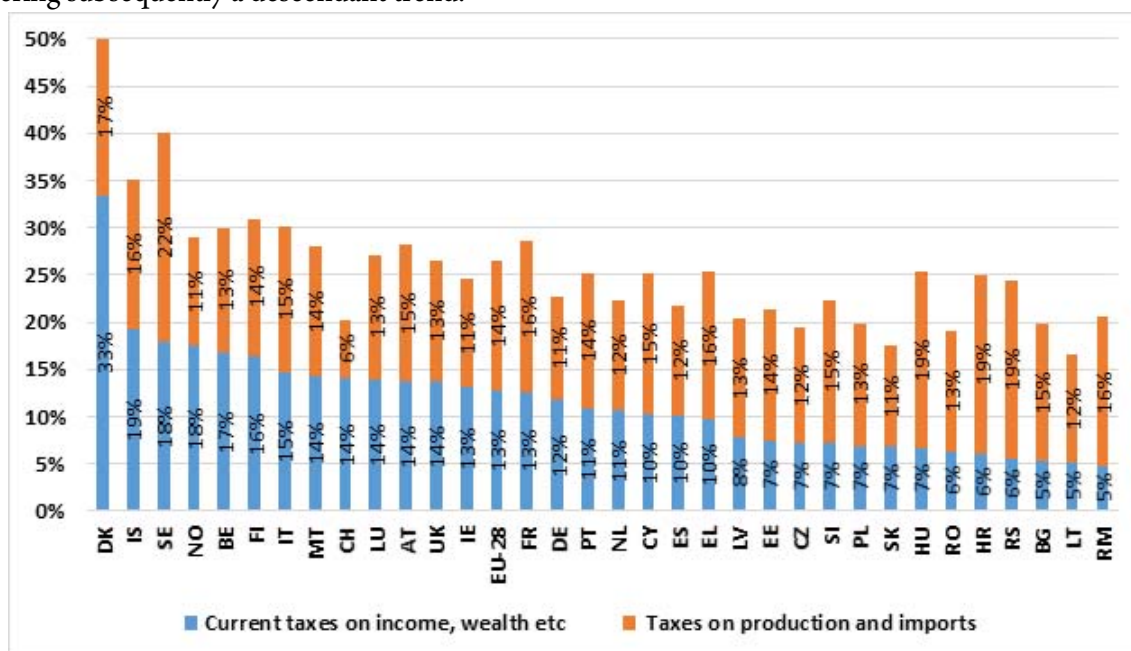


Figure 2. Share of Revenues from the Direct and Indirect Taxes reported to GDP

Source: Developed by the author based on data of the European Commission and Ministry of Finance.

In addition, the advantage of a taxation system based on direct taxes is determined by the tax fairness itself and by a better redistribution of the national revenue, as it takes into account the capacity of a person to pay taxes.

There are countries in the European Union with a taxation system based on direct taxes and countries that rely on indirect taxes, with quite obvious differences.

Thus, if direct taxation accounts for 33.4% in Denmark, than in Lithuania it is only 5.1%, with a difference of about 27.3%, this proving once again that the direct taxation at the European Union level is related largely the prerogative of national states (fiscal sovereignty).

The EU countries with a tax system based on direct taxes are the following:

- Denmark – 33.4% of GDP;
- Iceland – 19.2% of GDP;
- Sweden – 17.9% of GDP;
- Norway – 17.3% of GDP;
- Belgium – 16.7% of GDP;
- Finland – 16.5% of GDP.

Note that this group includes in particular the Scandinavian countries, which have a centuries-old tradition of a very high taxation level.

The Member States that have recently joined the European Union are at the other end of the scale:

- Lithuania – 5.1% of GDP;
- Bulgaria – 5.4% of GDP;
- Croatia – 6.1% of GDP;
- Romania – 6.3% of GDP;
- Hungary – 6.8% of GDP.

Analysing the contribution of indirect taxes in the European Union countries, we found that there are also significant differences. Moreover, the Figure shows that there are countries that have a higher indicator than the Republic of Moldova, such as Sweden, Croatia, Hungary and Denmark.

Thus, in terms of collected indirect taxes the European Union countries can be classified as follows:

1. Sweden – 21.9% of GDP;
2. Croatia – 18.7% of GDP;
3. Hungary – 18.5% of GDP;
4. Denmark – 16.5% of GDP;
5. Republic of Moldova – 15.9% of GDP.

At the other end of the scale, the situation is as follows:

1. Switzerland – 6.1% of GDP;
2. Slovakia – 10.6% of GDP;
3. Germany – 10.8% of GDP;
4. Ireland – 11.2% of GDP;
5. Netherlands – 11.3% of GDP.

III. Own vision on the issue and outcomes of the research. Reviewing the correlation between the Total tax revenue by country (%GDP) and GDP per capita in the European Union we can classify the countries in the following groups:

- EU countries with a high level of tax revenue in GDP and very high GDP per capita: Luxembourg and Norway.

- EU countries with a high level of tax revenue in GDP and high GDP per capita: Denmark, Belgium, France, Sweden, Austria, Finland, Germany, Holland and the United Kingdom.

- EU countries with a moderate level of tax revenue in GDP and moderate GDP per capita: Spain, Malta, Cyprus, Greece, Portugal, etc.

- EU countries with a low level of tax revenue in GDP and low GDP per capita: Romania, Bulgaria and, respectively, the Republic of Moldova.

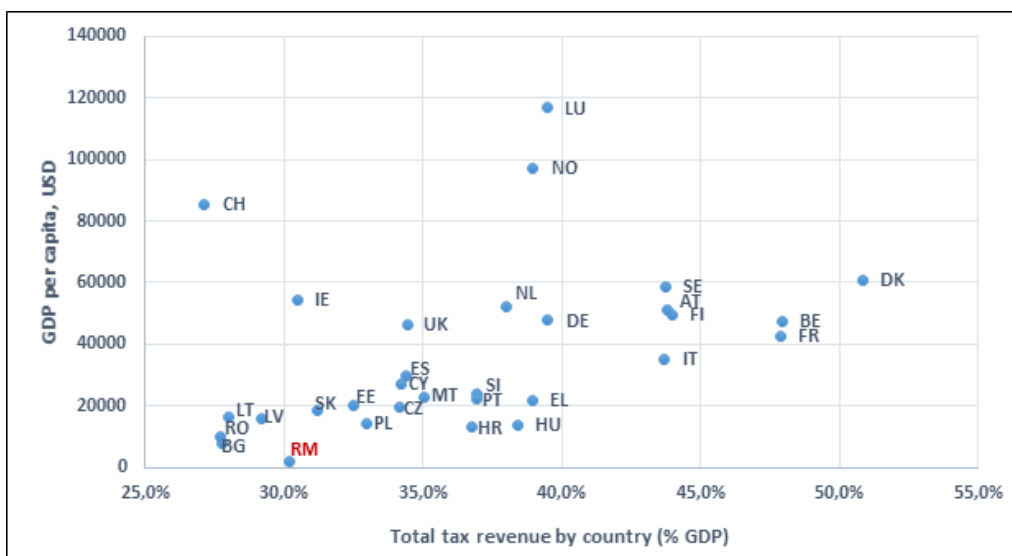


Figure 3. Correlation between Total tax revenue by country (%GDP) and GDP per capita

Source: Developed by the author based on data of the European Commission, Ministry of Finance and World Bank.

In general, Figure 3 shows that countries with a high level of tax revenue in GDP also have a high GDP per capita, these being the first countries that joined the European Union and countries that have recently joined have both a low level of tax revenue in GDP and a low GDP per capita.

IV. Conclusion. The research on this subject, according to the stipulated objectives and goals, helped formulate the following conclusions:

1. Currently, the European Union does not have a fully integrated European tax system, especially with regard to the direct taxation system;
2. Most Member States implemented different tax reforms in terms of length and depth, varying between the implementation of their own tax policies and the EU tax policies;
3. During the last decades, the taxation systems of the EU countries were influenced by the effects of the economic crisis, as well as by the measures taken by each Government to mitigate the negative effects of the crisis;
4. In the EU, as compared to the Republic of Moldova, direct taxes have a very important role in forming the budget revenue, as evidenced by the share of direct taxes in GDP in the EU Member States;
5. States that opted for the proportional tax system, such as Romania, Slovakia, Bulgaria, etc. have low receipts from individuals' income tax in relation to the Gross Domestic Product, and countries that opted for an progressive system, such as Denmark, Sweden, Finland, etc., record higher values of this indicator.
6. The EU countries that have a direct taxation system are advantaged by the fact that they ensure a better tax fairness and fair redistribution of the national revenue. Moreover, they are less affected by the economic and financial crises and countries that have an indirect taxation system face additional costs related to overcoming the economic crisis and reducing the tax inequity.

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CONCEPTUAL ASPECTS REGARDING THE FINANCIAL MANAGEMENT OF THE ECONOMIC ENTITIES WITH PUBLIC PROPERTY

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Because of the dual character of the functioning purpose of the economic entities with public ownership - the one to make profits as an economic agent and the other to deliver public services as a tool for implementing the state policy, the organization of an efficient financial management of these entities has always been a challenge. Therefore, this article systematise the research results of conceptual aspects on financial management of the economic entities with public ownership, and presents an overview of regulatory framework of the Republic of Moldova with regard to financial regulations of the economic entities with public ownership activity in order to identify associated strengths and weaknesses and potential ways of improving and strengthening its, to consolidate the financial discipline and enhance the efficiency of public property use.

Key words: *financial management, financial analysis, state enterprises, joint stock companies, legal framework, financial performance.*

JEL: G320

Introduction. The interest concerning the state ownership can wax and wane over time, but state-owned enterprises (SOEs) appear to be an enduring feature of the economic landscape and will remain an influential force globally for some years to come. That's why, it is important to ensure that – whether held nationally, regionally or locally – the state's investments actually deliver the societal outcomes desired, aspects that reflect basically the actuality of the investigation. Therefore, there is a need to strengthen the administration of SOEs, including intensifying control over these entities which, being managed in an inefficient way, constitute a major risk for the country's economic stability. The purpose of the research is to analyze the conceptual aspects of the financial management, the evolution of the concept of the financial management, the particularities of the financial management of SOEs in terms of their mission, being also presented an analysis of the legal framework associated to the financial regulation of the activity of state enterprises and joint stock companies with state capital from Republic of Moldova. During the study it has been used several research methods, which are listed as following: literature and legal framework review, the comparison, assessment of the strengths and weaknesses of the legislation.

The level of the concept research of the financial management. Over the evolution of the economic relations, the management has become an increasingly complex phenomenon. The management tools as a separate set of procedures and the management principles have their origins in the twentieth century. Over the years it has been written a series of statements with regard to management, of which is remarked the definition given by Gerebier J. according to which „Management means the organization, the art of leadership and to administer”, Richard L. Draft: „The management envisages achieving of the organizational goals through effective and efficient administration as a result of planning, organizing, coordinating and control of the organization's resources”, Drucker P.: „The management means information, thinking, decision, action, results, analysis, feedback”. Nowadays, alongside the strong development of the management scientific side, his improvement has been evolved too, so: “Management means all activities, disciplines, methods, techniques which includes tasks of the leadership, of the administration and organization of the entity and concerns, that by adopting optimal decisions in the design and adjustment of economic processes, to involve the whole team to work most profitably” [6].

Current management knowledge is the result of a long and continuous research process. Many of the theories consisting the basis of the management science date back from the industrial period. Thus, the

term of management can be approached from the point of view of management theories, an approach that is grouped in various schools, from the classic one to the contemporary one, and from the point of view of the specific compartment of an entity, that includes: management of human resources, of investments, of stocks, accounting and financial management. The financial management, as a part of the general management, fits in the decision making and entity's control subsystem, which processes and provides information both inside and outside the enterprise. The main objective of the financial management of an economic entity is to maximize its value whether it is about sources or their use.

The contemporary scientific approach of the financial management is carried out in the fundamental work of scientists that are renowned from abroad: Adochiței M., Balabanov I., Blanc I., Bistriceanu Gh., Braun P., Brigham E., Holt R., Kovaliov V., Manolescu Gh., Stoianova E. etc. Thus, beginning from the management functions and by applying them to the financial function, the financial management is assessed as being „a process through which take place the planning, organizing, directing and controlling of the financial activity of the entity, respectively the attraction, the distribution and the use of financial resources in order to achieve the strategically objective of maximizing the enterprise value” [8]. Other authors consider that the financial management is “a range of processes of adjustment, generated by a decision chain process, which highlights the prospective and retrospective adjustments of the trajectory that is followed by these processes in their development” [9] or, by referring it to its field of activity, it is estimated that the financial management „deals with all the aspects related to the way how the company uses its financial resources in order to maximize the long-term profit” [1]. The financial management can also be defined as “a function whose purpose is to permanently ensure the entity with the necessary funds, to register and account the material and financial resources value, and to control the profitability of the operations that are engaged with these funds [3].

In Republic of Moldova, the financial management represents a relatively new topic in science, some aspects being reflected in the researches of local scientists: Cobzari L., Botnari N., Ciubotaru M., Doga V., Hrișcev E., Manole T., Parmacli D., Popescu S., Sîrbu I., Stratulat O., Bușmachiu E. etc. Studying the financial management of the entity is significant as a part of the general management as well as an entire management system. Also, the financial management and its particularities towards SOEs are studied less, and at a regional level there are identified few scientific work in this regard. Research in the field of financial monitoring of property management of state enterprise and companies with majority state capital, research of the concept of ownership, inclusively through the angle of privatization of public property process in Republic of Moldova were performed by Veronica Ursu, Oxana Barbăneagră and Valentina Childescu.

Instead, internationally it is given a great attention to researches on state property management and the necessity of an effective management of SOEs is more acknowledged. Thereby, many studies related to this are found and made by the Organisation for Economic Co-operation and Development (OECD), International Monetary Fund, World Bank and other research centres (PWS, SIGMA).

Those mentioned above define the actuality of the research topic, emphasizing the need for further research in the field, by using a complex approach of the financial management of the SOEs, in order to bring it to the contemporary management model.

The rationalisation of the financial management of economic entities with public ownership. In the opinion of international experts, SOEs are likely to remain an important instrument in any government's toolbox for societal and public value creation. The increased global competition for finance, talent, and resources may mean that countries may increasingly turn to SOEs as a tool to better position themselves for the future in the global economy. But whatever the reasoning that underlies the creation of a public entity, this should be more effectively managed to provide a real public value and to avoid unfair competitiveness in markets where private and third sector enterprises can provide more effective and efficient goods and services that citizens need and want.

According to the statistics, SOEs are an influential and growing force globally. For instance, the proportion of SOEs (having 50% or more government ownership) among the Fortune Global 500 has grown from 9% in 2005 to 23% in 2014, driven particularly by the growth of Chinese SOEs [10].

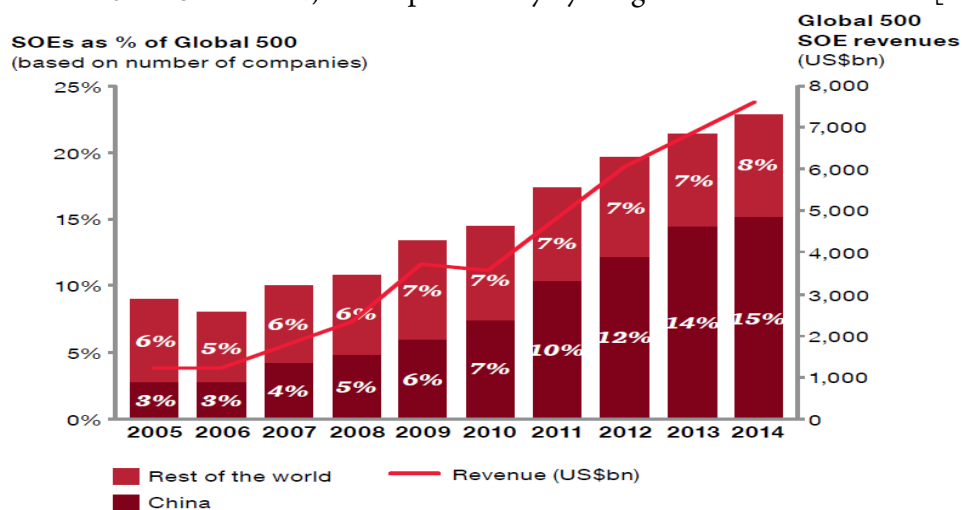


Figure 1. The share of SOEs in all entities of the Fortune Global 500 ranking

Source: [10].

SOEs purpose, mission and objectives are different from the private sector, referring to delivery of public services and the generation of social outcomes and they should not be purely evaluated only on the basis of financial results (the profit and loss account), but more widely on how they contribute to societal value creation, taking an integrated and holistic view of their impact. The OECD and World Bank have set out a range of commonly stated reasons for state ownership where SOEs might:

- provide public goods and merit goods (e.g. national defence and public parks, public health and education) both of which benefit all individuals within a society and where collective payment through tax may be preferred to users paying individually;
- limit private and foreign control in the domestic economy;
- increase access to public services. The state could enforce SOEs to sell certain good and services at reduced prices to targeted groups as a means of making certain services more affordable for the public good through cross-subsidisation.
- encourage economic development and industrialisation through:
 - sustaining sectors of special interest for the economy, and in particular to preserve employment;
 - launching new and emerging industries by channelling capital into SOEs which are, or can become, large enough to achieve economies of scale in sectors where the start-up costs are otherwise significant.
 - controlling the decline of sunset industries, with the state receiving ownership stakes as part of enterprise restructuring.

Equally, it needs to be recognised that state ownership can destroy value as well if best practices in ownership and management are not applied. Although many of the state corporations operate largely based on commercial principles, in cases where they will accumulate losses and significant regularly debts, the financial condition of state-owned entities can significantly influence overall economic situation, and their financial obligations may be assumed by the central government, persisting the financial risk of extinguishing obligations from the account of the state budget resources.

The results of financial data analysis of SOEs from the Republic of Moldova and of the reports of Court of Accounts, of Financial Inspection, of Public Property Agency that is subordinated to the Ministry of Economy and of Ministry of Finance demonstrate that the performance of SOEs (state-owned enterprises

and joint stock companies with state share) is very poor. According to a document with public policy proposals regarding the rules of corporate governance for companies with state share, elaborated by the Ministry of Economy in 2012, the performance issues were attested especially in acquisitions, asset management, staff remuneration, and regulation of incomes and the provision of state facilities. The effects of the less efficient activities of SOEs are manifested by the failure of the income to the national public budget from dividends, taxes, privatization of entities and by the distorting the free competition, diminishing the quality and increasing the price of goods and services. The empirical data, as well as the best practices from other countries and the recommendations from the field proposed by the international organizations (OECD and World Bank) suggests that the multitude of causes of the issues related to the SOEs' performance, which actually are the foundation for the latter courses of action in this regard, can be grouped as follows: lack of transparency and insufficient control over the activity of enterprises; the absence or the non-application of sanctions for breaking the legislation and internal regulations; conflicts of interest; reduced skills of management people and unclear requirements towards the performance of enterprises.

The problem of reduced financial performance of SOEs was inherited from the state entities administration in the Soviet system, which has mainly other objective than to maximize the enterprise value. Over the years of independence, the issue of efficient administration of SOEs was either „solved” by their privatization, either partially approached. The efficiency layout of enterprise administration founded and managed by the state is approached and treated differently. International institutions, such as the International Monetary Fund and World Bank believe that the best solution is the privatization of these enterprises. At the same time, OECD and many international experts support the idea that companies with state share have the potential to become as effective as the enterprises with private capital in the case when they are based on proper principles of financial and corporate management, that include incentives for persons involved in administration.

Therefore, by the fact that, the SOEs represent an important part of national economy and, consequently, the liquidity, the solvency and the functionality of these entities have a determining influence on the stability of the entire economy, it is necessary to ensure a robust financial management provided by the state, in order to ensure the integrity and the efficient use of the state property.

The analysis of the legal framework of Republic of Moldova that is afferent to the financial regulation of the activity of economic entities with public ownership. The state has its role in the creation and management of certain enterprises. Normally, these enterprises should activate in areas that don't represent any interest for the private sector. The law on management and privatization of public property determines the areas in which the state must keep its intervention through business and by approving the categories of enterprises which cannot be privatized:

- state enterprises that performs the state registration of enterprises and goods, the certification of goods and technology, other state enterprises which, exclusively or partially, perform auxiliary state functions;
- state/ municipal enterprises that are exploiting roads, goods of rail transport, aviation, waterways and pipelines, other social and/or economic infrastructure of a national or local interest or use;
- state/ municipal enterprises, including those that perform the activities of breeding and seeding animals, commercial companies with entire or majority public capital which ensure the stable functioning of certain sectors of the national economy.

Therefore, it is found that in Republic of Moldova, the economic entities with public ownership are operating as independent economical agents under general principles of entrepreneurship, having financial autonomy. The activity of these entities is regulated by the state enterprise law, company law, entrepreneurship and enterprises law, as well as by a number of Government decisions that directly relate to regulations regarding profit distribution, remuneration of leaders and employees of SOEs and other normative acts related to their specific activities.

As highlighted above, according to the economic performance achieved, the SOEs contribute to the economic and social development of the state, representing a lever of acceleration of socio-economic development. In this context, in order to improve the management of SOEs, there were elaborated and approved several stipulations in the legislative framework, in which it is highlighted the following:

- the establishment of economic indicators by the founder of the state enterprises;
- the approval of the Corporate Governance Code by the general meeting of shareholders of joint stock companies, which includes the description of performance criteria and procedures of their achievement;
- the elaboration of annual and strategic plans for the development of SOEs etc.

Table 1.

Synthesis of basic regulations relating to economic and financial activity of SOEs

Normative act	Regulations
<i>Law on State Enterprise</i>	<ul style="list-style-type: none"> – Establishing economic indicators by the founder (authority designated by the Government); – Drafting the perspective programme of enterprise development and their annual plans; – Drafting the annual estimation of revenues and expenditures; – Mandatory auditing of the financial statements in case of compliance of predetermined criteria; – Adoption of the decisions regarding contraction, grant and use of credits in the amount established by founder etc.
<i>Law on Joint Stock Companies</i>	<ul style="list-style-type: none"> – Approving the Corporate Governance Code; – Approval of priority directions of activity of the company; – Mandatory audit of the financial statements to joint stock companies with state share in the social capital exceeding 50 per cent; – Preparation of quarterly reports to the executive body of the company etc.
<i>Government decision regarding the functioning normative acts related to the Law on State Enterprise</i>	<ul style="list-style-type: none"> – The exercise by the Board of selective control of financial and economic activity of the enterprise; – Approval by the Board of the quarterly reports of enterprise director regarding the results of its financial and economic activity; – Drafting annual and triennial business plan; – Assessment by the founder of the management performance of the director regarding the evaluation criteria established in common agreement; – - Establishing the growth of the official salary of the director at the achievement of predetermined economic indicators (return on sales - not less than 20%, return on assets - not less than 10%, return on capital - not less than 15%) etc.
<i>Government Decision on some aspects of profit distribution of the joint stock companies with state share and state Enterprises</i>	<ul style="list-style-type: none"> – Distribution for the payment of dividends to the state budget, of a portion of net profits at a rate not less than 50% of its total value – for the economic entities with public ownership under privatization, and for entities with public property included in the List of goods that cannot be privatized - no less than 25 percent; – Performing charity and sponsorship not more than 2% of the net profit of the previous year, but no more than 400,000 lei; – - Exemption from the payment of dividends to the state budget on the basis of Government decisions and some agreements in force in the Republic of Moldova.

Source: Prepared by the author based on the source [11]

By analysing the legal framework in force and the information summarized in Table 1, it shows that, broadly, the state has established a set of rules to help develop a performance-based financial management. In this sense, it is highlighted that at the end of 2015, changes were introduced in the standard contract between the founder and the director of the state enterprise, particularly in the powers of the founder; functions and duties of the state enterprise director; the conditions of his remuneration, also being included stipulations related to the establishment of an increase to official salary of the director depending on the results of economic and financial annual activity, based on annual return indicators of enterprise' activity (return on sales, return on assets, return on capital). Therefore, in 2016 the management contracts with directors of state enterprises will be modified and will be determined the indicators as well as performance targets related to their work.

It is also noted that the Government, through its work program for the years 2016-2018, set a number of tasks in public property administration domain including: the professionalizing of the executive management and management board of SOEs; the growth of the transparency related to the formation and composition of the board management, including the development and implementation of performance indicators; conducting the performance audit and financial inspection at state-owned companies; boosting the process of privatization of state property in liberalized areas, based on the principles of transparency, legality and efficiency; remuneration including the heads of joint stock companies with state capital on the basis of predetermined performance criteria and indicators; etc.

Simultaneously, it is remarked that SOEs sometimes appear to be "more public than public institutions" since they represent, finally, the property of citizens, which means that there is a greater demand on transparency and responsibility. Thus, another measure of effective management of state property proposed by the Institute for Policy and European Reform in 2015, aimed the completion of the national legislation with requirements regarding the need for revelation of information by state enterprises, hence implementing higher standards of transparency.

It is noteworthy that, in accordance with the relevant legislation of joint stock companies, joint stock companies (inclusively where the state is a shareholder) is required to publicly disclose the information only if they meet certain criteria relating to the size of the capital, to the number of shareholders, to the listing on the stock market; whether or not it is considered a public interest entity.

According to the concept of public policy developed by the Institute for European Policy and Reforms, a greater transparency in financial statements of state enterprises and in the results of audits by audit firms, would be a pressure on the management of these entities. At the same time, it is imperative the disclosure on wage policies, and information on the procedure for choosing leaders. Therefore, it is certified that according to recent additions to the Law on State Enterprise there were included requirements for information disclosure by the company, that assume the obligation of the state enterprises to publish its annual report until May 30 the year following the reporting year and the obligation of undertaking measures which are necessary to ensure that it remains publicly available for a period of at least three years on its website and on the public authority website under whose administration the enterprise is or that has the quality of founder of the enterprise. In this regard, the company's annual report shall contain at least: the annual financial statements; activity management report; a correct and complete description of company development and its economic and financial performance, as well as a description of the main risks that it faces. With the publication of its annual report, the company will publish the full and audited report.

Conclusions and recommendations. Given the importance and continuing influence of SOEs and whatever the arguments on the merits of government control would be, it is considered necessary to attract more attention on the management and performance of publicly funded entities. It is important to highlight that in case of default by entities with state capital of its obligations for payment, these in turn turns up for state in bonds thereby facilitating "hidden deficit" budget, which are expenses that the state shall cover, a fact that is falling in the risk management system of the state budget.

Therefore, as a result of findings in the research there were formulated certain recommendations in this regard:

- Reviewing SOE portfolio in order to identify and retain only those strategic entities of a major importance for the national economy;
- Corporatization of SOEs that are not for especially public interest for the economy;
- Setting high financial performance standards for SOEs;
- Developing a system of performance and control indicators of the activity of SOEs designed to ensure early identification of risks;
- Promoting a culture of integrity among the governing bodies of the SOEs;
- Adopting the Code of corporate governance in SOEs and to demand its mandatory adoption by joint stock companies with state capital;
- Drafting a code of conduct for members of the management board and staff of the SOEs (which shall include values, principles, standards of behaviour);
- Providing information disclosure and transparency of decisions made by the board members of SOEs.

Lastly, it is considered that in addition to creating a legal framework connected to good practice in the management of state property, it is important also to monitor the implementation and the way of implementation of the legal provisions by SOEs, so as to ensure a maximum protection of the interest of both the state and the population as a whole.

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SECTION 1.2:

DISCIPLINE:

**- 522.02 ACCOUNTING, AUDIT, ECONOMIC
ANALYSIS**

ACCOUNTING AND TAX ISSUES REGARDING IMPAIRMENT LOSSES ON FIXED ASSETS

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Our demarche is focused on understanding the accounting regulation process in the Republic of Moldova in order to accord them with the European Union Accounting Directives and the IAS/IFRS standards. In our essay we want to describe the fiscal and accounting solutions adopted in the Republic of Moldova concerning the depreciation of assets.

Key words: *impairment loss, reversal of impairment loss, deductions, carrying amount, fair value less costs to sell, adjusted cost*

Since 01.01.2015 all domestic entities have to use the National Accounting Standards approved by the Order of the Minister of Finance No. 118 of 06.08.2013 [1] that provide new rules for further evaluation of fixed assets. Thus, section 17 of NAC “Intangible and Tangible Assets” provides that, after initial recognition, assets shall be evaluated at carrying amount, which is the original cost or the adjusted cost of the record object less the depreciation and the impairment loss accumulated. Such provision was not included in the previous national accounting rules and is intended to adjust the value of fixed assets in case of their obsolescence, unfavourable market conditions, negative technological, economic or legislative changes that significantly affect the entity etc.

Although the determination and accounting of assets impairment are set out in NAC “Impairment of Assets”, several problems arise in practice, the main of them being related to:

- selection of the method to record the losses on impairment of fixed assets and their reversal;
- determining the adjusted cost of the depreciated fixed asset in order to calculate its depreciation in the future reporting periods;
- judging the tax implications regarding impairment losses on fixed assets recognized and reversed.

The purpose of this article is to review the accounting and tax rules in force, in order to find solutions for the above mentioned problems.

According to the rule set in NAC “Impairment of Assets”, the entity must asses at each reporting date the presence or the absence of impairment indices for an asset (group of assets) and, if they exist, to determine the fair value less costs to sell for that asset (group of assets). The impairment loss should be recognized as the amount by which the carrying amount of the asset exceeds its fair value less costs to sell.

Section 24 of NAC “Impairment of Assets” provides two methods to reflect the losses on impairment of fixed assets valued at carrying amount (at cost), which may be used in accountancy:

- 1) accumulation of impairment loss in a separate account (similar to the accumulated depreciation of fixed assets); or
- 2) reducing the original cost of the asset or the adjusted cost that replaces the original cost.

The method of accounting the impairment loss in case of using each of the above mentioned methods is illustrated by Figure 1.

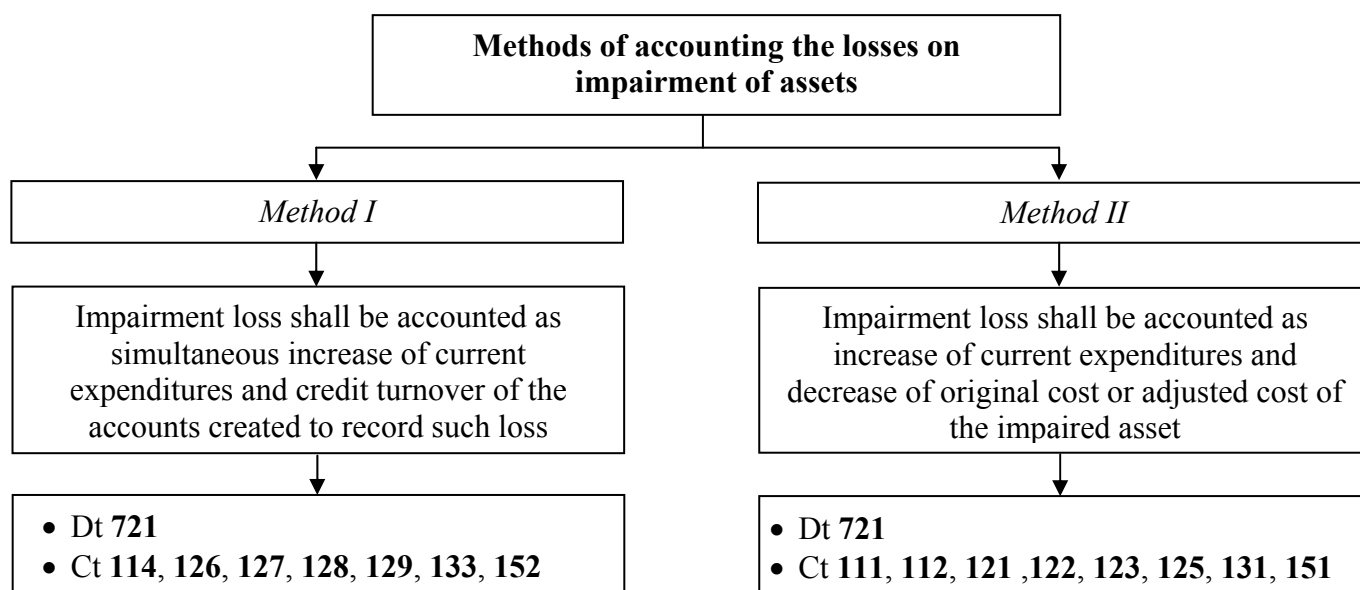


Figure 1. Methods of accounting the impairment losses

Source: Developed by the author based on NAC "Impairment of Assets" [2].

At the first glance, both methods have the same effects on the balance sheet indicators and the profit and loss statement, namely:

- 1) decrease the carrying amount of the impaired asset;
- 2) increase the current expenditures;
- 3) decrease the financial result of the current reporting period.

To put it another way, the entity must find at each reporting date whether the indices that served as basis to record the impairment of assets during the previous reporting periods have decreased or disappeared. In such a situation, the impairment loss recognized in the previous reporting periods shall be reversed and the carrying amount of the asset will be increased up to its fair value less costs to sell, but within the carrying amount (after deduction of depreciation) that would have been determined if no impairment loss had been recognized in the previous periods.

According to section 38 of NAC "Impairment of Assets", the reversal of impairment loss for an asset valued at carrying amount (at cost) may be recorded by the following two methods:

- 1) decreasing the impairment loss if such loss is accounted for in a separate account; or
- 2) increasing the adjusted cost of the asset that replaces the original cost.

The method of accounting the reversal of impairment loss in case of using each of the above mentioned methods is illustrated by Figure 2.

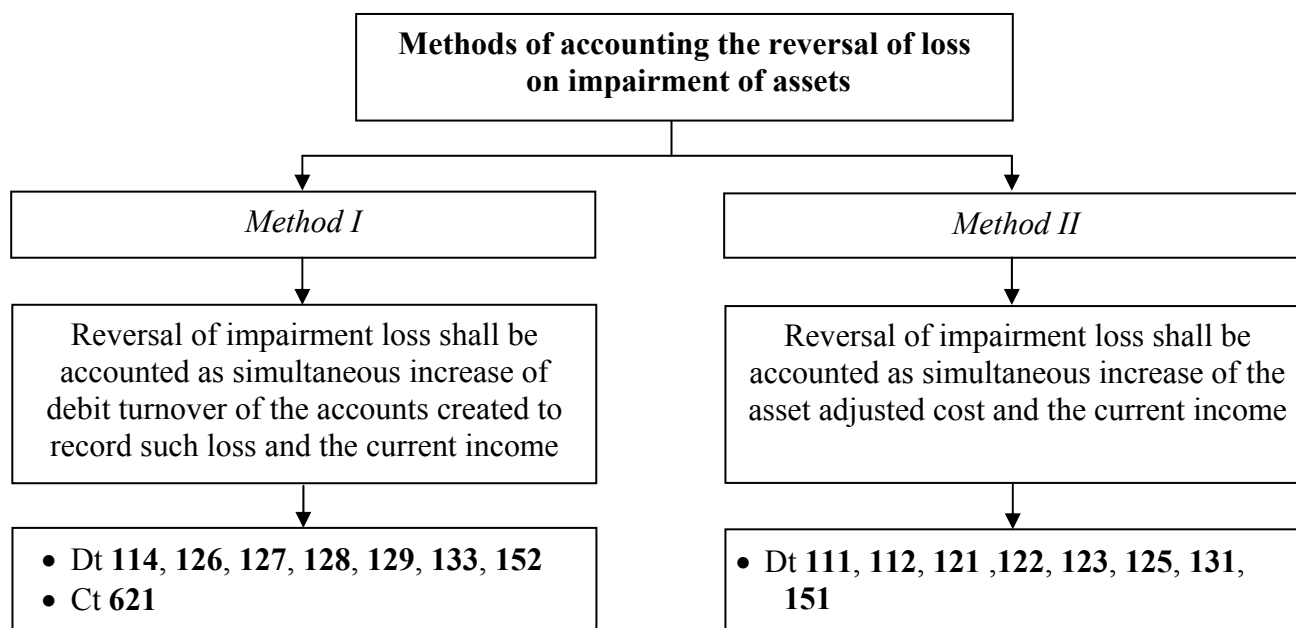


Figure 2. Methods of accounting the reversal of impairment loss

Source: Developed by the author based on NAC “Impairment of Assets” [].

It is worth mentioning that the methods set out in NAC “Impairment of Assets” for the accounting of impairment loss and its reversal are generally compliant with IAS 36 “Impairment of Assets” [3] and the methods found in the literature [4]. However, one basic difference between the provisions of NAC “Impairment of Assets” and those of IAS 36 is the evaluation basis to determine the amount of impairment loss. Thus, according to NAC “Impairment of Assets” the impairment amount shall be determined by comparing the carrying amount of an asset with its fair value less costs to sell, while according to IAS 36 the loss on impairment of assets shall be calculated by comparing the carrying amount of an asset with its recoverable amount, which is the higher of the asset’s fair value less costs to sell and its value in use.

To illustrate the differences between the two methods for accounting the losses on impairment of fixed assets and their reversal we will use the following example.

Example. Entity „A” has on 31.12.201X a production equipment with original cost - MDL 360,000, amount of accumulated depreciation - MDL 60,000, remaining useful life - 10 years.

On 31.12.201X the sale value less costs to sell of the equipment is MDL 225,000, and on 31.12.201X+2 this equals MDL 255,000.

In compliance with accounting policies the subsequent evaluation of fixed assets shall be done at cost and the depreciation is calculated by the straight-line method. At the same time impairment losses are accounted:

- in a separate account (variant I)
- by adjusting the original cost of the asset (variant II)

Based on the example data, the impairment loss of the equipment recognized and reversed is determined as shown in Table 1.

Table 1

Determination of the losses on impairment and their reversal

(in MDL)

No.	Indicators	Variant I	Method of determination	Variant II	Method of determination
1	2	3	4	5	6
as of 31.12.201X					
1	Original cost until impairment	360 000		360 000	
2	Accumulated depreciation	60 000		60 000	
3	Carrying amount until impairment	300 000	line 1 – line 2	300 000	line 1 – line 2
4	Fair value less costs to sell	225 000		225 000	
5	Impairment loss on reporting date	75 000		75 000	
6	Impairment losses accumulated	75 000	line 5	-	
7	Carrying amount after impairment	225 000	line 1 – line 2 – line 6	225 000	line 3 – line 5
8	Original cost/adjusted cost	360 000	line 1	225 000	line 7
9	Remaining useful life	10 years		10 years	
10	Annual depreciation in future periods	22 500	(line 8 – line 2 – line 6) : line 9	22 500	line 8 : line 9
as of 31.12.201X+2					
11	Original cost until impairment reversal	360 000	line 8	225 000	line 8
12	Accumulated depreciation	105 000	line 2 + (line 10 x 2 years)	45 000	line 10 x 2 years
13	Impairment losses accumulated until impairment reversal	75 000	line 6	-	
14	Carrying amount until impairment reversal	180 000	line 11 – line 12 – line 13	180 000	line 11 – line 12
15	Fair value less costs to sell	255 000		255 000	
16	Carrying amount without taking into account the impairment	240 000	(line 1 – line 2) – (line 1 – line 2) : line 9 x 2 years	240 000	cannot be determined
17	Impairment loss reversal on reporting date	60 000	min (15; 16) – 14	60 000	min (15; 16) – 14
18	Impairment losses accumulated	15 000	line 13 – line 17	-	
19	Carrying amount after impairment reversal	240 000	line 11 – line 12 – line 18	240 000	line 14 + line 17
20	Original cost/adjusted cost	360 000	line 10	240 000	line 19
21	Remaining useful life	8 years		8 years	
22	Annual depreciation in future periods	30 000	(line 20 – line 12 – line 18) : line 21	30 000	line 20 : line 21

Analysing the data from Table 1 we can conclude that, although in the two variants we use different calculation methods to determine the impairment loss and its reversal, the results obtained are the same.

The method to determine the impairment loss and its reversal applied in variant II is apparently easier, but it has a key deficiency - it does not use the original cost as evaluation basis. Thus, when determining the amount of impairment loss reversal, the entity does not have the necessary data to determine the carrying amount of the equipment, calculated by assuming that no impairment loss has been recognized previously (the indicator in line 17).

According to the data from Table 1, the entity "A" will draft the accounting formulas shown in Table 2.

Table 2.**Accounting formulas to reflect the losses on impairment and their reversal**

No.	Content of economic transaction	Amount, MDL	Variant I		Variant II	
			Dt	Ct	Dt	Ct
1	2	3	4	5	6	7
as of 31.12.201X						
1	Writing off the accumulated depreciation of the equipment	60 000	-	-	124	123
2	Reflection of equipment impairment loss	75 000	721	129	721	123
during 01.01.201X+1 – 30.12.201X+2						
3	Calculation of equipment depreciation	45 000	821	124	821	124
as of 31.12.201X+2						
3	Writing off the accumulated depreciation of the equipment	45 000	-	-	124	123
4	Reversal of equipment impairment loss	60 000	129	621	123	621

The data in Table 2 show that in both variants the expenses related to equipment impairment loss and the income from its reversal, as recognized in the profit and loss statement, will have the same amount: expenses in the amount of 75 000 on 31.12.201X and income in the amount of 60 000 on 31.12.201X+2.

The status of account balances recording the fixed assets, their depreciation and impairment after each economic transaction from Table 2 is shown in Table 3.

Table 3.**The status of account balances recording the fixed assets, their depreciation and impairment**

No.	Time	Variant I			Variant II	
		account 123	account 124	account 129	account 123	account 124
as of 31.12.201X						
1	Until impairment	360 000	60 000	0	360 000	60 000
2	After impairment	360 000	60 000	75 000	225 000	0
as of 31.12.201X+2						
3	Until impairment reversal	360 000	105 000	75 000	225 000	45 000
4	After impairment reversal	360 000	105 000	15 000	240 000	0

Analysing the data from Table 3 we find that, regardless of the variant applied, the equipment will be shown in the balance sheet with the same carrying amount: MDL 225 000 on 31.12.20X and MDL 240 000 on 31.12.201X+2.

In our view, the second variant has certain advantages, namely the use of a separate account to record the impairment losses allows tracking their evolution for each fixed asset. At the same time, the keeping of historical cost in the accounting is very important, as this is one of the main measurement bases of accounting elements in financial statements.

According to section 29 of NAC "Impairment of Assets", after the recognition of impairment loss of a redeemable asset, the depreciation of such asset shall be adjusted and calculated in future periods based on the adjusted (reduced) carrying amount of the asset. The above example shows that entity "A" has revised, both after the equipment impairment on 31.12.201X and after the reversal of impairment loss on

31.12.201X+2, the depreciation amount to be calculated in future periods, and in both variants and each time the amount was the same (MDL 22 500 on 31.12.201X and MDL 30 000 on 31.12.201X+2).

The tax system of losses on impairment of assets was established in Moldova for the first time by the Law No. 324 of 23 December 2013 on Amendments and Addenda to Certain Legislative Acts (Official Gazette of the Republic of Moldova No. 320–321 of 31.12.2013), which entered in force since 01.01.2014. This Law introduced a series of amendments to the Tax Code [2]. Specifically, Article 20 of the Tax Code (Sources of income not subject to tax) was supplemented with letter z⁹), which provides tax exemption for income from the reversal of losses on impairment of fixed assets and other assets. Concurrently, after supplementing Art. 24, paragraph (18) of the Tax Code, it was established that losses on impairment of fixed assets and other assets are not allowed for deduction. Therefore, if during the tax period the entity accounted for transactions related to assets impairment or its reversal, when drafting the declaration on income tax (hereinafter - the Declaration) the entity must make the following adjustments [5]:

- line 02016 of the Declaration - in column 2 it will enter the amount of impairment losses reversed and assigned to income, and in column 3 - "0";
- line 03041 of the Declaration - in column 2 it will enter the amount of impairment losses recognized as expenses, and in column 3 - "0".

As a result of these adjustments the income and expenses entered in the accounts when finding the losses on impairment of assets and their reversal shall not be taken into account in the determination of taxable income.

In general, the deductibility of some categories of expenditure found due to the use of certain accounting procedures may serve as an additional ground to enter them in the accounts. Accountants often ignore the NAC requirements on performing some accounting tasks, on the ground that income and expenditure that may be found on that occasion would have a different tax treatment and cause additional adjustments when drafting the Declaration. However this cannot be a reason to ignore the accounting rules. The main purpose of financial statements is to provide the information users with a true and faithful image on the accounting elements, which requires the observance of all accounting principles and thus the recording of any losses on impairment of assets, regardless of whether they are tax deductible or not. Therefore, when drawing up the financial statements one shall take into account the accounting rules, while in the determination of taxable income one shall observe the tax rules.

The recognition of impairment losses influences several financial indicators determined on the basis of information from financial statements, such as economic profitability, indebtedness level, future depreciation expenses, future profitability of the entity etc. Therefore the reflection of losses on impairment of fixed assets is an important tool for the entity management in order to reduce the vulnerability to various risk factors that may affect the entity in a market economy.

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ECONOMIC ASPECTS OF MINIMUM WAGE

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Human factor has always played a decisive role in the socio-economic development of a country. Thus, in the current context of the economy Republic of Moldova, revenue staff underlines an important role in the economic, social and political life of our country.

Key words: *minimum wage, employed, vital needs, minimum guaranteed, remuneration*

Introduction

Wage is the price paid by the employer to its employees for work performed by them either in monetary form as well as natural rewards and government guaranteed securities and additional payments, determined by the quality and quantity of work. If approach the concept seen in terms of the employee, the salary is the main source of current income that provides material and moral satisfaction to the individual as well as his entire family. According to the Constitution of the Republic of Moldova 29.07.1994 - Republic of Moldova is a democratic law, where human dignity, rights and freedoms, free development of human personality, justice and political pluralism represent supreme values and are guaranteed. The state is obliged to ensure that everyone has a decent standard of living, to adequate for the health and well-being, him and his family, including food, clothing, housing and medical care and necessary social services, and citizens have right to be insured in the event of: unemployment, sickness, disability, widowhood, old age or other lack of livelihood, in circumstances beyond their control. [*Constitution from 29.07.1994, the Moldovan Constitution Published: 12.08.1994 in the Official Monitor nr. 1. Effective Date: 27/08/1994*].

The state regulates labour remuneration of employees in establishments, regardless of their type of ownership and legal form by setting the size of the minimum salary, the minimum guaranteed salary in the real sector and tariff wage for category I pay of employees in the budgetary sector, other rules and state guarantees, the establishment of the system and the conditions of employment of employees of institutions and organizations financed from the budget by adjusting payroll funds for employees of monopolistic enterprises.

Minimum wage in the economy is the lowest hourly wage, daily or monthly law of that country which allows employers to pay an employee. The first countries where it is established by law a minimum wage have been Australia and New Zealand in the late nineteenth century. Currently the minimum wage is set above 90% in the countries of the world.

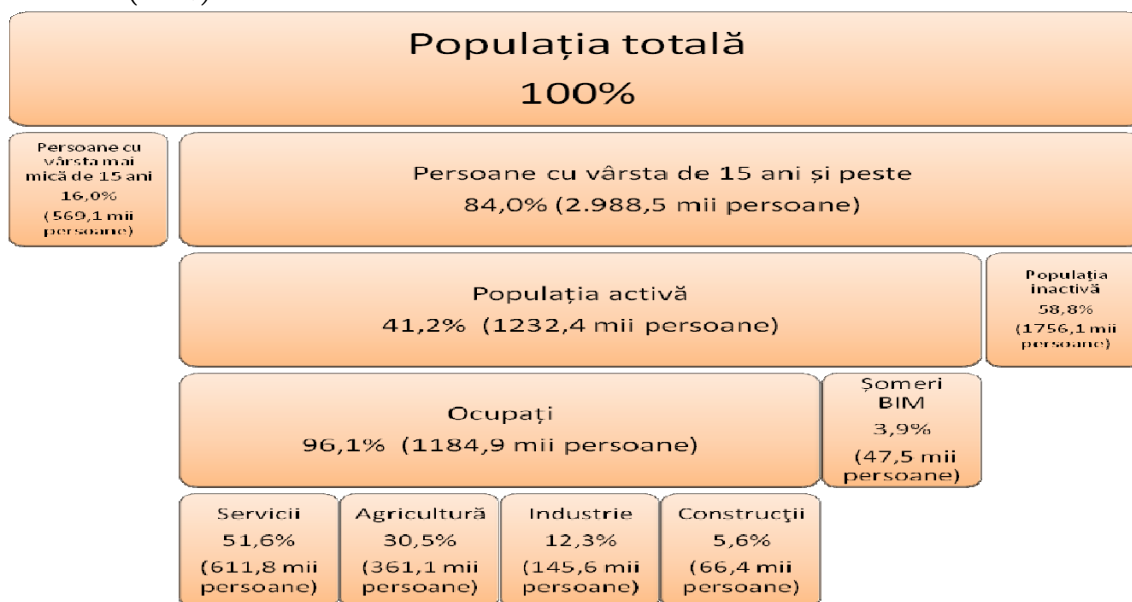
Minimum guaranteed wage for the private sector is established by the Government decision, and every year it is reviewed. The review is carried having the minimum amount that premise changing consumer price index and the rate of labour productivity growth at the national level.

Thus, measures taken, the state protects the working population are employed and ensure higher incomes for low-skilled labour, vulnerable to the effects of poverty, ensuring each employee a minimum wage and not lower than the limit set by the government.

Critical analysis of the problem investigated

Since May 1, 2015, the minimum guaranteed salary in the real sector (enterprises, organizations, institutions with financial autonomy, regardless of the type of ownership and legal form) is established in the amount of 1900 lei per month, calculated for a program complete 169 hours per month, with 250 lei more than in 2014. The minimum wage has a positive impact on the spread of unofficial relationships payroll, reducing the incidence of this process, thus enhancing the social contribution revenues over the medium term.

According to the National Bureau of Statistics, in Moldova, the total active population of 1.2324 million people, 1.1849 million people are employed, the rest - 47 500 people are unemployed. Figure 1: Population RM (2014)



Source: National Bureau of Statistics.

Employed persons, i.e. 96.1% of total assets, in instead for their work receive a payment either in kind or in the form of money to meet future needs, and their families.

National Bureau of Statistics show data that between 2014 and disposable income per person is 1767.50 lei on average per month, while consumer spending is 1816.70 lei per month per person. Structure of disposable income recorded for 2014 - 41.6% is revenues from wage work.

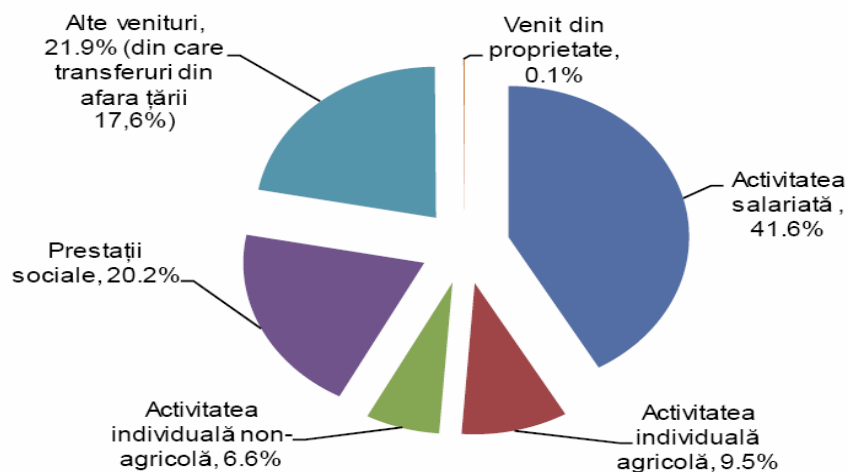


Figure 2: Structure of disposable income of the population RM (2014)

Source: National Bureau of Statistics.

Considering the situation, we can say that disposable income does not cover all consumers spending. The wonder is that for 2014 the minimum wage was 1650 lei, while the minimum consumer unit – MDL 1667.70, or MDL 17.70 more than the income limit for employees employed.

Graphics, backgrounds and income situation of subsistence in the country for the period 2006-2014, can be traced in Fig. 3.

Economic analysing, we can say that the situation is critical, especially for the periods 2006-2012, where the average income could not cover subsistence, let alone the fact that the minimum wage have values much lower than the average income registered for each period.

Table 1.**Minimum wages in the public sector**

Period	2006	2007	2008	2009-2013	01.10.2014
The minimum wage, lei	200	400	400	600	1000

Source: made by the author

For the public sector the ratio between the minimum wage and subsistence minimum working age person during the years 2001-2013 shows that the minimum wage covers only 14-48% of the value of the minimum of existence.

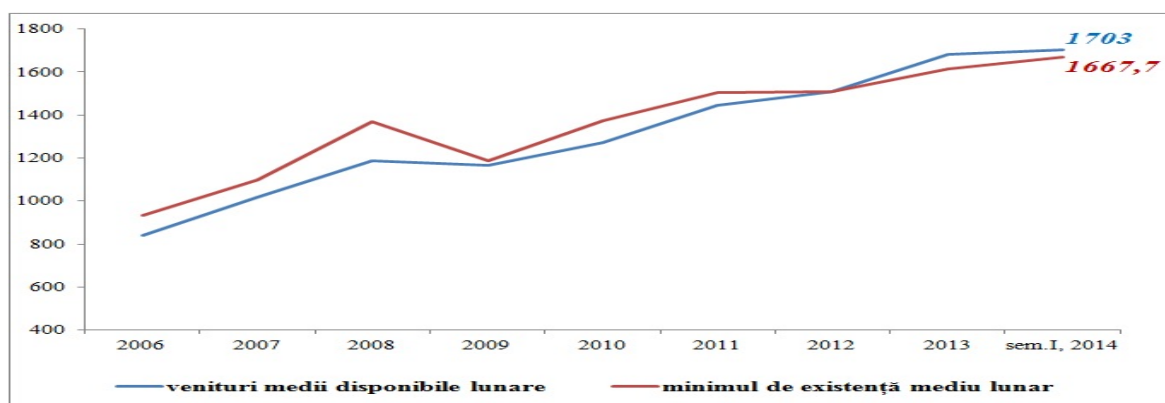
Table 2.**The minimum wage in the real sector, MDL**

Period	01.08.2005	01.07.2006	01.07.2007	01.02.2010	01.05.2012	01.05.2013	01.05.2014	01.05.2015
The minimum wage, lei	550	700	900	1100	1300	1400	1650	1900

Source: made by the author

The same situation is characteristic of the real sector, except that here minimum of existence is covered with values greater than the public sector. Thus, for 2006, the minimum wage to cover 70.94% of the minimum expenditure in 2013 -87.04% in 2014 to 98.94% in 2015 to 110.15%. At the same time, we must not ignore the fact that calculations were based on the gross minimum wage, ie before the registration of salary deductions as required by law.

For example, in 2014, after registering deductions (Table 3) wage minimum net will cover only 86.14% of the real subsistence minimum, and in 2015 - only 95.10% of the minimum consumer unit, but not 110.15% according to previous calculations. It follows that the minimum wage is taxed in the end so that part of it is transferred to the budget, and the remainder cannot even necessary to cover ordinary employee.

**Figure 3: Revenue income and the minimum subsistence in Moldova (2006-2014)**

Source: National Bureau of Statistics.

Individual vision on the investigated problem and the results of research

A simple calculation can reveal the mystery behind the minimum wage. If an employee for the period of 2014, had a gross wages of 1650 lei, then after their withholding, as required by law, the employee will

ultimately receive a salary amounting to 1436.56 lei, as when the employee will only use personal exemption. Minimum wage from May 1, 2015 the sum of 250 lei will make the final wage increase received by the employee from 1436.56 to 1640.54 lei lei, ie with 203.98 lei or 14.2% more than during 2014.

The minimum wage will increase costs and lead to dismissal to employees. The calculation in the table above shows that in fact the state's first to earn the minimum wage, at least in a first stage. Apparently, although the minimum wage increase in the amount of 15.15% is still effective after the calculation, we find that the employee actually receives less effectively hand over 14.2% more. However, looking at the problem from another point of view, income growth will stimulate increased consumption employees thus stimulating the economy.

Follow as a table are presented calculations minimum wage increase and disclosed information such as who has gained from raising the minimum wage to 250 lei.

Table 3

Calculation of the influence of the minimum wage increase on expenditure employer, employee income and state revenue

	Year 2014	Year 2014	The nominal difference,	Percentage difference, %
The minimum wage, MDL	1650	1900	+250	+15,15
Employer's expense,	Total = 2095,60 MDL Salary calculated = 1650 MDL Social security contributions paid by employers (23%)= 379,50 MDL Prime mandatory health insurance (4%) = 66 MDL	Total = 2422,50 Salary calculated = 1900 MDL Social security contributions paid by employers (23%)= 437 MDL Prime mandatory health insurance (4%) = 85,50 MDL	+326,90	+15,60
State receipts, MDL	Total = 658,94 The employer Social security contributions paid by employers (23%)= 379,50 MDL Prime mandatory health insurance (4%) = 66 MDL Social security contributions paid by employees (6%)= 99 MDL Prime mandatory health insurance (4%) = 66 lei Income tax from salary – 48,44 MDL	Total = 781,96 The employer Social security contributions paid by employers (23%) = 437 MDL Prime mandatory health insurance (4,5%) = 85,50 MDL Social security contributions paid by employees (6%) = 114 MDL Prime mandatory health insurance (4,5%) = 85,5 MDL Income tax from salary u – 59,96 MDL	+123,02	+18,67
Net wage of the employee, lei	Received = 1436,56 MDL Gross wage (minimum) = 1650 MDL	Received = 1640,54 MDL Gross wage (minimum) = 1900 MDL	+203,98	+14,2

	<i>Social security contributions paid by employees (6%)=</i> 99 MDL <i>Prime mandatory health insurance (4%) =</i> 66 MDL <i>Income tax from salary –</i> 48,44 MDL <i>[1650-99-66-48,44]=</i> 1436,56 MDL	<i>Social security contributions paid by employees (6%) =</i> 114 MDL <i>Prime mandatory health insurance (4,5%) =</i> 85,5 MDL <i>Income tax from salary –</i> 59,96 MDL <i>[1900-114-85,50-59,96]=</i> 1640,54 MDL		
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Source: made by the author

At the same time we must not forget that with increasing wage costs of the employer, will ultimately lead to increased cost of production, signifying actually increase the price of goods and services produced within the entity. In this situation arises the issue of dismissal of employees, namely the situation of fierce competition in the market economy, if the price of goods and services remains unchanged when increasing production costs, employers resort to firing employees unskilled promoting those who already practice.

From the social point of view, this situation is nothing but a crime against their own people. Anyone who works has the right to fair and adequate salary. In the case RM salary is not enough to cover minimal, and if we do compared with developed countries, the minimum wage in Moldova is neither fair.

From the economic point of view it is inappropriate to apply income tax on the earnings wage without covering subsistence. For legal entities, the calculation of profit is done with necessary tax deduction and ordinary expenditures, which is disallowed for individuals. In this situation it would be correct deduction for ordinary and necessary expenses every person in revenue, followed deduction and exemption of contributions and later on to apply the income tax rate on income. Levying an income that does not cover the subsistence minimum is nothing but an action initiated against its own people.

The minimum wage is the wage considered sufficient to satisfy the vital needs of employees, taking into account the economic and cultural development of each country. Introducing and maintaining it should highlight two arguments:

1. To reduce poverty faced by part of the population.
2. To reduce the level of control the employer's salary.

The inference logic says that the minimum wage should exceed salary balance. Just this situation could prove to be necessary to impose a minimum wage.

Considering that in 2014, a citizen of Moldova MDL 1667.7 needed to secure the subsistence minimum and the minimum wage received at hand in this period constituted MDL 1436.56, shows that to - and ensure employee there must borrow or find other sources still MDL 231.14, without being able to make savings. An illogical situation, but all at the same time full of mystery.

According to the BNS, the average salary of an employee in Moldova amounted in the first half of 2014, MDL 1703.1, exceeding the average size of the market basket by 2.1%. Higher wages were employees in the IT sector; they cover their basic costs 4.7 times more. Employees earned less in agriculture, whose minimum subsistence was covered for 141.3%.

By the NBS figures released today show that the most disadvantaged group of citizens are pensioners, the minimum consumption of which is covered for only 81%. The subsistence minimum for a pensioner was during this period, 1437.70 lei, while the average pension in 2015 was fixed for only MDL 1165.20.

A major problem is that the RM minimum wage in the public sector differs from the minimum wage in the real sector, the budget sector is lower. Thus public sector employees are discriminated and discouraged real sector employers, labour market imbalances. If the minimum wage is increased unduly, without taking

measures to stimulate the employment of certain social categories (graduates, minority ethnic groups, people with restricted level of knowledge of certain areas), may lead ultimately boosting unemployment. At the same time the minimum wage in some way is a guarantee of purchase of employees receiving the lowest wages. If you take a look at this chapter in developed countries, we can mention that for example in France, the minimum wage is indexed to the inflation rate measured for 20% of households with the lowest income. This method of calculating the minimum wage is applied for both the public sector and for the real sector, and failure by the employer that rule is punishable by a fine of 1,500 euros for each employee paid under illegal circumstances.

According to statistics, in 2015, Romania had the second lowest paid in the EU after Bulgaria. About 2.4 million workers were minimum wage or less, which represent 40% of all active employees. Of these, 1.6 million were full-time and 0.7 million part-time working. For the period from 2008-2015, Romania registered the biggest percentage increase in the minimum wage by 95%, from 500 lei to 975 lei. Romania is followed by Bulgaria, with an increase of 64%, and then the string continues with Slovakia and Latvia, with increases of 58% and 57%. Calculated in Euro, the minimum wage in Romania increased by 57% from 2008 to 2015, from Euro 139 to Euro 218, marking three per cent growth in the EU. By these criteria, Romania is on par with Latvia concerning the advance percentage wage country has advanced from 230 euros to 360 euros per month.

Conclusions

In conclusion, competitive labour markets raises minimum wage laws actual salaries of remaining employees, but also creates unemployment. Any intervention in the internal mechanism of labour market functioning, public or private can have positive effects in the short term on some categories more or less restricted to employees, but at the cost of unbalancing the overall labour market and worsening of other workers. Raising the minimum wage in Moldova have justified economically. In view of the above I can say that the method of increasing the minimum wage by government intervention is one more harmful than relief. In Moldova, the minimum wage cannot be economically justified, at least simply because it does not cover 90% of consumer spending minimal, but clearly, those arguments are behind such a decision must be sought not in the economic area, but the policy.

Arguments PRO for minimum wage

- would increase the standard of living of people who have the lowest incomes
- should reduce wage inequalities
- would increase the motivation of workers underpaid
- would alleviate poverty and state spending
- reduce social exclusion and labour market segmentation

Argument AGAINST for minimum wage:

- pay raises must be related only to productivity
- would increase unemployment among young and poorly trained people
- would affect the competitiveness of firms in low-wage sectors
- It would be difficult to adopt a single policy that responds to different needs

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LEASE-BACK ACCOUNTING

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The increasing demand for lease-back transactions in the Moldavian market actualises the issues related to accounting and taxation of such operations. Actually, there is no any special legislative framework to regulate the lease-back transactions to date, that results in ambiguity by accounting and reporting of such operations. The present article emerges some of the main problems in accounting and taxation of lease-back transactions and gives some recommendation of improvement.

Key words: *leases, lease-back transactions, accounting for lease-back.*

Reduction of the number of leasing transactions has been observed over the past few years, under conditions of the economic insecurity in the Republic of Moldova. "The leasing market has been certainly shrinking and active companies, from the number of all companies that have given the account, can be counted on one hand ...", – considers the General Director of Capital Leasing LLC Nicolai Cozin [1]. Such a decline in the leasing service market makes the companies turn to untypical leasing transactions, one of which is lease-back (or sale and lease-back). According to the words of the General Director of Finance Leasing Company Dmitri Colev, such transactions gain more and more popularity and do compensate, to a certain extent, the sinking demand for direct leasing services [1].

The increasing demand for lease-back transactions in the Moldavian market actualises the issues related to accounting and taxation of such operations.

The regulatory and legal framework regulating the lease-back transactions in the Republic of Moldova is composed of the following principal legislative and regulatory instruments:

- the base for legal regulation of the lease-back transactions serves Civil Code of the Republic of Moldova no.1107 dated the 06th of June 2002 [2] (general provisions regarding the sales and purchase agreements and leasing agreements), as well as Law of the Republic of Moldova no.59 dated the 28th of April 2005 'On Leases' [3];

- accounting for the leasing transactions is regulated by Law no.113 dated the 27th of April 2007 'On Accounting' [4], as well as by the National Accounting Standards (hereinafter referred to as the NAS) [5] and International Financial Reporting Standards (hereinafter referred to as the IFRS);

- taxation of the lease-back transactions is realised in conformity with the provisions of Tax Code of the Republic of Moldova no.1163-XIII dated the 24th of April 1997 [6] (hereinafter referred to as the TC of the RM);

It should be mentioned that there is no presently any special legislative framework in Moldova, to regulate the lease-back transactions, but the above mentioned legislative and regulatory instruments, which are in effect presently, do not describe and do not regulate to the fullest extent all peculiarities of the lease-back, but leave unregulated some issues and provisions that are subject to studying and improvement.

Thus, the NAS presently do not contain any individual recommendations on recording of the lease-back transactions. The tax laws leave unregulated the issue related to taxation of some transactions realised at below-market prices. A separate problem is recording of the additional costs and expenses that are directly related to a leasing transaction, since the requirements to recording of such costs are regulated by

the provisions of several standards at once and contradict one another in the course of conduct of the financial lease-back transactions.

The works of such local and foreign specialists, as Adamov N.A., Bucur V.S., Vasina I.G., Dima M., Zotova Yu.A., Polonskaya O.P., Teplyakov A.B. and others, are dedicated to study of the outstanding issues of leasing transaction accounting.

Nevertheless, due to a relative novelty of such transactions in the home market, as well as due to the amendments made to the NAS in 2014, the above problems of the accounting have not been settled and require additional explanations.

Pursuant to article 4 (e) of the Law 'On Leases', 'the lease-back is a transaction, within the framework of which a party transfers the ownership right to an object to another party, for the purpose of further reception thereof on lease' [3].

A lease-back agreement stipulates that after the seller-leaseholder (lessee) sells an object to the buyer-lessor, the former receives such an object back into temporary use. This agreement is, first of all, is aimed to prompt replenishment of the lessee's current assets and is often concluded without any physical move of the leasing object. Besides this, a lease-back agreement may be concluded for the purpose of 'optimising' the lessee's balance sheet structure (sales and operating lease-back allows off-balance accounting of the assets), in order to give an asset into subleasing and to reduce other risks and costs related to asset possession. After the leasing period terminates, such an agreement may imply either return of the leasing object to the seller-leaseholder, or reservation by the buyer-lessor of the ownership right to that object. In general terms, a lease-back transaction is presented in figure 1.

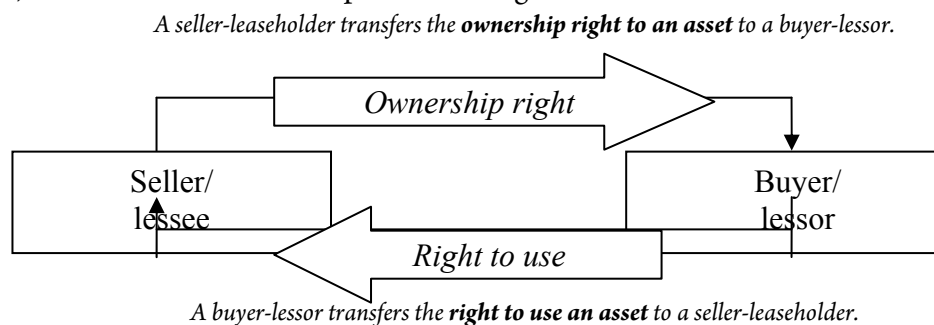


Figure 1. Lease-back transaction

The lease-back agreement represents two sequential transactions, for accounting and taxation purposes:

1. Sale and purchase – the ownership right to an asset passes from the seller-lessee to the buyer-lessor;
2. Leasing - means passage of the right to use such an asset from the buyer-lessor to the seller-lessee. In such a case, lease-back may be financial one, if it meets the criteria stipulated in the standards, or operating one.

Hence, when recording the lease-back agreement, one shall be governed by the provisions of several accounting standards at once.

Thus, depending on the asset type and peculiarities of the seller-leaseholder's accounting policies, retirement of an asset according to the lease-back agreement shall be reflected in the accounting in conformity with the requirements of the following standards:

- NAS 'Long-Term Intangible and Tangible Assets' – in cases if such an asset is reflected in the balance sheet as a fixed asset or a land parcel, as of the moment of sales thereof,

- NAS 'Investment Properties' – in cases if an asset is included into the investment property composition, as of the moment of sales,

- NAS 'Stocks' – in cases if an asset is prepared and designed for sales and is reflected as goods or products in the seller's balance sheet.

Pursuant to the requirements of the national standards, the seller-lessee shall reflect writing-off of the asset, depreciation and impairment losses (if any), and shall recognise the operating revenues from asset sales, in its accounting records.

As distinguished from the NASs, the IFRS provisions prescribe viewing a lease-back transaction not as a separate sales and purchase transaction and a leasing transaction that form their proper financial results, but as an interrelated process, when the price for asset sales and further leasing payments are considered to be interdependent values that determine the way of financing of the seller-leaseholder's activities. That's why the procedure for recognition of the sales revenues and expenses will depend on further terms and conditions of a lease agreement, but, first of all, on leasing type (operating or financial one) and on the way of asset cost reimbursement through leasing payments.

Thus, if a lease-back following the sales operation is classified as **financial leases**, then prompt recognition of the profit from leasing object sales shall be deemed to be improper, since the asset transferred is, as a matter of fact, used as a tangible security of that financial transaction. That's why sales value overrun with regard to the asset balance value shall be reflected within the unearned revenues and shall be attributed to the current revenues throughout the whole period of validity of the leasing agreement. But the loss from the sales and purchase transaction shall be immediately recognised to the fullest extent.

In cases if the lease-back agreement stipulates further **operating leases** of the asset, then, according to the requirements of the international standards, one shall compare the sales value, fair (market) and book value of such an asset. In this event, the sales value means the selling prices of such an asset, indicated in the agreement; fair value means asset price formed in an open market (or a sum, which this asset may be exchanged for or which may serve for settlement of the obligations when concluding a transaction between well-informed and independent parties that wish to carry on such an operation); and the balance value means the value, according to which such an asset is reflected in the accounting books of the supplier/leaseholder.

As a first step, one shall compare the book value and fair value of the asset. If the book value is less than or is equal to the fair value of the asset, then no corrections to be reflected in the accounting records are required. But if the book value of the asset is bigger than the fair value thereof, then asset write down shall be realised and a loss amounting to the difference shall be immediately recognised.

As a second step, one shall compare such a fair value of the asset and the sales cost thereof, and in such a case, there may occur the following situations:

- *book value = fair value = sales value* – transaction revenues and expenses are recognised at once but transaction profit or loss is absent;

- *book value < fair value and*

fair value = sales value - transaction revenues and expenses are recognised at once but transaction profit is recognised within the running-period revenues;

- *book value = fair value < sales value* – expenses (prime cost) and revenues, which do not exceed the book value of the asset, are recognised at once. Profit received under this transaction shall be recognised as deferred revenues within the unearned revenues and shall be attributed to the running-period revenues throughout the expected time period of asset use;

- *book value < fair value and*

fair value < sales value – expenses (prime cost) and revenues, which do not exceed the fair value of the asset, are recognised at once. A difference between the fair cost and the sales cost is recognised as unearned revenues and shall be attributed to the running-period revenues throughout the expected time period of asset use;

- *book value < fair value and*

book value < sales value and

fair value > sales value – transaction revenues and expenses are recognised at once, but transaction profit is recognised within the unearned revenues;

- *book value = fair value > sales value* – loss from asset sales is recognised at once, except for the cases when the amount of subsequent leasing payments will go below the market value too, but in this event, such a low sales price will be compensated by a lower obligation for leasing payments. In this event, loss is reflected within the prepaid expenses and is attributed to the running-period expenses, as a proportion of leasing payments, throughout the expected time period of asset use

- *book value < fair value and*

book value > sales value and

fair value > sales value – transaction expenses (prime cost) and revenues are recognised at once, and transaction loss is recognised at once to the fullest extent too, except for the cases when the amount of subsequent leasing payments will be below the market value too, but in this event, such a low sales price will be compensated by a lower obligation for leasing payments. In this event, loss is reflected within the prepaid expenses and is attributed to the running-period expenses, as a proportion of leasing payments, throughout the expected time period of asset use

As a rule, in case of a lease-back transaction, the asset is sold at a below-market price and the buyer-lessor compensates only for 60% to 70% of the fair value of the asset to the seller-leaseholder. If in this case the asset sales price is below the asset book value, one shall then pay the attention to the tax consequences of such a transaction. Pursuant to article 97 (5) of the TC of the RM, when selling a **depreciable asset**, the greatest value between the market value and book-keeping (book) value of the asset shall be subject to the value-added tax (hereinafter referred to as the VAT) [6]. The TC of the RM does not give a separate definition to the notion of a 'depreciable asset', that's why there arises a questions: in what specific cases shall the VAT liabilities before the budget be re-established?

On the one hand, the notion of a 'depreciable asset' in the TC and the notion of an 'amortisable asset' in the NAS may be equalised, then if selling at a price below the book value the assets attributed to the category of:

- fixed assets or investment properties recorded in conformity with the cost-of-production method – the sum of the VAT for the withdrawn assets, which was previously taken as an offset, shall be re-established,

- land parcels, investment properties recorded in conformity with the fair-value method, goods or other non-amortisable assets – no liabilities for VAT re-establishment shall arise

On the other hand, the notion of a 'depreciable asset' may be also construed as a property, which depreciation is deducted from. Definition of the property, which depreciation is deducted from, is given in article 26 (2) of the TC of the RM: 'this is a tangible property, which is used in the business activities, which is reflected in the taxpayer's balance sheet in conformity with the laws, the cost of which has been **presumably** reducing in proportion to its physical and functional depreciation, the service life of which exceeds one year and the cost of which is higher than 6,000 lei'. Hence, the assets, which are not amortisable for the accounting purposes (for instance, investment properties recorded according to the fair-value method; long-term assets transferred to the category of goods), may be construed, for the tax recording purposes, as a property that depreciation is deducted from and that is subject to VAT re-establishment, if sold below the book value. This issue has not been officially explained yet, however, basing on the general recommendations, we propose re-establishing the VAT in such situations if only there are written off the assets, which were included in the 'Record of Fixed Assets According to the Property Categories and of Depreciation Thereof, for Taxation Purposes' as of the moment of their writing-off and were not subject to re-classification (transfer) into the composition of the current assets.

The effective NASs do not prescribe, as well, the way to record asset receipt by the buyer-lessor, when the ownership right is transferred under lease-back conditions. That's why the buyer-lessor may choose and approve in their accounting policies the way to recognise and reflect the original cost of the asset in the balance sheet, being governed by the requirements of the following standards:

- NAS 'Long-Term Intangible and Tangible Assets' –in cases when the asset is classified as long-term one, which is designed for transfer to third parties for use
- NAS 'Investment Properties' –in cases when the asset is a real estate object and it was decided to classify it as an asset designed for lease out
- NAS 'Stocks' – in cases when the agreement stipulates subsequent financial leases of this asset, together with transfer of the ownership right to such an asset either to the leaseholder, or to a third party, and the transaction object may be classified as a held-for-sale asset

Further accounting of transfer/acceptance of the right to use the asset shall comply with the requirements of the NAS 'Leasing Agreements' both for the buyer-lessor and for the seller-lessee.

Another disputable issue in the course of lease-back transactions is the procedure for recording of additional costs and expenses related to transaction conduct. Such costs and expenses include: expenses for legal, consulting and information services, and services for leasing object assessment; expenses for mounting, dismantling, carriage, on-way insurance, non-recoverable taxes and levies; costs and expenses related to asset preparation for use; and other costs and expenses directly related to the lease-back transaction.

According to the accounting customaries, all additional costs and expenses (except for recoverable ones) related to asset receipt shall be attributed to increase of the original value of the asset. Costs and expenses for asset writing-off shall be attributed, as a rule, to the company's current expenses, or shall be written off on the account of a reserve formed before.

A lease-back transaction does suppose:

- writing-off and receipt of an asset by the seller-lessee
- receipt and writing-off of an asset by the buyer-lessor

In this event, additional costs and expenses must be recorded in conformity with the requirements of the standards, in the way shown in Table 1.

Table 1.

General requirements to recognition of additional costs and expenses that are directly related to receipt or retirement of an asset, as a result of sales and purchase transactions and leasing transactions

<i>Transaction Type</i>	<i>Additional Direct Costs and Expenses</i>	
	<i>Recording by the Seller-Lessee</i>	<i>Recording by the Buyer-Lessor</i>
Asset sales and purchases	Either written off as period costs/ expenses, or deferred expenses, or redeemed on the account of a reserve formed before	Attributed to the asset value
Financial lease	Attributed to the asset value	Written off as period costs/ expenses, or deferred expenses
Operating lease	Written off as period costs/ expenses, or deferred expenses	Written off as period costs/ expenses, or deferred expenses

As we see from Table 1, when recording the lease-back, the seller-lessee gets a question:

- shall additional costs and expenses directly related to transaction conduct be reflected in the asset value in case of the financial lease-back, if being governed by the rules of clause 12(3) of the NAS 'Leasing Agreements'?

- or shall additional costs and expenses be written off immediately, in conformity with the requirements of other standards related to costs and expenses recording in case of asset writing-off?

The buyer-lessor gets the same question, since the requirements of some Standards prescribe increase of the original value of the purchased asset by the amount of additional costs and expenses but the provisions of the NAS 'Leasing Agreements' do recommend showing the transaction-related expenditures within the current or deferred expenses.

When studying a lease-back transaction from the point of view of the economic substance thereof, we do recommend the following procedure of accounting.

Since, in case of the seller-leaseholder, the lease-back is an alternative way to finance their business activities, which is similar, according to its meaning, to the funds raising against the security of the asset, then such an operation may be studied within the context of the requirements of the Standard 'Borrowing Costs'. Then, the value of all additional costs and expenses related to performance of the lease-back agreement shall be regarded as expenses related to funds raising. Pursuant to the provisions of this Standard, expenses for borrowings that are directly related to acquisition, construction or production of the asset to be classified, shall be capitalised (shall be included in the value of the asset to be classified). In other cases, such expenses shall be attributed to the period expenses. Hence, if the financial lease-back agreement was aimed to attract the funds for modernisation, reconstruction or improvement of the leasing asset and the seller-lessee looks for receiving any future economic benefits as a result of such modernisation, then additional costs and expenses related to transaction conduct shall be included in the value of the leasing object.

But if the financial lease-back agreement was aimed to replenish the seller-leaseholder's current assets, as well as when it comes to the operating lease-back, additional costs and expenses must be recognised as running expenses. In cases when such costs relate to two or more reporting periods and/or the value thereof exceeds the materiality threshold set forth by the leaseholder's accounting policies, such costs and expenses shall be reflected as deferred expenses and shall be subsequently written off as running expenses and period expenses.

It is expected that in case of the buyer-lessor, additional costs and expenses related to arrangement of the lease-back transactions shall lead to increase of future economic benefits from conduct of such transactions. The ability to generate future economic benefits is closely related to the notion of the asset, therefore, the value of additional costs and expenses for the transaction, incurred by the buyer/finance lessor, shall be included in the original value of the acquired asset.

Another reason for such a conclusion serves the definition of the original value of the leasing asset, given in article 3 of Law no.59 'On Leasing', pursuant to which 'the original value is the value, according to which an object was purchased or produced by the finance lessor, including... any other expenses, if any, related to purchase, supply and **commissioning of such an object in conformity with the leasing agreement**' [3].

Hence, the buyer-lessor shall include the amount of all additional costs and expenses directly related to performance of the lease-back agreement, into the original value of the acquired asset, regardless of the type of the lease-back agreement.

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APPROACH TO THE ACCOUNTING, IN THE CONTEXT OF NEW INFORMATION TECHNOLOGIES

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The science and technology has been developing with an astonishing speed during the last five decades, being enriched and improved every day. The name itself of the information system shows not only the link between the human factor and the procedures used, but also the targeting of the common goal of such two components.

Under such conditions, financial audit and accounting cannot still remain isolated from the trends that manifest themselves presently, particularly when it comes to use of the latest-generation technologies.

Key words: *Information technologies, information systems, financial accounting system, software.*

Introduction

The progresses recorded in the IT sphere, the impact such technologies have on different spheres of activities, the long period that has passed from the beginning of the accounting computerisation, and the experience gained in this sphere makes us become aware of the fact that the time has come to try to adapt the accounting sphere to the IT and, particularly, to the information science.

Development of accounting information systems has confined itself to computerisation of the accounting procedures, without introducing any essential changes therein. When it comes to the processing speed, processing accuracy and cost reduction, there have been reached the considerable advantages; however, such performances are not enough.

The information science will determine the absolute transformation of the accounting, not only because the procedure itself will be modified but also because the accounting will not be an autonomous function of an entity anymore and will be integrated into a general data-processing system. The analysis of the IT impact on the accounting shall start from the role of the accounting. The development tendencies in the accounting result from the study of the accounting objectives and presuppose analysis of the accounting principles, rules, techniques and procedures that lead to achievement of the objective targeted.

In the context of evolution of the information systems, the study of accounting tendencies is aimed to three aspects:

1. Accounting as a tool to describe and model the entity – a capacity, which is constantly introduced into discussions by the evolution of the entity and its economic, social and technological environment. This implies identification of the development directions arising both within a contemporary entity and in the business world as a whole.
2. Accounting as a system of processing of the data required for entity modelling. The American Accounting Association regards the accounting as an information system, since it comprises both the general aspects of the information theory and the aspects that are specific to the general theory of systems.

3. Accounting as a social practice within a network of regulated limitations, which are more or less severe, when it comes to the character and intensity of a consensus within an organisation, accountants and users.

Critical Analysis in the Sphere of the Issue under Research

The accounting has been adapting to the information requirements of those persons, who needed the accounting data, for the thousands of years. Thus, we have come from a rudimentary accounting of the Egyptian culture, based on a simple accounting system focused on a single entry, to a double-entry accounting system, where there are made attempts to exclude the main information support (paper) and to substitute it with a less vulnerable and prompter support as a means of gathering, processing and transfer of the financial and accounting data.

Transition to the digital means of processing and storage has been developing by steps. The first computer and the first accounting applications were not invented until the latter half of the 20th century. This was a period when a central computer was used by several users connected through unintelligent terminals. At their beginning, such systems were limited only to reproduction of the hand-held accounting systems, i.e. they repeated the same procedures for accounting data processing but only with the help of a computer. This was the way to collect the same data, to generate the same information transferred to the same recipients and to maintain the same organisational structure.

The next step was appearance of the personal computers, and this was also the moment when there arose, as well, the possibility to decentralise data processing. The information needs changed during that period: the heads and shareholders of the companies showed new and more varied information needs, for instance, being informed about the value of intangible assets (customers' satisfaction). There appeared even requests for information that were in no way characteristic of traditional accounting situations: information on environmental impact; risks the entity was exposed to; intellectual property management; innovative capacities; degree of customers' satisfaction; and capacities to train and motivate the employees.

Nowadays, the accountants have new means of information, with the help of which they are able to gather, manage, process, distribute and analyse both the real particular information resulting from classical economic transactions and the information, which refers to the knowledge and entity's intangible assets and circulates in an integrated way through the intermediary of such applications as the Internet, knowledge databases, document management and electronic data interchange, which stands out from the first ones. Table 1 presents a synthesis of evolution of the processing techniques characteristic of the accounting:

Table 1.

Synthesis of Evolution of the Processing Accounting Means

Historic Periods	Information Needs	Technical Capabilities	Response of the Accounting
Great civilisations	Knowledge of incomes and expenses	Paper, wedge writing	Use of the single entry
Beginnings of the commerce	Recording of each movement of the goods	Paper	Inclusion of the double entry. Appearance of the first accounting books
Industrial Revolution	Significance of the capital and knowledge of the benefits	Paper, appearance of printing	Improvement of the double entry. Appearance of the information requests for financial results
1960	More and more information is required as soon as possible	First computers: More users of the same equipment	Automation of the hand-held accounting systems
1981	Obtainment of financial information required for decision making	Personal computers. Expansion of the information science	Integrated accounting information systems. Information, reporting, charts

The 21 st century	Real-time information. E-commerce	Computer networks: Internet and communication technologies	Automation of data gathering. Electronic data and document interchange
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Own Vision of the Issue and Results Obtained in the Course of the Research

While the financial and accounting data are processed, a great part of the data gathered from the primary documents through an application is subjected to the same process for several times, in several sections.

There is presented further a range of examples of errors, parallelisms or delays in gathering and processing of the accounting data, followed by the solutions for avoidance thereof:

✓ Invoices issued by the sales section are taken here, in order to ensure the stock of goods or products but the accounting section takes the invoice values once more, in order to make analytical records on the clients' debts and the goods that are not the property of the entity anymore. Meanwhile, such invoices take a part in data gathering by the client two times more. But if the banks interfere in partners' settlements too, such data are taken at least two times more. Solution: resorting to the EDI.

✓ The commercial retail entities record the goods within goods sectors, a shop as a whole or a unit, which the shop belongs to, both at the level of the financial accounting and at the level of the managerial accounting (if any). Solution: introduction of equipment for optical bar-code recognition or POS (points of sale).

✓ Processing of the data on clients' accounts is realised at the banks both at the front-office sections (cashier desks, crediting offices) and at the back-office sections (accountings, inter- and intra-bank settlements). Solution: introduction of the automatic teller machines (ATMs), debit and credit cards, electronic funds transfer.

✓ In case of payments for various transactions between the business partners, there may appear delays as a consequence of settlements realised after issuance of payment orders or appearance of an account statement from the banks. Solution: electronic funds transfer (EFT).

✓ If there is a need for taking some investment decisions based on the consolidated accounting documents and on the other financial situations, it is necessary that such financial situations should be searched for in different files or to be realistic at least, but if there is required participation of several decision-makers, the overtime shall be pulled, in order to establish a date when both the financial situations and the decision-makers will be prepared for such a decision. Solution: EDI, groupware, Intranet and Extranet.

✓ A majority of the financial accounting applications still have a rather inconvenient system of accounting records taking, i.e. the operators are forced to introduce or to select the accounts complying with the economic transaction they want to record. Meanwhile, the financial analysts are landed in difficulties on many occasions, when they have to take a decision, relying on the financial accounting data. Solution: implementation of the expert system in the financial accounting activities and of the artificial-intelligence applications.

Electronic Data Interchange

The EDI standard is defined, as a rule, as a financial document transfer within the computers at the application level, or as a data interchange within the applications of different companies. More broadly speaking, the EDI is a general notion for transfers of the computer-to-computer type. It is prompt, cheap and represents a reliable technique for transfer of payment orders, invoices, waybills and other documents. Both the issuer and the recipient shall give their consent to the document format. The issuer shall use an application creating a file in the format similar with that one expected by the recipient's application. Conversion is realised with the EDI-translation software. Upon receipt, the software shall change the file from the standard form it was issued in, into the format used by the software processing the documents.

The EDI advantages are:

- It saves time and money, since the data transfer from a computer to another one is automated, and the error level is almost absolutely reduced, due to exclusion of data reintroduction.
- It offers an opportunity to retake some documents, due to the fact that they are stored in post boxes. When a client needs a copy of an invoice, it is searched for in a post box and then is transferred by fax or e-mail.
- It extends the range of clients, since there are many large companies that adhered to an EDI application and work only with those companies that send them the financial and accounting documents in the EDI format.
- It improves the customer service through rapid transfer of the financial and accounting documents, reduction of the number of errors and increase of the completion rate. An example in this regard would be the VSR (vendor stock replenishment), a software implemented by K-mart (one of the most important global traders) and allowing the suppliers to carry on the inventory check of all warehouses. Using the VSR, one has no risks anymore of issuing an invoice, while the stock is zero. The system is aimed to payment making, to control the available stock, orders and so on.

Optical Character Recognition

This is a system found in the points of sale (POS). The information on the type of the products sold, price and amount thereof is read using special equipment for reading of the codes written on the product labels. The significance of use of such type of data gathering lies in the fact that it automatically updates the stock of the products available at the warehouses, and simultaneously, releases from the management of the sold products and records the revenue receipts. The information on any kind of sales is transferred to a computer where it is processed in the online mode. In case of cash sales, the information on the transaction consummated, for instance, the product code of each item bought, the price of each item, the date of transaction, the total sales value and any other levies and taxes related to the relevant sales are recorded through a terminal and are available for the central computer for immediate processing and obtainment of the information required for the sales section every day. If the sales take place on the credit card or debit card basis, the sales transaction shall also include, besides the abovementioned elements, verifications and requests for authorisation of the payment on the clients' account. This presupposes establishment of connection with the terminals or other communication equipment of the financial banking institutions.

Automatic Teller Machines (ATMs)

They are analogous to the POS systems. They allow the clients to form the deposits, to withdraw different monetary sums, to ask about account state, to transfer the monetary sums or to make payments within a short period of time. They also determine automated gathering of the data to be processed, in the online mode and at all organisational sections that require it.

Electronic Funds Transfers (EFT)

They have a range of advantages: quick time of payment making; reductions of the costs for the paper used; instantaneous confirmation of the client's solvency; flexibility and variety of implementations, which depend on the transaction amount. However, there is a need for the automatic teller machine (in case of low-value transactions) or for the international clearing networks (in case of high-value transactions within the international banks). A disadvantage of this transfer system is the difficulties in assurance of the private nature and confidentiality of payments. The effective regulations oblige the banks to be able to document in details each transfer made. There are three categories of such systems: telex or fax transfer, point-of-sale transfer and SWIFT transfer (Society for Worldwide Interbank Financial Telecommunication).

Groupware

It represents a system that includes specialised software assisting the workgroups to achieve certain objectives or to realise certain projects. Such software includes specific applications, i.e. electronic mail, text processors, electronic calculation sheets for realisation of financial or statistical analyses, electronic conferences for scheduling of the meetings and for project management.

Intranet and Extranet

The Intranet and Extranet is distinguished from the Internet due to the fact that these are the networks with the information of private nature, i.e., the first one is developed to ensure data communication at the level of an entity and the second one is developed to ensure communication within the entities having a strategic partnership.

Electronic Document Management

Presently, the tendency of electronic drafting and listing of the documents has been expanding more and more. When it comes to a great number of entities, there is manifested the difficulty in management of a greater and greater volume of the primary documents. The only way to control it is to resort to electronic document management that allows storing and archiving a huge volume of information but meanwhile ensures easiness and promptness in simultaneous query, search, retrieval and distribution of information to several users.

Expert Systems and Artificial Intelligence in the Financial and Accounting Activities

The artificial intelligence has become a reality not only in the sphere of biology or biogenetics, but in the sphere of the economy too, due to the most varied applications for economic and financial management of the entities. Two main components of the artificial intelligence are widely applied in the financial and accounting sphere: these are expert systems and intelligent data bases.

The expert systems are applied, generally, in the economy and, particularly, in the financial and accounting sphere, due to symbolic nature of processing and of the way of information usage.

As a consequence of the need for interpretation of each economic operation, which is subjected to the accounting records, there also become necessary other tools differing from the traditional systems of accounting data collection and automated processing, i.e. the tools that will adopt the human experience and will make interpretations, which would lead to the results analogous to those ones of human thinking, however, within a shorter period of time. The expert systems are able to treat such a problem but the most wide-known areas of their use in the financial and accounting sphere are listed as follows: management of the supplier and client accounts, financial planning, determination and analysis of the deviations from the activities planned, support of internal control, stock management and financial diagnosis of the companies.

Conclusions

When it comes to the information technologies and communications, as well as to impacts thereon on the financial and accounting systems, we can draw the following conclusions:

✓ A greater integration. The financial and accounting systems shall belong to an integrated application system of the entities that resort to the EDI system, if such entities want to benefit from advantages of such a system. The financial and accounting system provides the greatest part of the economic and financial information required for conduct of the everyday activities and not only. However, it is not enough, since the effectiveness of use of the entity's information resources depends on the way, in which each component of the information system interacts with other elements, and on the integration degree. As a consequence, the financial and accounting system cannot be viewed as a component detached from other functional components of the system it is included into, however, it may be viewed as an integrant part of an ensemble of components, which are sometimes even inseparable.

✓ A new form, which the cycle of accounting data processing is manifested in. The cycle of financial and accounting data processing is not a traditional one any longer (gathering, preparation, processing itself and obtainment of the output information), where only accounting technicians take part. The activities characteristic of the processing cycle are significantly reduced, due to merging or even exclusion of some of them (automated gathering, to the greatest extent; processing and transfer in the electronic form in the registry and books; obtainment of the consolidated documents). The accountant's functions now include only obtainment of the consolidated documents and other general branch-wise reports but, probably, they

will be excluded too with the course of the time and with the assistance of the expert system. Then an economist will have only the mission of taking a final decision.

✓ A new support in realisation of accounting records. There takes place the dematerialisation of the support, on the basis of which the accounting records are made. This means exclusion of the paper support and automated taking of the data for the accounting items directly from the electronic documents. This form of processing also excludes the recording of the accounting documents in its classical form.

✓ A simpler and quicker document flow. The primary document flow is absolutely different. There are excluded many intermediary stages, such as document check, countersigning or approval. However, this implies paying a greater attention to the laws, control and financial and accounting audit.

✓ Creation of virtual archives. The way of document archiving changes radically. One does not resort anymore to binding the files containing the accounting documents, but to much simpler forms that do not imply another labour volume and larger space for archiving. The notion of document and recording is redefined, and there are created new professions: record manager and e-archive librarian.

✓ Total transformation of the internal control and audit of the financial and accounting information systems. They gain new forms, new objectives and new ways of realisation. Hence, there now arises the problem of auditing around the computer and in the computer; the problem of creation of universal auditing systems, as a consequence of the phenomenon of internationalisation and globalisation of the information systems.

✓ Radical changes of the way of viewing the profession of an accountant. Presently, it is not enough for a specialist in the financial and accounting sphere to know in details the accounting techniques, the ways of control or audit conduct and the legal regulations, or to have the knowledge required for conduct of the economic and financial analyses. But such a specialist shall have the most detailed knowledge of: use of the information and communication technologies; the strategic advantages the company may obtain from implementation thereof; the way, in which such advantages may be transformed into company's profit. Under new conditions, the specialists shall ensure the preparation and training that is required for realisation of such a financial and accounting practice that would exclude a false name given to a majority of such specialists, respectively – 'blind-folded officials'.

✓ Exclusion of the language barriers between different specialists within the entities. A need for knowledge and permanent training of all the employees of an entity, for the purpose of using new strategies, conditions the breach of the barriers that arise on multiple occasions between the specialists from different functional areas of the entities.

✓ The accounting has transformed for an entity into an art of ensuring its success if only such an entity can apply the techniques (information technologies) for obtainment and manipulation of the information, with the help of which any property unit may produce the maximum profit with minimum efforts.

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SECTION 2.1:

DISCIPLINES:

- 521.03. APPLIED ECONOMICS AND
MANAGEMENT**
- 521.04. MARKETING AND LOGISTICS**

QUALITY AND QUANTITY APPROACHES TO ANALYSIS OF ECO PAINTS

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Ecology became notorious agenda, and ordinary paints should disappear from the market. Paints continue VOCs emission into the atmosphere and contribute to climate change over many years of their application. Usage of ECO paint offers a variety of benefits, namely: they are non-toxic, odourless, emission-free, low-VOCs, VOCs-free, biodegradable, dry quickly and are exposed to water vapour diffusion. Ordinary paints have a wide range of toxic ingredients. A method for checking the ECO paint is the label. On the market Moldova ECO paints are sold by the local producer S.A. SUPRATEN (Baby Smile, EUROTON ECO), of Finnish manufacturing Tikkurila (Flowers), the Bulgarian manufacturer Leko (Orgahim) and of Romanian manufacturer Policolor (SPOR).

Key words: ECO PAINTS, Volatile organic compounds, Environmental standards, Organic, Non – toxic, Pigments

In contemporary world, the mankind is trying to switch over to a healthier way of life. There is a tendency to limit the content of toxic ingredients for the human body regarding foodstuff, houses, cars, suits, ecological footwear and many other objects. Paint, as a part of the finishing materials was not an exception. But this "know-how" sparked among consumers a plenty of sceptical questions and gave a note of distrust concerning product's content, and its positive effects. And the most important point that customers worry about remains the question: how to distinguish between organic paint an ordinary one, and if they are available on the territory of Moldova?

Study goal: to study labels and qualitative expertise of eco paint.

Study objectives: to specify the adverse effects of conventional paints and benefits of eco paints, making a comparison of the ingredients of ordinary paints and organic paints, to disclose the label of organic paints, to submit recommendations for a fair election, promoting thus marketing of domestic and foreign producers of eco paint over the country.

One of the factors of environmental pollution is the use of paints. Probably the better majority of population is aware of the fact that paints are toxic ones. But at what extent is important their replacement and the reason for it, we will disclose hereinafter.

Modern chemical paints continue to emit VOCs (volatile organic compounds) over many years of their application. VOCs are chemicals being evaporated into atmosphere bring a major contribution to climate change. Unfortunately, many of paints do not meet environmental standards and can be dangerous both for human health and for environment. These paints may contain:¹⁸

- ✓ **Formaldehyde:** (carcinogen, may increase the risk of developing cancerous tumours);
- ✓ **Organic solvents:** styrene (poison), methylbenzene (affects central nervous system, mucous membranes, muscles structure), kerosene (that may cause various poisoning) etc.;
- ✓ **Phthalate:** (may damage the endocrine and reproductive systems);
- ✓ **High concentration of COV:** dangerous while inhaled (i.e., they contain solvents);
- ✓ **Heavy metals:** of high concentrations are dangerous not only for human beings but also for the environment also.

For performing a trace of organic paint in the stores one must pay attention to the following points:

¹⁸ Reparație ecologică-alegem vopseaua inofensivă. <http://ecology.md/md/page/reparatsie-ecologica-alegem-vopsea-inofensiva>, vizualizat la data de 19.04.2016

1. The range of ingredients should not include the above - mentioned ingredients.
2. If it is indicated on the paint package that it is soluble in organic matters, then it is for sure dangerous for your health. It is much safer when it is pointed out the paint is water - soluble.
3. Price orientation. Fairly often, low price shows that manufacturer saved on raw material. Usually ecological paints are not cheap.

Obviously, the above- mentioned methods are not a guarantee of safety and a high quality. The easiest and most reliable method is to pay attention to the products marking. Less toxic paints are environmentally friendly paints and are called Low -VOCs (low volatile organic compound) or VOCs- Free (zero- volatile organic compound). Marking shows that the product being tested by an independent certification body. Through this checking the paint composition is studied having being performed in special laboratories for determining the level of its release of the paints' substances at different temperatures, and it is surely checked the entire production process starting with raw material acquisition up to packaging of the final product. Here are the main marking of products available in the shops:¹⁹

- ✓ **Vitality Leaf**
- ✓ **Blue Angel**
- ✓ **EU Ecolabel**
- ✓ **Nordic Swan**

These signs guarantee product safety and its compliance to the most demands of ecologic requirements. As for paints composition, were respected all restrictions related to the content of harmful substances. At the same time, certification bodies perform control of the production cycle every year, and due to that, the production quality is maintained to its appropriate level. Paints are eco-friendly not only for human beings but also for the environment. The certified producers are obliged to comply with environmental legislation in their country in order to minimize the amount of the used resources and to store the wastes properly in a proper way, also to inform buyers about proper and harmless use of paints and liquers.²⁰

At the same time, environmentally mark is fixed only on the products of high rate consumption properties. This means that mentioned paint will be resilient and durable, convenient to handling operating, with high hiding capacity. And finally, it will save your money and efforts.

In the production of the eco paints, petrochemicals have been replaced by water. Thus, it was reached a lower level of VOCs, also emissions have been reduced. However, Low -VOCs paints still contain toxic chemicals that according to a study performed in the United States they cause health problems: asthma and allergies to children.

Paints of natural origin are the only non-toxic paints, taking into consideration they do not contain VOCs, produced from natural and renewable ingredients. Some of them are of **animal origin**, such as casein (the main component of cow's milk or beeswax). Others are such **minerals** as: limestone, clay, lime, pigments, powder of various rocks, for example marble powder). Third category represents components of **vegetal** origin, comprising resins, carnauba wax (extracted from a native plant of Brazil), linseed oil etc. Out of paints composition are excluded toxic solvents and pigments. Many of the organic dyes are water-based, and for their diluting tap water are used.

The main benefits of natural origin paints:

- *Organic /sustainable and biodegradable:* produced of natural raw materials, renewable ones.
 - *May be exposed to water vapour diffusion:* avoid condensation and prevent mould formation

¹⁹ Reparație ecologică-alegem vopseaua inofensivă. <http://ecology.md/md/page/reparatsie-ecologica-alegem-vopsea-inofensiva>, vizualizat la data de 19.04.2016

²⁰ Reparație ecologică-alegem vopseaua inofensivă. <http://ecology.md/md/page/reparatsie-ecologica-alegem-vopsea-inofensiva>, vizualizat la data de 19.04.2016

- *Non - toxic, odourless and emission free*, if water based, does not emit any odour and any stains can be removed with water. Dilution is made with cold tap water.
- *Fast drying process* / Low-VOCs, VOCs - free.
- *Do not turn yellow over time* due to natural materials of high resistant components to UV rays.

Currently are available standards for quality of conventional paints: ISO 12944: 1998, ISO 15741: 2001, ISO 19 849: 2012, ISO 4618: 2014 ISO 2811-1: 2016.4 GOST 28196-89²¹, etc., but there are not a provisions or any set of regulations governing the quality of organic paints.

There are a lot of worldwide producers of organic paints. But statistics give us evidence that US manufacturers hold only 21 of these paints. The second position is held by the UK with 11 manufacturers of eco paints.

However, English manufacturer LAKELAND it is considered an unknown concerning quality of the product. In the following table we disclose the 10 TOP World Producers of eco paints.

Table 1.

10 Top World Manufacturers of Eco Paints²²

No.	Manufacturer	Country	Price (5 L), USD
1.	LAKELAND	UK	158
2.	Farrow & Ball Paint	USA	95
3.	Marston & Langinger Paint Range	UK	75
4.	Lovo Paint	USA	35
5.	EcoTrend Collagen Paint	UK	45
6.	Safe Paint	USA	45.95
7.	Natura Paint	UK	56.99
8.	Mythic Paint	UK	43.99
9.	Devine Delicate Wall Finish	USA	59.95
10.	Milk Paint	USA	67

Source: The Best No-Voc and Non-Toxic Interior Paints²³. <http://www.apartmenttherapy.com/the-best-novoc-and-nontoxic-in-147054>

On the Moldovan market there are on sale environmentally friendly paints of 4 producers, one of them being a local producer: SUPRATEN Baby Smile, Euroton ECO (MD), Tikkurila (Finland), Orgahim LEKO (Bulgaria), Policolor (Romania).

On July 03.2013, S.A. SUPRATEN, was assigned to sanitary permit Nr. 2048, of NCPH (National Centre for Public Health) to organic paint Baby Smile²⁴. Its content includes: acrylic emulsion, pigments, additives and organic nano - biocides. The acrylic emulsion and pigments are the main components of the most paints, but makes it ecological the content of additives, which unfortunately is a secret production technology and as a rule not indicated on the label.

The nano – bio- acids, in accordance with regulations, are active substances that destroy, hinder and prevent to exercise another control of the harmful effect on any organism by chemical or biological

²¹ Standarde ISO.

http://www.iso.org/iso/ru/home/search.htm?qt=paints&published=on&active_tab=standards&sort_by=rel, vizualizat la data de 12.04.2016

²² Standarde ISO. http://www.iso.org/iso/ru/home/search.htm?qt=paints&published=on&active_tab=standards&sort_by=rel, vizualizat la data de 12.04.2016

²³ The Best No-Voc and Non-Toxic Interior Paints. <http://www.apartmenttherapy.com/the-best-novoc-and-nontoxic-in-147054>

²⁴ Vopsea pentru camera copiilor Baby Smile. <http://supraten.md/ro/catalog/otdelocinie-materiali/kraski/136039/default.aspx>, vizualizat la data de 12.04.2016

means^{25, 8}. Bio acids substances may act as preventive protection through a paint film or to be used as a disinfectant for masonry surfaces, being already contaminated. For example, after destroying wall mould and algae, we can use paint with nano - biocides that will prevent mould recurrence over a longer time²⁶.

However, consumers' scepticism is not groundless, as far as the compositions of organic paint contain molecules or macromolecules of pigments being soluble only in water. There are organic and inorganic pigments. The list of ingredients for Smile Baby doesn't specify the pigments type, which casts doubt on consumer purchase.

The following tables include difference between toxic pigments used in ordinary paints and natural colours without odours and emissions that would have to be included in the ingredients of a ECO paint.

Table 2.

Inorganic pigments used for production of ordinary paints²⁷

Pigments	Adverse effect
Titanium dioxide	Allergies, hormonal disorders, nervous disorders.
Yellow and red cadmium	Toxic for kidneys. Short term exposure symptoms: vomiting, abdominal pain, nausea. Long term exposure symptoms: pulmonary emphysema, increase of blood pressure.
Green chromium oxide	Lung cancer, chronic kidney disease, eczema, other inflammatory skin diseases.
Red iron oxide	Allergies, hormonal disorders, nervous disorders.

Source: Pigments <http://www.rasfoiesc.com/educatie/chimie/Pigmentii61.php>, visualized on 12.04.2016

Table 3.

Inorganic pigments used for production of ECO paints^{28 29}

Pigments	Characteristics
Tito Pigments	Tito pigments of KREIDEZEIT range are non-toxic organic pigments, which are applied on titanium yellow pigments during wet painting. These pigments are distinguished by high degree purity, brightness and a high coating power. They are resistant to light, but not recommended for outdoor areas.
Blue ultramarine	Derived by heating up a mixture of soda, clay, and sulphur. Nontoxic (partially admitted as foodstuffs colouring).
Yellow pigments	PY(1,3,13,17,55,62,65,73,74,81,83,97,109,110,111,138,150, 151, 154, 155, 168, 180, 181, 183, 185, 191, 194). The up to date organic pigments are used in the production of Paints, Plastics, Inks, Textiles.
Orange pigments	PO (5, 13, 16, 34, 36, 43, 64, 73). The up to date organic pigments are used in the production of Paints.
Red pigments	PR (3, 4, 48:1, 48:2, 48:3, 48:4, 49:2, 52:2, 53:1, 57:1, 63:1, 112, 122, 144, 146, 149, 166, 170, 177, 179, 185, 188, 194, 202, 242, 254). The up to date organic pigments are used in the production of Paints.
Red pigments	PR (15, 15:1, 15:2, 15:3, 15:4, 15:6, 60). The up to date organic pigments are used in the production of Paints.
Brown pigments	P Br 25. The up to date organic pigments are used in the production of Paints.

²⁵ Wikipedia, Biocid. <https://ro.wikipedia.org/wiki/Biocid>, vizualizat la data de 12.04.2016

²⁶ Substanțe biocide SPEKTRA. <http://www.culori-insorite.ro/ro/vopsele-pentru-construcii/preparate-biocide>

²⁷ Generalități. Definirea pigmenților. <http://www.rasfoiesc.com/educatie/chimie/Pigmentii61.php>, visualized on 12.04.2016

²⁸ Descriere generală a pigmenților. <http://www.naturalpaint.ro/pigmenti/31-pigmenti-kreidezeit.html#ideal-image-0>, visualized on 12.04.2016

²⁹ Pigmenți organici. <http://www.naturecolours.ro/2/Materii%20prime/Pigmenti%20organici>, visualized on 12.04.2016

Green pigments	PG 7, PG8, PG36 The up to date organic pigments are used in the production of Paints.
Violet pigments	PV 19, PV 23. The up to date organic pigments are used in the production of Paints.

Source: Pigments, organici. <http://www.naturecolours.ro/2/Materii%20prime/Pigmenti%20organici>, visualized on 19.04.2016

General description of pigments. <http://www.naturalpaint.ro/pigmenti/31-pigmenti-kreidezeit.html#ideal-image-0>, visualized on 12.04.2016

Paint Baby Smile, produced by S.A.SUPRATEN, NCPH is certified for usage in children's rooms, kindergartens, schools and other institutions for children. It contains nano – bio-acids that give additional antibacterial properties to paint. It is hypoallergenic, of high hiding power; it is simple in handling and application, resistant to wet attrition, without volatile organic compounds. It is odour free. Paint forms a film resistant to fungi and to bacteria contamination³⁰.

Baby Smile paint is intended for protection and decoration of walls in children's rooms, kindergartens, schools and other institutions for children. It is used for painting walls and ceilings of normal and high level of humidity and also for surfaces subjected to frequent washing. It is perfect for painting any mineral surfaces (concrete, cement plaster or gypsum, plates of gypsum plasterboard) and all types of wallpaper³¹.

In this study we proposed to accomplish a comparison between organic paint LAKELAND, produced in the UK and Baby Smile produced in the Republic of Moldova. It is the unique complete range of paints without solvents. Any brand in the world it is considered to fail in approaching its unique recipe. It is produced on the base of water, solvent-free, free of volatile organic compounds, pesticides, herbicides, and toxins. It is considered of 7000 times less harmful than the ordinary paints. It is odour free. The Paint is unique in the world and it has passed successfully EN 71-3 chemical test (chemical testing for compliance to new chemical requirements for EU toy safety, in accordance with European standard EN 71 Part 3, in force since July 2013. Heavy metals in the product are checked. For performing test to conformance requirements, the sample must contain no more than 5% of heavy metals)³². It means that the paint can be used even to coat children's toys. Furthermore, compared to other eco paints, LAKELAND paint has a maximum content pigments in its composition, which gives it more pronounced hue³³.

Table 4.

Composition and Price of (LAKELAND and Baby Smile)³⁴

Products name	Composition	Price / 1MDL
LAKELAND paints (United Kingdom)	<ul style="list-style-type: none"> Natural water, binders (based on water, all non-toxic) Pigmenți (yellow ochre, red ochre, etc., all pigments non - toxic) Mineral fillers (limestone, clay, etc., all non-toxic) Thickening and construction agents (wood pulp and softwood, all non-toxic) Powders waxes and textures (all non-toxic) 	199,75 MDL 665,12 MDL
Baby Smile-Supraten	Acrylic emulsion, pigments, ecological additives, nano - biocides	33,57 MDL

Source: Product advice, Eco Matt. <http://www.lakelandpaints.co.uk/pdf/pdf-data-sheets/Matt.pdf>, visualized on 12.04.2016

Catalog Baby Smile. <http://supraten.md/ru/catalog/otdelocinie-materiali/kraski/136039/default.aspx>, visualized on 12.04.2016

³⁰ Vopsea pentru camera copiilor Baby Smile. <http://supraten.md/ro/catalog/otdelocinie-materiali/kraski/136039/default.aspx>, visualized on 12.04.2016

³¹ Vopsea pentru camera copiilor Baby Smile. <http://supraten.md/ro/catalog/otdelocinie-materiali/kraski/136039/default.aspx>, visualized on de 12.04.2016

³² E 71-3 Chemical Testing. <http://www.intertek.com/toys/chemical-testing/>, visualized on 19.04.2016

³³ Lakeland paints. <http://www.lakelandpaints.co.uk/>, visualized on de 12.04.2016

³⁴ Product advice, Eco Matt. <http://www.lakelandpaints.co.uk/pdf/pdf-data-sheets/Matt.pdf>, visualized on 12.04.2016

As it shown in the table, the local producer does not indicate the pigments type neither provides nano – biocides name. As for English leader quite the contrary wins his customers segment

Table 5.

Comparison characteristics of (LAKELAND and Baby Smile) 4.5

	LAKELAND	Baby - Smile
Packaging	Bucket of 5 L	Bucket of 1,4 L, 4,2 L, 7 L, 14 L.
Normalized consumption for one coating layer L/sq.m.	1 L / 13 sq. M.	1 L / 4,54 sq.m.
Drying time	From 1 to 2 hours (first layer) 4 hours – after repainting	On the expiry of 30 min (first layer) 4 hours – after repainting
Drying temperature	within -5...+30°C	within +5...+25°C
Term of validity	12 months	18 months

Source: Catalogue Baby Smile. <http://supraten.md/ru/catalog/otdelocinie-materiali/kraski/136039/default.aspx>

Description ECO MATT WALLPAINT. <http://www.lakelandpaints.co.uk/wall-paint/matt/eco-matt-paint-5-litres/>

As shown in table 4, we made effort to compare these two characteristics and parameters of these ecological paints. Thus, there is an essential difference in indicating raw material for the product manufacture, and namely LAKELAND is a globally recognized organic paint everything displays absolutely the product content, compared to S.A. SUPRATEN where indicates only ingredients without getting into details. Unlike of conventional paint producers, suppliers of natural paints undertake to declare the composition of products, guaranteeing the materials origin.

Not always the price dictates quality, but in this case we can confirm that it is. The price of one litre of LAKELELAND paint is of 6 times more expensive than 1L of Baby Smile. Probably would not be the case of the purchasing power of the producing countries, but, in terms of their content, production time and quality level correspondingly.

Packages of Smile Baby paints may be found in 4 different volume packaging, which are appreciate positively by consumers, while LAKELAND offer a single package of 5L that sometimes buyers are forced to buy more than they need. With 1L of LAKELAND paint it may be coated 13 sq. m and with 1L of Baby Smile approximately 5 sq. m. The difference is almost 8 sq. m. Drying time between the two paintings also varies, thus we can state that the first coating with LAKELAND paint takes more drying time compared to Baby Smile. But this thing is not a proof of quality, but of its held composition.

LAKELAND paint may be used to temperatures below zero and to very high temperatures, while Baby Smile is limited to positive temperatures and excluding high temperatures. The shelf life is often an element that proves the product's composition.

¹⁸Vopsea pentru camera copiilor Baby Smile. <http://supraten.md/ro/catalog/otdelocinie-materiali/kraski/136039/default.aspx>, vizualizat la data de 12.04.2016

¹⁹ Description ECO MATT WALLPAINT. <http://www.lakelandpaints.co.uk/wall-paint/matt/eco-matt-paint-5-litres/>

²⁰ Vopsele lavabile. Citiți eticheta! <http://www.naturalpaint.ro/sfaturi-si-povesti/43-vopsele-lavabile-ecologice-cititi-eticheta.html>, vizualizat la data de 12.04.2016

Is it believed that natural ingredients of a product will shorten shelf life, and vice versa, replacing them extends their shelf life. The difference of shelf life between LAKELAND and Smile Baby make 6 months for S.A. SUPRATEN manufacturer, i.e. the product's shelf life is longer.

Another comparison that follows in this study will be between Baby Smile paint and any others two of S.A. SUPRATEN. This comparison is to determine discrepancies between compositions, packaging, other parameters and different characteristics between them.

Table 6.

Baby Smile and Romanita (differences and similarities)^{35 3621, 22}

	Baby Smile, ECO	Romanita	Difference
Composition	Acrylic emulsion, pigments, ecologic additives, nano-biocides	Acrylic aqueous emulsion, pigments, additives, chalk.	Ecologic additives, Nanobiocizi (Eco) chalk (Romanita)
Price per 1 kg	33 MDL	20 MDL	13 MDL (ECO)
Rated consumption	0,20-0,22 kg/sq. m.	0,125-0,17 kg/sq. m.	1,42 (ECO)
Drying time	30min (first coat) +20°C, 4 hours for final drying	30min (first coat) +20°C, 4hours for final drying	-
Shelf life	18 months	18 months	-
Coating temperature	+ 5 ... + 25°C	+5... + 25°C	-

Source: Vopsea pentru camera copiilor. <http://supraten.md/ru/catalog/otdelocinie-materiali/kraski/136039/default.aspx>

Vopsea Romanița. <http://supraten.md/ru/catalog/otdelocinie-materiali/kraski/54887/default.aspx>

This table represents a clear definition between the two types of paints intended for interior painting works, and namely for: concrete, plaster or cement plaster, plasterboards surfaces. The difference is that the range of application of Baby Smile focuses on nurseries.

The composition of these two paints coincides due to contents of acrylic emulsion and of pigments, i.e. that the largest share of these are matching.

The price of 1liter of Baby Smile paint exceeds the price of 1liter of Romanita paint that is of 13 MDL, probably due to the fact that prevail more expensive raw materials in its composition. Similarly, the price is justified having in view the smaller scale production of these paints. A contribution to the pricing, also it has the philosophy of using more manpower than automated production lines³⁷. The fact that consumption quantity of Baby Smile exceeds consumption rate for Romanita paint, one may get as idea of a marketing ploy, when a “green” paint is more expensive and its consumption exceeds of 1.42 times the consumption of conventional paint.

And that the drying time, shelf life and application temperature is the same, it makes buyer to give up the purchase of environmentally friendly paints. I believe that full display of the organic additives, the nano-biocides, which are already available in the paint composition as to nano-power, of -9, would strengthen consumer confidence.

Conclusion.

Atmospheric air pollution and health problems are the top of disasters. Ecology became notorious agenda, and ordinary paints should disappear from the market. Paints continue VOCs emission into the atmosphere and contribute to climate change over many years of their application. The effects on the human body are disastrous: lung cancer, poisoning, impaired: nervous, endocrine and reproductive systems. Proceeding out of this, followed by a communication, I drew the following **conclusions**:

1) Usage of ECO paint offers a variety of benefits, namely: they are non-toxic, odourless, emission-free, low-VOCs, VOCs-free, biodegradable, dry quickly and are exposed to water vapour diffusion.

2) Ordinary paints have a wide range of toxic ingredients: formaldehyde, phthalates, VOCs, heavy metals, organic solvents, which bring a series of negative effects on health and environment. While ECO

³⁵ Vopsea Romanița. <http://supraten.md/ro/catalog/otdelocinie-materiali/kraski/54887/default.aspx>, visualized on 12.04.2016

³⁶ Vopsea pentru camera copiilor. <http://supraten.md/ru/catalog/otdelocinie-materiali/kraski/136039/default.aspx>

³⁷ Vopsele lavabile. Citiți eticheta! <http://www.naturalpaint.ro/sfaturi-si-povesti/43-vopsele-lavabile-ecologice-cititi-eticheta.html>, vizualizat la data de 19.04.2016

paints have replaced petrochemicals water matters, have low or zero level of VOCs, using natural and renewable ingredients: casein, limestone, clay, lime, powder of various rocks (marble), vegetable oils, organic and natural mineral pigments.

3) A method for checking the ECO paint is the label. This list should exclude ingredients of raw material for ordinary paints. The marking on label "Soluble in organic matters" shows that product is dangerous for health. An ECO paint label contains the information "Soluble in water". The indication on the label of Low-VOCs, VOCs-free, Vitality Leaf, Blue Angel, Nordic Swan or EU Eco label demonstrates this product is environmentally friendly. However the most important detail is indication of ECO certification body.

4) On the Moldovan market ECO paints are sold by the local producer S.A. SUPRATEN (Baby Smile, EUROTON ECO), of Finnish manufacturing Tikkurila (Flowers), the Bulgarian manufacturer Leko (Orgahim) and of Romanian manufacturer Policolor (SPOR).

For solution deficiencies in choosing and purchasing eco paints, we are coming with the following **recommendations**:

1) Manufacturers should indicate absolutely all ingredients for the organic product as potential customers will become brand awareness, as far as transparency offers confidence.

2) Standards for quality of organic paints need to be promoted, so as researchers and consumers will be able to trace a parallel between them.

3) We consider that the label of the ordinary paints must include useful information about the adverse effects. That way, consumers will pay attention to conditions this product will be used.

4) It would be a useful thing for consumers that producers of paints will sustain an eco chemical test to EN71-3, and if conditions are met a new segment of customers will be conquered.

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FACTORS THAT INFLUENCE THE COMPETITIVENESS OF PUBLIC FOOD ENTERPRISES

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Abstract: *The public food sector from Republic of Moldova is in continues development due to increasing the number of alimentation enterprises and their ability to diversify the different types of services, which brings to the food market the appearance of new competition. In order to have control under the development of the entity, the owners should identify the positive opportunities and the weaknesses which could affect their business. The competitive evaluation is the integrated activity for each enterprise, which evaluate the advantages and weak points towards the competitors as well as the conclusions of the development and how successful was the applied strategy.*

Key-words: *public food, internal and external factors, competitiveness, SWOT analysis, STEP.*

The public alimentation from economic and social point of view is framed into the services sector and is completely special towards other services due to harmonious combination of production processes, marketing and consumption. From development point of view the food market is highly influenced by economy, living and working conditions, demographic structure, occupational profile, and mentality of the residents as well as the development of the tourism [2].

In the current period, the public alimentation businesses from Republic of Moldova are reported to small and mid level enterprises which hold a share of 99.2% of all the companies and are placed into the most important services sector. At the same time many entities have low level of profitability and some of them even record losses. In 2014, according to National Bureau of Statistics, the food companies had registered losses of about MDL 100.4 million [9] which prove the fact that the public alimentation from the Republic of Moldova is not competitive. All entities from alimentation sector are trying to produce different kind of culinary goods and by commercializing them to develop and increase their revenues. However, in order to enforce itself on competitive market, the traders should obtain at least comparable services with other food enterprises.

The competitiveness in the market means efficiency, assurance, quality of the products, high productivity, adaptability, success, modern management and low cost. In order to consider an alimentation enterprise competitive, it is necessary to perform a rigorous analysis of the entire company and on its business environment. In societies with dynamic competitions, the entities are looking for the solutions which will bring those advantages against the competitors. Economic and technological evolution which occurs at the end of XX century and beginning of XXI century brought the alimentation market to the new role and importance to the entire country level by fitting the new competitiveness.

Competitiveness occurs basically in the external environment of the company, although there is even situation when was discovered it in the interior of the entity. Whenever the food company want to manage properly the business it should pay attention first on controlling the development of the company and especially on the elements that tend to destroy the smooth activity of the business. It is important to study the advantages and disadvantages of the competitors in order to establish your strengths and weaknesses which will lead to elaboration of the successful development strategy of the business.

In order to identify the interested problems of the business, could be applied as a research procedures the combination of the bibliographical documentary materials and the occurred issue. *The topicality of the research.* In the actual economical conditions, food services is one of the most promising ongoing development business. The interest for dinning in alimentation enterprises is growing up due to offered advantages: commodity, assortment, diversification of the food and drinks productions, time saving, accessibility as well as pleasant environment.

The changes in the social and economical life from Republic of Moldova led to the development and diversification of the food at the national level and drove the alimentation sector into the perspective business.

The alimentation market is characterized by different type of prices and products, as well as the localization of the enterprises due to inseparability of services with the providers. The above mentioned factors are limiting the influence of the competitors and have the impact on increasing the advantages of the enterprises into the competitive market. In this conditions the companies' activity should be continuous improved as well as the strategic management. The most common tools for implementation of these measures are: external and internal evaluations of the competitiveness of the companies with the purpose of maximizing the criteria of the competitiveness.

The study of the subject. Analysis of the factors and the specific of the business climate from Republic of Moldova was the subject of different studies. However, most of them focused on external factors that determine business development and primarily on the factors that hinder their development. In the alimentation sector literature the competitiveness of enterprises is a current topic, discussed and researched extensively by local scientists such as Gr. Belostecinic, A.Cotelnic, C. Guțu, N. Luca as well as: J. Amelia, I. Ansoff, G Bagiev, R. Waterman, E Golubkov, A.Gluhov, A.Gradova, I. Maximova, M. Porter, S Prahlad, R Pascal T. Peters, N. Patsy, N Shaydurova, A Yudanov, N Yashin and others. However even though, the competitive factors were not identified and analyzed fully into one detailed study.

Goals and objects of the study. The goal of the research is to propose theoretical approaches and methodological tools to identify and analyze internal and external factors of the competitiveness of the food enterprises and developing them efficiently.

Object of the research is different types of enterprises which provide public food services for the population.

The subject of the research is the internal and external factors which influence the level of the competitiveness of the alimentation enterprises.

Basic theoretical and methodological research is the made by constitution of local and foreign scientists, which are studying the subject, the material of the periodic publications, scientific conferences and practical application of the competitiveness in food marketing. In order to finalize the study will be used historical approaches, systemic and researching methods SWOT and STEP.

In the current period of time is growing considerably the interest in developing the public alimentation enterprises and to diversify the range of offered products. The competitiveness is precisely the key of the entire business on which all the economic agent rely.

At the moment, the alimentation sector from Republic of Moldova is in continuous development, being explained by increasing the numbers of the food companies, diversification of the used services and the types of the public alimentation enterprises which lead to high competitiveness between them. The companies involved in the competitiveness should concentrate on all the activities which are deployed in the interior of the company but at the same time to develop the strategy which will lead to the long term activity of the company and will

grow their position in the market as well as the revenue. Diversification of the public alimentations services is characterized by unstable demand, consumer habits, their social status, combination of the products with the organization services of the consumption and others. Above mentioned factors will determine the durable competitiveness on the local markets of the alimentation enterprises.

In the current period the enterprises market of public alimentation from Republic of Moldova is suffering significant qualitative change by implementation of the new production technologies and services. According to the General Trade Center, the largest share from alimentation services are belonging to the coffees bars, restaurants and terraces.[8]. At the same time is in continuous development the services like corporate and family catering as well as new restaurant which will allow you to taste all their dishes for a fixed amount of money. The availability of the alimentation services depending on the population income and since consumers are more likely to benefit from these services the enterprises will grow their revenues.

At the same time the development of the public alimentation enterprises is strongly influenced from a number of factors which was identified and classified. In the scheme 1 there are exposed the external and internal factors which influence the public food enterprises.

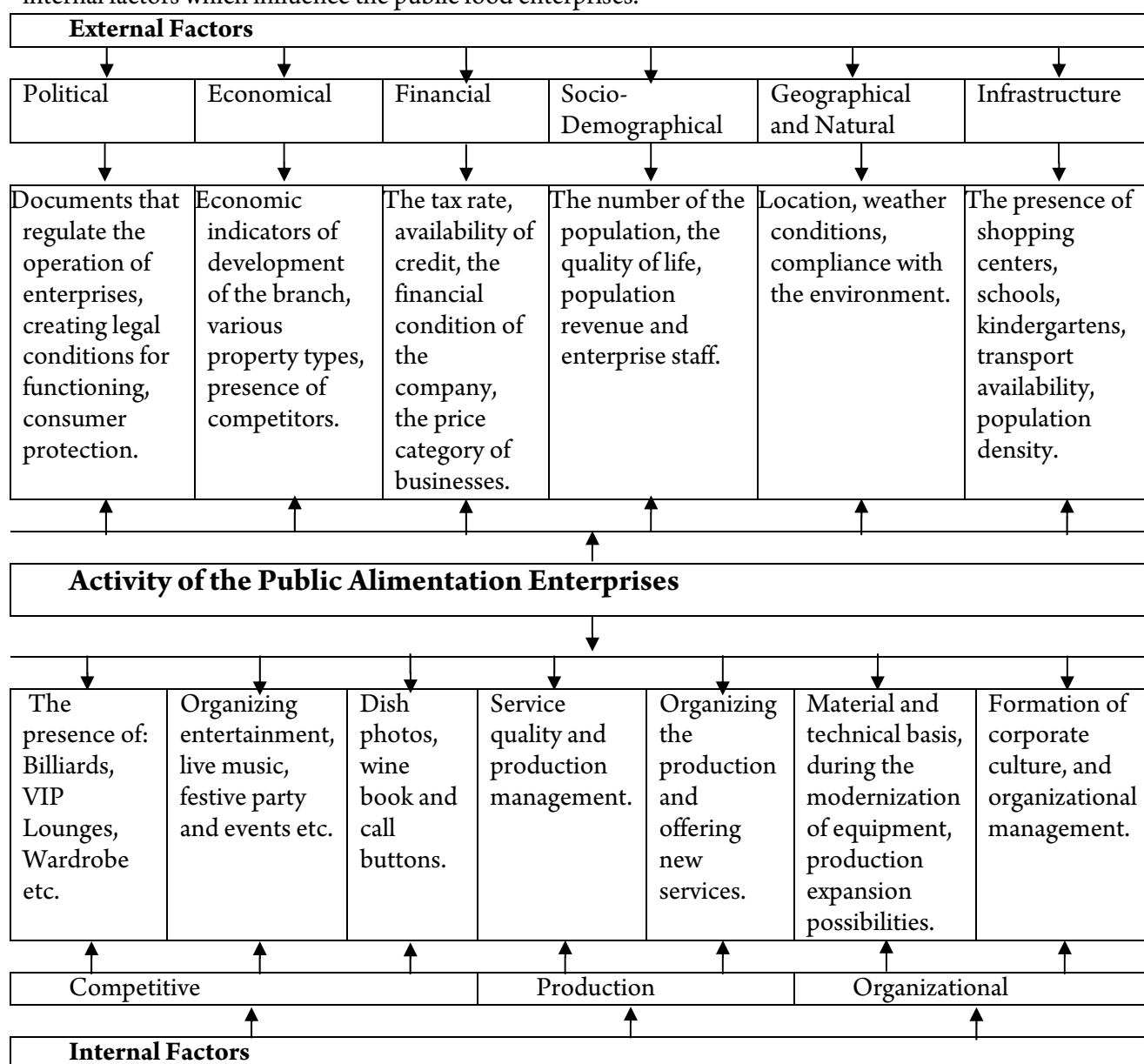


Figure 1. The Factors that influence the development of the public alimentation enterprises

Source: Processed by the author based source [5].

In the research “Quality, productivity and the competitiveness of the enterprise” written by Grigore Belostecnic it is mentioned the fact that analysis of the competitive enterprises suppose to characterize the factors which influence the attitude of the buyers and consumers towards their own businesses. In fact the main groups of the factors which influence the attitude of the consumers are:

- **sales conditions:** discounts including the big volume once, seasonal discounts, anticipated payment benefits, special discounts etc..

- **sales network organization:** placing the trade entities and their access close to the customers, demonstrating the products in the show room.

- **Advertising and public relations:** company image among consumers, its products, branding etc. [7].

M. Porter mentioned that in order to understand the competitiveness, you have to understand the basic economic alimentation sector. In all Economic sectors, there 5 forces which lead the competitiveness:

1. Risk of competitors' appearance.
2. The ability of suppliers to negotiate.
3. Strive between already existing competitors.
4. Ability of buyers to negotiate.
5. Danger of substitutable goods and services.

If the appearance of these factors occurs in public alimentation market, there are unlimited competitors which could gain high profits from invested capital. The rule of 5 forces determine the effectiveness of the branch because they could dictate the prices of the company, the expenditures that they have to support and the amount of the necessary investments in order to be competitive towards another once. The risks of new competitors' appearance shrink the general potential of the actual companies, because the new entities are trying to implement in the sector new technologies in order to obtain a part of the marketplace. Some of the competitors are reducing the revenue by lowering the prices in order to keep the capacity of competitiveness and in order to be able to pay the cost of marketing, sales, technical and scientists' researches. Enterprises positions on public service alimentation market have the competitive advantages of two types: differentiation of the goods and lowering the prices. By lowering the prices the enterprises have the possibility to commercialize their products towards the profit.

Therefore the different products mean that the consumers have better selections and unique products accessibility. The difference will allow the enterprises to dictate the higher price on the market, even though the costs of production could be similar to another once.

Considering the factors of the competitiveness, the medium and small enterprises was characterized by the local and foreign scientists by utilizing the SWOT methodology, which showed that entire business has strength and weak points, the new opportunities and emergent threats.

Checklist and the indicators of the research is elaborated by the author and are listed in Table 1.

Table 1.

SWOT Analysis of public alimentation entities.

S.	Strength	W	Weaknesses
1.	Insignificant number of complaints/returned dishes.	1.	Weak resources compared with the competitors which operate in the market longer.
2.	Presence of the room for the smokers and non-smokers.	2.	Effective use of the marketing tools in the current activity.
3.	The assortment of dishes and drinks.	3.	Higher price compared to the competitors.
4.	Live music.	4.	Low fonic isolation.
5.	Preventively served dishes.	5.	Lack of modern communication (WiFi etc.).
6.	Wide range of high quality wines and other alcoholic drinks.	T	Threats

7.	The low average of time for the customers' service.	1.	Appearance of the new competitors and strengthening the position of the existing once.
8.	Large number of suppliers.	2.	Changes in customer preferences.
9.	Modern equipped kitchen facilities.	3.	Increasing the competitiveness and the expansion network.
10.	Organizing celebrations.	4.	Competitors diversified offers.
11.	Presence of the cloakrooms.	5.	Active advertisement of the competitors.
12.	Discounts.	6.	The demographic situation.
13.	Organization of the enterprise networking.		
14.	Possibility of view the preparation process of the food.		
15.	Effective management.		
16.	Qualified personnel.		
O	Opportunities		
1.	The use of advanced technology, modern communications.		
2.	Increasing the number of qualified specialist for schooling the new once.		
3.	Development of the new market segments.		
4.	Increasing the possibility of costumer purchasing.		
5.	Improving the culture of communication between waiters and customers, creating the atmosphere of hospitality and kindness.		
6.	Develop and implement menus for children's, organizing special entertainment programs for children's.		
7.	Fulfillment of certain demands on the products preparations.		
8.	Presence in the menu of vegetarian and dietetic food for the children.		
9.	Good ventilation and conditioning system which provide admissible temperature and humidity parameters.		
10.	Introduction of the new technologies in order to keep the customers.		
11.	Indication of culinary energy values.		
12.	Implementation of quality management system.		
13.	Catering services.		
14.	Implementation of the new forms of deserving such as: self - service, FreeFlow etc.		
15.	Equipping the unit with new modern equipments.		

In order to analyze the external factors of the competitiveness of public alimentation enterprises from Republic of Moldova was used STEP research methodology. External factors were grouped such as: political, social, economical and technological and are shown in the table 2.

Table 2.

External Factors of the competitiveness from Republic of Moldova

Political	P	Economic	E
<p>Legislation of alimentation enterprises (Decision on the provision of alimentation services No. 1209 from 08.11.2007, the Law No.105-XV from 13 March of 2003 on Consumer Protection, Law No. 78-XV from 18 March 2004 on foodstuffs etc.).</p> <p>■ State support of small and medium units-Governmental Decision on the approval of the strategy to develop the sector of small and medium enterprises-sized for 2012-2020, No. 685 from 13.09.2012.</p> <p>■</p>		<p>■ The inflation rate of the country.</p> <p>■ Increase the price of the raw material and natural resources.</p> <p>■ Increase the lease rates.</p> <p>■ Declining the power of purchasing.</p> <p>■ The appearance of the new competitors.</p> <p>■ Business access to the capital.</p>	

Social	S	Technological	T
<ul style="list-style-type: none"> ■ Changes in food preferences of the population. ■ The demographic situation in the country. ■ Revenues and expenditures changes. 		<ul style="list-style-type: none"> ■ Development of competitive new technologies (use of modern machinery, which speeds up the cooking time), economical equipment in terms of energy consumption, natural gas. ■ Implementing new software. ■ Information and Communication. The impact of the Internet. 	

To be noted that the significant impact on the alimentation market all over the world and respectively in Republic of Moldova suffered from global economical crisis from 2008-2009. In this period of time the structure of the public alimentations suffer many changes. The number of expensive restaurants was reduced and the highest stability entities are the quick food service. During the world wide economical crisis the biggest share of food market return to the fast food businesses which is explained by decrease in the net income of all population. The second place is held by the restaurants with medium prices since the elite restaurants were requested by narrow segments of the customers. Due to the crisis the customers are oriented on quality culinary products not on the prestigious restaurants and lead to more economical style life. Therefore the factor of success of an alimentation enterprise market is to increase the demand at the country level.

Conclusions

Following the analysis of the current situation, can be seen an unfavorable situation for many factors which influence the public food enterprises competitiveness from Republic of Moldova. Despite to registered progresses, in relation to the privatization of the sector, the access to the enterprises capital remains still limited. In some cases by Using the old technologies and equipment lead to negative impact on the development of the business. The public alimentation sector is affected because of the absence of specific financing instruments, as well as support on competitiveness of the market, same as limited accessibility of the new technology and in some cases the lack of experienced personnel. Even though, an analysis of factors is required in cause of changing the situation (arrival of the new stronger competitiveness, simplifying the regulatory environment which removes many actual competitive factors, worsening macroeconomic situation etc.). Due to those factors on the market will remain only the enterprises which will be capable to compete with other partners.

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BRAND EQUITY AS A DISTINCTIVE AND POSITIVE EFFECT OF BRAND USE

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The most 'powerful' brands with the highest brand equity have a large number of loyal consumers. Some analysts consider trademark to be the most important and the most durable asset of a company. Thus, a strategic brand management shall be focused on increase of period of brand loyalty on the part of customers. A critical decision on the stage of establishment of any company, classified as fundamentals of brand management - is either to use branded products, create "vivid" brands and increase their brand equity, or to produce "dull" nameless generic products. That is why in the middle of 20th century the concepts of brand image and brand capital were introduced.

Key words: brand capital, brand image, brand strength, brand equity, brand value, branding, marketing, trade mark

Introduction

The degrees of acknowledgment and brands' influence on the market are different. Some brands are simply unknown to the majority of customers. While in regard to others consumers show rather high level of awareness. The third ones are characterised by high level of acknowledgement. The fourth ones have high purchasing prefer ability. And lastly, there are brands that have loyal regular consumers. In marketing literature, one can find a fair amount of concepts related to the term "**loyalty**." Back in 1923 there was the first attempt made to define the "brand loyalty" on the part of consumers. The definition of loyalty was fairly simple: "A consumer loyal to a brand - is a person who buys your brand in 100% cases" [1.3, p. 29]. When loyalty grows, the consumers tend to perceive competitors' actions less.

Loyalty in the majority of cases is associated with a repeat purchase. A consumer pursues the pattern of repeat purchase because namely this trademark meets his/her requirements well, or because he/she forms a personal commitment to a trademark. How can we appreciate this loyalty? Can you increase sales and price for your brand without considerable growth of product cost itself, stimulate consumers to buy namely your brand, to cause among the customers high level of commitment and a dependence from your brand, pleasant for them? That is why, in the middle of 20th century, marketing specialists have started to single out this loyalty, to materialise and define it. Thus, the concepts of **brand image and brand equity** were introduced.

The concept of brand equity.

The awareness index is one of the key marketing indexes, since awareness affects the amount of purchases being made. In order to determine the contribution from each type of intangible assets to company value, one should appraise their value.

In 1950's David Ogilvy suggested the "brand image" concept. In 1980's, business leaders have observed that brands are sold and purchased for great amounts of money. The difference between brand evaluations carried out for entry into the balance sheet and price that a buyer is ready to pay for this brand, is with increasing frequency attributed to "brand value." Brand stopped being abstract and turned into an actual object, having real value for its owners. This re-evaluation of brand's meaning has manifested itself in the

fact that the traditional “brand image” term was with increasing frequency substituted by its financial equivalent - “brand equity”.

The first one to articulate the concept of “**brand equity**” was David A. Aaker. According to his definition, brand equity is a total of assets and liabilities related to brand, its name and symbol, which increase or diminish value, provided by company’s product or service and (or) its consumers. [1.1, p. 7] Assets and liabilities, underlying brand equity, can be grouped into 5 categories: brand loyalty, brand awareness, perceived quality, evoked associations, other branded assets (patents, relations in channels of distribution, etc.).

In 1996, Paul Feldwick specified the following **components of brand equity** [1.8, p. 34]:

- total value of a brand as separate intangible asset, which can be included in company balance (**brand value**; namely this concept is called the brand valuation);
- the degree of consumers’ attachment to brand (**brand strength**, alias brand loyalty);
- the total of consumer’s experiences and associations evoked by the brand (brand description or **brand image**).

It is quite difficult to extract the part of value created by a certain intangible asset, and it is difficult as well to determine if an intangible asset (or assets) participates in creation of such value. Theoretically, a brand value is defined as a difference between branded and regular goods.

Brand equity - is the positive distinctive effect expressed by client’s response to a product or service due to their well-known name. High brand equity (as a result of consumers’ high awareness and loyalty) allows company to reduce marketing expenditures, gives it leverage to affect distributors and retail trade, allows setting higher prices (branded product is usually perceived as a more qualitative one), allows to easily expand the assortment of branded products (brand enjoys consumers’ trust) and serves as a protection in conditions of intense price-based competition.

The importance of brand creation and management for increase of brand equity.

Consumers like myths; they love to create new ones, enjoy their creations and perpetuate them. The people of the Bronze Age, having no television, had to personify trees, water and rocks around them. They understood that these are only trees, water and rocks, but still anthropomorphised everything they were surrounded by. Brand equity - is the quintessence of trademark benefits. Simply said,

Brand = **qualitative trademark** (economic value of a product) + **Price** (profit) + **Brand Image** (brand equity or extra profit)

It was not brewers who got the idea to add lemon to Mexican beer. It was borrowed from tequila lovers; for consumers such unusual combination simply meant “Mexico.” When Corona brewing company found out that such beer is popular in California, it strived to spread the rumour about the novelty all over the world. Brand equity - the main value of a trademark. For instance, if Intercontinental Hotels hotel chain buys a suitable building from Bloggs City Centres Company, it plans on setting higher prices and on better supplying consumers’ wants. The brand itself - the name ‘Inter-Continental’, adds value to company business. Let us consider a simple example. Let us suppose that Company ‘A’ has its own capital (or total assets excluding total financial commitments) in the amount of \$100 Mio. It finds the Company ‘B’, which possesses few well-known brands and is ready to buy it for \$ 400 Mio, considering future profits for the Company ‘A’. As a result, in the net balance, after settlement of transaction, tangible assets of the Company ‘A’ constituted \$350 Mio, which shows us that the brand equity of the Company ‘B’ constituted about USD 150 Mio, and the other USD 250 Mio - is tangible assets.

Brand specialists, for example, of Apple Company, know, that customers associate their well-known brand with user convenience, innovative solutions elaborated to the last detail; that is why all of their products, and especially - the iconic iPhone, give consumers namely those feelings they associate with the brand. The smashing success of iPhone and iPad has attracted more attention to the rest of Apple products. Many agencies in the world use various techniques for valuation of top world brands with the highest brand

equities. For instance, American Forbes published [3,1.] the rating of 100 most expensive world brands in 2015. The agency took into consideration companies' profits for the last three years and coefficient of brand influence on profits in various branches. There are the brands of 15 countries and 20 branches presented in the top 100 list of the most expensive brands. Almost the half of the list is occupied by American brands, the rest are European, Japanese, South-Korean, etc. Mainly the high-technology brands prevail.











	#1	Apple	\$145.3 B	17%	\$182.3 B	\$1.2 B	Technology
	#2	Microsoft	\$69.3 B	10%	\$93.3 B	\$2.3 B	Technology
	#3	Google	\$65.6 B	16%	\$61.8 B	\$3 B	Technology
	#4	Coca-Cola	\$56 B	0%	\$23.1 B	\$3.5 B	Beverages
	#5	IBM	\$49.8 B	4%	\$92.8 B	\$1.3 B	Technology
	#6	McDonald's	\$39.5 B	-1%	\$87.8 B	\$808 M	Restaurants
	#7	Samsung	\$37.9 B	8%	\$187.8 B	\$3.8 B	Technology
	#8	Toyota	\$37.8 B	21%	\$171.1 B	\$3.8 B	Automotive
	#9	General Electric	\$37.0 B	1%	\$129.1 B	-	Diversified
	#10	Facebook	\$36.5 B	54%	\$12.1 B	\$130 M	Technology

Figure 1. Top ten brands with the highest brand equity in 2015, according to Forbes

In our opinion, **high brand equity** means clients' expectations, their wants and feelings turned into reality, their association during purchase and use of a brand with something very important, interesting and best.

Conclusions

The most 'powerful' brands with the highest brand equity have a large number of loyal consumers. Some analysts consider trademark to be the most important and the most durable asset of a company, lifetime of which considerably exceeds the time of existence of products made and the companies itself. However, power and influence of a trademark lie in customers' loyalty. Thus, a strategic brand management shall be focused on increase of *period of brand loyalty on the part of customers*, and trademark management becomes one of the most important marketing instruments. A critical decision on the stage of establishment of any company (see figure 2), classified as fundamentals of brand management - is either to use branded products, create "vivid" brands and increase their brand equity, or to produce "dull" nameless generic products.

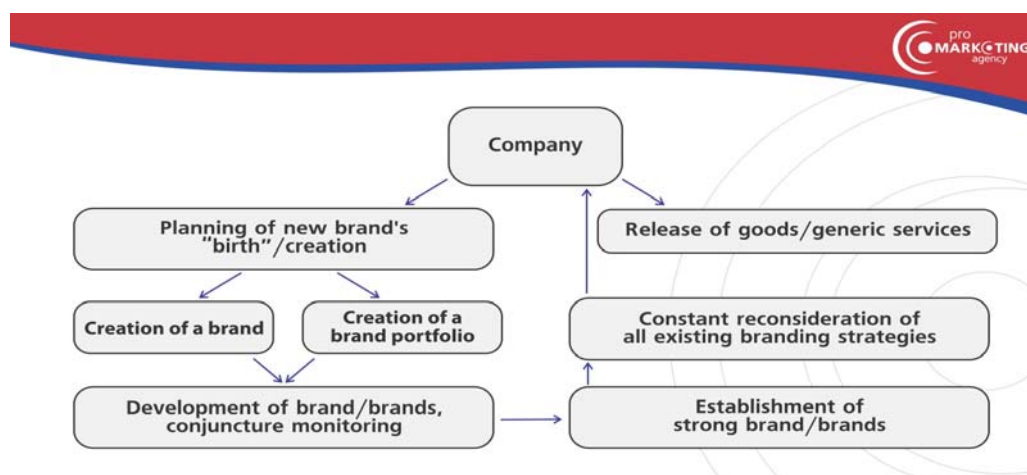


Figure 2. Generalized diagram of strategic brand management

Source: designed by the author

Brands creation and support, increase of brand equity imply the following benefits:

1. **Higher price level** - demand for branded products is characterised by a lower price elasticity. Costumers are ready to pay for warranties and unique features of a branded product, even if its price increases.

2. **Higher sales volume** - Many renowned companies do not increase prices for branded products, but work "on scale." Thus, reputation of McDonald's and Ford brands allows companies to sell a considerable amount of products, if compared to less powerful trademarks.

3. **Cost reduction.** Costs per piece of branded product are considerably lower than those per its generic competitor.

4. **Increase of assets usage rate.** The economies of scale allow reducing basic and working capital expenditures, due to faster circulation of end products and stocks; equipment downtime is practically non-existent. Powerful brands allow companies to dictate terms to distributors due to high demand for branded products.

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PREMISES FOR EDUCATIONAL MARKETING DEVELOPMENT IN THE REPUBLIC OF MOLDOVA

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Once with the advent of marketing as a science, this area experienced a multilateral development, both horizontally and vertically. Thus, from the commercial area, it was extended in the social area, including in education. About educational marketing in the Republic of Moldova has begun to discuss recently. Many analyses of this subject are encountered at the level of higher education, but topics such as - which were premises for its occurrence in the Republic of Moldova and the causes of the uneven development in different levels of education, were not analysed systemically. At the same time, the chances of occurrence and development of educational marketing in Moldova on each education level were not been quantified.

Key words: *educational marketing, the premises of educational marketing, the educational levels, the Republic of Moldova*

As is well known, marketing originally appeared in the commercial areas, later this was extended to social areas. In Moldova the marketing setting up held initially by expanding its optics and specific activities to a large number of enterprises and in more and more fields. For the first time a marketing course was delivered in 1990 at the Faculty of Commerce at the State University of Moldova. With the establishment of the Academy of Economic Studies of Moldova, it opened in October 1991 the “Marketing” faculty. Currently, the “Marketing” discipline is included in the study plans of all higher education institutions in the field of economics and in some colleges [1 p. 25].

The educational marketing occurred as a necessity to improve the educational services market. If education was previously seen from the perspective of the public activities, at present, considering the emergence of private educational services, globalization and migration of the population, we can talk about a market of educational services. Here it needs to be noted that, depending on the degree of educational services market development in different countries, can also speak about a certain degree of development of the educational marketing.

The educational marketing definition was given for the first time in 1985 by Kotler and Fox: “The analysis, planning, implementation and monitoring of programs to ensure the voluntary exchange of values with target market to achieve institutional goals. The marketing involves the design and management of the educational institution so as to meet the needs and expectations of the target group and the use of effective ways of valuing, communication and distribution of educational products and services to serve, motivate and inform the community” [2].

Thus, some models of economic analysis in marketing were taken and implemented in the educational field. According to A. Noles, there is a similarity between the model:

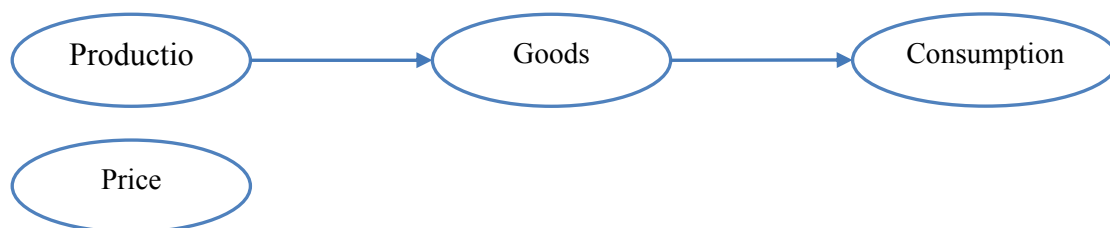


Figure 1. The market analysis model in the economic sphere and the model:

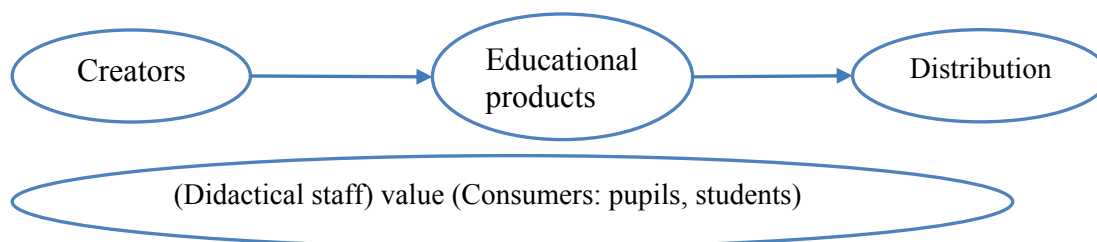


Figure 2. The market analysis model in education

Considering the education similar to any other consumer goods, allows the use of indicators: cost/price, profit [2 p. 82].

Although the concept has been developed already in 1985, about educational marketing in Moldova has started to speak only in 2010-2012, along with the discussions at European level about the development of a knowledge based economy.

According to the PhD Catalin Glava lecturer, the educational marketing premises are such phenomena as:

- The ongoing decrease in the number of pupils;
- Increasing the autonomy of educational institutions;
- Increasing competition not only between private and public, but even among public schools;
- Expectations diversification of the future beneficiaries.

The implementation of marketing within the organization involves the creation and adoption of a marketing system that reflects its particularities and regard: the conception, the philosophy that guides the organization's work embodied in its orientation to the customer, focusing on satisfying his desires; strategy, tactics and management skills of professionals in order to achieve those four objectives, namely: maximizing consumption, consumer satisfaction, the consumer choice and quality of life [4 p. 43].

Perception of educational services as a good or service should not only be of high quality and customer-oriented, satisfying its needs, involves a set of changes both in the provision of educational services, as well as the way of addressing the institutions to potential 'clients', applying marketing strategies for the educational institutions. Focusing institution knowledge and meeting the needs of its beneficiaries does not mean that the institution will neglect its distinct mission and competences in order to offer only educational programs that are fashionable at some point, but rather, the institutions will seek consumer education to be interested in its current and then will adapt this offer to make it more attractive.

The educational process analysis in terms of the relationship teaching-learning-evaluation, focusing on changes made on the pupil / student personality and the labour market - the institutions client, entail a change in the trainer-beneficiary relationship perspective of educational services, causing "customer" needs orientation and the use of marketing strategies for the educational institutions [4 p. 44].

But what are the factors that contribute to the development of educational marketing in Moldova? Why some institutions succeed more significant than others? Why educational marketing phenomenon persists in a significant proportion in some levels of education and is almost non-existent at other levels?

Identifying the response to this set of questions will make clarity about how to implement both educational marketing in institutions and will help to identify the gaps that hinder the implementation approach in institutions that do not have an such approach.

A first task is to identify the premises for this phenomenon on each education level. For a better information structure will be used the analysis on each education levels.

1. Preschool education

1.1. *The on-going decrease in the number of pupils*

The decreasing number of children in the preschool is not acutely felt by the managers from this system. As can be seen in the graph below, the preschool soon face the problem of incapacity to ensure all potential customers with seats than a lack of customers.

Thus, for example in 2014, the number of children aged between 2 and 6 years was 193.5 thousand people, while the number of available seats was 172.7 thousand. However, even this number of seats was not fully covered. The explanation for this may be the fact that, while some institutions, especially in rural areas face a lack of children, being forced to have mixed groups according to age or language criteria; in other regions, particularly in urban areas, they are experiencing with the inability to provide all interested persons with places in kindergartens. The large number of children of this age is explained by the relatively low number of those who migrate, but also the result of demographic boom in the years 1984-1986.

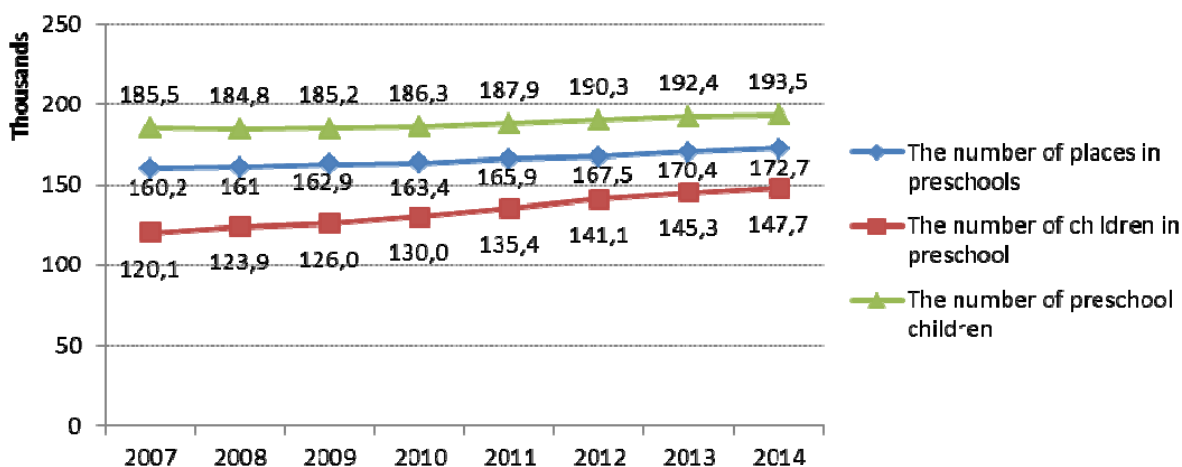


Figure 3. The number of children of preschool age, number of children enrolled in the system and number of seats available

Source: The National Bureau of Statistics [5 p. 144]

1.2. *Increasing the autonomy of educational institutions*

The preschool institutions have neither financial autonomy nor self-management services. However, it is worth mentioning that the vast majority of institutions have parents associations that contribute to creating monthly financial fund that is autonomous administered by institutions. Thus, pre-school education has a chance to compensate those public finances resources necessary to adjust strategy guidance to potential customers. However, being a market dictated by bidders, while the demand is greater than supply, there are not too frequent cases where this happens.

1.3. *Increasing competition not only between private and public, but even among public schools*

In 2008, in Republic of Moldova was only one private kindergarten [6 p. 6]. Currently the, their number is growing, reaching dozens. However, the capacity of private institutions in number of seats and monthly prices ranging from 100-450 Euros, make the competition from the private sector for public institutions to be insignificant one. At the same time, as was noted above, the incapacity of public institutions to absorb the total number of potential customers - children, makes this particular market to be dictated by the bidders.

1.4. *Expectations diversification of the future beneficiaries*

The result of an imbalance in favour of the offer, potential beneficiaries do not really can diversify their expectations. Even at international level, the preschool education institutions are not forced too much to diversify the offer, unless if there are talking about private institutions, which for an appropriate price tend to adjust the services to the customers demand. This level of education is probably the most populated and with few alternatives or a high price, has the lowest premises to integrate the educational marketing.

2. Primary and secondary education

2.1. *The on-going decrease in the number of pupils*

The situation in primary and secondary education is different. At this level of education can be seen a dramatic decrease in the number of pupils from 461 thousand pupils in the academic year 2007-2008 to 340 thousand pupils in 2014-2015. The exact number of places in schools is unknown, but considering that since 1990 the school population was halved [6 p. 1], it can be appreciated a significant impact of this phenomenon on the need for measures to increase the attractiveness of institutions from this level of education. The impact of decreasing the number of pupils in institutions is bigger, since in 2015, for this level of education was introduced the per capita funding. Thus, the institutions with a continues decline of number of pupils are put in front of smaller budgets. The need for such measures is undeniable, and managers of institutions must operate in a increasing competitiveness from both type of institutions - private and public ones, to attract a greater number of pupils.

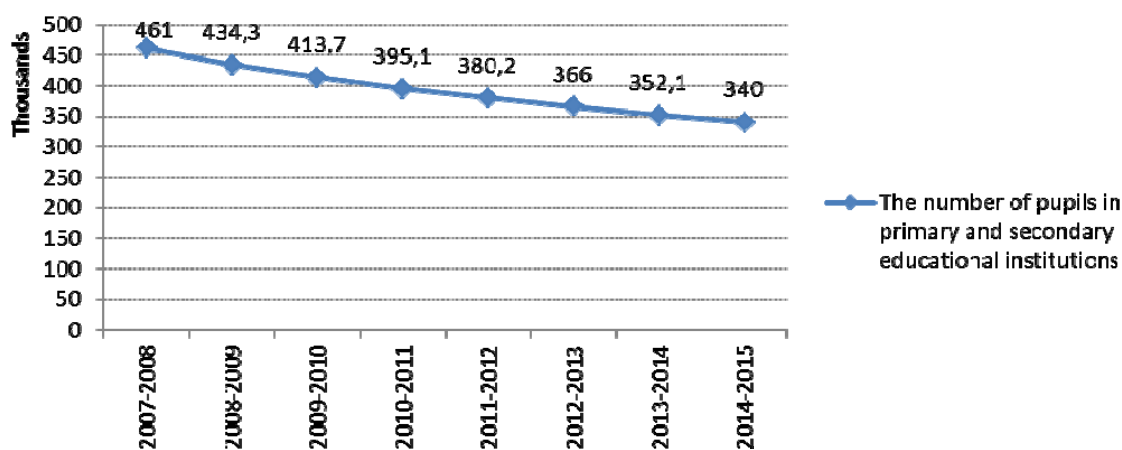


Figure 4. The number of pupils in primary and secondary educational institutions

Source: The National Bureau of Statistics [5 p. 149]

2.2. *Increasing the autonomy of educational institutions*

Being a compulsory education level, which mostly cannot generate extra income, primary and secondary education is and will probably remain managed centrally or locally. Thus, institutions from this level have not too many chances of self-managed both, finances and services. The number of institutions that succeed excel and maintain itself in an attractive manner to potential customers is very low.

2.3. *Increasing competition not only between private and public, but even among public schools*

Considering that from 2015 was introduced the per pupil funding, the competitiveness of this market increased and probably in the near future will be able to follow an increasing tendency of customer orientation within the institutions of this level. Also, the growing demand for qualitative services willingness to offer an appropriate price for them, make the number of private institutions at this level to grow. In 2015, in the Republic of Moldova activate about 19 private institutions, but all of them were located in urban areas. It should be noted that admission to study at an institution or another is currently regulated by the public authorities. Thus, children are mainly distributed at the institutions based on residence permits, fact that reduces the competition in this market to a certain extent.

2.4. *Expectations diversification of the future beneficiaries*

As it was mentioned, currently parents tend to provide their children high quality educational services. This is assured either by prestigious public institutions that put in the front the pupils and parents, providing high quality services or a package of additional services; either in private institutions which offer high quality services in classes with few pupils and various additional services packages.

3. VET education

3.1. *The ongoing decrease in the number of pupils*

In VET education, the reduction of pupils is dramatic. Thus, during 2008-20014, the number of pupils from this level has decreased from 51124 pupils, to 42713. According to some estimations of network adjustment to the current number of pupils, it has been found that they are under populated by about 1/3 of full capacity [7 p. 172]. The influence of demography, migration, globalization and lack of attractiveness is felt more deeply at this level of education.

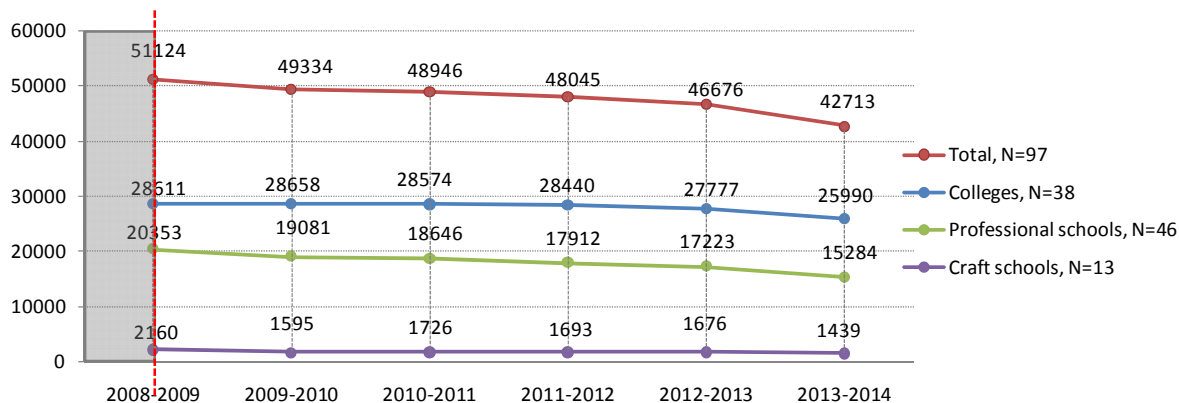


Figure 5. The number of pupils in VET institutions

Source: The results of VET institutions mapping [9 p. 30]

3.2. Increasing the autonomy of educational institutions

Although VET education is currently managed at both, the programs and financial levels by the central public administration, there is a tendency to pass this level of education to autonomy. Thus, every manager in the near future will be able to manage the institution in terms of autonomy. Perhaps this will affect in a good way both, the beneficiary service packages offered to customers - the pupils and the quality of services as a result of continued growth in competition.

3.3. Increasing competition not only between private and public, but even among public schools

Once with starting reform in this sector, from 2014, at this level of education, also is trying to introduce funding per pupil. At the same time, these institutions compete directly with private institutions, which are down from 6 institutions in 2007-2008, to 4 institutions in 2014-2015; and indirectly with high schools, institutions from abroad, with non-formal education, but also with the superior ones. Thus, the managers of these institutions urgently need to implement new approaches to attracting and retaining students in institutions. However, this level of education is financed mainly from the state budget, therefore, managers are less constraints compared to, for example, those in the higher education.

3.4. Expectations diversification of the future beneficiaries

Having a choice under certain conditions between VET schools and higher education, or between several professions, students and their parents have increasingly higher demands. However, given that education is compulsory up to the age of 18, and for admission to high school or higher education institutions require some drastic requirements, students remains not too many options to get a profession. Therefore, until the final transition to per capita funding and autonomy in management, the customer orientation at this stage remains in pending.

4. Higher education

4.1. The on-going decrease in the number of pupils

As it can be seen in higher education, the decreasing in the number of students from 2007 to 2015 is a dramatic one. Although there is no available information on completeness of their potential seats in institutions, however, it looks like that, given the insignificant variation in the number of institutions of this level, about 31, the impact of decreasing number of students is a significant one.

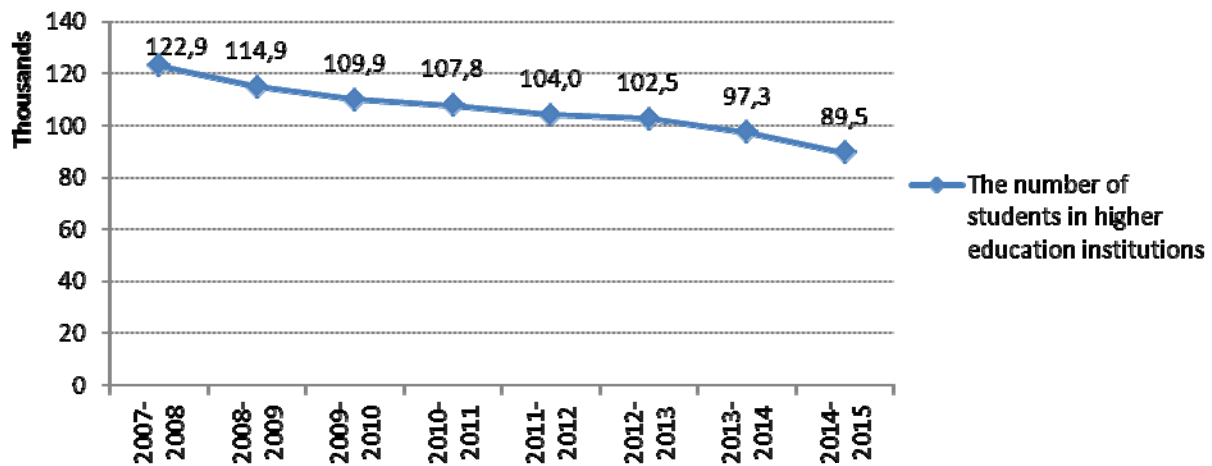


Figure 6: The number of students in higher education institutions

Source: The National Bureau of Statistics [5 p. 161]

4.2. Increasing the autonomy of educational institutions

Currently, the higher education institutions have the greatest degree of autonomy compared with other levels of education. This allows managers to adjust the service packages and prices for places with tax so that they can become competitive in this market.

4.3. Increasing competition not only between private and public, but even among public schools

This level of education most probably faces increased competition. As it shown in the figure below, only in Moldova, in addition to the 19 public institutions in 2014-2015 there were 12 private institutions. At the same time, the competitors for this level of education are institutions from abroad that, once with globalization and migration, and visa liberalization, have become extremely attractive to students. The diversification of study programs at the higher education institutions represents a challenge for the institutions that were once specialized by various fields.

With falling rates of students who manage to pass the bacalaureate, a precondition for accession at the higher education institutions, the VET institutions also became indirect competitors of higher education institutions.

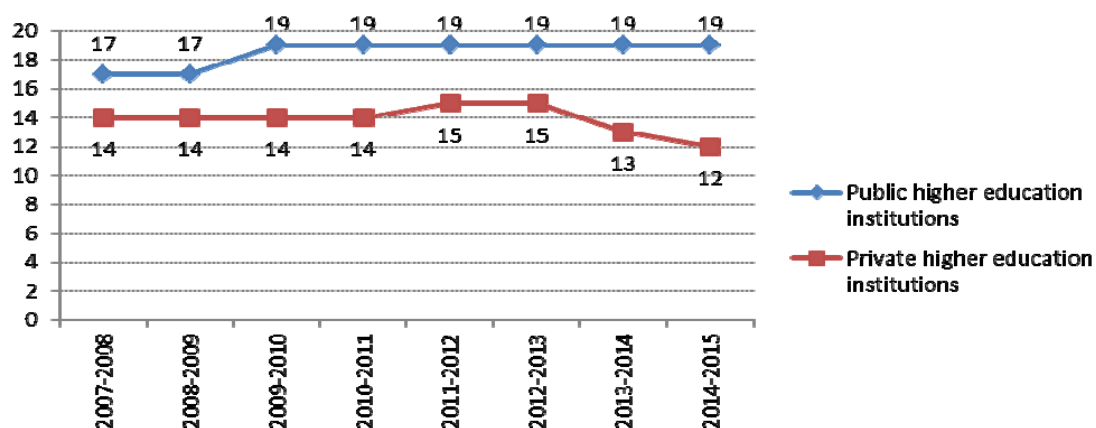


Figure 7. The number of public and private higher education institutions

Source: The National Bureau of Statistics [5 p. 161]

4.4. Expectations diversification of the future beneficiaries

Being adults, with a multitude of options, students and their parents have increasing demands for quality and services package offered by the higher education institutions. Thus, to cope with them, universities managers are forced to improve the service packages and apply an mainly client orientated approach.

Doing a summary table for the exposed and applying the principle of modeling we can determine which level of education has the highest potential for educational marketing and which one has the lowest level perspectives for this phenomenon.

Thus, considering for each level of education the premises on a scale from 0-3, where 0 - lack of premise, and 3 - a high degree of the premise development; after summing up the results, we can get a rating.

	Preschool education	Primary and secondary education	VET education	Higher education
The ongoing decrease in the number of pupils;	0	2	2	3
Increasing the autonomy of educational institutions;	0	0	1	3
Increasing competition not only between private and public, but even among public schools;	1	2	2	3
Expectations diversification of the future beneficiaries	1	2	1	3
Total	2	6	6	12

Figure 7: The model of premises development evaluation of educational marketing on different levels of education

Source: developed by author

As it can be seen in the model above, higher education had all the premises for the development of educational marketing, which is currently fully felt, although not at full capacity. Also, both primary and secondary, and VET education are halfway to their full potential in terms of conditions for the development and implementation of educational marketing. Unfortunately, the preschool is the only step that has underdeveloped all the premises for implementation of the educational marketing, which is fully felt by potential customers, parents and children.

This model allows us to quantitatively evaluate the readiness of the educational services market in Moldova, disaggregated by level of education, the enforcement and implementation of educational marketing. At the same time, the analysis of each individual indicator allows us to identify gaps and determine where there is potential for development of the premises, so that in the nearest time we can talk about a veritable educational marketing in the entire education system.

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STRATEGIC ASPECTS OF NATIONAL TOURISM SECTOR MANAGEMENT IN GREAT BRITAIN

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In the current paper is presented the state of tourism industry in Great Britain and country's place in the global tourism; are analysed strategic aspects of Britain's tourism sector management. Are made conclusions and suggested recommendations on adaptation and implementation of the UK's experience in the tourism management of Moldova.

Key words: *strategic management, strategy, tourism, tourism sector management in Great Britain.*

Introduction. In modern global economy, tourism and its international component occupy an increasingly important place. Today global tourism represents 10% of world GDP (direct, indirect and induced), every eleventh workplace, \$1.5 trillion in exports, 6% of world's exports and 30% of services exports [2]. Such a significant role of tourism causes increasing attention to the progress of industry and the creation of the strategic development mechanisms of the national tourism sectors.

Strategic management can be defined as a system of actions required to achieve stated objectives with limited resources. Region (country, municipality, village or municipal district, locality) occupies one of the most important places in the system of strategic management objects. Strategic management of the region represents the development of the mission, the most important goals of the region and ways to achieve them, which ensure its development in an unstable environment by changing the region itself and its external environment. Selection of priority objects of strategic management in the region is advisable to focus on the use of international experience and practice of competitors in the regional market.

Among the most developed countries in terms of tourism in the European region should be mentioned Great Britain. It is ranked eighth in the ranking of the most visited countries in the world and fifth in Europe. In 2014, the number of international tourist arrivals in the UK increased by 5.0% and reached 32.6 million. Revenues from tourism, achieved by Great Britain, increased by 4.8% and amounted to USD 45.3 billion [3].

The study of the strategic aspects of national tourism sector management in Great Britain gives the opportunity to gather the advanced experience of management technologies in this area and to make useful recommendations for the national economic system of Moldova.

Study of the problem. In spite of Great Britain's high ranking in the list of most visited countries in the world, there are still many opportunities of growth in Britain's tourism sector. That is why in April 2013, the UK Secretary of State of Culture, Media and Sport announced the launch of a long-term tourism development strategy – A growth strategy for inbound tourism to Britain from 2012 to 2020. This strategy has been prepared by VisitBritain and presented under the title "Delivering a Golden Legacy" [4].

Strategy developer (VisitBritain) is the national agency of tourism in the UK. This executive non-departmental government body, under the auspices of the Department for Culture, Media & Sport (DCMS) of the UK Government, one of 24 ministerial departments of the first level of government. DCMS is the government department responsible for Travel & Tourism in the United Kingdom. Tourism is a devolved matter in Scotland, Wales, Northern Ireland and Greater London, but DCMS retains responsibility for tourism in England outside London and for promoting Great Britain overseas. There are also a wide number of regional departments and local authorities with responsibility for tourism to their specific area [5].

The goal of the strategy is to attract 40 million visitors (in 2014 – 32.6 million) and to achieve revenue generated from incoming tourism in the amount of £31.5bn (in real terms) by 2020. Reaching 40 million visitors by 2020 represents a significant increase in tourism indicators in the UK, compared to the current level, which will be represented in:

- 8 million additional visits per year in 2020;
- additional income from tourism in the amount of £8.7 billion per year (in today's prices);
- ensuring 200.000 additional jobs per year across the UK.

A growth strategy for inbound tourism to Britain includes 4 main directions:

- Increasing the attractiveness of the Great Britain's image in the views of foreign travellers;
- Expansion of the range of offered tourism products;
- Activation of trade tourism products through various forms of advertising – brochures, websites, exhibitions, package sales, etc.;
- Simplification of tourist trips in the UK (normative base, transport, visa regime) and the expansion of transport capacity.

Strategy structure consists of 5 parts:

1) Executive summary

2) Setting the scene

The Government Tourism Policy

3) Where we are

Tourism, growth and jobs

Competition – Britain's position in the global marketplace

4) Issues to tackle

Factors impacting competitiveness and strategy

Britain's core markets

5) Where we go from here

Ambition

Strategy – policy, activity, VisitBritain organisation

Current global trends in the world economy have become the basis for the development of the tourism development strategy of Great Britain. Special attention authors paid to the following tendencies:

- Increasing competition scale and investment volumes into tourism;
- Political changes carried out by competitors in order to attract visitors;
- Heterogeneity of economic development on a global scale (regions, countries);
- Increasing range of travel destinations;
- Global population relocation to the cities.

There are different factors that make Great Britain attractive to tourists and that help tourism industry develop. They can be classified as opportunities that help Britain prosper in this field:

- Large global aviation route network helps to receive large amount of tourists from different corners of the world without delays and multiple transfers from one flight to another;

- Strong associations with culture and heritage – Great Britain is rich in history, values, traditions and cultural heritage which are appreciated and transmitted from generation to generation, preserving it is a priority for the country; that makes the UK even more unique and interesting for the tourists;
- Strong tourism infrastructure is one of the main factors that insure Britain's high position in the ranking of international tourist arrivals;
- English language – it is one of the most common languages around the world, English speaking people feel comfortable travelling to the UK and will more likely choose it over some other travel opportunities; besides, in English it is easier to find information in the global media and that helps promoting Great Britain as a leading travel destination, helps people prepare better for their trips, find more places which they want to visit, etc.;
- London is a global city and a main tourist attraction in the UK – it brings the biggest in the country value of inbound overnight tourism.

In addition to this, developers of the strategy have studied problems faced by the United Kingdom in the process of achieving the goals of the growth strategy for inbound tourism:

- There is a strong competition in the tourism industry around the world, some countries achieved bigger success promoting their image and this means that UK should revise and update its image policy;
- Visa regime makes it harder to get to Britain and even stops a number of tourists from choosing it as their travel destination, a competitive assessment exercise carried out by VisitBritain found that the UK's visa regime puts the destination at a disadvantage compared with its competitors;
- Britain's share in a crowded marketplace of global tourism destinations is quite small compared to some other countries, besides its territory is not that big and can't provide such a great variety of travel opportunities as USA, for example;
- There are some gaps in provided tourism products that still need to be filled;
- Lack of future airport capacity can become a huge problem when a much larger quantity of tourists will decide to travel to the UK, it means that one of the strategic measures regarding tourism infrastructure should include building new airports or expand those that already exist;
- Lack of awareness about the attractions outside London, although they contain great potential for revenue growth generated from tourism.

This strategy sets out an ambitious goal for Britain. It will require an even greater level of cooperation across Government, the UK and overseas tourism industries and the national tourist boards in order to ensure that Britain is fit to compete and succeed in the global race for tourism. To maximise the economic benefits of international tourism, Britain's strategy ought to be aimed at increasing the real value of tourism to Britain. There are a number of ways to achieve this:

- Increase spend per day;
- Increase length of stay;
- Increase repeat visits to Britain, and thereby increase visitors' lifetime value to the United Kingdom.

Strategy focuses on the Top 20 markets for projected growth 2011-2020. Top 5 leading countries include USA, Saudi Arabia, Spain, Australia and Canada. The most promising suppliers of tourists for Great Britain are Saudi Arabia and China, whose potential spending are expected to grow by 2020 significantly by 181% and 157% respectively.

Among the tables and figures, analysed in the Strategy are such as:

- Number of employees in the visitor economy, and top ten 'hot spots';
- The value of inbound and domestic overnight tourism in 2011;
- Travel and tourism (T&T) competitiveness index;
- Visitor volumes in 2011;

- Market value in 2011;
- Value per visit (all visit purposes and holiday visits) in 2011;
- Value of visitors spending by groups of countries in 2011 and forecast for the 2020, etc. [4].

Together with the main strategy were developed different supporting documents, one of them – “International demand for British tourism: Alternative outlooks”, calculates strategic alternatives. It presents four scenarios: two extreme (Best case scenario and Worst case scenario) and two intermediate (Status quo extended scenario and Mixed scenario). They represent various combinations of marketing strategy and policy in the tourism sector. Each of the alternative scenarios is based on a wide range of quantitative indicators, according to the terms of their achievement. It is very important to notice that in contrast to the strategy itself, which is created for 8 years until 2020, alternative scenarios are developed for 18 years and calculate the situation until 2030 [1].

Conclusions. In the process of development and implementation of strategic management mechanism for the development of regional tourist complex in Moldova, it is advisable to use the accumulated experience of the Great Britain. In particular, it is important to:

- Create a strategy based on adaptive approach to the modern trends of the global and regional economy;
- Practice the development of strategic mechanisms for regional development in the long-term (5, 10, 15 years) and multi-stage forecasting horizons;
- Use in strategic planning methodological approaches practiced in the UK, in terms of the development of multiple alternative scenarios (optimistic, maintaining the status quo, mixed and pessimistic);
- Develop a regional strategy focusing not only on the national level, but also on the components of the country (municipalities, districts);
- Improve the level of coordination and cooperation in the tourism sector in the government and local public administrations;
- Expand the range of the proposed tourism products considering the current European trends;
- Orient the activities of public authorities and local governments on achieving tangible quantitative results for international tourist arrivals, revenue from tourism and jobs in the industry, including the data on their growth by stages and forecast horizons;
- Increase the attractiveness of Moldova's image in the views of foreign travellers through the development of marketing activities;
- Strengthen tourism products trade through various forms of advertising – brochures, websites, exhibitions, package sales, etc.;
- Simplify tourist trips to Moldova (regulatory framework, transport, visa regime) and expand transport capacity.

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VIABLE STRATEGIES IN CRISIS MANAGEMENT

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Crises are more and more present in our business life. As the world heads with a faster and faster pace towards globalisation, the companies around the world expand in new regions and have competitors from a place they didn't even know existed. As such, the company as a system becomes more and more complex and more easily prone to factors that were not there until now.

The internal environment has also changed, to reflect the outside one. The company employees are now of different cultures, respond to different stimuli motivation wise and people are also differently influenced by the changes around them. Today's success may be tomorrow's downfall for the unprepared company.

As a result the company must not only adapt to these changes but also work through crisis management to ensure a safe and profitable future.

Key words: crisis, organizational crisis, crisis management, crisis management strategy.

Introduction: Crisis management

Crisis is a complicated incident or situation which involves a threat to the organization as a system its members, resources, goods and its interests, which is developing rapidly and creates a situation so important that requires the knowledge and know-how of its employees in order to complete its objectives.

Complicated *organizational crisis* manifests itself when the company is functioning in an ill manner, because of the pressure of complex, urgent and very important problems, the company's existence being threatened by internal and/or external factors. We can have several forms of crisis: the lack of authority, the lack of capital and technology, market share crisis, human resources crisis, etc.



Figure 1. Crisis Theory

Crisis management is a process defined by a sequence of actions which produce transformations on the organization itself so that its evolution during times of crisis leads the company towards growth and development. Crisis management implies: avoiding the crisis, handling the crisis, acceptance of the crisis, ending and learning from the crisis.

Therefore, crisis management must ensure that:

- the company is in good standing with laws and regulations,
- that it can prevent or face different type of crisis

- decisions are taken after careful consideration
- company's operations are efficient

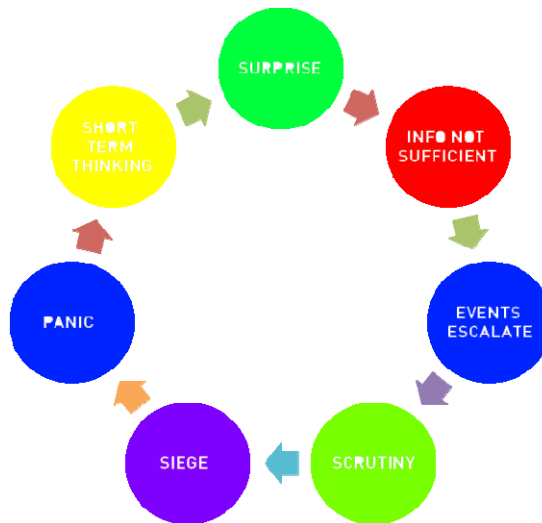


Figure 2. Crisis management

As a result, crisis management must help the company to reduce costs generated by a crisis, in order to reduce any strain that a crisis might put on the company. There are three types of crisis management:

- cost-control management crisis
- cost-transferring management crisis
- cost-minimizing management crisis

To apply these methods the existence of a team specialized in management crisis is a pivotal point. This team helps prevent crisis, by analysing the economic contexts in which crisis appear and reach maturity.

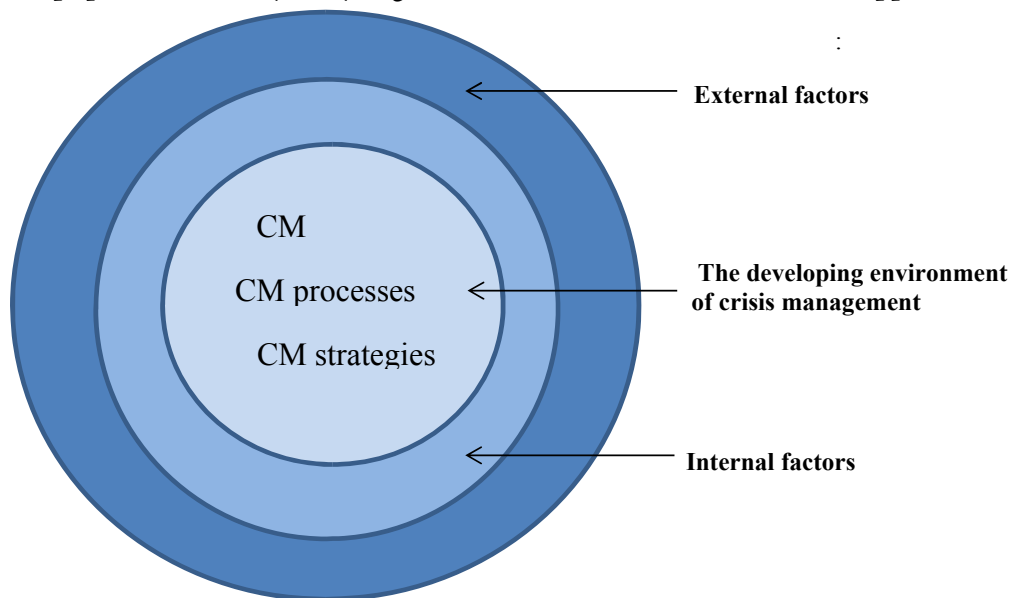


Figure 3. Crisis management strategy forming
Crisis management: strategies and strategy development

The strategy of crisis management must reflect the companies' approach towards crisis and crisis management, setting what the company objectives are during times of crisis and the way that the management process aligns with the other activities and contributions that crisis management brings in the organization

The research done has its grounds in specialty literature studying and data studying from Statistics Institutions.

We used to analyse and interpret data the following types of analysis:

- univariate analysis for the methods and strategies of crisis management
- bivariate statistical hypothesis testing of quantitative research
- Multivariate analysis to identify latent variables through factor analysis

There have been identified four types of strategies used in crisis management in Romania:

- **Avant-garde:** very central to human resources: the company is basing itself on human resources relations and developing a positive internal and external image. Such companies use all the necessary means to use the available capital: using banks for loans, financial restrictions to generate resources, European funds accessing, and international development funds and cohesion funds.

- **Caution strategy:** they focus heavily on the political and legal environment, using company's or employees' knowledge and know how. The companies also put an emphasis on its belongings and service patenting and creating standards for work processes. Thus the productivity is increased, and the local economy is helped, which also protects the company.

- **Praising strategy:** it is a complicated strategy based on offering a positive image to the market, for clients, suppliers, employees, partners etc. The image is created by differentiation in contrast to the competitors, by targeting a certain segment of the market, by attracting clients using tradition or by constant activities in research and development of new products and creative management.

- **Opportunistic strategy:** its developed on past experiences grounds and by concentrating on the company's strengths, the company can identify which are the best instruments for client shaping and modifying the clients attitude towards the company's products or services

Using data from the Romanian Institute of Statistics it is shown that the most used strategy is the Opportunistic strategy, followed by the Praising strategy then the Avant-Garde strategy, the last one being Caution strategy.

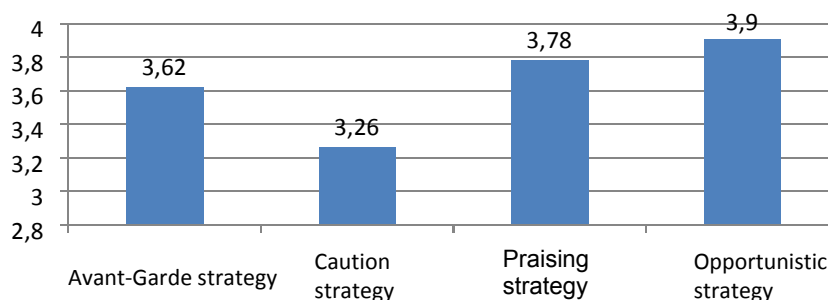


Figure 4 Most used crisis strategies

Also, it is worth noting that the study showed that Micro-companies (maximum of 10 employees) do not know and do not utilize any crisis management strategy or program. The larger companies become more interested in crisis management and invest more in preventing and going through a crisis.

Also it was noticed that companies who faced losses are more interested and open regarding anti-crisis strategies and methods in preventing the company of facing losses again.

A company's growing revenue will also increase the desire of changing the current strategy and in the same time focus will be put on minimising any risks and weaknesses the company is aware of.

Conclusions

The crisis issue must be viewed from a systemic point of view, using prospective management by promoting and handling the general changes brought by the 21st century where globalisation is accelerated. This brings hope, but also threats. In such a context, systemically searching for new opportunities to turn

investments into profit motivated mainly by immediate earnings rather than long term business ethics brings the company in the face of many threats. The management system, which deals with crisis, must make sure to take into account all macro-economic policies and also the micro-economics policies and find a way to make them work together.

If a company relies too much on its good-working processes and its success, it is more vulnerable against crisis. This fact can be avoided if the organization learns to analyse its external environment, adapts its organizational culture and its strategies to this dynamic rhythm we are all facing.

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EXCISE DUTIES POLICY ON TOBACCO PRODUCTS IN RUSSIA, UKRAINE, ROMANIA: COMPARATIVE STUDY

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This article aims at brief presentation of the fiscal policies and namely on excise duties on tobacco products in the neighbouring countries of Republic of Moldova. There will be concisely studied fiscal policies on tobacco goods in Belarus, Republic of Moldova, Ukraine, Romania and Russia, being highlighted tendencies present in these countries, and underlying conditions, which influence current situation and its prospects.

Key words: tax, excise tax, tobacco products, policies, Belarus, Moldova, Romania, Russia, Ukraine, EU Directive, VAT, etc.

The importance of this brief presentation on the level of excise taxes could be summarized in the following. First of all, knowing the level of excise taxes in the neighbouring countries helps us understand how the excise taxes are formed in these countries, on which level they could be situated in comparison to each other, if they are equal, higher or less.

Secondly, these taxes have a major economic impact that transcends and have indirect effects to more than just economy in a given country itself. Hence, depending on the variation level of the excise taxes among these countries, indirectly they could influence appearance and existence of smuggling of tobacco products among neighbouring countries, from the countries with the lowest level of taxes to those with a higher level, due to the high profitability and relative ease of customs regulations which consequently, together with other aspects, drives the illicit trafficking of tobacco products.

Thirdly, the regulations, policies towards the tobacco products have a tendency to become more and more severe, influenced by the global policy trend for the fight against smoking, which was introduced to the global political agenda in most countries, by the international organizations such as World Health Organization, European Union, etc. And, knowing the fact that we and our neighbours are tending to use financial help for their development provided by these international organizations, and many times, such financial help is offered against a price, for instance implementation of these global policies on anti-smoking in every country. Of course, it is not so obvious, but indirectly one could conclude such opinion by observing the global trends. Thus, knowing these aspects would be good to know how the representatives of the tobacco industries in these countries are facing such ever-toughening policies, which are directly against them. Moreover, being aware of the actions and policies done by the neighbouring countries would be an invaluable help for the representatives of the local tobacco industry for application of the most optimal solutions in the current situation.

Therefore, we would present the rates of the excise taxes, and their methods of calculations in the neighbouring countries of Republic of Moldova, in Romania, Ukraine, and as well Russia and Belarus.

Right from the beginning we could observe the obvious difference of policymaking approach, such as in Romania, the policies are directly influenced by the EU Directives, which supports and promotes an aggressive anti-tobacco policy. Therefore, the excise taxes have a steady tendency of being increased constantly, and the policies of the state are gradually becoming more severe in order to reach the average final price level and the European standards against tobacco products, which eventually should be the same amongst European Union member states.

For the beginning, we will make a brief presentation of the Romania in terms of fiscal policies.

ROMANIA

Method of calculation of the excise tax: for the cigarettes, the total excise tax is combined from two taxes, being formed from a specific excise tax (euro/1000 cigarettes) and an ad valorem tax (% a certain percentage from the retail sale price) which is set according to the art. 1, p. 2 from the Directive 92/79/EEC regarding the harmonisation of taxes on cigarettes, transposed in the national legislation by art. 177, p. 1 from the Law no. 571/2003 on Fiscal Code, with its further amendments and complementation³⁸.

In Romania, besides the excise taxes, which are applied to the tobacco products, there are also *contributions for the financing of the medical expenses*. This feature of fiscal policy is a novelty and is not present in the neighbouring countries in the process of formation of the maximum retail price (See, Table 1).

Thus, the level of such contributions, provided in the art.369 from the Law no.95/2006 for tobacco products and alcoholic drinks – others than beer, wines, fermented drinks other than beers and wines, intermediary products permitted for consumption in 2016, constitutes:

Table 1.

Contributions for the financing of the medical expenses

No	Product	Level according to the art. 369 from Law 95/2006
1	Cigarettes	47.38 RON /1000 cigarettes
2	Cigars, cigarillos	47.38 RON /1000 pc.

³⁸ Ministry of Public Finances, Romania, Duties and Taxes, [On-line]: <http://www.mfinante.ro/accizetaxe.html?pagina=domenii>, (accessed on 20.04.2016).

3	Smoking tobacco	61.6 RON /kg
4	Alcoholic drinks, other than beer, wine, fermented drinks other than beer, intermediary products	947.69 RON /hl pure alcohol

In the calculation of taxes on tobacco products, beside the above-mentioned tax it is applied also the excise tax which is set according to the following regulations:

Decree no.412/23.03.2016 for the approbation of the level of specific excise tax for the cigarettes – Official Monitor of the Romania no.228/28.03.2016;

Art. 1. – Level of the specific excise tax on the cigarettes in the period of 1 April 2016 – 31 December 2016, is 329,30 RON /1.000 cigarettes.

Thus, the level of the **specific excise tax** on the cigarettes for the period of 1 April 2016 – 31 December 2016 constitutes 329,30 RON/1.000 cigarettes plus 47.38 RON per 1000 cigarettes is paid for the financing the health expenses³⁹.

Prices in Romania

Knowing the above-mentioned taxes, it would be also good to know how they are reflected in the final price, that the consumer pays. Therefore, we would be looking at the minimum price level, which is set for tobacco products across several years, which will create a picture of the situation in the country on the tobacco products market.

For comparison, the weighted average price (WAP) for retail sale for 2015, calculated according to the provisions of the art. 343, p. 7 from the Law no. 227/2015, Fiscal Code, on further modification and complementation, constitute **14,487 RON /pack**⁴⁰.

Weighted average price for retail sale (WAP) which was set for 2014 and used for the determination of the specific excise tax which will be used in the period of 1 April 2015 – 31 March 2016 is **13,90 RON /pack**.

In 2013, WAP, calculated according to the provisions of the art. 177 p. 5, from the Law no. 571/2003 on Fiscal Code, with amendments and further complementation, constituted **12,9508 RON /pack**⁴¹.

While in 2012, WAP, calculated according to the provisions of the p. 5 from the art. 177 of the Law no. 571/2003 on Fiscal Code, with amendments and further complementation, constituted **11,9347 RON /pack**.

And in 2011, the weighted average price for retail sale (WAP) constituted **11,1863 RON /pack**.

Therefore, we might conclude that the price level has grown significantly from 11.18 RON/pack in 2011 to 14.48 RON/pack in 2016. For information purposes, if exchanged to MDL, it will be: 57.12 MDL in 2011, and 73.98 MDL in 2016⁴².

RUSSIA

As it is the case in other countries as well discussed in the current article, on the territory of the Russian Federation, the excise taxes on tobacco, gas, and some of the alcoholic drinks have increased starting with the 1st January 2016.

The tax rate for the cigarettes will be of 1.25 thousands of Roubles for a thousand of cigarettes plus 12% from the estimative value, which is calculated based on the maximum retail price, but not less than 1.68 thousands of Roubles per one thousands of pieces.

In 2015, the rate of excise taxes constituted 960 Roubles for one thousands of cigarettes, plus a 9% from the estimative value, which is calculated based on the maximum retail price, but not less than 1.25 thousands of Roubles for one thousands of cigarettes.

³⁹ Ministry of Public Finances, Romania, Duties and Taxes, [On-line]:

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⁴⁰ Ministry of Public Finances, Romania, Maximum declared prices on cigarettes in 2016, [On-line]:

http://discutii.mfinante.ro/static/10/Mfp/accize/declaratii_preturi_tigari_2016.pdf, (accessed on 25.04.2016).

⁴¹ Ministry of Public Finances, Romania, Duties and Taxes, [On-line]:

<http://www.mfinante.ro/accizetaxe.html?pagina=domenii>, (accessed on 20.04.2016).

⁴² Exchange rate on 04.05.2016, 1 RON = 5.1094 MDL, according to the National Bank of Moldova.

The excise tax rate for the tobacco for pipes, smoking, chewing, hookahs, etc. has been set for 2016 at a rate of 2 thousand per kg (in 2017 it is planned to increase it up to 2.2 thousands of Roubles) for the cigars – 141 Roubles and 155 Roubles respectively. For cigarillos the rate will constitute 2.112 thousand Roubles per thousands of pieces in 2016 and 2.207 thousands in 2017⁴³.

UKRAINE

In Ukraine, starting with the 1st January 2016, the excise taxes have also increased, the specific part of the excise tax has increased with 40%, being up to 318.26 UAH for 1 thousand of pieces of cigarettes, without affecting the ad valorem part of the excise tax which is (12%).

Initially, according to the estimations of the tobacco producers, this increase of the specific tax of the excise tax will force price growth of a pack of cigarettes with approximately 3-4 UAH.

We would like to mention that the minimum obligation to pay the excise tax for the cigarettes with and without filter has also increased to 425.75 UAH / thousands cigarettes⁴⁴.

BELARUS

In the Belarus, the rate of the excise taxes on the pipe tobacco, until 30 June 2016 is set to be 579.2 thousand BYR. Starting with the 1st of July – 31 December 2016 period of time, it will grow to BYR 634,7 thousand per kg⁴⁵; for cigars - BYR 33,6 and BYR 37 thousand per piece; for cigarettes with filter with a retail price will be set as following: I group - BYR 148,8 thousand and BYR 153 thousand, II group - BYR 343,1 thousands and BYR 373,5 thousands, III group – BYR 390,3 thousands and BYR 422,5 thousands, for the cigarettes without filter BYR 111,7 thousands and BYR 114,8 thousands (per 1 thousand of cigarettes)⁴⁶.

As a remark, and as what has been observed in the above mentioned tax rates and regulations, we can see that Ukraine and Romania do not make any difference while applying the taxes on cigarettes with filter or without, thus the same principle of sets of requirements/regulations are being applied in both countries.

In order to get a clearer picture of the above-mentioned information, below there was summarized all the data, and unified for a more easy understanding in a common currency, by converting to MDL (*see Table 2*).

Table 2.

Level of excise taxes

Country	Level of excise tax per 1.000 pieces	Estimated value/ad valorem %	Exchange rate of the NBM ⁴⁷ at 11/04/16
Moldova	220 MDL with filter 60 lei MD without/filter	17 -	- -
Romania	329,30 RON (1613.57 MDL) plus 47,38 RON (232.16 MDL) financing health expenses Total: 376,68 RON (1845.732 MDL)	-	4,9
Russia	1680 RUB (470.4 MDL)	12	0,28

⁴³ TASS Russian information agency, Excise taxes on tobacco, beer and gas will increase starting with 1st January, [On-line]: <http://tass.ru/ekonomika/2565943> (accessed on 10.04.2016).

⁴⁴ Delo.ua, How much will be increased the prices for alcohol and tobacco after the increase of the excise taxes, [On-line]: <http://delo.ua/business/naskolko-podorozhaet-alkogol-i-tabak-posle-povysheniya-akciov-309680/> (accessed on 12.04.2016).

⁴⁵ President Decree of the Republic of Belorussia, 9 March 2016, Nr. 92, [On-line]: <http://pravo.by/main.aspx?guid=12551&p0=P31600092&p1=1&p5=0> (accessed on 15.04.2016).

⁴⁶ Belorussia News Agency, Excise taxes on tobacco products and gas have increased in Belorussia, [On-line]: <http://www.belta.by/economics/view/stavki-aktsizov-na-tabachnye-izdelija-i-avtomobilnoe-toplivo-uvelicheny-v-belarusi-184846-2016/> (accessed on 15.04.2016).

⁴⁷ National Bank of Moldova

Ukraine	425,75 UAH (319.31 MDL)	12	0,75
Belarus	153 000 BYR with filter (150.24 MDL) 114 800 BYR without/filter (112.73 MDL)	- -	0,0982 rate 100

The above table helps us rank the countries according to the excise duties from lowest taxes to higher as indicated in the Table 3.

Table 3.

Ranking of the countries according to the level of excise taxes in 2016

Nr.	Country	Level of excise tax per 1.000 pieces (MDL), cigarettes with filter
1.	Belarus	150.24
2.	Moldova	220
3.	Ukraine	319.31
4.	Russia	470.4
5.	Romania	1845.73

Hence, one can see that the taxes in Romania are the biggest if compared to other countries in the region. It is 12 times higher than the taxes in Belorussia, and 8 times higher than in Moldova. Therefore, the incentives of smuggling have a high possibility to be more present there.

While in Belarus is registered one of the smallest excise tax in the region, followed by Moldova.

In Ukraine and Russia, the taxes are more or less on the same level, Ukraine having less tax burden compared to Russia. Therefore, we might trace even the vectors of possible smuggling of tobacco products. Probably they are from Moldova to Romania; Ukraine to Russia, Belarus to Russia.

It is worth noting that in all countries these taxes are in continuous growth, year after year, being influenced by the internal policies on health and promotion of a healthy lifestyle, by increasing the prices on tobacco products making them gradually inaccessible.

However, at the same time, those policies are seeking increasing the revenues to the state through such taxes, as these goods are causing dependency on people that consume them, and customers are buying tobacco products even if the prices are ever growing. This aspect is worth of another study, and another article, in order to depict the full aspects of it.

In addition, the presence of influence of international organizations is seen particularly in Romania, with direct responsibility of the state in abiding to the European Union directives. That is why the taxes there are among the highest from the countries studied. Knowing these and the fact that Republic of Moldova and Ukraine are aspiring for EU political path, eventually the taxes and regulations in these countries will be inevitably more severe in the coming years.

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CUSTOMER'S LOYALTY ON THE CATERING MARKET: NATURE AND FACTORS, INFLUENCING ITS DEVELOPMENT

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Catering market refers to those areas of economy which subjects are able to develop dynamically and be highly profitable. Catering companies are aimed not only at customer acquisition but at their retention, either. So, the issue of customer loyalty research and increase is very urgent. This article reviews some approaches to the customer loyalty definition, customer loyalty specific features on the catering market, and analyses the factors able to develop the customer loyalty on the market of such services.

Key words: *relationship marketing, loyalty, factors of customer loyalty, catering market*

At present, according to its dynamics of development and saturation, the service market in the Republic of Moldova tends to the service market of the developed countries.

Moreover, the catering market is one of the most developed one and at the same time it has a very high level of competition. This happens because of an unstable economic situation in the country that affects the area of recreation, in a great measure, and also on the reason that the customers have become more sophisticated and it is more difficult to satisfy them. So, the catering companies need to offer not only the high-quality services and perfect service but to apply unusual and non-standard techniques for the customer acquisition and retention.

Due to this, there is a need to apply the relationship marketing and its highly efficient tools.

A key definition in the marketing, as a whole, and in the service marketing, in particular, is "loyalty". Within this article, the concept "loyalty" will be studied with regard to the catering companies. Despite the mechanism of loyalty, development on the catering market is similar to the mechanism of loyalty development on the service market; it has its own features.

The objective of this work is to study the nature and principles of the development of customer loyalty on the catering market and also the factors able to influence on the loyalty development.

The following tasks are supposed to be completed to carry out the objective set:

- to define a conceptual framework of the relationship marketing;
- to define the nature of loyalty and approaches to its definition;
- to determine the specific features of the mechanism of the customer loyalty development on the catering market;
- to study the factors influencing on the loyalty of catering customers.

Secondary information was used in the course of this work writing. Theoretical analysis and synthesis were applied as research techniques.

General theoretical and specialized literature by such authors as: Kotler Ph., Lambin J.J., Mark D. Uncles, Grahame R. Dowling, Lopatinskaya I.V., etc. were studied for this work writing.

As it was said before, the catering market is highly competitive and the guests of catering companies expect from them not only qualitative, tasty dishes and good service but additional advantages they can gain when visiting one or another public place, either. The customers go to public places for emotions, distraction and fine pastime. So, the task of the catering companies is to satisfy customers' demands by creating such services that will ensure the highest value.

So, the customer orientation is the foremost. The customer becomes a key link of the system of relationship market and, in fact, each customer started to personalize itself. Besides, the companies have realized that the costs for new customers' acquisition are higher in 3-10 times than those required for the retention of the existing ones. In this regard, the most of the catering companies understands the need to introduce the principles of the relationship marketing in their activity, which main purpose is to retain the existing customers than to acquire the new ones.

The concept of the relationship marketing is mentioned firstly by Leonard Berry in 1983 in the context of service marketing to describe a new approach to the marketing oriented to more long-lasting cooperation with the customers. After a decade, the relationship marketing penetrates to customer markets [6].

At the same time, the marketing concept is interpreted differently in literature. So, Kotler Ph. and Lambin J.J. define relationship marketing as the totality of practical techniques for customer retention. Kotler Ph.: "Relationship marketing is the practice of building long-term satisfying relations with key parties—customers, suppliers, distributors—in order to retain their long-term preference and business". [12, p.44]

Grönroos, Webster, etc. consider the relationship marketing as the result of continuous marketing development reflecting its modern condition as the next step after the conception of socially oriented marketing. Zeithaml and Bitner point out that "relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers, rather than acquiring new customers" [7].

In the relationship marketing the focal point is in the following: customer retention;

- continuous contact with the customer;
- customer value;
- long-lasting scale of activity;
- importance of customer service;
- high requirements to the implementation of customer's expectations;
- quality as (personnel) responsibility of all departments [12, p.48].

Fundamental principles of relationship marketing are, as follows:

1. To create true predominance of own offer.
2. To define and orient to key customers and to create an individual approach
3. To win customer loyalty. The company should treat its customers as fixed assets and to make every effort to keep and to increase the customer value for the company during their "lifetime"[7].

So, according to the principles of relationship marketing, the companies' objective is to manage a gradual increase of key customer loyalty with a simultaneous increase of the value of relationships with such customers for the company. So, it is required to relate key and loyal customers and to choose the direction in the relationship development: to build programmes for widening relationships with prospective customers, to draw up programmes for limiting relationships with non-prospective customers that trench upon company's time and efforts without any expecting feedback, instead [7]. This becomes urgent at present.

After summarizing all mentioned above, we can conclude that the determinants of the relationship marketing are to be the following:

- Programmes of customer relationship that include: programmes of satisfaction, programmes of loyalty, and programmes of adherence.
- Customer management systems.
- Cooperation platforms that include methods, types and models of interaction. [14, p.119]

So, the introduction of the programmes of satisfaction and loyalty will make possible to ensure a long-lasting profitability of the company and satisfied customers are the potential of the catering companies and one of the elements of their customer capital.

At a very general level, loyalty is something that consumers may exhibit to brands, services, stores, product categories, and activities. Unfortunately, there is no universally agreed definition. Instead, there are three popular conceptualizations: loyalty as primarily an attitude that sometimes leads to a relationship with the brand (Model 1); loyalty mainly expressed in terms of revealed behaviour (i.e., the pattern of past purchases) (Model 2); and buying moderated by the individual's characteristics, circumstances, and/or the purchase situation (Model 3). [1, p.295] (figure 1).

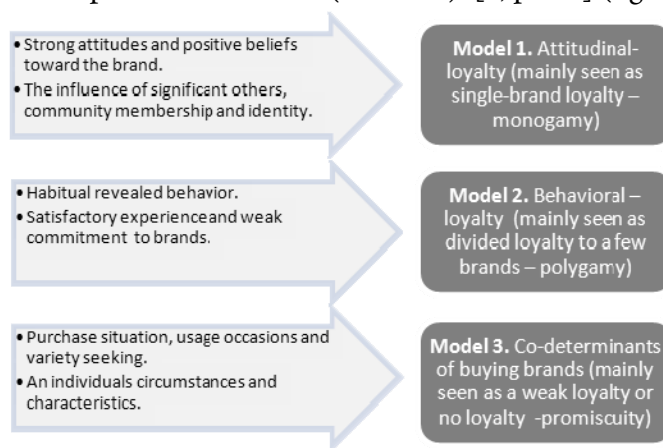


Figure 1. Conceptualizations of customer loyalty

Source: [1, p.296]

According to Model 1, loyalty as primarily an attitude that sometimes leads to a relationship with the brand. Many researchers and consultants, as Day, Jacoby and Chestnut, Foxall and Goldsmith, Mellens, Reichheld argue that there must be strong 'attitudinal commitment' to a brand for true loyalty to exist. This is seen as taking the form of a consistently favourable set of stated beliefs towards the brand purchased. These Attitudes may be measured by asking how much people say they like the brand, feel committed to it, will recommend it to others, and have positive beliefs and feelings about it – relative to competing. The strength of these attitudes is the key predictor of a brand's purchase and repeat patronage. In the fields of advertising and brand equity research this model receives much conceptual support, for example supported by Aaker, de Chernatony and McDonald, Keller. [1, p.295-296]

Despite the psychological and sociological richness of the "attitudes drive behavior" and "relationship" approaches to understanding customer loyalty, these conceptualizations of loyalty are not without their critics. They are thought to be less applicable for understanding the buying of low-risk, frequently-purchased brands, or when impulse buying or variety seeking is undertaken, than for important or risky decisions (Dabholkar). Also, as Oliver has noted, there is little systematic empirical research to corroborate or refute this perspective of customer loyalty [1, p.297].

According to Model 2, loyalty mainly expressed in terms of revealed behaviour. Model 2 is arguably the most controversial but the best supported by data. The controversy comes about because loyalty in this model is defined mainly with reference to the pattern of past purchases with only secondary regard to underlying consumer motivations or commitment to the brand. Researchers have found that few consumers are

“monogamous” (100% loyal) or “promiscuous” (no loyalty to any brand). Rather, most people are “polygamous” (i.e., loyal to a portfolio of brands in a product category). From this perspective, Ehrenberg and Scriven define loyalty as “an on-going propensity to buy the brand, usually as one of several” [1, p.297].

Stochastic modelling techniques describe the observed patterns of customer buying. Loyalty (measured by repeat purchase) is the result of repeated satisfaction that in turn leads to weak commitment. The consumer buys the same brand again, not because of any strongly-held prior attitude or deeply-held commitment, but because it is not worth the time and trouble to search for an alternative. All these studies are grounded in considerable amounts of market research data and analysis. But, despite the weight of empirical evidence, controversy persists. [1, p.297]

Model 3 assumes that buying is moderated by the individual’s characteristics, circumstances, and/or the purchase situation. Proponents of Model 3, the contingency approach, argue that the best conceptualization of loyalty is to allow the relationship between attitude and behaviour to be moderated by contingency variables such as the individual’s current circumstances, their characteristics, and/or the purchase situation faced 3. That is, a strong attitude toward a brand/product/service/company may provide only a weak prediction of whether or not the product or service will be bought on the next purchase occasion because any number of factors may co-determine which product or service are deemed to be desirable (Belk, Blackwell, Fazio, Zanna). Individual circumstances include budget effects, and time pressure. Individual characteristics are reflected in the desire for variety, habit, the need to conform, the tolerance for risk, etc. Purchase situation effects include product availability, promotions/deals, the particular use occasion (e.g., gift, personal use, and family use), etc. A three-factor model emerges, based on antecedents (including weak prior attitudes and characteristics of the consumer), contingency factors (including type of use occasion and the purchase situation), and consequences (up-dated attitudes, intentions and the actual purchase behaviour) [1, p.298].

The difference between this contingency perspective and the attitude perspective is that the contingency variables are elevated from the status of loyalty inhibitors in Model 1 to loyalty co-determinants in Model 3.

If to speak directly about the loyalty in the service marketing, it has some specific features despite it derives from the loyalty in marketing. First of all, it is conditioned by that the services have certain distinguishing features: intangibility, inseparability from the source, lack of quality stability, lack of preservation, lack of property. [1, p.15]

So, 3 types of loyalty play a key role in the definition of loyalty in the area of services:

- 1) **behavioural loyalty**, revealed by repeat purchases (Jacoby, Chestnut);
- 2) **perceptual loyalty**, revealed by a positive attitude to the company and the readiness to recommend (Dick, Basu);
- 3) **cognitive loyalty**, revealed by an exclusive adherence to the company and the readiness to pay more (Gremler, Brown).

Relying on the loyalty aspects mentioned above, we can distinguish its components that may be used as loyalty indices.

The components of the behavioural loyalty that are the most simple to be estimated and which indices can be obtained from the customer’s database, are: cross sale, increase of purchases, repeat purchases, the maintenance of the level of cooperation with the company by the customer [7]. But despite the facility of loyalty estimation defined in such a way, such approach takes into account only the results of behaviour but it does not reveal the reasons on which the customer chooses in favour of one or another company [15, p.173].

The components of the perceptual loyalty are perception (the level of company’s popularity on the target market, and also the number of recommendations from the existing customers tending to acquire new customers) and satisfaction (the feeling of satisfaction appearing at the customer that compare preliminary expectations and true qualities of the purchased product or service) [7]. It is considered that,

from the point of view of such approach, the loyalty rather shows a future behaviour of the customer than reflects its experience in such a way. However, such interpretation gives the priority to subjective opinions as determinant factors of loyalty and does not prove their influence on the purchase [15, p.173].

The indices of the behavioural loyalty components, as it was said above, can be obtained from the database, practically, for each customer in any time. But it is impossible to estimate perceptual loyalty of each client and, besides, regularly. That is why it is reasonable to estimate the behavioural and perceptual loyalty at the segment level.

Depending on the level of the behavioural and perceptual loyalty we can distinguish different types of loyalty (figure 2).

		Behavioural loyalty	
		High	Low
Perceptual loyalty	High	True loyalty	Latent loyalty
	Low	Spurious loyalty	No loyalty

Figure 2. Loyalty classification.

Source: [7]

True loyalty is the situation when a high level of the behavioural loyalty of customers corresponds to a high level of perceptual loyalty [7]. The customer is satisfied with company's services, constantly visits it and feels an emotional attachment. This type of the loyalty is the most favourable for the catering companies. The customers with the true loyalty are easier to be retained. Besides, for this, it may be sufficient to maintain existing standards of dish and service quality.

Latent loyalty means that the customer distinguishes this public place from the number of competitors but does not visit it as often as true loyal customers. The reasons of this are, first of all, external factors, for example, an insufficient level of income. In such situation, the catering companies should strengthen an achieved status by developing a behavioural loyalty. For example, price incentives can be used for this.

Spurious loyalty happens when the customer is not satisfied with the company's services but visits it. [8, p.61] This situation is critical, as the customer is not devoted to the company. Its purchases can be the consequence of a limited offer, habits (this public place is visited traditionally by the other members of the customer's family), that is why when the customer will find some company that satisfies him to a greater extent, it will refuse from visiting it. An obligatory strengthening of perceptual loyalty is required to retain the customers demonstrating such type of loyalty.

No loyalty means a lack of customer's satisfaction and the lack of public place attendance. The customers of competitors often relates to this group. [8, p.61] The catering companies should refuse from such customers; despite they are profitable for them, or to take special measures for the increase of perceptual loyalty first of all.

As what concerns the factors influencing on the development of customer's loyalty in catering, they can be distinguished into material and non-material factors. The material factors are oriented on the profit acquisition they are based on the money or time saving. The non-material factors are responsible for emotional satisfaction of the customer due to the qualitative service and attentive attitude. The material factors may be conditionally distinguished into traditional and programme factors and non-material ones into procedural and personal factors (figure 3).

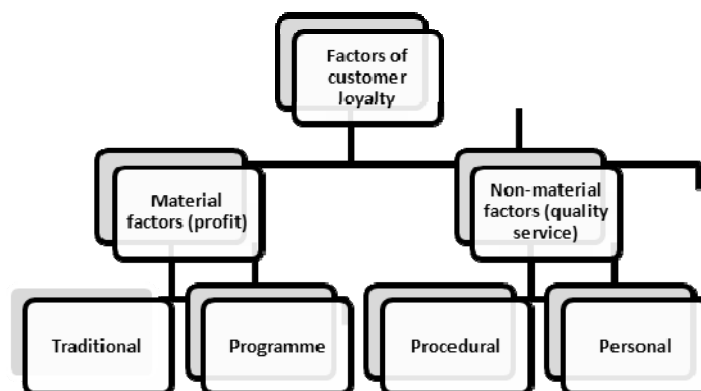


Figure 3. Factors of customer loyalty

Source: adjusted by the author on the basis [9].

The following refer to the traditional material factors:

- The assortment of the dishes and drinks that imply basic and additional assortment, the availability of rare dishes and drinks in the menu.
- High quality of the dishes and drinks offered
- Types and variety of recreation services
- Services for the customer that implies a certain style of services, availability, flexibility, authenticity and standard [11, p.61].
- Conditions and atmosphere that include the dimensions and equipment of a hall colour range, light, acoustics, design, sanitary condition and table layout. Namely, the atmosphere influences considerably on the success of the business [11, p.61].
- Company's architecture that should have such elements as parking, porch, and well-cared look of the adjacent territory.
- Location. Neglecting the importance of the territory location, the catering companies should realize that their place must have considerable advantages for the customer to be ready to go especially to that point and do not benefit the services of closely located public places.

However, we should point out that all the factors specified above ensure so called “pseudo loyalty” of the customers: the repeatability of the purchases is not achieved due to the conscious emotional commitment but “automatically”.

“Programme factors” which different bonus programmes of loyalty refer to, cost rather expensive, and require workmanship in their development and that is why they are mainly suitable for large business. In this context, the following refer to programme material factors:

- Discounts, promotions and gifts for a purchase. Such tools make possible to promote sales and to acquire new customers. However, short-term programmes give a short-term effect; they rather work for new customer acquisition than for the development of the loyalty of the already existing ones. Discounts and gifts mainly attract those people who are ready out of hand to switch to another service provider which offer turns out to be a little cheaper. Besides, such programmes encourage all customers both profitable and non-profitable [9].
- Discount and club cards. Discount cards offer discounts to almost everybody and club cards only to the privileged ones. Besides, first of all, club cards grant benefits, special rights, special service that influence better on the loyalty and cost cheaper for catering companies [9]. Discount cards give access to the information about the customers: the frequency of attendance, average cheque, etc. Taking into account the information obtained, it is possible to segment card owners according to the customer behaviour and needs and to develop special offers for each segment. However it is required to learn how to

use correctly the information about the customers for the purpose to correct and develop new offers within loyalty programmes.

- Bonus systems. The customers gain bonuses for their purchases then they can exchange such bonuses for the dishes, drinks or presents. The bonus systems stimulate the customers more as after being entered in the bonus system the customers are not already attracted by low prices and availability, they tend to acquire as many bonuses as possible and become attached to the public place which bonus system they participate in. Successful solution is to bind additional bonus acquiring not only with the cost of purchase but with the frequency of attendances, either (for example, the bonuses are doubled in case of repeat attendance during four days) [9]. However such systems have their own disadvantages, and namely: the lists of rewards of different systems almost do not differ from each other, the choice of rewards is narrow, as a rule, and the presents offered are not attractive for loyal customers.

- Coalition loyalty programmes. In this case, several catering companies and also the other companies operating in the recreation area unite and create a general loyalty programme. Coalition programmes are more attractive both for issuers (cost allocation among the programme founders) and for customers (discount and bonus granting in a larger number of selling points and the range of gifts is wider).[9] The disadvantage of this programme is that if the coalition system does not distribute among the customers free catalogues with the information about all the participants of the programme, the customer has to make additional efforts for its “providers”. This decreases the attraction of such systems for profitable customers and attracts “discount hunters”.

- Combination of discount and payment card is a specific case for the coalition loyalty programme. In this case bank card plays the role of discount or club card. The programmes involving bank cards operate whether like bonus system or cash-back system when a certain per cent from the purchase made by the customer is returned back on its bank account [9].

Certainly, the programmes, specified above, have evident advantages both for catering companies and for customers; however they require more preliminary organizational work, exact financial calculations of the programme and methodology to define its efficiency. Otherwise, the financial means will be spent but there will not be any feedback from them or any loyalty.

As what concerns the non-material factors influencing on the loyalty development, first of all, it should be pointed out that such factors are considerably more difficult to formalize and they rather worse lend themselves to copy and create this very “unique commercial offer” for the company. So, if the catering company manages to create any emotional bond with the customer that is an important goal which non-material factors of loyalty are oriented to, the customer will always distinguish this public place among the competitors and will be loyal to it. Moreover, the customer that will be emotionally bonded to one or another public place will spread positive reviews and recommendations about it among its friends and acquaintances.

As, in case of a developed and highly competitive market, first of all, emotional factors underlie the customer loyalty, so, only those players who pay close attention to such factors manage to gain a true loyalty of their customers. The emotional attraction of the catering company image and the advertising addressing to the customer’s emotions but not to its rationalism plays more important role in acquiring new customers [10]. So, the emotional contact and friendship with the customer come to the fore.

The emotional attraction should dominate in the service to retain the existing customers. And the question is not only about the friendliness and helpfulness of the staff. All the work of the public place is to be built in such a way that the customer is to face a lot of pleasant things messaging it that everybody think about it and care of it.

So, the list of the non-material factors of the customer loyalty is not limited to any evident “personal” components of a high-quality service. The procedural and organizational factors of high-quality service play

a very important role in the development of the satisfaction and, as consequence, in the customer loyalty (figure 3) [10].

Another reason of the urgency of the issue of high-quality customer service is that even the most customer-oriented personnel cannot ensure the customer loyalty in case the service procedure itself (as business process) makes excessive troubles or discomfort. Thus, it is impossible to solve the issue on the loyalty development only by personnel training. It is required a complex approach that consists of customer-oriented management and, namely, the creation of the image attractive to the customer, the management improvement (business-process rebuilding, introduction of service quality standards at all the levels), the development of a corporate culture.

So, the technology of the corporate culture development presupposes the following steps:

- Studying customers' expectations and lifestyle [10]. Being a weapon in the competitive struggle at a sufficiently developed and saturated market, the high-quality service, by default, presupposes a special attitude to the customers revealing not only in their need satisfaction but in exceeding their desires. So, to win strategic customers it is necessary to understand what wishes and expectations the company can carry out. It is evident that the expectations of the customers can be rather various but the development of the corporate culture of the services presupposes certain standardization, therefore, that material which the company will obtain based on the results of research, it is necessary to analyse and to try to reveal general tendencies that will make possible to highlight the key points.

- Revealing disadvantages in the existing service system [10].
- Creative processing of the research results, unique service development. The customers' dreams and expectations can differ with various grades of feasibility, and, more likely, that the company cannot carry out all of them. So, when developing service standards each company is given free play to its creativity. Namely at this stage, the process of regular personnel recruitment plays an important role. Such recruitment makes possible to achieve several important positive effects: to attract the attention of the employees to the subject of high-quality customer service, to weld the team with this idea, to involve employees' creative potential, to facilitate further introduction of the developed standards by means of a partial withdrawal of standard foreignness at the employees, to distinguish the most self-motivated and interested employees that can be involved in a detailed development and introduction of the standards [10].

- Estimation of company's possibilities [10]. The implementation of high-quality service is an expensive project requiring financial, time and labour contributions. That is why it is important to correlate the customer expectations with the catering company possibilities, to estimate the costs for expectation carrying out (development and introduction of service standards, personnel training, new service promotion, etc.), purchasing power of the target segment, its volume and potential demand for a new service.

- Presentation of services as standards and technical procedures, approbation of new standards [10]. After the standards have been developed, it is required to approve them to obtain a feedback from the customer and to introduce any required adjustments into the standards.

- Building support system and standard introducing. The creation of the environment of high importance around the system of customer service, personnel training about new standards, financial and non-financial motivation, personal work of the managers with the personnel can be reviewed as such system of service standard maintenance [10].

- Maintenance of system working efficiency, permanent analysis of the customers' changing requirements and demands, image sustaining.

In conclusion it should be pointed out that, at present, the catering companies operate in highly competitive environment. The customers behave rather selectively and possess a huge market power. So, the companies operating in the area of catering should orient to the customer as the customers are the main part of that service the companies offer on the market. Therefore, the issue of customer loyalty studying and increase will make possible to provide a long-lasting profit for the catering companies.

The mechanism of loyalty development has its own specific features on the catering market. As for the other areas of service, it includes customer satisfaction and perceiving quality of service but, besides, it is aimed at the stimulation of repeat attendance, the readiness to recommend a public place to friends and the readiness to pay more. And, improve the ability of catering companies to manage the factors developing customer loyalty that will make possible to achieve higher customer value of the services offered and the satisfaction of the customer demands in the best way.

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REGIONAL INNOVATION – PILLAR OF REGIONAL COMPETITIVENESS AND OBJECT OF REGIONAL DEVELOPMENT POLICY

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Regional innovation represents a complex phenomenon, and its analysis does not consist only of a series of indicators. Political, but also economic particularities of the regions in the European Union lead to the recording of differences between them in terms of innovation performance. Emphasizing the importance of the regional level for the economic development, with the intention of designing and implementing regional innovation, indicators and models are needed to assess and compare the innovation performance at a regional level. The thesis addresses the vision of the Republic of Moldova on innovation, supported with the help of the Regional Development Agencies, whose experience can be considered a model of good practice.

Key words: innovation, regional development, evaluation, performance

I. Introduction

The innovation system represents the engine of social development at the moment, being able to sustain performance through innovation in all areas that contribute to the increase of competitiveness, to the insurance of citizens' welfare. In the European Union, the *European Innovation Scoreboard* – EIS is elaborated each year, which is a document assessing the performances achieved nationally, in the most important areas for the stimulation of innovation. The European Union has placed innovation at the centre of the 2020 Europe Strategy for economic growth and employment. Thus, the new strategy focuses on several important areas: knowledge and innovation, a high level of employment, social inclusion.

Given that the European Union transforms innovation and competitiveness in two priorities for the 2014-2020 programming period, then the Republic of Moldova should also take part in this movement.

The Communication of the European Union Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions sets out the role of the regional policy in implementing the 2020 Europe Strategy in the field of smart growth and, in particular, of the emblematic initiative „A union of innovation”.

In other words, the regional policy can unlock the growth potential of the EU by promoting innovation in all regions, ensuring complementarity between EU, national and regional support for innovation, research and development, entrepreneurship and information and communication technology.

Moreover, regional policy represents a way to put into practice the priorities of the ‘A union of innovation’ initiative. The regions have an important role because they are the primary institutional partner for universities, other research institutions, education and SMEs, which represent the key to the innovation process, turning it into an essential piece of the 2020 Europe Strategy.

The purpose of this article is to demonstrate the existence of a circular dependence between the level of innovation and economic growth, regional development respectively.

II. Critical analysis of the problem domain investigated

A first widespread approach on innovation is represented by the one that refers to advanced technological solutions offered by using the latest knowledge. Such innovations are generally regarded to be the result of highly skilled workforce and of businesses with significant intensity in research and development, having strong ties to the major centres of excellence in the scientific world.

Another approach to innovation is, however, more comprehensive, and covers not only new but also improved products or processes, resulted from including low-tech sectors, whose cumulative economic and social effects are just as important.

Literature operates with distinction between invention and innovation. For example, F. Malerba (1997) defines invention as representing a new idea, scientific discovery or technological innovation, while, innovation targets a marketable application of an invention, following its integration into the economic and social practice. Innovation is thus seen as a result of a process that begins with the genesis of an idea and continues with its materialization. Similarly, the Oslo Manual (2005) regards innovation as an activity from which results a new or significantly improved good (product or service), a new process, a new marketing, business organisation method.

In another train of thoughts, most member states continuously take a series of measures of innovation stimulation, just that the pace is insufficient to bridge the gap between Europe and its main competitors, such as, for example the United States of America, Japan, South Korea and, last but not least, China, Brazil and India.

The European Union has placed innovation, but also removing obstacles out of the way of transforming ideas into products and services in the heart of the 2020 Europe Strategy for economic growth and employment. Through this strategy, a new vision for Europe's economy is promoted, having as foundation an enhanced coordination of economic policies to generate an economic growth and an enhanced employability, to help the economic and financial recovery of the Union.

As known, the investments in innovation are different from the other types of investments because these are characterised by a higher uncertainty of the results, the initial significant costs cannot be recovered easily, most often they turn into knowledge of the staff involved in the research projects that can be lost along with the people who hold them.

Over time, two methods of growth through innovation have been identified, namely technological competitiveness, which focuses on improving performance through new products and diversifying access to new markets, and a second engine of growth generated by competitiveness through cost, based on the innovation process and replacing human labour with industrial technology, which implicitly assumes a flexibility and, thus, a reduction in production costs.

Through the new strategy the following key areas are being focused on: knowledge and innovation, a more sustainable economy, high employment and social inclusion. According to expert studies, an increase of investments in research and development to three percent of European GDP could lead to the creation of 3.7 million jobs and increase annual GDP up 795 billion by 2025. Moreover, the institutions of the European Union entered into a new cycle of negotiations regarding the multiannual financial framework (MFF), which delimits the EU budget priorities for 2014-2020, among which lies innovation.

RIS3 supports the creation of jobs and the development, based on knowledge, not only in the main centres of research and innovation (R & I), but also in the less developed regions and rural areas. This also represents an essential part of the reform proposal of the EU cohesion policy, which supports thematic concentration and reinforces strategic programming and performance orientation.

III. Personal vision on the problem and the results of research

At the base of competitiveness there is an innovation system in which research and development support advances in global chains of added value. In this context, excellence and the entrepreneurial spirit mobilise a critical mass of operators. The global benchmarks of excellence require the formation of long-term partnerships between research organisations and companies, and collaboration around some infrastructures and research programmes at an international scale in frontier areas of science and technology.

Creativity, boosted in all stages and forms of education, activates innovation-based entrepreneurship. Examples of entrepreneurial success generate credible models that support the formation of a culture of innovation and, ultimately, the development of a society where innovation becomes the main factor of increasing competitiveness, transforming itself into a lifestyle.

Analysing the needs of innovation, there may be established an unfavourable situation of several factors influencing innovation at regional level. Despite the economic progress and the upward trend, companies' access to research and development is limited. In the region the transition period was one of refurbishment. The high percentage of SMBs can mean a base of modern production, ready for innovation. The use of energy-intensive technologies and equipment with out-dated life duration reduce productivity in almost all economic sectors of the region, these being due to the lack of financial resources, which prevents access to external financing. Business infrastructure, innovation infrastructure and support services are in an early stage of development. There were seen limited capacities in terms of various forms of management of the company and the integration of strategic thinking. The lack of information and managerial culture makes most companies adopt a strategy further based on reducing costs in exchange for the introduction of innovative products and productivity growth.

Regarding the orientation of the regional economy in relation to global developments, the explosive growth in the number of IT companies indicates a connection of the regional economy to the new economy - one that uses information technologies and communication infrastructure to increase flexibility, speed and interactivity between companies on the market and between companies and population.

Research and development have suffered from a long period of underfunding from both the public and private sector, from the insufficient number of highly qualified specialists, but also because of the inefficiency of technology transfer processes, mainly because of two issues: insufficient guidance towards research and lack of infrastructure to support research results and transform them into innovation.

IV. Conclusions

In conclusion, the development level of a state represents the engine of innovation, the funding allocated to research and development being the main source of support offered in this respect. Regional development seen through the human development index has a fundamental role in enhancing the innovation of a state. Regarding the innovation factors influencing economic growth and regional development, they fail to make a significant contribution to the countries in the region. Innovation is in a process of catch-up with the pace of economic growth and regional development.

Summarising, when talking about the pillar of regional competitiveness and the object of regional development policy - regional innovation, the essential elements are: the promotion of a culture of innovation at regional level and the development of management system capacities, the development of regional infrastructure, support for innovation, and the support of the poles of excellence, the support for building operational partnerships, and the development of intra- and inter-regional cooperation to support innovation, the insurance of adequate climate for the development of innovative entrepreneurship through the development of human resources, and the promotion of innovative personal and collective skills, the development of innovative companies and the increase of the competitiveness of priority sectors.

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CONCEPTUAL APPROACHES REGARDING THE STRATEGIC PROCESS IN HEALTH CARE INSTITUTIONS

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The article focuses on the concepts of strategy and strategic process regarding the implementation of the reforms in the health care institutions of the Republic of Moldova. It is examined both the evolution of the strategy and the strategic process concepts and the analysis of the strategic process phases and its characteristics. There are exposed the strategic approaches to the entire health system, but, also the reforms implemented in the medical institutions depending on the level of care that is provided.

Key words: *strategy, strategic process, health care, health care system, medical institutions.*

I. Introduction

Reforms of the health sector in the Republic of Moldova have involved the mandatory health insurance, implementation of the financial autonomy of primary health care with application of the performance indicators, the introduction of coded diagnoses and procedures by the DRG system (CASE-MIX) in hospital care, the widespread deployment of information and communication technologies in the health care services, the development of private medical institutions etc. These reforms require improving the management of the medical institutions, especially in the public ones, considered support for a strategic approach performance of the entire health system. Researching management strategies in health care institutions would allow deciphering the elements characterized by the management of medical institutions that materialize the implementation of the National Health Policy [1], which was developed and approved in 2007 based on several studies and analysis, made with the support of international experts. In Chapter XIV, "Getting new achievements in the health care system" of the National Health Policy, are expressly stipulated a number of benchmarks needed to be fortified, which would promote the objective of universal access of population to health services. Some of these management aspects of medical institutions are related to: service delivery management, streamlining services, diversification of the service provision, ensuring the system efficiency by priority development of the primary health care and nursing and by reconfiguring hospital health care in flexible and modern network providers, depending on population needs and available resources.

Research goal: Analysis of the strategy and the strategic process concepts regarding the implementation of reforms in the health care institutions.

II. A critical analysis of the explored issue

It should be noted that there is no criteria to be defined clearly and precisely of what strategy is. Concepts like strategic planning, corporate planning, corporate strategy, strategic management, business strategy, business planning, they are widely and often used as synonyms, although they have different meanings.

Planning represents an important component of most definitions of management, and the idea that strategy involves planning is implicit. Strategy is defined as a model plan that integrates the major goals of an enterprise, the policies and the main sequences into a coherent whole. Strategy is the action plan

explaining how it will evolve the enterprise from “what is currently on” to “what it wants to become” according to its mission, considering the opportunities and the external threats, but also the internal strengths and weaknesses. These are *linear conception of the strategy*: Strategic demarche has as main objective a plan development or action programs; strategic decisions relate both to the objectives to be achieved and to the necessarily means to achieve them. The environment is considered only implicitly, mainly by threats that may arise from competitors.

According to *the adaptive acceptance* strategy means to achieve a better adaptation between environmental threats and opportunities and the possibilities and the resources of the enterprise. Even in its preparation process, the approach is less ambitious regarding the expected results, less formalist in its procedures and more sensitive to the benefits included.

It was later expressed another acceptance of the strategy: *the interpretation model*. This understanding lies in formulating collectively a number of rules and symbols that allow the coordination of all the activities within the company.

H. Mintzberg argues that the strategy is far more than enterprise intends or plans to do; it is also what is happening in present defining strategy as a model in an uninterrupted flow of decisions or actions.

There was formulated various theories regarding the strategic nature of the process. On the one hand stands the theories that support prescriptive methods of strategy making by management - a formal process. On the other hand, descriptive concepts define a systematic, analytical and detailed process, meant to break down and to formalize all the inherent stages in formulating the strategy implementation in order to obtain an integrated strategy (table 1) [2].

Table 1.

Strategic process: strategy development and implementation stages

Stages of the strategic process	Questions	Description
STRATEGY FORMULATION		
Stating the mission and goals of the organization	What do our intentions involve?	Frequently the management has intentions expressed by the mission statement and the objectives of the organization
Announcing values	What kind of organization do we want to be?	Some organizations determine the system of values which would underlies their leadership.
Environmental Analysis	Who are we now? Where are we now?	Environmental analysis includes gathering and interpreting the business environment information (external environment), both internal (employees, resources, the activity results compared with competitors) and the expectations of the stakeholder groups
Tasks	Who do we want to be in the future? Where do we want to be in the future?	Tasks contain much more objectives details; sometimes the tasks are expressed quantitatively, in other words, there are established indicators that the organization tends to carry
Formulating the strategic options	Does alternative ways exist?	Analysis of alternative strategies; analysing and evaluating possible options and choosing the best one

Analysing of the strategic alternatives and choosing the optimal one	How are we going to get there?	Strategies describe the methods used to accomplish the tasks
STRATEGY IMPLEMENTATION		
Actions	How do we turn plans into actions?	Accomplishing tasks involves setting this tasks and the operational actions
Monitoring and control	How do we know that we have reached the “final stage”?	Tracking the ways the duties are fulfilled, progressed towards the established objectives, if necessary, taking corrective actions and revision the strategy.

Source: Vague P., Stegăroiu I. “Strategii Manageriale”, ed. Pro Universitaria, Bucharest, 2014, pp. 82-83

Setting the mission and the objectives, analysing of the existing strategy, developing strategic alternatives, choosing and implementing the strategy, are not isolated steps from each other. There is a strong interaction between these phases and they are sufficiently closely related to each other. For example, the mission statement is closely related to goals setting, both elements including organizational priorities. The organization's manager should take into account both current business indicators and strategic choices when it comes to set objectives.

First, choosing the strategy may be hampered by reasoning the long-term development ways. Strategic stages must be seen in complexity and not separately.

Second, strategic process stages are not realized separately. They are performed alongside with other management tasks of the organization - operational control, crisis management, reporting, etc.

Third, developing and implementing the strategy - two major components of the strategic process, are activities that require considerable effort. Thus, managers need to fulfil certain tasks. Often, the organization's internal environment doesn't develop according to the established route. There are circumstance which call for rethinking the strategy and they may occur in a slowly or a faster succession. Not always the essence of these circumstances that lead to a strategy change, can be easily determined. Therefore, depending on circumstances, managers need different periods of time in order to analyze the issues related to the strategic process.

Fourth, the need to continuously monitoring the strategic process is dictated by the need to improve the strategy and the methods of achieving it, each participating link to contribute maximum in the efficiency of the process and quality of the strategy.

If there are considered only the major aspects of the strategic analysis – setting goals and establish objectives, analysing of competitiveness and economic sectors, analysing of the resources and the capabilities, developing strategic alternatives, selecting and implementing the strategy, then these elements can be formalized in a simplified model of the strategic process (fig. 1). [2]



Figure 1. Strategic process

Source: Vague P., Stegăroiu I. “Strategii Manageriale”, ed. Pro Universitaria, Bucharest, 2014, pp. 87

In the Republic of Moldova, at the level of the central public administration, there is the Government Decision 33/2007, which defines **strategy** as a policy document containing the tentative course of activities for the medium term (3-5 years) or long term (6-15 years), aiming to identify methods and mechanisms for the achievement of the specific objectives. The strategy is as follows [3]:

- situation describing;
- defining problems that require Government involvement through the application of the appropriate policy;
- general and specific objectives;
- necessary actions to achieve the objectives and the expected results;
- estimating the impact and the costs (financial and non-financial) of the implementation;
- expected results and progress indicators;
- implementing steps;
- monitoring and reporting procedures.

III. Personal vision and research results

The health system in Moldova is organized according to the principles of universal access to basic health services and according to fair and solidarity financing principals which came from both - the State and individuals (through mandatory health insurance). The health system structure is composed of a number of public and private medical institutions, and other agencies and public authorities which are involved in supplying, financing, regulation and managing the health services. In terms of the specialization level, medical institutions are primary, secondary and tertiary. They provide to individuals the full spectrum of medical services, as well as some service-oriented to the entire population through national control programs of specific diseases: HIS / AIDS, tuberculosis, diabetes and others.

Medical institutions of primary and secondary level provide services at the community level and therefore are funded by the local government. In the municipalities Chisinau, Balti and Autonomus Territorial Unit Gagauzia, there are responsible divisions for managing the subordinated medical institutions.

Primary care is based on family practice and it is performed in family practice centres or health centres. Before January 1, 2008, primary health care institutions were subordinated to district hospitals, but they became administratively autonomous thereafter. Secondary health care level, including specialized outpatient services and hospital care, is performed by district and municipal hospitals. In each district, there is an emergency medical care, which is under the Ministry of Health. Tertiary level provides specialized services and highly specialized health care to the entire population of the country. Most of these medical institutions are located in Chisinau and are under the Ministry of Health.

Primary, secondary and tertiary medical institutions are contracted directly by the National Health Insurance Company (NHIC) for medical services under the mandatory health insurance.

There are provided a number of medical services by the private sector (most of them are providers of specialized outpatient services, diagnostic laboratories, pharmacies and, more rarely, primary care and hospital institutions). Private medical institutions and pharmacies can be contracted by NHIC. There are other public medical institutions subordinated to other public authorities than the Ministry of Health, which are financed from the state budget through the authorities concerned, and can also be contracted by NHIC.

Institutions with regulatory functions, those that contribute to the development of health policies and those which are subordinated to the State Service of Public Health Surveillance are funded from the state budget through the Ministry of Health. Through these institutions, the Ministry of Health collects and analyses data to generate the needed information in order to develop the evidence-based policies [4].

Further the importance of primary health care will increase as a “keeper” in the system and as a tool of avoiding unfounded hospitalizations. Actions are taken at decentralization point through direct contracting, (which offers autonomy) and through the development of health centres. By introducing performance based

funding mechanisms, family doctors will require to have a greater responsibility for the provided services. Also, primary healthcare will have a particular importance in providing prevention and health promotion services. As a result, by directing people to family doctors, the number of visits to specialists will be reduced.

Thus, the development of the rehabilitative care, the long term care and the home care, will be necessarily. Currently these services are underdeveloped and must be planned carefully.

The streamline of the hospital infrastructure, of will help to improve the standstill services. The number of hospital beds will decrease significantly, the hospitals will be merged and there will be reduced the number of specialised hospitals. The average length of hospitalization will be reduced due to the fact that it will be focused on increasing the quality of services and endowment with modern equipment in order to establish accurate diagnoses. Hospital management, as economic units requires considerable improvement.

Funding mechanism based on homogenous diagnostic groups - DRG (CASE-MIX), along with the pay for performance is newly implemented in the hospital system. Also, the development of public-private partnership in the delivery of health services will encourage competition and quality services [5].

Although the desires related to the effective management of health facilities were approved by the National Health Policy and are reflected in other sector strategic documents: Strategy for Health System Development 2008-2017, The Health Care Spending Sectorial Strategy (component of the Medium Term Budgetary Framework, drawn up annually, for three years). However, so far the management of medical institutions hasn't been researched through the strategies they implement. This would help to ensure the effective execution of health sector reforms on the one hand, the effective functioning of the institutions and the quality services delivery, on the other hand.

Also, a number of studies and analysis show that certain the management of medical institutions is deficient, especially the management of hospitals, leading to inefficient use of public resources [6] and, although, at the policy level are taken a series of reforms, however, it have not been determined a considerable improvement of health indicators.

Due to the fact that some medical institutions are founded by and under the Ministry of Health and others – under the local government, there is not a common approach of the strategic process in the health care institutions.

IV. Conclusions

- ✓ The health system is going through a reform period, which requires strategic planning capabilities at the managerial level, adaptability to change and effective management of public sector resources;
- ✓ Managers of medical institutions are predominantly specialty physicians and the management strategies they implement are based more on intuition and personal skills, then on a effective theoretical basis for health institutions;
- ✓ Managers of different hierarchical levels don't have a vision of integrating their business plans in management strategies of the institutions;
- ✓ Some of the implemented projects in medical institutions are not sufficiently integrated into institutions processes, so, in time, institutions are unable to ensure by themselves their sustainability;
- ✓ Regarding the implementation in medical institutions of different levels, management strategies research would result in elaborating a set of recommendations that would help to streamline the management of the institutions in the health sector.

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APPLICATION OF LATERAL MARKETING TECHNIQUES ON THE PRODUCT LEVEL ON WINERIES OF THE REPUBLIC OF MOLDOVA

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The present scientific publication research reveals aspects of lateral thinking and lateral marketing in the business, as an effective way of improving and increasing the competitiveness of the company's product. The author of the publication stops and concentrates at one of the lateral substitution technologies: the lateral substitution on the product level. In the course of the research, the results on the application of the techniques of lateral marketing on the product level on wineries of the Republic of Moldova are presented

Key words: wineries of the Republic of Moldova, lateral marketing, lateral thinking, lateral substitution, technique of lateral marketing on the product level

Introduction: The Republic of Moldova is a country where one of the dominant positions in the industrial sector is taken by the wine industry. In 2015, specific gravity of the grape harvest in Moldova in the total volume of the agricultural crops was 7%, which amounted 598 000 tons, which is 1% more than in 2014 [3]. The development of viticulture industry is a top priority of the Government of the Republic of Moldova and it is reflected in the State Program of reconstruction and development of viticulture and winemaking for the years 2002 - 2020 [5]. Viticulture industry is a source of raw materials for the development of the wine industry in the Republic of Moldova, which year by year is gaining the momentum of its dynamic development (figure 1):

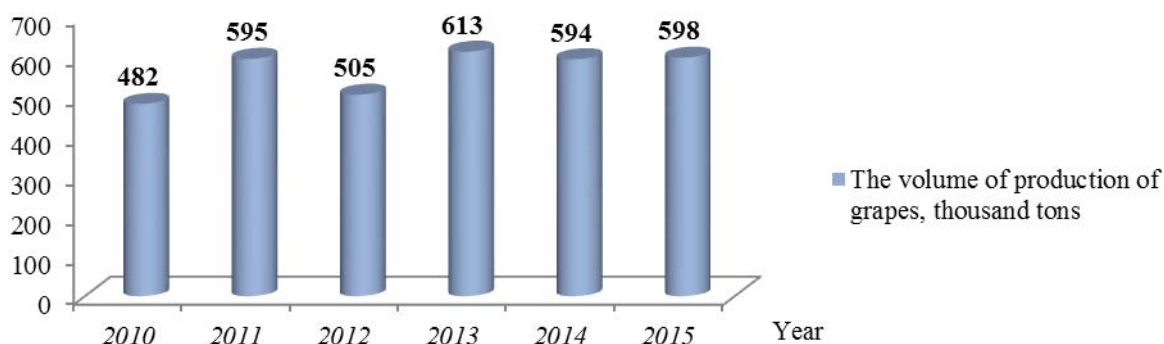


Figure 1. The dynamic of the volume of production of grapes in Republic of Moldova (2010-2015), thousand tons

Source: elaborated by author of publication on the base of database [3]

Evidence of this is the rate of production of alcoholic beverages in Moldova, where a significant proportion of products are produced from grapes (figures 2, 3):

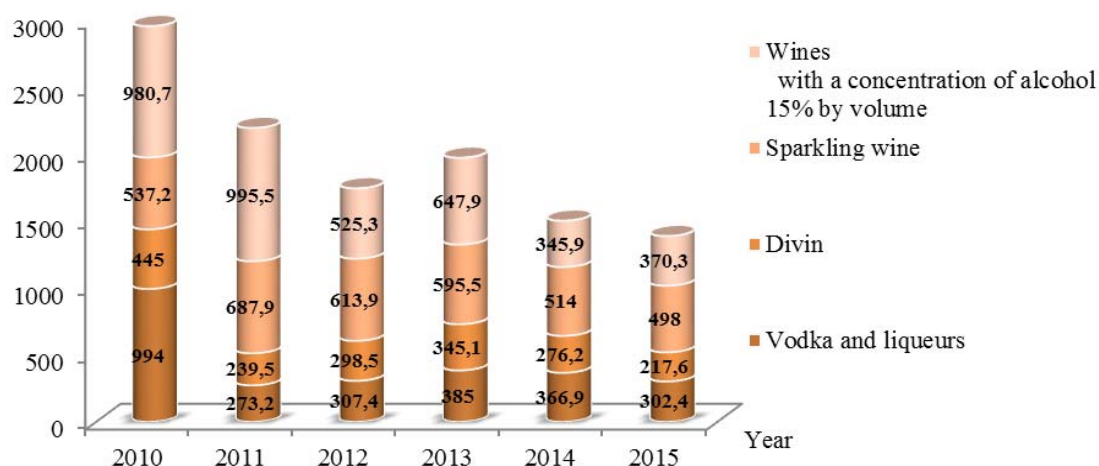


Figure 2. The dynamic of the volume of production of alcohols in Republic of Moldova (2010-2015), thousand dal

Source: elaborated by author of publication on the base of database [3]

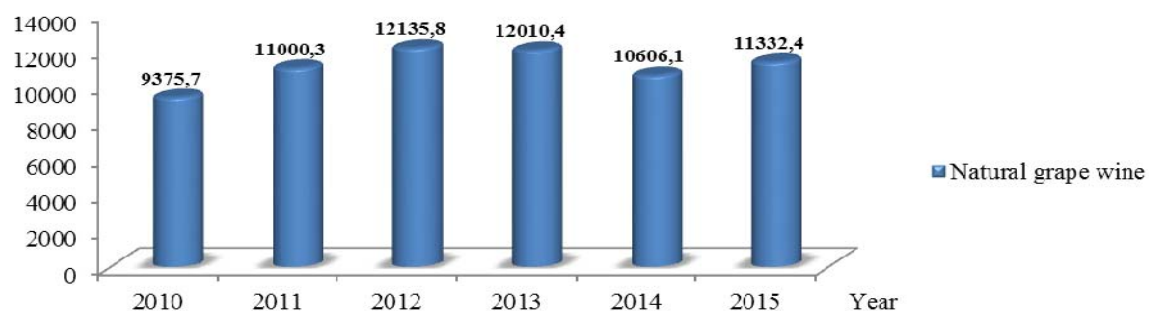


Figure 3. The dynamic of the volume of production of natural grape wine in Republic of Moldova (2010-2015), thousand dal

Source: elaborated by author of publication on the base of database [3]

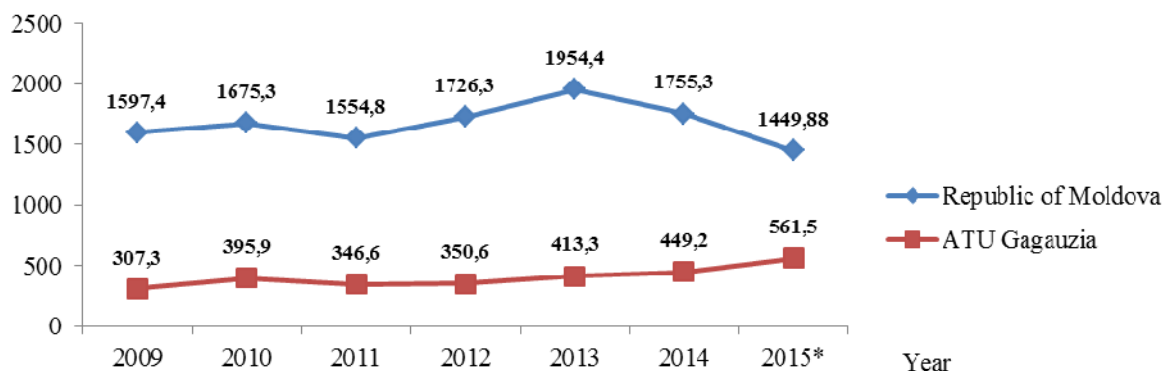


Figure 3. The dynamic of the volume of export of wine products in Republic of Moldova (2009-2015), million MDL (* 2015 year preliminary databases)

Source: elaborated by author of publication on the base of database [3; 7]

Nowadays, the wine consumers from many different countries know about Moldovan wine. Only to China in 2015 Moldovan wine exports increased by 100%, and it exported more than 3 million bottles of

wine of its own production [4]. The Republic of Moldova is included in the row of the 20-th leaders – the world wine producers (figure 5):

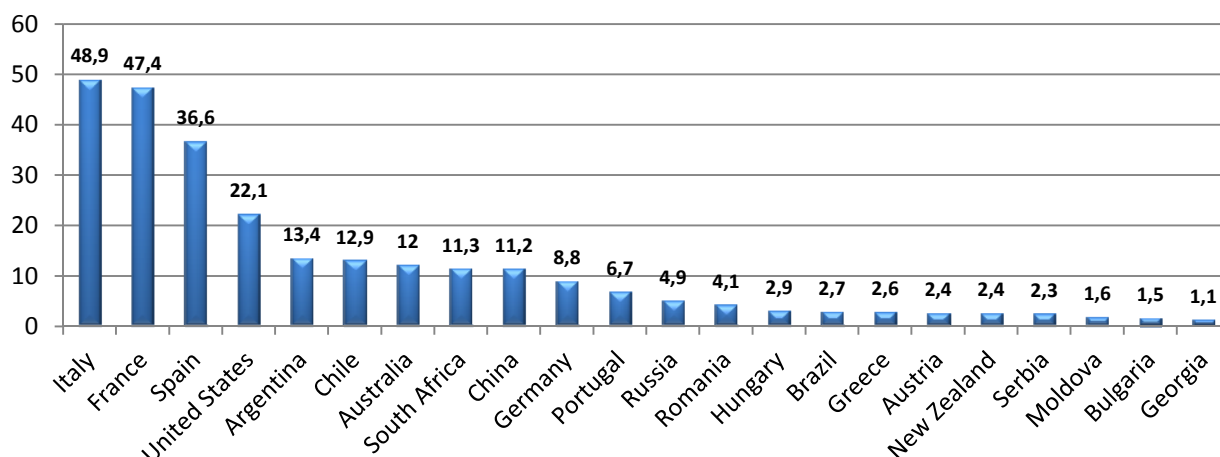


Figure 5. 2015 year wine production in the main producing countries of world, million hl

Source: elaborate by author of publication on the base of database [6]

As we can see from the diagram (figure 5), the geography of the world market of leading wine producers is represented in a wide range (Republic of Moldova occupies only 20th place in the ranking of manufacturers). The present fact testifies about the modern marketing - is not the same as marketing of the 1960s or 1970s. There are products to meet almost any need in the market. Meeting the demand is not just full of everything we need - it is even oversaturated. As a proof, Kotler cites the fact that “seventy-five per cent of new products, services and companies fail to accomplish their objectives” [2]. These failures and, accordingly, the need to move to a new concept have been linked by the scientist to the inability of companies to operate in the context of growing global competition and in the conditions of the changed consumers’ behaviour. And the market of wine production is not an exception. Wine companies are beginning the brutal competition for the creation of new wine products, new markets and ways to promote them, so as traditional methods are no longer suitable. Thus, having the necessary resource potential, the Moldovan wine businesses need a new search mechanism for the development and implementation of innovative ideas to the market, which can provide key competitive advantages. It is all primarily about *lateral marketing*

Critical analysis in the field of investigated problems

Lateral marketing technology is based on so-called “lateral thinking”. This term was proposed at the time by the creativity phenomenon researcher Edward de Bono. By lateral thinking (from Latin “lateralis” - Side) is understood algorithms of solutions search and achieving goals, alternative to conventional vertical or logical marketing [1]. Later, the ideas of de Bono were developed by Philip Kotler and Fernando de Triassic de Bez who introduced in the well-known marketing system the category of the lateral marketing. Developing the present direction, Kotler has formulated the definition of lateral marketing as a system of views and approaches based on associative logic that changes the perception of the traditional methods of direct business promotion [2]. The main task of lateral marketing is avoiding the traditional methods of competition, through the creation of an innovative product. The main benefit of lateral marketing ideas is the following - they do not win back a share of an existing market, but deepen the old market (detailing the segmentation signs of the target customers) and become the first [9]. The idea of lateral marketing consists of a compound of entities that are incompatible in principle. The basic technology of lateral marketing is the use of lateral displacement: an element of the investigated object is replaced by a new one, leading to the emergence of a rupture kind. This gap is filled by some new connections and a new element becomes the key for the consumers

Like any radical innovation, lateral marketing is not free from shortcomings and critics. Having based on the analysis of a number of critical studies, [10, 11, 12, 13] it is possible to identify the main drawbacks of lateral marketing:

Table 1.

Criticism of lateral marketing in the contemporary scientific literature

	The essence of the criticism	Counter argument
	The new items, including “lateral” are not always successful, as the proportion of innovators’ customers is not so great	Lateral marketing is applied everywhere, not only in the innovative sectors of the economy, where the percentage of innovative consumer is traditionally high. But today, in an age of limited resources, priority competitive factor is innovation, and therefore all should strive to produce them
	The “lateral” innovations creation and the selection of the new products for the market segments lead to “hyper segmentation”	Like any other innovation, “lateral” does not guarantee a 100% success rate, and at certain stages, cannot provide high relative market share (or a wide market niche). The task of the “lateral innovation” is not to create something new, but to improve the use of the old product, with some modified elements (“filling in the lateral gap”) in the old market (applying the strategy of deepening)
	Lateral marketing cannot be taught, because there is no any algorithm of its implementation. How exactly these or other lateral innovations have been created can be explained only by “backdating” since they were invented and introduced to the market	This observation arises from the complexity of the control of the creative process: “lateral marketing is a creative thinking process.” We should note that such objections often arise in cases where the outcome is difficult to obtain and poorly predictable. The lateral marketing applicability problem arises from the lack of training of personnel managing the “brainstorming process”, the lowest qualified experts and the reluctance to implement the absurd (in terms of top management) solutions
	The lateral marketing itself is banal and does not create anything new	The notes are usually due to lack of understanding of the essence of lateral marketing and the inflated expectations from its application
	The new products obtained by the lateral marketing often require significant investment in the production and manufacturing process	The economic effect from the “lateral innovation” can be much greater than in the case of new products obtained in a traditional way. This is evidenced by the experience of companies, quite recently practicing lateral marketing concept, which can be called a full success with confidence

Source: elaborate by author of publication on the base of analysis of sources [10, 11, 12, 13]

Thus, we can assume that “the concept of lateral marketing should not be taken as a panacea for all diseases of marketing. However, even its opponents acknowledge that lateral marketing at least makes you want to discover a new ability to create, what is a very important aspect itself” [9]. Nowadays, lateral marketing is one of the most progressive and effective ways to achieve the real results increase the competitiveness of domestic producers of goods and services [8]. Let us justify this assertion on the findings of the application of lateral innovations at the product level in the wine industry of the Republic of Moldova.

Own vision of the problem and achieved research results

Philip Kotler says: lateral thinking, you can use at the three different levels of marketing [2]:

- 1) At the market level;
- 2) On the product or service level;
- 3) On the level of the mix-marketing

Let’s clarify the essence of lateral marketing at the level of a successful product of winemaking companies of Moldova and thus refute the critical approaches of modern scientists to the problem of the “lateral product”

The theory of lateral marketing offers six techniques [9] (figure 6):

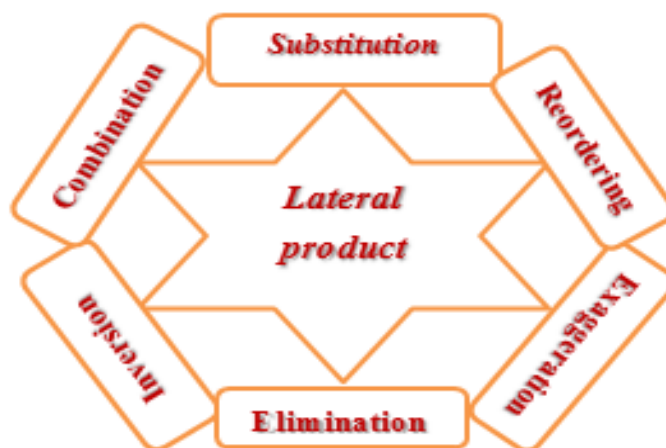


Figure 6. The techniques of lateral marketing on the product level

Source: [9]

Each of the “lateral substitutions” of the above techniques has a special ability, peculiar only to it, taking to change the product and present it as a novelty at the market system.

Table 2

The lateral marketing on the product level on the wineries of Moldova

The technique of lateral substitution	Winery company	Lateral product	Characteristics and benefits of the lateral marketing application
<i>Substitution</i> of one or more items of goods	“DK-Intertrade” SRL (Vulcaneshti, ATU Gagauzia, Republic of Moldova)	“Merlot” 2011	Changing the method of wine fermentation. For the first time the method of the apple-milky fermentation was applied. In comparison with 2008 there was a new “Merlot” 2011 fruity in flavor, with tones of milk cream
<i>Combination</i> of one or more elements to the product (goods) or service, everything else keeping constant	SA Vinuri Ialoveni (Ialoveni, Republic of Moldova)	Vermouth “Garrone” from Moldova	The combination of herbal extracts from Italy (tarragon, clary sage, nutmeg, coriander, cinnamon, thyme, cardamom) with Moldovan wines of European varieties
<i>Inversion</i> or adding the particle “no” to the element of the goods or services	Dionysos-Mereni SA (Chisinau, Republic of Moldova)	“Brumariu”	The coup is that Icewine - a dessert wine made from grapes frozen on the vine itself
<i>Elimination</i> of the goods or service item	Acorex Wine Holding S.A. (Chisinau, Republic of Moldova)	“Red & White”	Removal of the ethyl alcohol. Before bottling the wine is extracted. Non-alcoholic wine - a product with low residual alcohol content - about 0.5%. In the alcohol-free wine all the food and flavors are stored, as well as all the useful micro-elements - only alcohol is removed

Exaggeration or understatement of one or more items of goods or services or the image of perfect product or service	Tomai-Vinex SA (Tomai, ATU Gagauzia, Republic of Moldova)	Collection DOLCE VINO	Exaggeration of convenient packing bag-in-box (wine bags, packed in a bag barrel with a tap). Bag-in-box appeared since it is ideal for trips out of town, friendly meetings and corporate events, it allows you to save high quality wines both during storage and during its use. It is suitable for a picnic, barbecue or party
Reordering or sequence of one or more items of goods or services	“Aspect-Invest” SRL, FPC (Chisinau, Republic of Moldova)	Izvar “Vinogrey”	Reordering is that Izvar (the prototype of mulled wine) is already mixed from the dry red wine produced from grapes of European varieties, sugar, alcohol and spices, which included cinnamon, nutmeg, vanilla, cloves, black pepper, and allspice. Buyer was only necessary to warm up to 70 degrees the Izvar and enjoy it

Source: elaborate by author of publication on the base of the sources analysis of the of innovations implementation process in the wineries of the Republic of Moldova

The dates presented in the table is a proof that the wine products producers, who are representatives of one of the fastest growing industry in the Republic of Moldova, are not abstracted from the introduction of lateral shifts in their product portfolios for all types of technologies. On the contrary, concentrating on the fact that this scientific publication examines only the aspects of lateral marketing on the product level, and here are not searched any other aspects, they actively promote it and at the level of the consumer markets, and at the level of 4-P mix-marketing, the author will speak about in the subsequent studies.

Conclusions:

Thus, having analysed the subject searched in the present scientific publication, the following conclusion can be made:

1. The Republic of Moldova is a country where one of the dominant positions in the industrial sector is taken by the wine industry. Viticulture industry, which is a priority in the policy of the reformation and modernization within the framework of the public management programs, is a source of raw materials for the development of the wine industry of the Republic of Moldova, which year by year is gaining the momentum of its dynamic development;

2. Today the wine consumers from many different countries know about Moldovan wine. The Republic of Moldova is included in the row of the 20-ty leaders – the world wine producers;

3. Geography of the world market leading wine producers represented in a wide range (Republic of Moldova in the ranking of manufacturers occupies only 20th place). Winery companies are beginning the brutal competition for the creation of new wine products, new markets and ways to promote them, as traditional methods are no longer suitable;

4. Possessing the necessary resource potential, the Moldovan wine businesses need a new search mechanism, the development and implementation to the market of innovative ideas, which can provide the key competitive advantages - one of them is *the lateral marketing*;

5. Like any radical innovation, lateral marketing is not free from shortcomings and critics. However, studies show that nowadays lateral marketing is one of the most progressive and effective ways to achieve the real results of increasing the competitiveness of domestic producers of goods and services;

6. Studies have shown that the producers of wine products, which is the fastest growing industry in the Republic of Moldova, are not abstracted from the introduction of lateral shifts in their product portfolios by actively introducing all the technologies of lateral marketing “at the product level”, that allows them to close up the SET-gap and successfully to move towards the achievement of a genuine leadership. This fact clearly argues the validity of the arguments in opposition to criticism of modern scientists to the problem of “lateral product”

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SOCIETY – FACTOR INFLUENCING HUMAN BEHAVIOR

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Humans are social beings that live in society and through society. It is said that the oldest human' need is the need of the other. Outside the society, in the conditions of wildness, humans are likely to perish or dehumanize.

When interacting with peers, man learns the language, the values and the rules of social coexistence, and becomes an integral part of the society.

In order to integrate into groups, social collectives, people must respect the rules imposed and adopt specific behaviours. They should be able to realize not only individual scopes (interests), but as well those of the group, social and even humanitarian. [3]

Key words: *society, behaviour, thinking, attitudes, evolution, influence, education.*

Introduction.

There is no personality without interaction with social environment, like there is no society without individuals. A systemic relation between personality and society could be created, in which the personality, integrated in different subsystems (economic, political, familial, cultural activities) is in relation with the society.

Within the framework of this relation, the society creates, models individually the personality of people in conformity with the system of norms and values specific for respective historical moment. The personality through its creative activity contributes to the optimization of the society, improvement of social system mechanism, and creates new social structures in accordance with historical development.

Society is involved in the modelling of personality and social behaviour, being reflected on active individuals. It is enough to be present in that environment to influence it.

Research material and method.

Personality is a set of intellectual and moral traits, qualities and skills that characterizes the person's own way of being. It is a totality of relatively stable qualities that determine the behaviour, style of thinking, and ways of adapting to different situations. Individuality represents the combination of psychological traits of the personality that make it original and unrepeatable. Individuality is being manifested through temperament, character, skills, interests, self-confidence, cognitive processes and individual style of activity [4].

Human is a natural, social and spiritual being. The relations between man and society look to be paradoxical. Viewed from the exterior, from the perspective of the object, human personality is a small part of the society. Regarded from interior, from the perspective of the subject, the society represents a part of human personality, its social side.

In the opinion of the American psychologist G. Allport, personality is a structure of hierarchically organized traits. According to him, each individual has 2-3 cardinal traits that dominate and control other traits. Hierarchically, a group of 10-15 main traits that are easy to identify, and hundreds or even thousands of secondary traits that are difficult to identify follows them.

G. Allport argues the existence of the unique nature of personality by the fact that man is the product of both heredity and environment. Heredity provides crude material, which is then shaped by the environment. [5]

The influence of society on the individual is huge. Personality is considered a social product.

In the process of individuality' formation, social and anthropological literature distinguishes two variables: culture and society. Usually, the term Culture refers to objects that express values, beliefs and

worldviews, knowledge, laws, customs, art and language. The term Society refers to institutions, social relations. It is difficult to split the culture from society as they work together on the individual [7].

Based on studies of eight cultures of some primitive tribes living in an ambiance “close” to nature, it was found that each social group has a structure of behaviour common to the whole social lot, which is referred to as Core personality. We understand the Core personality as a specific psychological configuration of the members of a social group that is being reflected in a specific lifestyle, in a “matrix” that develops individual traits of the character, being further configured individually.

Socialization is a process of learning of social norms and values, patterns of social behaviour.

The mechanisms of Socialization are *modelling, learning and social control*.

1. *Social modelling* is based on the *need of affiliation* – one of the superior human needs, manifested in the desire to be part of a group in order to perform the aspiration to self-identification and self-assertion, ensuring a state of security and protection. The need of affiliation only appears amid further reports of human community.

Social capabilities, skills and behaviour are created through *modelling*. Modelling is active during first years of life, in the family. We learn from our parents, by imitating, the simplest actions, and affective reactions. We start to imitate the attitudes of those around us.

2. Another way of socialization is *Social learning* – a form of learning through which the subject learns the values and the norms of the group, based on the experience of other people, interacting directly with them or fully internalizing the model proposed by the community. This interaction is determined by an internalization of attitudes, concepts, values, social norms, leading to identification.

3. *Social control* – *reporting of personality to social norms and values*.

According to H. Tajfel and J. Turner, the concept of “social group” represents a totality of individuals who are accepted as members of a social group, share the emotional consequences of self-determination and collective appreciations.

Through integration into the social group, the person feels the consequences of social belonging in the form of socio-affective relations. The process of integration contributes to the identification of the individual and runs in several successive stages.

- At the beginning, the auto-determination of the individual takes place. This process requires a comparison to other people.
- Adjustment to the social ambiance and other people leads to the acceptance and incorporation of norms, values and etalons that are transformed by the individual into rules of personal behaviour. These rules facilitate both self-awareness and awareness of others, and communication with them. A strong self-identification does not separate the individual from his group. Such people have either a higher status due to their qualities, interests, norms, or a stronger nonconformist behaviour.
- After the process of identification within the group takes place, the individual not only knows and updates himself through direct and indirect contacts with other groups, but separates himself and his group from other social entities [8].

As a psychosocial phenomenon, self-identification comprises two processes: person identification and social identification. The first one refers to self-determination of psychosomatic, moral, behavioural traits. The second one refers to social belonging: racial, ethnic, sexual, age etc. Social and person identifications interchange in the individual’s mind like the transition from the forms of interpersonal interaction to those determined by the belonging to a category. Both phenomena are an integral part of the process of self-determination and self-knowledge [2].

Socialization is not only an “offer”, but a “constraint” as well. Through socialization, the individual adjusts his behaviour to the needs of community. The society performs an “uniformization”, a “control” over its members. The control is performed through definition of several value-normative criteria.

Behaviour is the result of a permanent interaction between personal and external variables. The external environment models the personality through learning. People prefer the behaviour that will bring, more probably, acceptance. As social behaviours are not appreciated equally, individuals learn what kind of behaviour will be suitable and what not in certain circumstances. According to this theory, the majority of differences in the person's behaviour are the result of different learning experiences during the life. Some behaviour are learned through direct experiences, i.e. being punished or rewarded for some action. There are behaviours learned indirectly, through observation of the appreciation of others [3].

In order to satisfy their needs, people interact with each other. Society is influencing the individual, but the individual could determine whether to conform or not. As there is no society without individuals, there is no personality without interaction with the social medium. There is a systemic relation between the person and society. The person that is integrated in different subsystems (economic, political, family, cultural activities) is an element of the system.

There is no doubt that each of us is influenced by hereditary factors and by the medium. It is interesting and important to discover how these two factors impact on us. The role of the society is very important. The society is an integral part of our intellectual and spiritual world. The influence of the society could be observed in every aspect of human activity [6].

A person is an open system that interacts with the natural medium and the socio-cultural medium. Arising situations during this interaction model us, request a response from us, challenge us to become objective. As a reaction to all these challenges, the person enters into a very complex system of roles and social functions that influence his psychology. We are not able to permanently realize the way we are influenced as this process could be direct or subtle. However, it would be useful to take into consideration that we are usually influenced by relatives, music, different aromas, advertising, news, internet, genetics, education etc. In this way, we are manipulated by what surrounds us. Influences could be negative and positive. There are several types of influences: from the way we are dressing ourselves, what we are buying, to the way we are thinking and acting in different circumstances. As well, influences could be stronger or weaker depending on the traits of the influencer and those of the person influenced.

We have to educate ourselves in order to understand that personal freedom is only possible together with general, collective and psychological freedom; that work and respect of others represent a fundamental obligation of each citizen. Psychological and social education should follow the age, psychological and psycho-motoric evolution. The most important role in the person's moral evolution is played by good examples that are inevitably generated by the group we belong to. From our peers we learn to love, to work, to be free and to respect others. We have to be active and adaptable, to progress and to increase our value.

It is important to look at the behaviour of others and at its consequences. The learning through observation and example is an important aspect of human behaviour. Looking at the behaviour of others we take a conscious decision to behave or not to in the same way. Human behaviour is controlled by the subject himself, through learning operations and processes, as well as by the medium through stimulations of social nature.

Conclusion.

In conclusion, I we can say that looking at a person from the point of view of an integral system, we should not disregard containing elements. We have to strive to be ourselves, to become what we are able to become, to always try something new and not to follow only safe and guaranteed paths, to listen to our feelings when evaluating the actions and the results, to be ready to undertake responsibility and to be perseverant. We will succeed if we learn to manage consciously our actions and deeds by overcoming external and internal difficulties, to achieve goals through development of own personality.

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EFECIENCY OF INVESTMENTS - THE BASIS OF FORMATION THE INVESTMENT PROJECTS IN CONSTRUCTION.

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Additional factors which need to be considered when forming investment projects in construction are presented. Need of carrying out the qualitative analysis of investment opportunities for implementation of the investment project for construction is proved. Need of the correct calculation of necessary investments still for a pre-investment phase taking into account social and economic risks and studying of features of investment climate of the Republic of Moldova is proved.

Key words: investment projects, project analysis, investment, investment risks, business plan.

Attraction of investments into construction and infrastructure R. Moldova, in modern conditions, becomes the strategic direction of the state economic policy. High degree of wear of the existing infrastructure facilities and a lack of investment resources for construction of new, doesn't allow the state to carry out fully the functions of rendering public services assigned to him and is a serious limiting factor of economic growth.

Development and restructuring of economy are inevitably connected with need of attraction of the considerable volumes of investment, increases of investment appeal of branches and enterprises. Without investments the decision not only economic, but also social and environmental problems are almost impossible.

A favourable environment is necessary to be created in order to expand the forms and methods of financing of investments and first of all in real economy. In these conditions there is a need for special knowledge of an assessment of investments and to justification of economic efficiency of their attraction. The main problem of efficiency of investments is the creation of conditions for an intensification of investments in the most competitive productions giving fast return and allowing to increase as much as possible the income of the enterprises, the population and the budget. Consideration of any investment project demands big and careful preliminary work. The assessment of investment appeal of this or that project demands the detailed analysis of a set of indicators, and adoption of the investment decision is possible only taking into account such factors as risk, uncertainty, inflation.

The term "Investments" has a few values. It means the purchase of shares of stock or bonds with settling on some financial results. In the widest sense of investment provide a mechanism necessary for financing of height of economy of country. To give an idea about the role of investments, in the beginning we will appeal to the basic concepts.

An investment is a method of investing, that must provide maintenance or growth of cost of capital and (or) bring the positive size of profit.⁴⁸

An investment is a method of investing, that must provide maintenance or growth of cost of capital and or to bring the positive size of profit; in other words it is any instrument in that it is possible to place money, bargaining to save or increase their cost and (or) provide the positive size of profit.⁴⁹

In economic literature under investments, as a rule, understand the investments of financial, material and technical means, with the purpose of receipt social, ecological and economic effect. Thus "any form of investing supposes the investments of capital in a present with the purpose of receipt of results in the future".⁵⁰

Investing is one of the most essential aspects of activity of any developing organization.

Investment project. Any investment project can be described from different parties: financial, technological, organizational, temporal, ecological, social to and other. Each of them in its own way is important; however the financial aspects of investment activity in many cases have a decision value.⁵¹

Table of contents of pre-investment researches during a project analysis.

Defining investing in construction and infrastructure as one of main directions of development of republic, it is necessary to underline absence of steady dynamics at forming and realization of investment projects. In particular, at formation of investment-construction projects, there are difficulties the realization of this project, necessary investments, terms of realization and summer residence, related to insufficient studied of possibilities in exploitation of one or another construction object.

In this connection it should be noted undoubted meaningfulness of quality and timeliness of realization of pre-investment researches. As known, Pre-investment stage of life cycle of project limited by temporal length from preliminary research to the final decision about the acceptance of investment project. On this stage there is a choice of one or another alternate design or drafting of the investment program on the basis of a few projects.

A Pre-investment phase includes a few stages:

1. Forming of primary intention of project. Any project is begun with the origin of idea, specification of the desired result.

2. An analysis of the investment opportunities of the project. We estimate the need for financial resources; the possible sources of receipt of these resources are examined.

3. Marketing researches (market analysis). The value of service is estimated on commodities or services the production of that is assumed by a project. Is determined the target audience (consumers) of products. A competition is estimated at the market of this industry and region.

4. The analysis of alternative versions of the project and the preliminary choice of the project, also preparation of the project – the preliminary feasibility study (PFS) and feasibility study (FS). Problem of preliminary feasibility study (PFS) is creation of the business plan. **The business plan of the investment project** states results of market research, proves strategy of development of the market, offers end economic and financial results. The main objective of the business plan — to show appeal of the project to the possible investor. In the business plan the perspective situation both in firm, and out of firm is assessed. He is especially necessary for the management for orientation in the conditions of joint-stock property as by means of the business plan heads of the company make the decision on accumulation of profit and distribution of her part in the form of dividends between shareholders. This plan is used at justification of

⁴⁸ <http://www.dengi-info.com/archive/article.php?aid=814>

⁴⁹ <http://constructor.zavalam.net/view.php?no=5400>

⁵⁰ *Обозов, С.А.* Инвестиции в промышленности: нижегородский вариант сотрудничества администрации города и предприятий. — Н-Новгород, 1998. — С. 138

⁵¹ Менеджмент. Учебник. / А.И.Орлов.- М.: Издательство «Изумруд», 2003. - 298 с.(2.3 Инвестиционный менеджмент;2.3.1 Инвестиции и управление ими)

actions for improvement and development of organizational and production structure of firm, in particular for justification of level of centralization of management and responsibility of employees.⁵²

5. Location choice.

6. Search of investors. The investment project can be financed completely by own means of the investor or with attraction of the loan capital. At the same time the ratio of own and loan capital in structure of sources of investments can be various.

7. Allocation of investments.⁵³

Passing of the project through all these stages also promotes advance of investments, creates the best basis for decision-making and implementation of the project, doing this process more clearly.

Formation of an initial plan of the project. As a rule, several options business - ideas are considered and the options assuming the high cost, excessive risk, lack of reliable sources of financing deviate. *The investment risk* is a probability of financial losses for participants of implementation of the investment project⁵⁴. The bulk of risks is connected with probable errors of development of the business plan, drawing up incorrect forecasts. The purpose of a pre-investment phase is implementation of the project analysis. The accounting of possible risks in the analysis of the project and management of them on the subsequent phases of a project cycle allow reducing consequences of risks to the acceptable minimum. There are risks which are connected with possible failure to complete of design or construction part of the project and also detection of defects after acceptance of objects in operation. Distinguish technical risks from them which include construction and operational risks.

Among the general risks inherent in the Pre-investment phase of the project, it is possible to allocate:

- risk of identification of technical mistakes in the project;
- the risks arising owing to the wrong registration of the legal rights: property or rent on the land plot and real estate objects, and also construction licenses;
- risk of excess of the estimate owing to rise in price of cost of construction.

In the second, investment phase of the investment project his payback has to be provided. This phase is connected with a usual trade or production activity and is respectively subject to a complex of adverse effects which carry the name of enterprise risks. Enterprise risks aren't specific only to investment activity, and are inherent in any kinds of business.⁵⁵

Division of a pre-investment phase into stages doesn't allow to work from idea of the project to the final feasibility report directly, without stage-by-stage check of idea or submission of alternative decisions.

Definition of investment opportunities is a starting point for investment. Research of investment opportunities is the main tool used at a quantitative assessment of information necessary for development idea of the project in a specific proposal.

The following aspects are analysed:

- the natural resources suitable for processing, such as wood for the woodworking industry;
- the existing structure of agriculture as a basis for the industries which are based on agriculture;
- future demand for certain consumer goods which consumption can increase due to increase in population or consumer ability, or on again created goods, such as synthetic fabrics or electrical household appliances;
- import – for definition of spheres of import substitution;
- impact on environment;

⁵² Natalya Nikolaevna Shash. - "Business - Planning for CCY3ob". Gl.1 Teor. Bases Business – Planning.

⁵³ <http://www.intuit.ru/studies/courses/4107/602/lecture/12999>

⁵⁴ Popova J.I.B., Isakova R. E., Golovina T.A. controlling, 2003 (Hl. IV Analysis of efficiency of innovative projects; 4. Investment risks)

⁵⁵ Marenkov N. L., Kosarenko N. of N. Insurance business. Higher education series. Moscow: National institute of business. Rostov-on-Don: Feniks publishing house. – 608 pages, 2003

- the sectors of manufacturing industry which are successfully functioning in other countries with a similar economic basis, similar levels of development and conditions of financial, labour and natural resources;
- a possible interconnection with other branches, local or transnational;
- possible expansion of the existing productions on the basis of the descending or ascending integration, for example, connection of oil processing with purification of oil products, productions became in arc furnaces – with her rolling;
- possibilities of diversification, for example, a petrochemical complex in pharmaceutical production;
- possible expansion of the existing production capacity for receiving the economy caused by growth of scale of production;
- general investment climate;
- industrial policy;
- existence and cost of production factors;
- export opportunities.

Researches of investment opportunities are based more on the general estimates, than on the detailed analysis. Data on expenses usually undertake from the similar existing projects.

Information obtained as a result of research of opportunities of the project is intended, mainly, for identification of basic aspects of the possible offer on investment of object.

Preliminary feasibility study.

Main objectives of PFS consist in definition of whether the following provisions are carried out:

- all possible alternatives of the project are considered;
- the concept of the project justifies carrying out the detailed analysis by means of the feasibility report;
- all aspects of the project are important from the point of view of its feasibility and recognition of need of deep studying by functional researches, or researches of providing, such as the analysis of the market, laboratory or trial researches;
- the idea of the project (on the basis of the available information) has to be defined or as impractical, or rather attractive to the certain investor or group of investors;
- an ecological situation on a site of the planned construction and potential impact on her of alleged production conform to national standards.

PFS should be considered as an intermediate stage between research of opportunities of the project and the detailed FS. Distinction consists in extent of specification of the obtained information and depth of consideration of versions of the project. The structure of PFS has to be same, as structure of the FS.⁵⁶

Problem of preliminary preparation of the project is creation of the business plan. It is an integral part of intra company planning, one of the major documents developed at the enterprise. He has two main objectives. On the one hand, it serves as means of attracting investors for the purpose of receiving money or partners for joint participation in the project, with another – has independent value, is the effective instrument of management, helps the businessman to define prospects of growth of the business, to control the current situation.

Content of the business plan is carrying out a complex of the marketing and technical and economic researches directed to improvement and development of production. The assessment of expediency of the choice of the project is carried out on the basis of the criteria (marketing, financial and economic, security with resources, standard, compliances to success factors) reflecting the main aspects and conditions of his realization.

By preparation of investment projects business plans are developed for their implementation. The business plan includes the description of the enterprise, his potential, an assessment of internal and external

⁵⁶ “Economic assessment of investments”, M. Rimer – SPb.: St. Petersburg, 2006

environment in business and time, concrete data on a marketing strategy and developments of business.⁵⁷ Besides, in the business plan possibilities of risks are noted, i.e. is shown that existence of risks is considered in the business plan and measures for their decrease are planned. The volume of the business plan depends on the purpose of his drawing up. The internal business plan (for intra factory planning) is regulated neither on volume, nor on structure of sections. The business plan can be used for carrying out sanitation, restructuring, privatization of the enterprises, and also for receiving external investments. The business plan submitted for the purpose of obtaining the big or average volumes of investment (credit resources), and also urged to interest the large investor has to be stated no more than on 50-80 pages. As a rule, the specified volume doesn't join the applications supplementing the business plan and confirming his reality. Drawing up the business plan is preceded by the analysis of financial and economic activity of the enterprise, market and technical and economic researches of various alternatives of development of the enterprise on the basis of the standard international standards.

Providing researches, or functional researches, cover certain aspects of the investment project and need as the prerequisite for ensuring carrying out PFS and the FS, especially in case of large-scale investment offers.

The Feasibility Study (FS) is the key document when developing construction - investment projects and represents complex result of research and production of calculations for an assessment of economic, financial, technical, ecological and other conditions of investment for the purpose of the choice of an optimal variant of the project and making decision on expediency of his realization.

The FS has to give all necessary information for making decision on investment. Therefore, commercial, technical, financial, economic and ecological prerequisites for the investment project have to be defined and critically estimated on the basis of alternative versions of the decisions which are already considered at PFS stage.

The final assessment of investment and production expenses, and also the subsequent calculations of financial and economic profitability are expedient only if a project framework taking into account all important aspects and the related expenses is accurately defined. All volume of the project has to be expressed in drawings and schemes which will form a basis of further work.

Development of the FS has to be carried out only when the necessary financial means determined by researches can be revealed with sufficient degree of accuracy. It isn't enough sense in the FS without reliable guarantee of the fact that in case of the positive decision necessary means will be found. For this reason possible financing of the project has to be considered at an early stage of the FS as financial conditions exert the most direct impact on full expenses and, thus, on financial feasibility of the project.

Thus, high-quality development of a pre-investment phase, gives the chance to effectively make investment projects in construction.

The researchers conducted by the author confirm that long life cycle of the project, increase in the course of construction of estimated cost, shortage of adequate sources of financing, underestimation of factors of an institutional order, and branch features – negatively influence construction. The main defects and mistakes in the investment project which come to light in a pre-investment phase are expressed in the insufficient accounting of perspective need for production, doubtful definition of the investments attracted in construction, insufficient economic validity of design decisions when calculating economic efficiency. Construction financing in many respects consists of third-party capital investments – investments. Investment institutes impose reasonable requirements to quality of design and budget documentation as make solid investment investments in obviously risk action.

Conclusions and offers

In this regard, the solution of investment problems of the Republic of Moldova is connected with overcoming of the specified shortcomings as capital construction possesses a leading role on the way to

⁵⁷ Natalya Nikolaevna Shash. – “Business - Planning for CCY3OB”. Gl.1 Teor. Bases Business – Planning.

European integration. The subsequent development of all other sectors of economy and also ensuring continuous growth of economic potential and the national income of the country in many respects depends on volumes and the level of capital construction. Thus, implementation of the investment project in construction requires a system and integrated approach.

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PLANNING AND METHODOLOGY OF MARKETING RESEARCH OF THE RESIDENTIAL REAL ESTATE MARKET

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The residential real estate market is one of the most important components in the economy of Chisinau city. Taking into consideration that population of the city is constantly growing, the level of demand on the residential real estate shows the level of citizens' welfare and economic development of Chisinau.

Today the state of the residential real estate market is difficult to predict due to the deep economic crisis in our county. In order to determine the investment attractiveness of the market and to reduce the risk of management errors in making business critical decisions in that article a number of important aspects of research activities planning, the sources and methods of collecting marketing information are identified.

Key words: *marketing, research, real estate, plan, desk research, field research, quantitative data, email survey, social media survey, survey on the company's website, qualitative data, mystery shopping, focus group, interviews.*

Introduction

Today the state of the residential real estate market is difficult to predict in the Republic of Moldova in general and in Chisinau city in particular due to the deep economic and political crisis. Since 2010, the annual population growth of Chisinau is 2800 people and 4800 in the city. The stagnation in the market continues to grow considering falling prices for square meters of housing and the reduced number of construction of new residential buildings.

Marketing research is an integral part of any professionally designed investment project, business plan. One of the key functions of marketing research is to make market development predictable, providing the company management with reliable, accurate and relevant information to reduce the risk of management errors in making business critical decisions.

The purpose of this article is to describe general principles and techniques a marketing analyst requires for a competent implementation of a complex of research procedures necessary to achieve the research goals and solve customer problems taking into account the specifics of the real estate market. The article consists of 2 main sections.

The 1st section – “The development of a marketing research plan” consists of 2 parts. The first part focuses on key planning aspects, determines the elements of the research project’s plan, provides a list of questions for the project manager to answer in the development of a research plan, etc. The second part describes the errors, associated with the planning of research procedures and errors in the planning of the research team.

The 2nd section – “Methods of marketing data collecting” consists of 2 parts. The first part describes the stage of secondary data collection that serve as the starting point of any study. The second part of this section describes the stage of primary data collection and thus relevant for the real estate market research methods of collecting quantitative and qualitative information.

I. The development of a marketing research plan

1.1 Key aspects of planning

Much of the success of any research depends on how carefully it is planned. In fact, a market research plan is nothing but a guide for the project implementation it includes everything: who, when and how should carry out the research process.

Plans of marketing research can be of two types:

- **Strategic plan of marketing research;**
- **Tactical plan of marketing research.**

For the strategic plan of marketing research a project manager must determine the whole range of research procedures necessary to achieve the objectives, to identify the participants, to define the time frame of the project and make an indicative estimate of the research’s cost.

In contrast to the strategic plan, for which detailed elaboration depends on the size and complexity of the research, **the level of the tactical plan detailing** should be the maximum, all the actions should be calculated to within a few minutes. A properly drawn up tactical plan is the main project management tool and one of the elements that guarantee the research quality in general.

Forms of marketing research plans may differ from each other, but they have to be simple and evident to users.

Planning a marketing research means the selection, analysis and allocation of resources necessary to achieve the project objectives to address customer’s problems. A research plan with varying accuracy depending on its purpose should include:

- approved, clear goals;
- a set of research procedures
- a working-time calendar;
- a project timeframe;
- a list of staff and their responsibilities;
- a detailed budget

A manager in the development of MR plan should answer the following questions:

- Have been these problems studied before?
- What data are necessary to achieve the research objectives?
- What is the amount of missing data required to identify?
- What kind, how much and what quality of data will be needed?
- What sources of information should be used (primary/secondary)?
- What data collection methods should be used?

- What is the size of the research sampling?
- How to analyse the data?
- How much time will be required for the research implementation?
- Who will be included in the research team?
- What costs will be required?
- Will the obtained results be comparable with the estimated costs? [1, pp. 96-102]; [2, pp. 47-49]; [3, pp. 58-71]

During MR planning organizational and non-organizational errors occur, which lead to significant financial costs and absence of the necessary data.

To reduce the risk of errors in the marketing research planning it is recommended to use a commercial web services that provide a set of tools, based on cloud computing, for example, Assembla. Among the provided tools there is a system for managing projects, teams and tasks, control and time tracking, bug tracking, wiki documentation, joint discussions, and more.

1.2 Errors in planning

1.2.1 Errors related to the planning of research procedures

- **Non-consideration of previous experience:** even with unlimited resources, it is possible to make serious mistakes in planning and implementing research without taking into account previous experience with similar projects.

- **Planning without preliminary analysis of external factors:** economic, political and environmental factors that may affect the project implementation.

- **Unclear connection between research methods and incorrect sequence of analytical procedures:** the plan should take into account the connection between different methods and sources of information combine their results into a single unit, take into account the possibility of matching the results with data from other sources, studied in parallel during the research.

- **Departure from reality:** unreality of the plan, expressed in the inclusion of desirable but unlikely to be implemented tasks in the plan.

- **Lack of time reserve in the plan:** time reserve is the difference between the dates of very late and very early task completion. In the absence of such reserve and the occurrence of emergency situations project completion deadlines will be moved, and this will lead to the customer's resentment and specific sanctions and penalties for the research organization.

- **Planning for show:** a very common mistake of novice researchers when planning is done for a manager to have a rough project plan in order to clarify the cost to the customer. All research errors will be the result of a lack of real work plan, since the distribution of responsibilities and development of research activities will be carried out intuitively, "on the go."

1.2.2 Errors in the planning of the research team

- **Planning of resources without considering their availability.** It is extremely important to make sure that the experts needed for successful implementation of the project at the beginning of work on MR will not be involved in other tasks.

- **Planning without considering motivations.** To attract the best staff to work on the project without a specific stimulus is impossible. Incentives can then be different: money, working conditions, customer's prestige, the prospect of participation in the subsequent larger projects, etc.

- **Non-consideration of the overtime possibility in the research plan.** The increase of the staff load by additional responsibilities of the research work. Such attempts are excluded, if the researchers do not have a time reserve. To solve this problem, it is necessary to consult with the researchers to develop an appropriate plan of monitoring and overtime stimulation, so that the employee will be able to cope with the responsibilities.

▪ **Planning activities without specific responsible persons.** This may lead to confusion and may knock out the whole research team from the schedule, and the likelihood that the found “in haste” responsible person will not be able to cope with the task is quite high.

▪ **Ignoring other people's opinions.** Forcing researchers to strictly follow the plan, without the right to its criticism kills the initiative and enthusiasm of the employees. Project participants should be given an opportunity to carefully examine the research plan and make some constructive suggestions on improving the efficiency of research procedures, if they can prove their position.

A marketing research plan is a working tool, necessary for quality project management. It needs to have sufficient flexibility, as its implementation may include some unforeseen situations and circumstances.

Developing a marketing research plan is not just a combination of research operations in a certain structure - it is a complicated and complex procedure that requires from its author profound professional knowledge in the marketing and organizational management fields. [2, pp. 47-49]; [4]; [5]; [6]; [7] etc.

II. Methods of marketing data collecting

2.1 Desk marketing research (secondary data collection)

Secondary data collection serves as a starting point of the real estate market research. **The advantages of secondary data:** low cost in comparison with primary data; ability to compare multiple sources; speed of retrieval, compared with the primary data collection. The most important advantages of secondary data are saving time and money in the research process.

Secondary data rarely provide comprehensive information about the market state, but it usually can: help to better define the problem and the research goal; suggest methods, or specify the data that should be collected; provide comparative data for review.

In practice there are two main problems that arise in connection with the secondary data use:

a. Compliance problem. Usually, compliance problems may arise from the following differences: different units of measurement; different breakdown of the data into classes (groups); data aging.

b. Accuracy problem. The solution to this problem may be to consider the source's priority degree, publication purpose and data collection methods. The source's priority degree: secondary data can be extracted from a primary or secondary source. The primary source is the source from where the data originally come. Secondary source is a source that, in turn, receives data from the primary source.

Disadvantages of secondary data are primarily due to the fact that initially this information was collected for the goals that usually differ from the goals of a specific marketing research.

Questions for assessment of the secondary data reliability: Who collected and analysed this information? What goals were pursued in the collection and analysis of information? What information and how it was collected? What methods the data was processed and analysed by? How this information is consistent with other similar information?

The types of secondary information: internal and external

Internal data are those that are received in that organization, which conducted the research, external data are those obtained from outside sources.

Sources of internal secondary information:

- All kinds of accounting information: invoices, contracts, reports;
- Data from different company departments (information about customers, products, etc.);
- Data from the CRM system;
- Previous research;
- etc.

Sources of external secondary information:

- State laws, decrees, regulations, etc.
- Statistical reports from NBS RM
- Department of architecture and urbanism of the mayor's office of Chisinau city

- Bureau of technical inventory (**BTI**) of Chisinau city
- Published **expert presentations**
- Published **reports of construction companies**
- **Internet** (work with analytical sites and sites of competitors)
- Reports on the survey results of visitors of annual real estate **exhibitions/fairs** (for example, IMOBIL Moldova)

Obtained on the basis of desk marketing research **information** is an often subjected to additional expert estimate from specialists and professionals, working in the researched markets. The purpose of this expert estimation is to increase data reliability [9], [10], [11], [12], [13]

2.2 Field marketing research (primary data collection)

Primary (field) research – the information gathered for the first time for a particular goal. These researches almost always cost much more than desk researches. They are conducted in cases where higher costs are compensated by the significance of tasks.

Methods of primary data collection are divided into: quantitative and qualitative.

2.2.1 The method of quantitative data collection

Quantitative research answers the questions of “who” and “how much.” This type of research, as opposed to qualitative, allows obtaining quantitative information on a wide range of issues, but from a large number of people. In research of the real estate market quantitative research helps to assess the level of fame, confidence to market players, to identify the main consumer groups, market size and the structure of supply and demand; prospects of housing development, etc.

For maximum coverage of the target audience, minimizing costs, and producing quality results in the shortest possible time the following **methods of quantitative research** can be applied in the research of the residential real estate market: **Email survey** – online marketing systems MailChimp and GetResponse; **Social media survey** – in specialized groups, via the systems for conducting surveys Post for Page; **Survey on the company’s website/portal**.

In the online survey a respondent alone (without an interviewer) puts the answers in an electronic form. Modern technologies allow filling out a form on both PCs and mobile devices (tablets, smartphones, etc.).

Email survey – for the survey via e-mail, first of all, the list of mailing addresses is combined. Then the questionnaire is inserted into the email and sent to respondents.

Email surveys use text format; they can be sent and received from any respondent who has access to email. Respondents may give answers both on open and closed questions. Email surveys have some limitations. The existing technical capabilities of most e-mail programs do not allow using the software tools of logical checks, cancellation of the character input, a random selection of numbers in questionnaires. In addition, some e-mail programs do not recognize the structure (code) of certain questionnaires.

Survey on the company’s website/portal – For conducting an open-access survey in the Internet a questionnaire is located on the company’s website or on a popular website with high traffic of target audience.

Respondents are asked to go to the website and fill in a questionnaire. Often the selection of respondents is not specifically carried out: people, who visit this site or other popular sites, receive an invitation to participate in the survey.

Additional survey tools: graphics, animation or links to other webpages can be integrated into the questionnaire. Special software allows to automatically present replies after some processing in the form of a table. All this helps to obtain high quality data.

Social media survey – Today almost all social networks provide users the ability to create automated surveys. The survey is an obviously quick and easy method to learn the opinion of users about your product. Most social networks are designed so that users did not have troubles creating surveys online [8], [9].

2.2.2 The method of qualitative data collection

Qualitative research answers the questions of “how” and “why”.

This type of research allows obtaining very detailed data on the behaviour, opinion, attitudes, and relationships of a very small group of individuals. The obtained data are harder to quantify, but they give a good idea of the mind-set of the consumers. The main methods of qualitative research: mystery shopping, in-depth interviews and focus groups.

MYSTERY SHOPPING – a method of marketing research, studying the situation on the real estate market provides business information on market players (prices, supply and so forth.).

When implementing this MR method, specially trained people with the same characteristics as the target consumer in a given market, visit the investigated construction sites, offices of construction companies under the guise of customers and in the process of communication with the staff learn the necessary information. In addition to a personal visit, evaluation by a phone call is possible.

The collected information is used to adjust the pricing, assortment, service policy of the client company, etc.

FOCUS GROUP – is a group interview, conducted by the moderator in the form of a group discussion according to a predetermined script with a small group of target consumers.

Technology – 6-12 people are selected to participate in a focus group, the most “typical” representatives of groups of people, interested for researchers, homogeneous in their demographic and socio-economic characteristics, as well as life experience and interest in the researched question.

During 1.5-3 hours, the prepared host (moderator) leads a conversation, which runs quite freely, but on a specific schedule, prepared before the start of the discussion. Everything that happens is recorded on video. After the discussion, videos are analysed and reported. Typically, 3-4 focus groups are conducted within one research.

The use of focus groups in research of the real estate market: Evaluation of new construction sites, advertising, packaging, company image, etc.; Obtaining preliminary information on the topic of interest (before determining the specific marketing research goals); Clarification of the data, obtained in the course of quantitative research; Familiarization with consumer demands and motives of their behaviour in the decision-making on the residential real estate purchase.

IN-DEPTH INTERVIEWS WITH AN EXPERT – an interview takes place in the form of a free conversation on the topic of interest for researchers, during which the researcher receives detailed answers from the respondent.

Unlike conventional survey, a plan of the in-depth interview is simply a list of questions, on which the interviewer should find out the respondent’s (expert’s) opinion. The duration of the in-depth interview can vary from half an hour to a few (2-3) hours depending on the complexity of the topic, as well as the number and depth of the subjects being studied. The interview is recorded on tape for later analysis. In general, in-depth interviews in the research of real estate market are used for confirmation of the information, collected earlier by the marketing specialist and for gathering new and more important facts on the researched problem.

Experts for in-depth interviews on the researched subjects can be: certified architects, top managers of construction companies, heads of consulting companies, engaged in the research of this market, representatives of specialized government agencies [9], [10], [11], [12], [13].

Conclusion.

The purpose of this article was to determine the key aspects of the 2 critical steps in conducting a marketing research of the residential real estate market: “The development of a marketing research plan” and “Methods of marketing data collection”.

In the first section of this article are identified a number of important aspects of planning research activities, the elements of the bought strategic and tactical research project’s plans; provided a list of

questions for the project manager to answer in the development of a research plan, describes the errors, associated with the planning of research procedures and errors in the planning of the research team.

Information from the second section of the article describes in accordance with Chisinau the specific of Chisinau residential real estate market the:

- sources of secondary data collection, problems that arise in connection with the secondary data use, sources of internal and external secondary information.
- methods of the primary quantitative and qualitative data collection in online and offline fields.

All the above allows to get complete, reliable, current data researching the residential real estate market of Chisinau city and determine its investment attractiveness.

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THE ROLE OF RISING COMPETITION IN THE COMPETITIVENESS DEVELOPMENT IN THE CONTEXT OF GLOBALIZATION AND LIBERALIZATION OF MARKETS

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The issues described in the article refer to the development of the competitiveness of enterprises, as a major factor, even decisive for its success or failure. Competition, as an important segment of the global economy, is subject to specific pressures and changes affecting the economy of the Republic of Moldova. Due to the enlargement processes of globalization and economic liberalization, also to the increase in the volume of commercial transactions, the vulnerability of the economy and the level of social development, competitiveness depend on above-mentioned changes. In addition, the increasing interest in this field of economy analysis under the condition of economic and financial crisis represents an extra argument to the actuality of the research.

Key words: competition, competitiveness, globalization, Michael Porter, Porter's five forces model, marketing strategy.

"Competition is the core of the success or failure of firms. Competition determines the appropriateness of firm activities that can contribute to its performance, such as innovation, a cohesive culture, or good implementation" (M. E. Porter) [3].

Introduction

There is a link between competition and competitiveness today, in the context of globalization and liberalization of markets, where the competition is a determinant factor of the competitiveness of a company.

Due to the processes of globalization and economic liberalization that are extending, also to the increase in the volume of commercial transactions, the vulnerability of the economy, but also that of the level of social development is in close dependency with those changes. In addition, the increasing interest in the analysis of this field of economy under the condition of economic-financial crisis represents an additional argument to develop actual research.

Currently, the business environment in Moldova is the witness of unstable conditions. National legislation in the field of competition is not integrally harmonized with the European Community acquis and international norms, but efforts continue to be made by the institutions concerned with this matter to create an environment leading to the competitive development of local firms.

Competitiveness of enterprises within the process of globalization and liberalization of markets

The competitiveness of an economy is based on three basic elements:

- technology,
- strong institutions and
- macroeconomic stability.

Technology is a condition for long-term development, the institutions are those that ensure property rights, contracts fulfilment, efficiency and transparency of government expenditures, while fiscal and monetary policies and the stability of the banking and financial institutions have an important role in ensuring a sustainable progress [4].

Regulations and laws which restrict competition have a negative effect on competitiveness because they lead, first of all, to a slowdown in the process of technological progress. On the other hand, the relevant national regulations on competition, harmonized with those of the community, may have the beneficial effect on creating fair market conditions for all economic players.

In the last decades, the evolution of international trade theory in the context of a global economy- from the theory of the absolute benefits of Adam Smith and the theory of comparative advantages of Ricardo to the Porter's "diamond" represents the evolution of the paradigm of competitive forces, based on the supplying with resources and factors of production to the competitiveness based on innovations and created resources. This fact proves that at present, the concept of competitiveness indicates a new orientation in economic thought.

The five forces that determine the structural attractiveness of a market segment are:

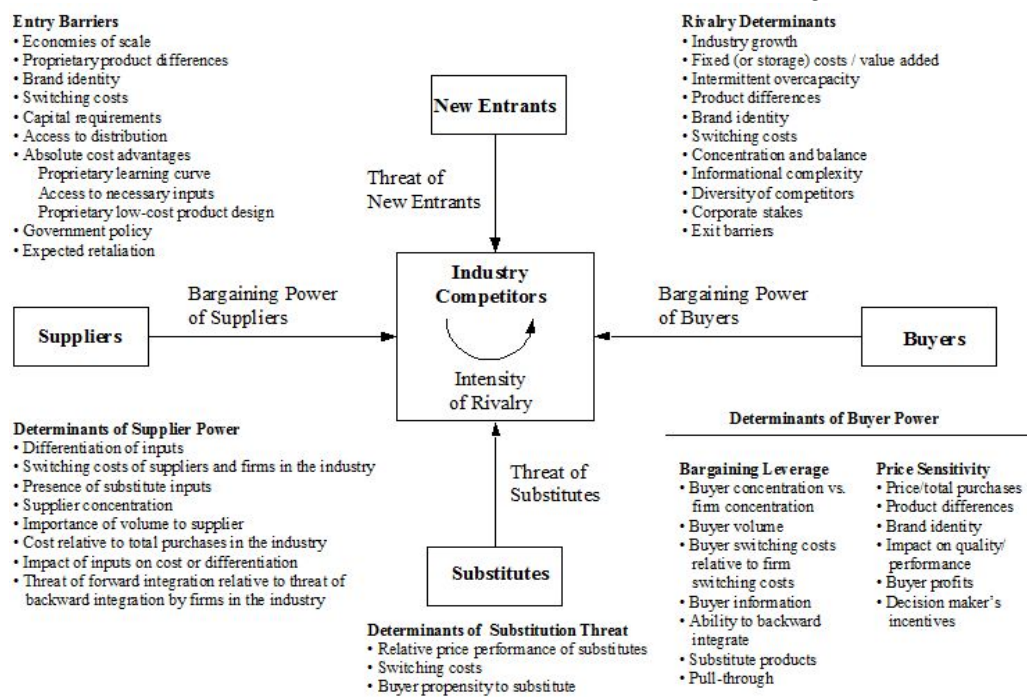


Figure 1. Porter's five forces model

In a functional market economy, firms compete with each other in order to extend the share of customer service. Competition itself represents an incentive for companies, encouraging them to act the maximum potential to produce goods and provide services of the highest quality and most competitive price. Competition promotes entrepreneurship and entries of new companies on the market, by rewarding efficient agents and penalizing inefficient ones. In conditions of ideal market economy, companies, depending on the place occupied in the market, react quickly and are flexible concerning new entrants and changes in the structure of the demand.

The entry of new competitors on the market determines adjustments in existing firm's strategy. The existing companies' ability to adjust its position according to the new entrants in the market and the speed of making changes are strategic indicators of effectiveness and competitiveness of a company. Thus, the competition represents a determinant factor of competitiveness. In a broad sense, competition is considered a struggle in which the better prepared survives and even records positive development.

Faced with fierce competition and pursuing to obtain maximum profits, the existing in the market agents are sometimes tempted to distort competition in order to enhance and subsequently to abuse their market power. In these circumstances it is necessary the intervention of authorities to ensure the development of a healthy competitive environment. Traditionally, competitiveness is based only on the relation between costs and prices. At present, it is necessary to make distinction between static and dynamic competitiveness.

In terms of static competitiveness, the focus is on the price competition, firms relying on low cost of labour and resources. Under these circumstances, competitiveness can be preserved by maintaining or reducing production costs.

Dynamic competitiveness is associated with the fluctuating nature of the competitive environment that puts emphasis not only on the relationship between costs and prices, but also on the ability of firms to learn, to adapt quickly to market conditions and to be innovative. In this context, competitiveness is defined as the ability of firms to modernize its technological facilities to produce goods and provide services able to compete not only on the domestic market but also internationally.

The variations that occur in the market modify the way that firms organize production, marketing and distribution at the national and international level. Thus, in order to adapt and remain competitive, many companies make use of the cooperation with other firms in order to have better access to new technologies or going into production networks to acquire the needed know-how.

Mergers and acquisitions represent a common form of intercompany cooperation as well as a mechanism that the firms use to face competition of new competitors. Globalization, capital market pressure and exponential development of technological infrastructure have resulted in the global consolidation of numerous sectors.

Among the sectors in which this consolidation trend is evident are: banking and financial services industry, civil aviation, telecommunications etc.

Due to globalization and liberalization, the boundaries between national and international markets have become increasingly vague, making to disappear the distinction between national and international competitiveness. This disappearance of the borders had the major impact on small and medium enterprises (SMEs), which are no longer isolated from international competition by the national barriers.

Under these conditions, competitive on local level companies, but having a reduced ability to adapt to the changes occurring in the market face fierce competition of international competitors with a good position after entering open international markets.

Also, the innovation is regarded with certain reluctance on markets which are at a less advanced stage of development. This is due to the high risks and costs involved. In this context, competition policy, through appropriate tools of state aid, can intervene and encourage existing businesses to engage themselves in research and development, enhancing the degree of adaptability to market fluctuations of these companies.

Competitiveness of the economy is intrinsically linked to the quality of products and services as a whole of the characteristics that give the possibility to a product/process/service, to meet the expressed and implied needs.

At the enterprise level, competitiveness refers mainly to companies' ability to learn, to adapt quickly to market conditions and to innovate. Nationally, competitiveness can be regarded as a mean to improve the standard of living in the conditions of making the best use of limited resources.

In the early 1990s, Paul Krugman referring to competitiveness argued in a famous article in *Foreign Affairs*, that firms are competing with each other but not national states. To a certain extent, his statement may not be contested. However, globalization and market imperfections make the public policy to play an important role in the functioning of an economy, and companies must seriously consider the coordinates of the space in which they operate. Thus, competitiveness, in any of its forms, is strongly influenced by public policies, such as taxation, competition policy, public finance orientation etc.

In the Republic of Moldova, research and studies relating to national competitiveness and of that at the level of economic agents are conducted by the well-known scientist, academician, Grigore Belostecinic. According to him, the competitiveness of the firm indicates the degree of satisfaction of its consumers' requirements compared to other firms that offer similar products and services, and is determined by a number of factors that ensure the success of the sale [5].

Conclusion

The concept focused on marketing says that in order to obtain success, a firm must provide value and satisfaction to the client at a higher level than its competitors have offered. Therefore, marketers must not restrict themselves simply to adjust to the consumer needs. They have also to gain competitive advantage, and place themselves as market leaders in the perception of consumers, compared to competitors' offers.

There is no competitive marketing strategy to be optimal for all competitors. Each firm must consider its size and location comparing with those of the competitors. Large firms with dominant positions in a sector can use certain strategies that smaller firms cannot. But it isn't enough to be large. There are

successful strategies for large firms, but there are also leading to failure. Small firms can use strategies to ensure better level of profitability than those obtained by large firms.

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THE ROLE OF ORGANIZATIONAL CULTURE IN THE EDUCATIONAL SYSTEM OF THE REPUBLIC OF MOLDOVA

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The use of a specific organizational culture means in itself the implementation of certain changes, be it on the level of the organization, or on the level of educational actors.

By investing into an institution's organizational culture, we are investing into its potential, into its development and maintenance in the conditions of a competitive market. A strong culture protects the educational institution from the influence of negative factors and from environmental changes, giving it thus value and long-term stability.

Key words: *organizational culture, educational system, management, student subculture, values, colleges, educational units' subcultures category.*

I. Introduction

Research purpose: Research of theoretical aspects which are related to the organizational culture and analyse the students' subculture as an essential factor in formation of the image of the educational institutions in the Republic of Moldova.

Thanks to the frequent changes that take place in the educational system, as well as the technological and scientific progress, the institutions begin to put bigger accent on material and financial resources, and less on the human ones. The necessity of studying culture at educational institutions has lately become indispensable. In fact, it should be mentioned that the success and image of an organization largely depend on its human potential.

Man is both the subject and the object of the processes of organization, progress, and management of activity of every system, regardless of whether we talk about the political, juridical, economic, or educational systems. Man is the factor that has a direct influence on the progress or regress of an institution.

In the educational system, man has a special value, because he has a mission to offer and cultivate educational services, to propagate values, principles, and rules that form and educate whole generations, him also being a model that holds a whole professional culture.

II. Critical analysis in the domain of the researched problem

"What is culture?" E. Herriot says that *culture is something that will remain after all else is forgotten*; H.G. Gadamer says that *culture is all that grows by sharing*. Etymologically, the word "culture" comes from Latin – "colere", which means "to cultivate, to honour" and is generally referred to human activity.

At the World Conference on Cultural Policy, organized by UNESCO in August 1982, the following definition of culture was proposed "an ensemble of distinct traits, spiritual and material, intellectual and affective, which characterize a society or a social group. It includes – next to arts and letters – lifestyles, fundamental human rights, value systems, traditions, and beliefs."

When we talk of *organization*, we are referring to formal group of people whose activity is directed towards achieving a common goal; hierarchical relations are established between members of the group, these relations are backed up by laws, regulations, or specific rules. Broadly, the organization can be interpreted as an expression of culture. Here is a definition formulated by Ovidiu Nicolaiescu, which says that "organizational culture consists of an assemble of values, aspirations, expectations, and behaviours, contoured over time in every organization, which predominate in their own frames, and condition directly or indirectly the functionality and performances of the organization".

The notion of *organizational culture* derives from the concept of culture, which signifies an ensemble of values, beliefs, rules, and behaviours that characterize a society.

Lilia Covaş defines the notion of *organizational culture* as "a system of values and concepts, shared by all workers of an organization, which determine their behaviour and the character of the company's activity".

E. Paun analysed a number of definitions of organizational culture, among which are the following:

1. A model of convictions and expectations shared by the members of an organization, the rules that describe their character (H. Schwarts, S. Davies).
2. Symbols, ceremonies, and myths that express values and basic beliefs of an organization and its members (W. Oachi).
3. An ensemble of philosophies, ideologies, values, beliefs, assumptions, expectations, attitudes, and rules shared by the members of an organization (D. Hellriegel).
4. Convictions shared by the managers of an organization (J. Lorsch).
5. The traditions and convictions of an organization through which it distinguishes itself from other organizations, and which ensure its stability (H. Mintzberg).
6. The deepest levels of basic ideas and convictions adopted by the members of organizations (E. Schein).
7. A set of values belonging to an organization, which help its members understand the goal and courses of action (R. Griffin).

A wider notion was formulated by Deal and Kennedy, Schein who defines organizational culture as "an attempt to penetrate the meaning, atmosphere, experiences, and character of an organization, facilitates concentration of behaviour and of attention for what is important and valuable to do."

Howard Becker and Blanche Geer describe organizational culture thus "any social group, if it is a unitarily distinctive one, will have a different culture from the cultures of other groups, something different in what concerns the common meanings in the way the organization acts, these differences are expressed through language, the shades of which are specific for this group."

From these definitions we can notice a series of common elements, which are:

1. A set of meanings and values that belong to the members of the organization;
2. Values are reflected by symbols, attitudes, behaviours, rules, and different structures – formal or informal;
3. The forms through which organizational culture manifests itself influence the evolution and performance of the organization.

The ensemble of these elements offers us the possibility to formulate a our own definition of organizational culture, specifically, it represents: “the totality of rules, values, symbols, myths, attitudes, and behaviours formed and accepted by the members of the organization and passed onto the future generations, having an impact on these generations.”

James M. Higgins (“The Management Challenge”) presented the following components of organizational culture, which we will attempt to identify within the educational system, namely – the colleges from the Republic of Moldova. We can mention that currently, in the Republic of Moldova, there are 42 operational colleges, 37 being state-funded (13 – Chisinau, 24 – rural), and 5 being private (3 – urban, 2 – rural).

- Myths and beliefs which maintain the history of facts that brought success in the past, the people that were at the origins of the organization, who contributed to its development. Based on these elements, employees have a better understanding of the values that members based their activity on, and of the members that had a positive influence on the formation of these values and attitudes, which are required to be respected. In this way, new employees could easier adapt to the requirements of the institution. We can mention the following persons as the leading figures in forming the organizational culture of the Technological College of Chisinau: Ivan Jighin: principal 1979-1995. In 1981 his work was appreciated with the Diploma of the Ministry of Higher and Vocational Education. In 1982 he participated in the USSR’s EREN “Slujba Bită-82” (Life service). In October 1982 he participated at the technological and scientific conference “The role of professional studies in the USSR”. In 1990 he represented the Technological College of Chisinau in Bobruisk, Belarus, at the seminar “Methods and development of business games”.

- A system of metaphors and specific language. Each institution must formulate a clear message, which will be used to attract potential clients. While there can be an inside, coded language – understood only by the organization’s members – a message based on sentiments must also be formulated for the outside, targeted at the beneficiary. The motto used by the Banking and Finance College of Chisinau is: “Build your future with us”, through which they offer their future potential educational clients the idea of future safety in what concerns career aspect. The hymn of the National Trade College, offers their potential consumer the sentiment of satisfaction and accomplishment, obtaining a specialty after studying with this college.

- Symbols, rituals, and ceremonies are all elements, respect of which is obligatory at the institution, these are: anniversary, graduates’ meetings, prom, and others which are respected in all of the country’s colleges.

Organizational culture has two levels: the organization’s history – when elements were formulated in the past and passed on from one period to another, as are: myths, heroes, symbols, slogans; and the organization’s present, in which new elements that change from one period to other are formulated: rules, strategies, behaviours, attitudes.

III. Own vision of the problem and the results obtained from the research

The educational system includes institutions in which different cultures are found, which, in turn, contain an ensemble of subcultures. The following are part of an educational units’ subcultures category:

- manager subculture
- teacher subculture
- student subculture

The manager and teacher subculture influences the formation of certain styles of governing, of educational styles, that impose the institution to employ various behaviours, rules, and attitudes, often times taking it into unfavourable directions that are hard to anticipate. This continues to be a problem facing the vast majority of educational units.

The most important subculture – towards which the attention of the educational system is oriented, and which in turn is directly influenced by all of the other cultures (manager, teacher, family, and affiliation

group) – is the student subculture. It is part of an environment that is informal, dynamic, constantly changing, and differs in accordance with many criteria: the student's background, type of education, family origin, the school geographic location within the locality, etc.

One difficult problem that the professors are currently facing is forming the same values and the same culture within the students' consciousness. This is because the students that come to continue their studies at colleges come from different cultural environments, being representatives of different subcultures. The types of student subcultures are represented in Figure 1.

Culture is not inherited; it is learned, lived, and transformed.

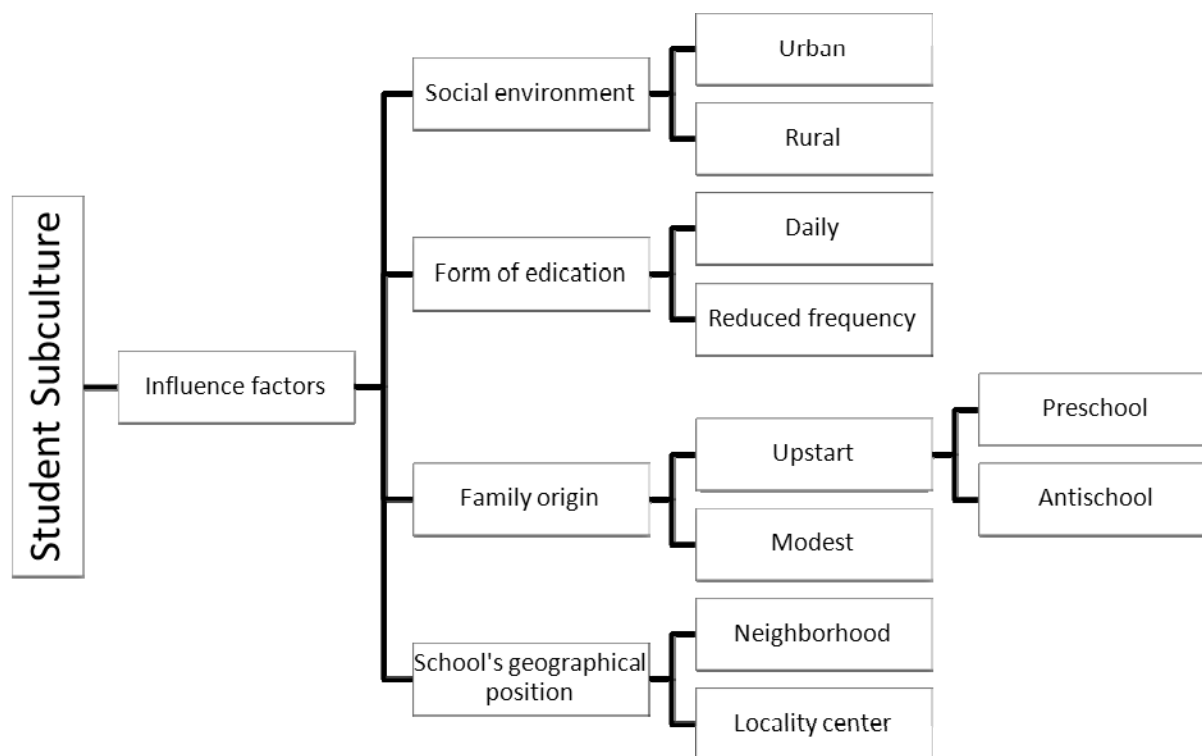


Figure 1: Types of student subcultures

By analysing from a social background perspective, we can identify the urban and rural student subcultures. It is undeniable that the values advertised at urban educational institutions differ from the values advertised by their rural counterparts. This is due to the specifics of the rural affiliation group, who are imposed a subculture with a higher signification value as opposed to the urban group, which sees the schooling institution as less valuable. The difference is not made by the type of the institution, or the institution itself, but rather by the environment in which the children are educated, the reality they are facing, and a lack of motivation for achievements at school. And as result of these factors, we can see the situation in which we find ourselves, while there's a higher rate of analphabetism and dropping out in the rural environment, in the urban environment dropping out is becoming more and more prominent because students are not motivated to frequent educational institutions, thus choosing to enter the work field, or leave country. Another category chooses to continue their studies out of necessity, so as to avoid activities enforced by law, such as military service.

From the perspective of type of education, we identify student subcultures that choose to study full-time, or part-time. In this case differences are not as significant, but through professional experience, we can notice that part-time students express a more positive attitude, the put more effort into their studies, and the impact of their valuing of the institution is significantly higher. These students come with a much higher grade of motivation, with ideals, with will and aspirations that surpass those of students that study full-time, this is due to a higher level of responsibility and maturity.

Family origin influences student subculture the most. Family is basically what the successes or failures of a child depend upon. Based on the education the child receives in their first years, he or she will form certain outlooks regarding their behaviour and the actions of which they should be responsible, through the norms they inherit and promote, attitudes and values on which depend the child's development as a personality and their integration into society. This subculture can also be analysed from another perspective, for example the material, financial, the possibilities available to the parents. In the majority of cases, in well-off families, the upstart subculture is attested, in other words, of children with readily available money, children that were raised in the best conditions, who always had everything. These families are creating their own values that are incompatible with social ones, and because of this, in schooling institutions, systems of collective differentiation appear, based on behaviour, values, and attitude, of which other sub-collectives form: pro-school and anti-school. The pro-school subculture is formed of such categories of upstarts that share the institution's base values, manifest an adequate behaviour, the desire to integrate into society and to promote positive attitudes, whereas the anti-school subculture include categories of students that promote negative attitudes such as: absenteeism, lack of respect, aggressiveness that leads to the student's degradation in the present, with negative effects in the future. Such individuals not only pose a threat to society, but can create a negative image for their entire generation.

Following the criteria of a school's geographical location, we can affirm that schools placed in the centre of an urban locality have a higher prestige, and a contingent of students that manifest a higher level of culture and motivation, than the ones located at the outskirts, where the possibility of appearance of hazardous attitudes is higher, this especially concerns aggressive and violent behaviours.

IV. Conclusion

The role of organizational culture is fundamental for the efficient functioning of any type of organization, especially of those that are part of the educational system, where teachers are directly responsible of passing on values, of forming viable behavioural norms for the contingent of students that come from different backgrounds, and of integrating and adapting them to the level of culture that is specific of the institution. The change of culture implies the assumption of new tasks, roles, and rituals that will – in the end – lead to the success of the institution's mission, and a promotion of its image.

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THEORETICAL APPROACH TO DOCUMENT MANAGEMENT SYSTEM

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The modern human activity is a huge document generating source. The document is an important communication instrument (tool) between organization's departments and other companies, being at the same time the most important elements for the company's success. More and more managers become conscious that for the organization and development of documents a document management system is needed.

Documents are key elements to the success of organizations. Once we entered the 21st century and as technology develops, it is expected that documents will take new shapes and provide new opportunities for communication. Is it justifiable to ask ourselves what the future holds regarding documents? What is their impact in organizations, be they private or public?

There are many approaches to the definition of a document, each of them emphasizing the very same key aspect. Here are some of them.

Before the digital revolution, the document was nothing more than what the dictionary defines as: „an act which testifies, ascertains or predicts a fact, offers a right, recognizes an obligation; a written or printed text, an inscription or other evidence serving to the recognition of a real fact from the present or past" (DEX, second edition of 1996, Encyclopedic Universe Publishing). In short, a document was a piece of paper on which an important thing was written, that could be some information.

According to the ISO definition, a document is *"a coherent and finite ensemble of structured, legible information with a precise destination and being on a device"*. In a broad sense, the term *"document"* is defined as: *any knowledge base that is materially fixed, registered or likely to be used for consultation, study or probation*. Originally, the term *documentation* indicated the activity of gathering information with the use of documents, researching.

Sorin Ciurea, Nicolae Drăgulănescu define documents as *official acts, with specific characteristics, which record, attest, testify, confirm, predict and present facts and information*.⁵⁸

Adrienne Maria Enătescu defines the document as *information and its support medium* and the document is – *information unit that is uniquely identified to be used by man, such as a report, a specification, a manual or book* (this definition is not recommended because it restricts the scope of the term).⁵⁹ Today the modern and integrated technologies allow us to redefine the document: *"any structured data package that can be used as information"*. In other words, it can be defined as *"any recorded information or object that contains information and may be treated as a unit"*.⁶⁰ Thus, as technology develops, it is expected that documents can be almost anything: holograms, CD-ROMs, videos and provide new opportunities for communication. It is essential that the document will be defined by its author. The moment the author calls it a document, it becomes a document.

The document can be read, viewed, listened to simultaneously on portable wireless devices or office equipment. With its help, transactions can be made anywhere, without space and time limitations.

Nowadays the document helps us more than ever to create new relationships, with the ability to customize it according to the wishes of the recipient. There has also appeared the version of interactive document. It gives the author the possibility to diversify the access, content and mode of transmission of the document, depending on the recipient.

We agree with the opinion that in the future the document will support communication and collaboration leading to increased efficiency and satisfaction in our activity. Documents might also allow us to build more interconnected communication media.

In any organization a flow of documents is defined, aiming at the efficiency and quality of the activity defining act.

1. Ciurea S., Drăgulănescu N., Total quality management, Economic Publishing, 1995, ISBN: 973-9198-07-4, p. 173.

2. Enătescu A. M., Quality: Comments on terminology, Technical Publishing, Bucharest, 2000, ISBN:973-31-1514-2, p. 67.

⁶⁰ Baltac V., Document management, 2012 Edition, p. 5.

The flows must specify the methods of creation, verification or modification, approval, monitoring and publication of documents, as well as the involved counterparties.

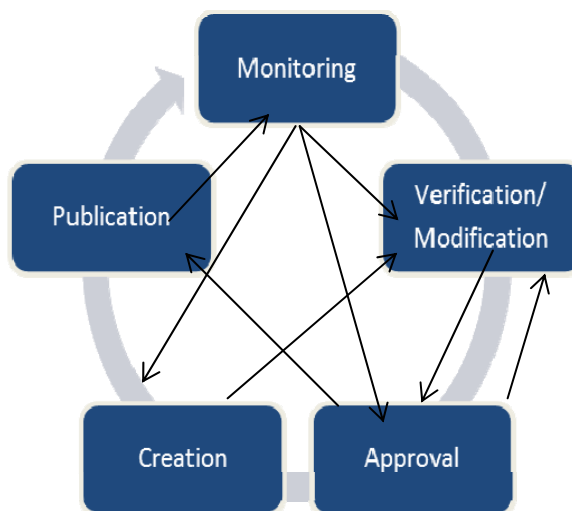


Figure 1. Document flow

Source: Elaborated by the author

In most organizations the document flow is manual and often involves some issues such as:

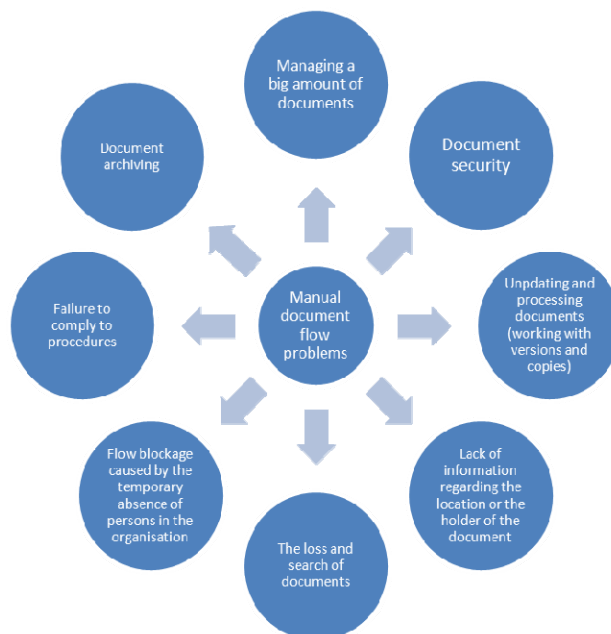


Figure 2. Document flow

Source: Elaborated by the author based [1], [6]

In the process of seeking solutions to mitigate these problems, companies are forced to examine their needs and goals, to review the type and nature of the collected information and to establish a procedure for using the documents. Thus, the concept of electronic document appears. Electronic documents are structured units of recorded information – meaning that a document has a logical structure between data elements. It involves any electronic media content (text, graphics, archives, e-mail, etc.), as long as it does not designate a computer program or file system, being designed for use in an electronic or printed version. For example, a letter contains an address, date, greeting, text divided into paragraphs, signature, etc. With

the development of computer networks, in most cases it proved to be more convenient to distribute electronic documents rather than printed.⁶¹

Electronic documents are managed as discrete units in Information Systems - a document must be different from other electronic documents, including from other versions of the same document. Until recently, a document was thought to be a single data file. Today, compound and multimedia documents are stored in multiple data files and need several applications to be presented.

Electronic documents must meet certain qualities. They must be:

- available and accessible – it must be possible to safely identify and store them and easily extract them for use;
- precise, as various versions of a document must be identified easily, to allow access to accurate information.

Documents are of great importance in the activity of the companies – especially the ones containing vital information without which the company could not function. An example of such documents is the quality control standards ISO 9000 and many others. The definition of vital (critical business) documents differs from one sector to another, but in general it can be said that a document is vital if its content is:

- Sold to customers;
- Used to create a product or service sold to customers;
- Used to respond to external factors: governmental, competitive pressures, standards certification, auditing.⁶²

All public and private sector organizations need to use a document management system in order to organize and structure the electronic documents and to track their flow within the company and at the points of entry/exit. More and more managers are becoming aware of the importance of document management.

Document Management represents an information system that enables the movement (for notifications, approvals or changes), storage and retrieval of documents stored in any electronic format, with facilities to connect to other computer systems or electronic devices (e.g. by connecting to scanning devices, paper documents can automatically enter the system).

Statistics show that for a transaction, are now required twice more documents than five years ago. Introducing a quality assurance system (a prerequisite for companies seeking to fit in with the European standards), brings an impressive volume of documents that must circulate within the company or in the relations with partners.

The characteristics of a powerful document management system are:

- rapid implementation of document flows
- flexibility at any organizational level
- high degree of security
- adaptability to any type of document
- connectable to other applications
- presents ease of use
- scalable for future developments.

A document management system allows to:

- allocate a registration number to each document
- establish where every active document is located
- track the entire life cycle of a document
- ensure that the responsible staff receives the documents
- note the time when documents are received

⁶¹ Lupu Ionuț-Marius, Diploma project, Document management application, Bucharest, 2010, p. 5-6.

⁶² <https://www.scribd.com/doc/130709169/58295509-Managementul-documentelor>, p. 15.

- appoint a person that is responsible for the notification/reply
- note the time when the reply/notification are completed.

The advantages of a document management system are that unlike manual systems, automated document management systems:

- store document related information in one place
- allow quick access to the location of the document in the organization
- inform on the notification status (resolution) of the document
- track the time needed to complete notifications (resolutions) and the ones who have exceeded this term
- display the number of incoming documents daily, weekly and monthly.⁶³

Therefore, justifying the purchase of a document management system becomes an important and integrant part of the information system of the organizations, and plays an economic and strategic role, as the effective use and management of information can bring a competitive advantage. Along the same line, we note that in his activity, the company employee does not use only these types of documents, for tasks, provision of services, for the manufacture of a product. Thus, we find it necessary to develop the concept of document.

In conclusion, after more research, we define the document as the basis of the activity, as a guideline in accomplishing a task, making a product, providing a service. According to the concept of international standards ISO 9000 that documents can have any form and be on any support medium, we define the document as all information storage and transmission media (paper, electronic, audio, video, as well as models (samples) that guide the activity of an employee (e.g. contract type, product type (model), scheme – technological, including models made of metal, plastic, wood that are the basis of the implementation of activities within an organization)). Also, the document means directing the technological process in the production lines with arrows (stone, wood, etc.). And registration - proof of accomplishing an activity which, like the document, is (can be) in any form and on any support medium.

We can also mention that document management is an area whose potential has not yet been explored to the fullest. And in the times we live in, cost reduction and efficiency are pursued by everyone regardless of the operating environment they are involved in, businesses or public institutions. A document management system can provide a more efficient use of financial resources, time and space, but also increase the quality of customer service. Without great training efforts and with explainable costs, the implementation in the organization of a Document Management System can bring an impressive increase of the investment, allowing users to focus on what is truly important.

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MARKETING PUBLIC SERVICES: CONCEPTS, REFERENCES AND CONTENT

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Marketing could be a form of a social innovation for the public sector, being a new solution for the main problems faced by public system in promoting its programs, for necessity and efficiency of these programs, representing an ability of keeping the beneficiaries of these programs satisfied and the programs well-developed and implemented by the public sector.

Key words: public marketing, public services, beneficiaries, public sector.

The option of the public marketing comes from the extension of domains of its application, as well as a result of a complex process of social-economic life, having the target to satisfy rationally and efficiently the growing needs of people [3]. In this sense, the public marketing's role is getting and maintaining the customers satisfied, developed programs implemented by the public sector, thus, marketing activities offer abilities and forms of social innovation to the participants. Also, by means of marketing techniques, it is possible to find solutions for real problems of the public sector, to maintain the beneficiaries (citizens), to provide information and to implement the programs started by the public sector.

One of the basic sources defines the marketing in public administration as an ensemble of marketing processes and relations, that are well-determined and existing within the components of the administrative system, which, in conditions of political power, allow to implement the laws and/or to plan, to organize, to coordinate, to manage and to control the activities that are a part of services that satisfy the public interest [4, p. 415].

This definition help to identify the objectives and the content of the activity, which accentuates that marketing in public administration imposes a new line of behaviour on public functionaries, that at the same time means receptivity to the citizens' needs, good capacity to adapt to the evolution of the needs and demands of the society, innovative spirit, transparency, willingness to reduce the bureaucracy level, flexibility of the public institutions mechanism, a common vision of the on-going activities and the highest efficiency, reached as a result of an effective orientation towards the real needs of the customers.

That means the fact that every single functionary should use marketing in any relation or contact – it's recommended that they should be well informed, polite, willing and motivated to meet people's needs, and the direct scope of the public administration will be "to serve" (etymologically, the word "administration" derives from the Latin "*administrare*", that has the meaning "for serving") [3].

Thus, there appears the necessary to examine the mentioned problems, from the customer's point of view, which, according to the opinion of many authors, could be solved by means of marketing. Thus, marketing could become a form of a social innovation for the public sector, being new solution for the problems frequently faced by the public system in programs implementation, and of necessity and effectiveness of these programs. In public sector **marketing represents the ability to get and keep the customers satisfied by the programs developed and implemented by the public sector** [2].

Marketing in public administration is a system research process that, finally, leads to a preliminary study of the market, and for any public administration organization, market analysis allows identifying all the factors related to the customers' demands and preferences, to the ways these could be satisfied, to the factors that speed up or slow down the public administration process [3].

Though, there still feels a lack of marketing concepts in public sector, the literature of specialty provides opinions against the idea of applying marketing in public services, such as:

- introducing to this market does not make sense; domination, intervention in private life of the potential customers and violation of intimacy;

- shows public institutions in a bad light, by revealing its willingness to attract more customers – sometimes it means incapacity to provide services of high quality;
- promotes immorality – an obstacle for the innovation process [6, p.205].

But, the opposite opinions affirm that the development of marketing in this sector is justified as long as it provides a range of tools that could be used for improvement of efficiency and reaction capacity of the public service [7].

Marketing activities in public sector are aimed to draw the difference between the public sector and other service sectors, including: market monopolies, less personalized relations between customers and public services providers, lack of customers segmentation and lack of information on their needs, as well as non-profit organizations with limited resources and, apparently, free benefits, character and content of a specific consumption [1, p.62]. Thus, we can identify some of the marketing concepts that can be applied in the public sector and that are important in achieving the objectives that are focused on customer: public administration is at citizen's service, flexibility – that means a prompt adaptation of the public administration to the constant social changes, public authorities will keep informing themselves with the actual social needs and will foresee those that may appear in the future [3].

Definition of the marketing policies is based on the idea that the public institutions are well aware about marketing's utility and use the concepts mentioned above in their day-to-day activity. But still this is not enough, because in public services context the elements of marketing mix are modified, the impact of the standard characteristics of the services is preserved and the customer's intervention in service providing is noted.

Thus, for making public service to correspond all the needs and demands of the customers, the public institutions have to take the following marketing steps in the product policy domain:

1. study of the customers and of their needs/expectations (opinion polls, marketing research;
2. identification of the image and quality of the public service provided by each institution (developing of inner and marketing communication);
3. development and implementation by the public institutions of procedures that will reduce diversity and will help to increase the quality (development and implementation of "customers relations" service);
4. implementation of European standards an experience adoption in domain of quality marketing, personnel policy, administrative and public marketing;
5. development and extension of human resources policy, development, motivation, evaluation and stimulation, maintaining and raising the fidelity of public sector employees, from the one hand, and setting clear tasks and responsibilities, adapting and training according to the the specific of the post, consolidation of results and of the activity efficiency, allocation of responsibilities of the employees in busy periods or when the number of contacts is too big (inner marketing development);
6. extension of the range of auxiliary or extra services, oriented at the customers, as well as at the employees, contribution obtained via ambiance and physical evidence policy, innovation and information technologies implementation;

For developing the cost policy for public services via marketing optics, the public institutions should take the following measures:

1. to take a rigid control over the nomenclatures of price fixing at the public services from all public sectors;
2. the price level should correspond and be acceptable for all categories of customers;
3. to ensure that the needs of public services are satisfied under conditions of equality and equity;
4. to coordinate the existing price level with the value of the final service provided to the customer;
5. to promote and inform the public/society about the advantages of obligatory contributions and payments in assuring a high quality level of public service, reflected in cost;

For distribution policy development in the public sector through marketing activities it is necessary to implement the following measures:

1. to extend the area of public services distribution (subdivisions, branches, departments, service);
2. to implement systems of reservation, programming and access online or by telephone;
3. to reduce the level of personnel's and customer's involvement and customer in the process of public services delivery;
4. to demonopolise the system of services providing and forwarding the activities to other institutions;
5. to develop the distribution network of public services focused on the criteria of time, cost, accessibility;
6. to facilitate the distribution process by providing a qualitative information support;
7. renovation and innovation of public services;

Promotion and communication in the public sector, even in the most conservative public and religious institutions, have embraced social media, but the ways of promotion of programs and services, as well as communication with citizens can be executed through many channels, informal or formal, interactive or static, via unidirectional, bidirectional or multidirectional channels. Thus, the choice of communication channel is made in major cases by the public institution and it takes into consideration the nature of the message communicated as a response to an individual request or a news of a national level.

Marketing is useful for the public sector, both in providing a base of consumers and for positioning itself with a new vision. Its advantages can be identified when it comes to domestic customers, partners, pricing policy and relations with customers in other markets. It is necessary to mention the importance of this practice, both on external and internal levels, as well as in the categories of public activities, such as in the business sector; organizations providing free services for customers (schools, police, fire); money transfer bodies (social security, tax administration, customs); control organizations (penitentiary, judicial and regulatory institutions) [5, p. 106].

Marketing, also, could advantage the public sector, as well as the public-private partnership, from the point of view of risks, as well as for obtaining transparency and responsibility in domains where departments need market orientation.

As we have mentioned above, some authors are against applying marketing in the public sector, but the social economic reality at national and international levels, reflects many problems existing in the field of public services, the fact that raises awareness of the necessity of marketing application.

Thus, the following arguments could be decisive: marketing is a more precise and simple way to approach the problems of citizens (customers); to identify gaps or "critical moments" in the way the services are provided; to assure a high quality level and additional benefits that will help to improve the quality; an effective communication with public institutions contributes to the improvement of image; it allows to satisfy the needs of society by individualizing the approach, by means of a trained staff; to diversify the access to public services via technological innovation;

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BACKGROUNDS AND KEY TRENDS OF ENVIRONMENTAL MANAGEMENT IN THE REPUBLIC OF MOLDOVA

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The current state of the environment requires an immediate intervention of people in order to preserve the remaining and refill the excising natural resources. For this purpose, science management is highlighting a current trend - eco management, which should be a comprehensive approach to solving problems related to environmental protection and sustainable development of the planet in the future.

Key words: ecology, environment, eco management, sustainable development, natural resources, efficient use.

The threat of an ecological disaster that concerns the entire international community, has led to the appearance of a new direction in science management – eco management.

The **main purpose of environmental management** is the effective management of economic activities, along with the protection of the environment. Consequently, the technology used in the industry should focus on the criteria of efficiency and profitability, as well as sustainability. In addition, every human activity, not only within a single enterprise, but also in the society, among citizens, should be focused on these indicators.

This approach involves the “cultivation” among the population of a mind-set, based on rather long-term than short-term goals of profitability and returns. Thus, the company goals related to the concern for the environment will interfere with environmental goals at macro level.

These principles are incorporated in the Sustainable Development Program of the Republic of Moldova for a long time period. The program for sustainable development was initiated at the International Forum in Rio de Janeiro in June 1992 (United Nations Conference for “Environment and Development”), where they laid down the basic principles of environmental management and relationship between “Man-Nature” in terms of long-term development. Along with 140 participating countries from around the world, the Republic of Moldova undertook to include in its long-term strategy for development, activities focused on the preservation of the environment, by signing the Declaration of the United Nations “For Environment and Development”). Environmental issues at international level were further discussed at various international forums: Lucerne, 1993, Frankfurt, 1989, Helsinki, 1994, Sofia, 1995, Aarhus, 1998, Johannesburg, 2002.

The implementation of the Sustainable Development Strategy principles involves the elaboration of certain measures such as:

- a radical reconsideration of the relationship between human activity and its relationship to the environment,
- the construction of a new model of “Environment and Development”
- the development of scientific - practical solutions for the creation of eco-zones and reduction of the impact of anthropogenic factors, along with the development of the industry,
- the systematic use of legal, economic, social, organizational, decision-making tools in the implementation of the Sustainable Development Strategy,

- the development and implementation of advanced technologies that will improve the efficiency of socioeconomic and environmental security across the Republic of Moldova.

Citing the Government Resolution no. 301 of 24.04.2014 on the approval of environmental protection strategy from 2014 to 2023 and the Action Plan for its implementation, we will define the notion of “green economic development” that “marks the transition from a development model, in which environmental protection is seen as an economic burden, to a model that uses environmental protection as the main driving force of economic growth.” [1]

In Appendix 1 we can also find guidelines on this Resolution for the development of various fields of activity, including agriculture, where the proportion of “ecological organic agriculture,” should increase from 5% in 2015 to 10% in 2020.

Among the variety of activities offered by the Action Plan for the specified time-period, the interest for the current study represents a list of measures, comprising the development of agricultural technical equipment and infrastructure, “friendly” to the environment, including the mechanisms for the repeated tests on water quality, soil quality, the use of extensive farming, the development of mechanisms to handle agricultural waste, the development and implementation of measures to adapt to climate changes, water conservation and reduction of water loss. [1]

All these measures are designed for a comprehensive approach to solving problems, particularly the stringent ones that both state bodies and businesses are facing today.

The table below shows the state of water quality and earth resources, as well as air quality in the Republic of Moldova according to the sanitary-chemical indicators presented dynamically for the period of 2005-2014:

Table 1.

Samples for sanitary-chemical indicators. The centralized and decentralized water supply sources*

Indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Centralized water supply sources										
The number of research samples	1594	1709	1519	1655	1465	1571	1704	1701	1908	2070
Number of samples with deviations from the sanitary norms	829	975	920	952	991	1 023	1219	1166	1283	433
The percentage of samples with deviations from the sanitary norms	52	57	61	58	68	65	72	69	67	21
Decentralized water supply sources										
The number of researched samples	7885	8244	8160	8319	5157	6000	5382	5633	5507	6138
Number of samples with deviations from the sanitary norms	6323	7111	6702	7053	4165	5054	4467	4652	4388	4635
The percentage of samples with deviations from the sanitary norms	84	86	82	85	81	84	83	83	80	76

* Information missing data from the regions of Transnistria and the municipality of Bender.

Source: <http://statbank.statistica.md>

The table shows a large percentage of deviations from the targeted indicators, especially for decentralized water supply sources, which for the last 10 years of research have remained at the level of

80-86%, the percentage of deviations for centralized sources is also high and the average hovers around 52-70%, which is also a negative aspect. 2014 saw a decrease in the percentage of deviations, both for centralized and decentralized sources, which can be viewed as a positive thing, although it is too early to talk about a favourable dynamics, given the negative trends of the previous long-term period.

An important indicator of quality is the evaluation of land following the sanitary norms.

Table 2.

Tested samples of land resources on sanitary-chemical indicators*

Indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of tested samples	756	734	562	549	591	567	682	759	783	818
Number of samples with deviations from the sanitary norms	85	51	14	35	42	29	35	42	34	12
The percentage of samples with deviations from the sanitary norms	11	7	2	6	7	5	5	6	4	2

* Information missing data from the regions of Transnistria and the municipality of Bender.

Source: <http://statbank.statistica.md>

The evaluation of land resources reveals a more positive trend. Firstly, the percentage of deviations is not as high large as in the case of water supplies. Secondly, it was mainly decreasing over the researched period, and as table 2 shows 2014 witnessed 2% deviations from the sanitary norms.

The following table describes the quality of air resources in the Republic of Moldova in terms of deviations from the existing sanitary norms.

Table 3.

Tested air samples on sanitary-chemical indicators

Indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of tested samples	11 966	8 275	8 262	8 966	8 682	7 025	9 102	9 031	6 528	7 898
Number of samples with deviations from the sanitary norms	1 455	941	1 560	1 061	1 207	1 129	825	1 157	673	846
The percentage of samples with deviations from the sanitary norms	12	11	19	12	14	16	9	13	10	11

* Information missing data from the regions of Transnistria and the municipality of Bender.

Source: <http://statbank.statistica.md>

The data in Table 3 also illustrate a relatively stable percentage of deviations from the sanitary norms: it varies from 9-19%, which also adversely affects the level of the ecological situation in the Republic of Moldova. In 2009 this figure was the lowest ever during an analysed period and stood at 9% but in 2007 – was the highest and amounted to a 19% deviation from the present parameters.

Below we offer statistics regarding emissions from the operating companies which have a negative impact on the environment.

Table 4.

The release of pollutants from the stationary sources of economic agents for 2001-2014, thousand tones

Indicator	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Release of pollutants, totally	14,5	17	16	17,5	20,3	19,6	16,8	16,7	15,7	15,5	15	14,8	15,6	15
Solid substances	3,3	3,9	4,2	4,4	5,2	5,3	4,6	4,6	4,3	4,2	3,5	3,5	3,4	3,1

Liquid and gas substances	11,2	13,1	11,8	13,1	15,1	14,3	12,2	12,1	11,4	11,3	11,5	11,3	12,2	11,9
Sulphur dioxide	2,5	2,3	2,5	2,2	2,4	1,9	1,7	1,5	1,6	1,1	1,3	1,1	0,9	0,7
Nitrogen oxide	3	3	2,5	2,5	2,9	2,9	2	2	1,8	1,8	1,6	1,6	1,7	1,9
Carbon monoxide	3,9	5,7	4,5	5,1	6,1	6,1	5,4	4,7	3,9	4,4	4,5	4,3	4,5	4,5

The indicators of table 4 vividly show the companies' harmful impact on the environment. All these ozone-depleting substances are hazardous for the vital life functions. At the same time, their release into the environment has remained practically unchanged over the past 14 years.

The data from all four tables show a high risk of environmental pollution and, as a result, the need to promote environmental protection programs and long-term development strategies, both at micro-level and state level. Environmental management is to find solutions to these problems.

Researchers have determined the following basic principles of eco management [5]:

- **The ecological must** – designating, prioritizing goals and targets. In our opinion, the essence of this principle implies the orientation of entrepreneurs to the compliance with socially responsible standards, which are part of the ecological principles, along with making a profit. The objectives of sustainable coexistence should be the top priority objectives of the enterprise.

- **Ecological and economic balance** – allows for the development of production in a certain region taking into account its natural characteristics. This principle defines the development of the business activity on the basis of the characteristics of the environment the enterprise operates in. This kind of development will be focused on maintaining a balance between nature and human activity.

The main levers of influence of environmental management are [3, 4, 5]:

- ✓ *Examination and evaluation of the impact of the enterprise on the environment.* Assumes overall assessment of the organization in terms of existing standards in the field of ecology, the review of the necessary contracts and documents in this field.

- ✓ *Audit.* In most cases, it involves auditing the quality and compliance of the company activity to eco-standards. First, it determines to what extent the rules and principles of business activity meet the established standards.

- ✓ *Certification.* After deciding on the compliance of all business activities to the norms, they are certified depending on the selected system. Subsequently, the certified processes must comply with the planned parameters, and therefore have an advantage over the non-certified ones. If a comprehensive certification is carried out, for example, in accordance with the ISO 14000 quality system in addition to technological processes it comprises products, raw materials for the "input" process, company wastes as well as secondary and support activities of the company.

- ✓ *Labelling products and technological processes.* It is designed to distinguish eco-friendly products from the others and thus give them a higher "status".

Just as any other form of management, eco management supposes the implementation of the basic management functions. Therefore, along the planning function related to wildlife protection, organization and distribution of processes that could contribute to the reduction of the negative impact of business activities on the environment, control over the observance of the norms and principles of eco management, it is necessary to fully implement the motivation function.

This function must, firstly, be implemented at national level and take the form of incentives through tax exemptions for companies that apply the principles of eco management, financing activities in the field of

environmental protection, the provision of grants and subsidies, preferential crediting to enterprises engaged in such activities.

Currently, the companies which are implementing the principles of eco management can be divided into four groups, according to research by UNCTAD (United Nations Conference on Trade and Development - United Nations General Assembly), depending on corporate practices. The authors have conducted research on the largest multinational companies and have found that they can stick to one of the four models of eco management.

Table 5.

Stages of development of eco management within multinational companies, according to UNCTAD studies [3, p.66]

Type of management	Corporate practices	Incentives of regulatory authorities
1. Management focused on compliance with environmental legislation (the reactive corporation)	The use of procedures to reduce the negative impact, -environmental monitoring, -reports on compliance with environmental legislation, - environmental education of personnel, - emergency response	Development of environmental legislation and the monitoring of its implementation, -attraction of business in the development of environmental legislation, - dissemination of information on environmental regulation, - strict administration
2. Warning environmental management (the lean and precautionary corporation)	Internal environmental audits, - pollution prevention, - reduction of waste, - energy saving, - “green” issues	Increase the liability for environmental pollution, - requirements on disposal of waste, - encouraging energy savings, -environmental taxes
3. Strategically environmental management (the opportunity-seeking corporation)	Dialogue with the public on environmental issues, -external environmental audit, -full disclosure of environmental information, -integration of environmental management and planning, -environmental tracking of products throughout their life cycle, - R & D in the environmental field, - setting environmental goals for the future	Eco-labelling programs, -support of environmental programs for consumers and investors, - market mechanisms for environmental regulation, - rewarding voluntary work in the environmental field, -tax exemptions for companies conducting R & D in the environmental field
4. Management focused on sustainable development (the responsive corporation)	Special programs for developing countries, -policy of “ethical sales” -strategy in the field of climate changes, - afforestation programs, -a single environmental policy on global scale, -international environmental audit	International exchange of information in the environmental field, -integrated purposes in the field of “sustainable development”, - international harmonization of environmental standards and / or norms -international environmental taxes

Source: [3, p.66]

Table 5 shows that the fourth stage gives the most comprehensive presentation of eco management covering all the objectives, norms and standards at international level.

It should be noted that the actions aimed at the compliance with the principles of eco management bring the enterprise not only costs associated with various activities and updating of processes and equipment, but also offer the enterprise long-term orientation and competitiveness. Thus, the organization acting mainly within eco principles will position itself much higher and will correspond to the requirements

of the modern world, following both the legislative norms and standards of social responsibility, and will eventually become a customer-oriented company.

Conclusion: Eco management is a current trend of management science which cares for the harmonious development of economic principles, along with the concern for the environment. Companies will win from the skilful application of environmental management principles becoming more competitive, following the principles of social responsibility and producing environmentally friendly goods. Therefore, enterprises which follow all these principles will create favourable conditions for the further existence of society and population in the long run.

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SECTION 2.2:

DISCIPLINES:

- **521.01. ECONOMIC THEORY AND POLITICAL ECONOMY**
- **521.02. GLOBAL ECONOMY; INTERNATIONAL ECONOMIC RELATIONS**

REGIONAL FACTORS OF GLOBAL ECONOMIC DEVELOPMENT

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This research looks at the Regional factors of global economic development. The goal is to show that to identify the main causes of changes in the world economy for centuries. Observed changes in regional commerce in the whole world and understand what the reason for such indicators was.

Key words: world economy, regional factors, merchandise trade, export, import, developed countries, developing countries.

Introduction

Topicality: Nowadays most of the analysis of economic analysts covering the improvement in the quality of life around the world. The world economy is a generalization for all economic transactions taking place every day. It is important to understand the factors contributing to the development and growth of the world economy.

Research problem: Factors contributing to the development and growth of the world economy is the main problem of the study. Also, the article examines the latest data on regional import and export. Merchandise trade volume and real GDP, are a problem that are discussed in scientific work.

Regional factors of global economic development

The world economy is a system composed of basic components - national economies, economic organizations, transnational companies and inter-derived elements, connection - the world division of labour, the global market and international economic relations.

The global economy is all the national economies of the world that are involved in inter-state economic relations, based on the international division of labour.

The world economy represents an economic category, which reflects the historical reality of the evolution of the global problems of human society at the national and at the global level. It is a science that gives a clear description of the commercial, financial, technological and other interdependencies that arise and evolve in the world system with different mechanisms and international institutional and functional structures.

“The global economy is poised for economic growth comparable to recent years’ performance, but with a somewhat different texture. European countries will do a bit better, Asian countries just a hair worse, and natural resource-based economies much worse.”⁶⁴

“The world will probably grow a little slower than the IMF forecast, due primarily to China and its neighbours. However, 2016’s growth rate won’t be much different than we’ve seen in recent years. The texture, however, will be different, with more gains in Europe and less in China and the commodity-dependent countries.”⁶⁵

Regional factors of global economic development represent the desire to form a large single market allowing the free movement of capital, goods, services and people; promoting economic (market and the single currency) and social progress. Overcoming poverty is the great challenge of the XXI century,

⁶⁴ [Bill Conerly](http://www.forbes.com/sites/billconerly/2015/11/24/global-economic-forecast-2016-2017/#6f4a6dda43f4), Global Economic Forecast 2016-2017, NOV 24, 2015 @ 09:30 AM , <http://www.forbes.com/sites/billconerly/2015/11/24/global-economic-forecast-2016-2017/#6f4a6dda43f4>

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deepening of the international division of labour, development of international economic and political relations, but also techno-scientific revolution represents one of important factor witch influence to world economy development.

Long-distance exchange is one of the factors that influenced the development of the world economy. The first manifestation of trade appears in the antiquity. The Phoenicians were the first sellers' at large distances. Their cities (Tyre, Sidon, Carthage) remained in history because it played an important role in Mediterranean trade. The Phoenicians founded many fairs in Cyprus, Malta, Sicily, Sardinia, on the Iberian Peninsula, which sell primary products (cereals, made of fine wood) and industrial products (bronze, jewellery, fabrics, spices and salted fish, etc.).

Another ancient city – Palmira, located in Asia Minor, has long played the role of breaching commercial road that connected Babylon tour. In Asia, Ceylon, the island has become a huge wholesale market, where fixed dates, merchants gathered from different parts of the continent, where they were waiting for a large fleet that Romanians were sent to buy silk, spices, precious stones in general luxuries.

In our days all trade in goods and services that occur between different countries and regions is forming the international trade.

Table 1.

Merchandise trade volume and real GDP, 2012-2017, (Annual % change)

	2012	2013	2014	2015	2016P	2017P
Volume of world merchandise trade	2.2	2.4	2.8	2.8	2.8	3.6
Exports						
Developed economies	1,1	1,7	2,4	2,6	2,9	3,8
Developing and emerging economies	3.8	3,8	3,1	3,3	2,8	3,3
North America	4,5	2,8	4,1	0,8	3,1	4,0
South and Central America	0,9	1,2	-1,8	1,3	1,9	1,9
Europe	0,8	1,7	2,0	3,7	3,1	4,1
Asia	2,7	5,0	4,8	3,1	3,4	4,0
Others regions^b	3,9	0,7	0,0	3,9	0,4	0,4
Imports						
Developed economies	-0,1	-0,2	3,5	4,5	3,3	4,1
Developing and emerging economies	4,9	5,0	2,1	0,2	1,8	3,1
North America	3,2	1,2	4,7	6,5	4,1	5,3
South and Central America	0,7	3,6	-2,2	-5,8	-4,5	5,1
Europe	-1,8	-0,3	3,2	4,3	3,2	3,7
Asia	3,7	4,8	3,3	1,8	3,2	3,3
Others regions^b	9,9	3,7	-0,5	-3,7	-1,0	1,0
Real GDP at market exchange rates (2005)	2,2	2,2	2,5	2,4	2,4	2,7
Developed economies	1,1	1,0	1,7	1,9	1,8	2,0
Developing and emerging economies	4,7	4,5	4,2	3,4	3,5	4,2

North America	2,3	1,5	2,4	2,3	2,3	2,5
South and Central America	2,8	3,3	1,0	-1,0	-1,7	1,1
Europe	-0,2	0,4	1,5	1,9	1,8	2,0
Asia	4,4	4,4	4,0	4,0	4,0	3,9
Others regions^b	3,8	2,6	2,5	0,9	1,7	2,9

a Figures for 2016 and 2017 are projections.

b Others regions comprise Africa, Commonwealth of Independent States and Middle East.

Sources: WTO Secretariat for Trade, consensus estimates for GDP.

Focusing on the WTO forecasts, the volume of world merchandise trade will grow by 2.8% in 2016, and in 2017 by 3.6%, based on the consensus forecast of real GDP at market exchange rates on economic forecasts. According to reports, the world's GDP in 2016 is expected to grow by 2.4% and in 2017 by 2.7%, with a slight slowdown in growth in developed countries in 2016, and thus modestly in developing (Table 1).

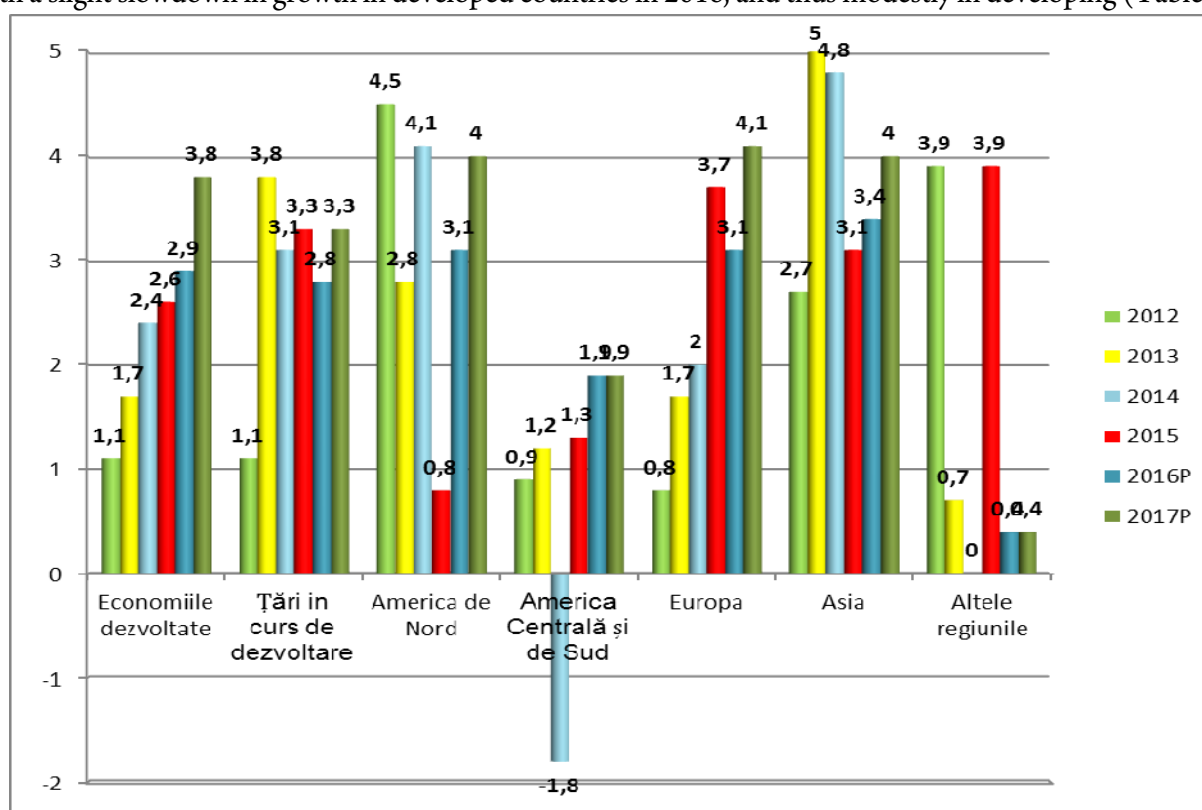


Figure 1. Volume of foreign trade, export of goods, 2012-2017, (Annual % change)

Source: prepared by the author using data from https://www.wto.org/english/news_e/pres16_e/pr768_e.htm

Exports of developed and developing countries should grow at about the same pace in 2016, in the developed countries by 2.9%, and in developing countries by 2.8%. It is predicted that Asia will register the fastest growth in exports by 3.4% this year, and then followed in North America and Europe, each region by 3.1%. South and Central America and in other regions will keep unchanged at 1.9% and 0.4%, respectively.

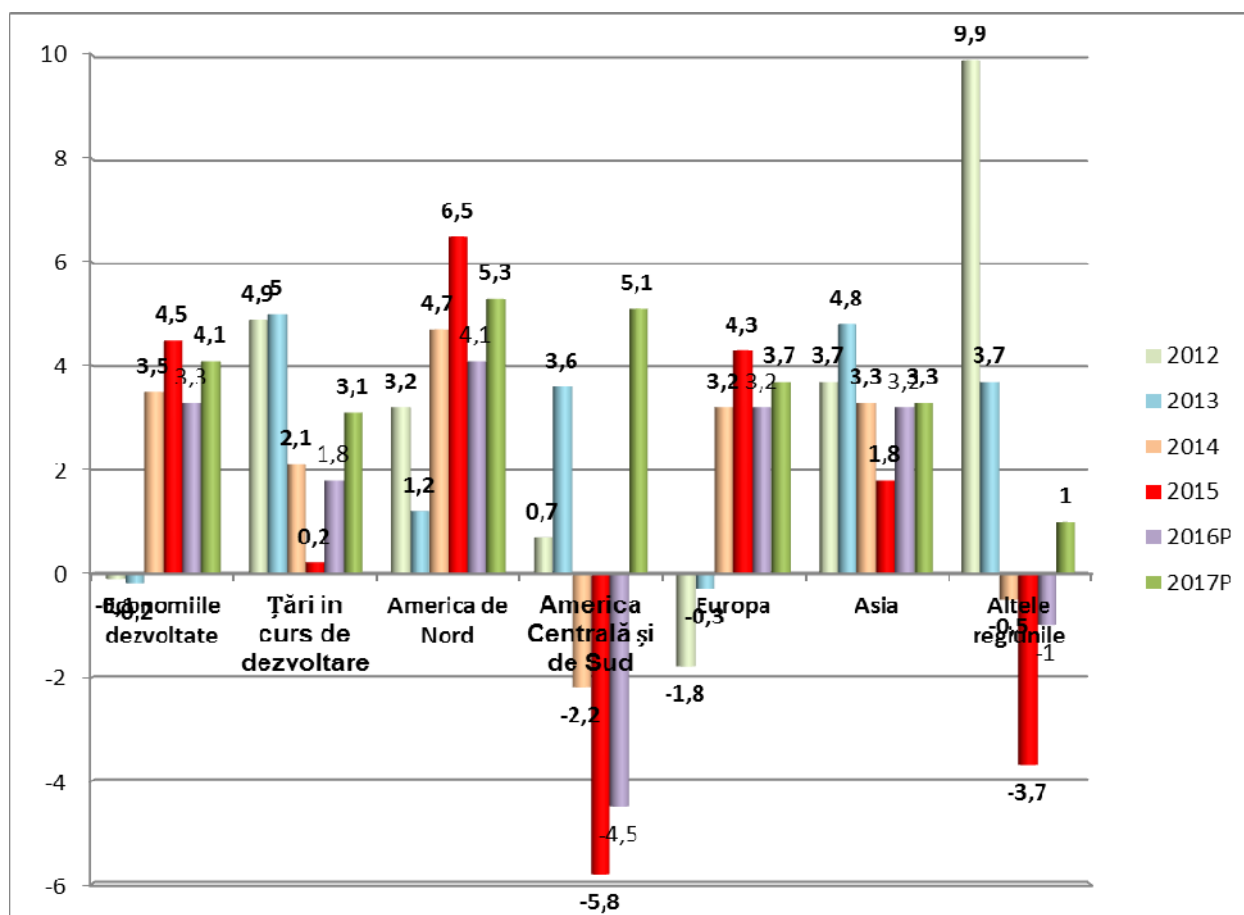


Figure 2. Volume of foreign trade, import of goods, 2012-2017, (Annual% Change)

Source: prepared by the author using data from https://www.wto.org/english/news_e/pres16_e/pr768_e.htm

In turn, imports of developed countries will increase in comparison with imports of developing countries in 2016, with growth of 3.3% in developed countries and in developing countries by 1.8%. Imports of North America should grow by 4.1% this year, with regard to the Asian and European imports have growths of 3.2%. With regard to imports of South and Central America and in other regions, import figures are reduced this year as the price of oil and other commodity prices remain low.

Conclusion

The world economy will not get the end point of a long process of development of economic activities, from a lower level to a higher one. Development will continue with various changes. The global market will grow rapidly, because the aim of every economy to become a leader in the global level. There are main causes and factors of development of the world economy, which will always be the core of the entire world system. No matter in what situation is the economy of a country or the whole world, the factors remain the same.

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STRUCTURAL AND DYNAMIC ANALYSIS OF EXPORTS OF THE REPUBLIC OF MOLDOVA IN 2015

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Increasing of competitiveness of the national products and depreciation of national currency determined in 2015 more favourable performance of exports and diminishing trade deficit. The main destination for Moldavian exports remains EU with a share of 62% of total exports in 2015 and Romania consolidated its position as the most important country-destination. The exports towards the CIS countries decreased due to the restrictions of the Russian Federation and the conflict in Ukraine. EU is important market for electronics and clothing. Share of exported fruits and vegetables to EU is also increasing while importance of the Russian market is diminishing.

Key words: Trade performance, GDP, analysis of exports, export destination, exports by group of countries, European Union, CIS countries, net export, currency depreciation, competitiveness, trade policy

I. Introduction

The economy of any country, regardless of its size and level of development, has connections with the outside world through the mechanism of foreign trade in goods and services. Exports and imports have a great impact on domestic prices, exchange rate, the volume of total demand and GDP, so the overall economic situation. International trades have been a very important to the Republic of Moldova and trade results are reflected upon overall macroeconomic performance of the country. Political instability, depreciation of the national currency, trade policy of partner countries and implementation of DCFTA commitments had an impact on the country's trade performance in 2015.

The objective represents analysis of exports of the Republic of Moldova in dynamics, presenting the structure of exports by group of products and by geographical destinations. It is important to find out the changes and the factors that determined such changes in export performance. Due to the fact that trade performance depends on the trade relations, it is also necessary to evaluate trade policy effect of major countries – partners: the European Union countries and the east partners from Commonwealth of Independent States. There is presented current situation, possible changes and the recommendation of the trade policy.

This goal can be achieved by implementing the following tasks:

- Analysis of contribution of Net export to GDP of Republic of Moldova
- Comparison of exports and imports value with the previous year, to see the dynamic
- Find out the main export destination and to evaluate the dynamics
- To identify the composition of exports to certain destination
- To calculate the share of TOP-5 groups of products in total exports
- To evaluate factors that influenced the change in structure and geographical destination of exports

II. Critical analysis of the problem and personal view

Trade results are reflected upon overall macroeconomic indicators, the most representative is the degree of influence of the development of net exports on the evolution of GDP. In 2015 Net Exports represent -30.3 % of the GDP, making a negative contribution due to the trade deficit.

Nevertheless according to the data from National Bureau of Statistics Net export in 2015 contributed to 4.3% of increasing of GDP. National currency depreciation during 2015 has determined more favourable performance of exports in comparison to imports. In fact, this has discouraged imports and mitigated, to some extent, the shocks upon exporters, which resulted into an increase in net exports. Additionally, the net export dynamics was also determined by the cooling consumption dramatic drop in remittances and real wages, which led to a drop in imports.

“Net export effect”, meaning the simultaneous growth of exports and the decline of imports, was a positive factor and softened some external shocks of the economy, and the result was a small contraction of GDP growth in 2015 (by only -0.5%) in comparison with the previous year. In 2015 took place phenomena of diminishing trade deficit due to increasing of competitiveness of the national products and depreciation of national currency.

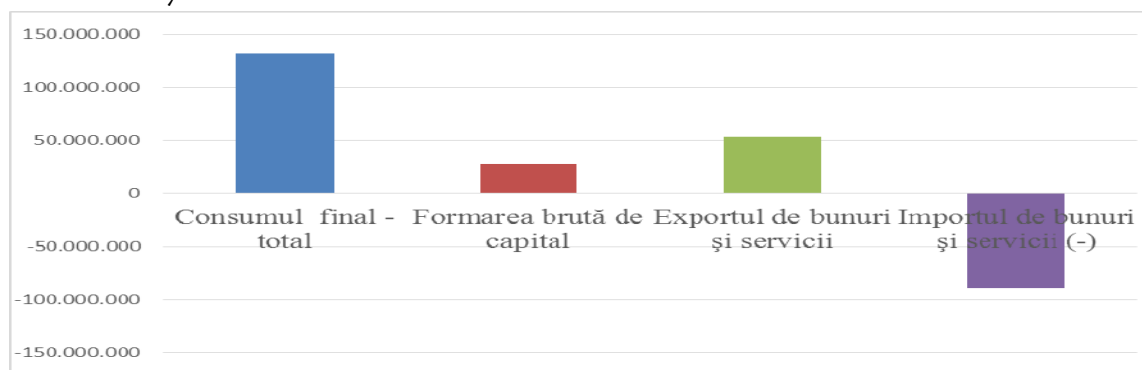


Figure 1. GDP structure of Republic of Moldova in 2015, thousand MDL

Source: own processing based on data from National Bureau of Statistics

National Bureau of Statistics announced that in 2015 exports of goods was lower than in the previous year by 15.9% and amounted to USD 1966.9 million. Imports in 2015 amounted to USD 3986.8 million, which is by 25.0% smaller that volume achieved in 2014. This dramatic reduction in both exports and imports in value terms was caused by foreign and domestic conjuncture.

Analysis of the evolution of exports by group of countries in 2015 reveals that the main destination for Moldavian exports remains European Union with a total of USD 1218 million, decreasing by 2.3% in comparison with the previous year and with a share of 61.9% of exports in total (53.3% in 2014). The CIS countries were present in Moldovan exports with a share of 25.0% in 2015 (in 2014 - 31.4%), which corresponds to a value of USD 492 million.

Table 1.

Export destinations by country groups, USD million

COUNTRY GROUPS	EXPORT IN 2014, MILLION USD	EXPORT IN 2015, MILLION USD
EUROPEAN UNION	1 245,98	1217,6
CIS COUNTRIES	735,65	492,3
OTHER COUNTRIES	327,50	257
EXPORT TOTAL	2309,12	1966,9

Source: National Bureau of Statistics

So in this context, DCFTA is based on the natural tendencies of intensifying trade relations between the EU and Moldova in recent years, because traditionally, the free trade area is established between trading partners that exhibit both the desire and capabilities to develop bilateral trade. Thus, removal of barriers to export and import with its main trading partner will contribute the further intensification of trade and economic relations between both sides.

The analysis of exports by countries in 2015 compared with 2014 reveals that in 2012, Romania consolidated its position as the most important country-destination of Moldova's exports, with its share rising from 18.6% of total exports in 2014 to 22.7% in 2015. Russian Federation is the second most important partner and detains the share of 12.2%. Its share diminished in comparison with previous year by 5%. Italy has 10% in total exports of Republic of Moldova. United Kingdom and Belarus have almost the same share.

Table 2.

TOP-5 export destinations of the Republic of Moldova, USD million and share in %

TOP-5 export destinations	2015		Share, %	
	thousand USD	+/- compared with previous year, %	2014	2015
ROMANIA	446,4	102,8%	18,6%	22,7%
Russian Federation	240,7	56,8%	18,1%	12,2%
Italy	197	81,0%	10,4%	10,0%
Belarus	131,6	97,7%	5,8%	6,7%
United Kingdom	138,2	127,7%	4,6%	7,0%

Source: own processing based on data from National Bureau of Statistics

The most significant reductions towards European Union were noticed in: Italy – by 19.0%, as a consequence of reducing the exports of sunflower oil and clothing; Germany – by 14.8% less, as a consequence of reducing the exports of juice, chairs and clothing; and Bulgaria – by 25.6% less due to reducing the exports of gas meters. There is also a significant reduction of exports towards Turkey, which totalled only USD 64.4 million, or by 38.5% less, as a result of the severe reduction in sunflower seed exports.

The exports of goods towards CIS countries decreased by 33.1% in comparison with the previous year. The most important reductions towards this destination were registered to the Russian Federation – by 43.2%, due to tariff and non-tariff measures that were imposed, and also towards Ukraine – by 58.0% due to the armed conflict in the east of this country.

The exports towards the Russian Federation decreased dramatically after applying the trade restrictions. In 2015, due to the continuation of the unilateral application of the tariff measures (customs duties on more than 20 domestic products mostly exported to the Russian Federation) and non-tariff measures (embargo on wine, apples, peaches, pork, conserved vegetables and other products), the Russian Federation lost its first place in the top of the main export destinations. Most Moldovan exports towards the Russian market are actually re-exports, which involve low added value. The goods which represent the so-called “typical” re-export, and were fully exported towards the Russian Federation, using the Republic of Moldova as a track for final transactions, reached a value of USD 139 million, in 2015 this constituting about 58% of the total export towards the Russian Federation.

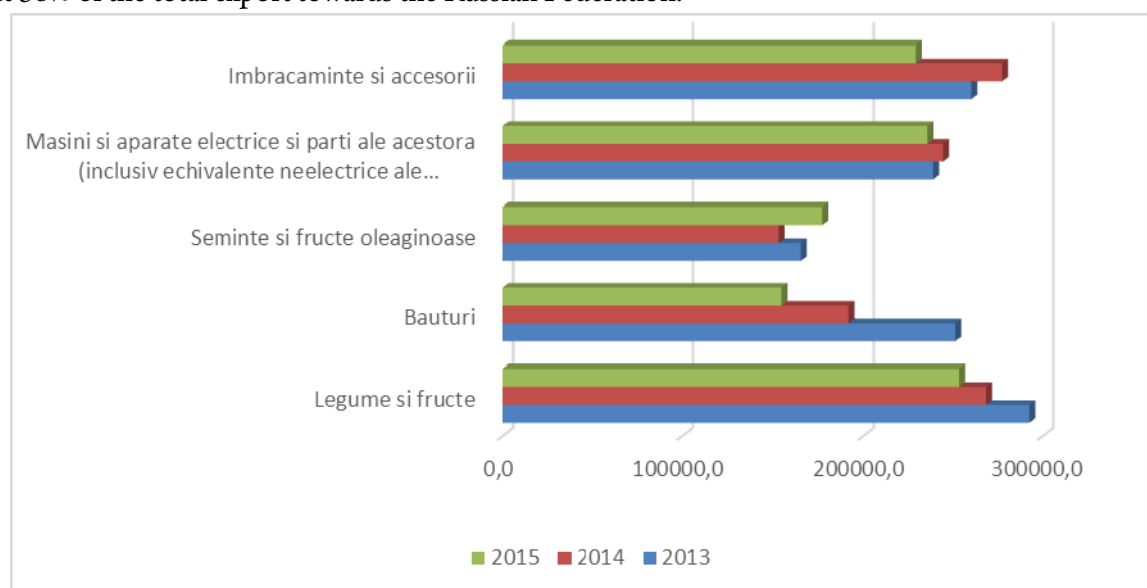


Figure 2. Evolution TOP-5 groups of exported goods of the Republic of Moldova, thousand USD.

Source: own processing based on data National Bureau of Statistics

In 2015 in comparison with 2014 have diminished the exports of cereals and cereal preparations (-35.9%), apparel and accessories (-17.4%), medicinal and pharmaceutical products (-39.2%), alcoholic and non-alcoholic beverages (-19.3%), meat and meat products (-73.5%), non-metallic mineral products (-34.4%), sugar, sugar preparations; honey (-26.6%), footwear (-29.1%) and industrial gas from natural gas (-94.4%), that influenced the decrease of total exports with 17.0%.

At the same time, they were marked increases in exports of oilseeds (+ 15.7%), rubber processing (+ 45.7%), organic chemicals (2.6 times), livestock (57.9%), plastics in primary forms (2.0 times), textile fibres and their wastes (+ 51.3%), which mitigated the reduction of total exports by 1.7%.

If we analyse the structure of exports, we can observe that top positions occupy fruit and vegetables, clothing and accessories that represent a quarter of total exports of Republic of Moldova. Overall top-5 product groups have the share of 54% of total exports.

Table 3

Share of top -5 groups of exported goods in total exports if Republic of Moldova, %

Cod	Group of products	2013	2014	2015
CSCI				
05	Vegetables and fruits	12,1%	11%	13%
11	Beverages	10,4%	8%	8%
22	Oilseeds	6,8%	7%	9%
77	Electrical machinery and apparatus and parts thereof (including non-electrical equivalent of cars and household appliances)	9,8%	10%	12%
84	Clothing and Accessories	10,7%	12%	12%
0-9	EXPORT - total	2428303,0	2339529,6	1966887,5

Source: own processing based on data National Bureau of Statistics

Despite the fact that the Republic of Moldova in recent years reached a good level of diversification of exports, some sectors remain directed mainly to the Russian market. Especially this refers to products that have fallen under trade restrictions -meat pork, canned fruits and vegetables.

Decreasing importance of the Russian market is also reflected in the structure of exports by product. Russian market is a destination for pharmaceutical products and fruits (3% and 5% of total exports correspondingly).

If we analyse the structure of the top-5 products exported, there is a preponderance of goods exported to other markets than to the Russian; so, there is decreasing importance of the Russian market. While pharmaceutical products imply major component of re-exports.

Table 4.

Share of top-5 groups of exported food in CIS in total export of RM, %

Cod	Group of products	2014	2015
CSCI			
05	Vegetables and fruits	5%	5%
06	Sugar, sugar-based products	2%	2%
11	Beverages	5%	4%
54	Medicinal and pharmaceutical products	5%	3%
74	Electrical machinery and apparatus and parts thereof (including non-electrical equivalent of cars and household appliances)	2%	1%

Source: own processing based on data National Bureau of Statistics

If we analyse structure of exports to EU, we can observe, that machine and electronics, clothing and accessories have a substantial share in total exports to EU (12% and 10% respectively), while animal and vegetable products are only 7% each. This shows that the Moldovan producers have the tendency to be on those market niches where the regulations on are less restrictive. If we compare export to CIS and EU of fruits and vegetables, we can observe, that it is almost equally distributed: CIS and EU have the share of 7% each. Nevertheless, export domestic producers face a constraint, namely, non-tariff barriers while exporting to EU countries. Most instruments refer to sanitary and phyto-sanitary measures. Noncompliance of domestic products can be solved implicitly by fulfilling commitments given by Moldova Association Agreement. It will make Moldova to harmonize gradually sanitary and phyto-sanitary legislation. Currently in Moldova are taken over seven thousand European standards, which means a 40-45% coverage of all standards that should be harmonized. With overcome these barriers, manufacturers will be able to export to the EU, and consumers will have access to goods of European quality.

Table 5.

Share of top-5 groups of exported food in EU in total export of RM, %

Cod	Group of products	2014	2015
CSCI			
05	Vegetables and fruits	6%	7%
22	Oilseeds	3%	7%
77	Electrical machinery and apparatus and parts thereof (including non-electrical equivalent of cars and household appliances)	10%	12%
82	Furniture and its parts	4%	5%
84	Clothing and Accessories	10%	10%

Source: own processing based on data National Bureau of Statistics

III. Conclusion

The foreign and domestic conjuncture caused a dramatic reduction in both exports and imports in value terms. Currency depreciation has discouraged imports and to some extent, resulted into an increase in net exports, diminishing trade deficit. Took place dramatic reduction of exports to the CIS: exports to the Russian Federation decreased after it had applied trade restrictions and Exports to Ukraine were disrupted by the armed conflict, but also by the imposed import duties.

A positive trend to mention is the reduction in level of concentration of the Moldovan exports around the 'traditional' products such as agriculture, textiles, and clothes. This positive structural shift is the result of the more dynamically growing exports of machines, equipment, electric components and other products incorporating a higher value-added compared with the traditional Moldovan products.

The industrial sector is more integrated into the trade flows with EU in comparison with the agricultural one. The most competitive Moldovan industrial products on the European market are clothing and clothing accessories, as well as electrical machinery, all being based on processing and assembling operations. Nevertheless, the volume of exported fruits and vegetable to EU has increased, and the share of these goods exported to EU is bigger that to CIS. Both factors have influence: dramatic reduction of exports to Russian Federation and increased competitiveness of these products on European market.

In order to benefit from trade with the EU under the DCFTA is important to contribute to the competitiveness of domestic products on foreign markets through the implementation of recommendations, improving quality system and implementing and ensuring a viable system in the field of standardization, metrology and conformity assessment.

CIS remains an important trade partner, due to established commercial relationships, but the evolution of trade relations is unpredictable, marked by the introduction of certain restrictive trade measures

concerning Moldova. In order to improve trade with CSI is recommended to restart the discussions with the authorities of the Russian Federation in order to reassess the restrictive measures applied to goods of Moldovan origin. As for the trade policy with Ukraine, it is recommended to retain from establishing unilaterally the customs duties on the import of some sensitive products for domestic producers (such as dairy products, meat etc.), because there is the risk that this country may apply some similar measures which will worsen even more the Moldovan products' ability of entering this market.

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THE FOURTH INDUSTRIAL REVOLUTION: OPPORTUNITIES AND RISKS FOR ECONOMICAL DEVELOPMENT

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We are living in truly historic times; we will witness and contribute the emergence of the fourth industrial revolution. A industrial revolution like no other, one that will encompass all industries, to the reshaping of production, consumption, transportation and delivery systems, as well as the way we communicate with each other, work and live our daily lives.

We are at a juncture whose outcome could engulf anyone who fails shape the fourth industrial revolution.

Key words: industrial revolution, business models, velocity, breadth and depth, systems impact, middle class, job skills.

Introduction. At the World Economic Forum in Davos 2016 the fourth industrial revolution was the main issue discussed. Professor Klaus Schwab, founder and executive chairman of the World Economic Forum had this to say: "The changes are so profound that, from the perspective of human history, there has never been a time of greater promise or potential peril. My concern, however, is that decision-makers are too often caught in traditional, linear (and non-disruptive) thinking or too absorbed by The Fourth

Industrial Revolution immediate concerns to think strategically about the forces of disruption and innovation shaping our future” [1].

Critical analysis of the problem in research. But first we have to analyse the industrial revolutions that preceded. The first industrial revolution represented the transition of manufacturing processes from hand production methods to machines. Using water and steam power to mechanize production yielded huge gains in productivity and employment, value of output and capital invested, especially in textile industry. Average income began ascending on a unprecedented and consistent level, as did the standard of living. The Industrial Revolution began in the United Kingdom and for a period of time the most important technological innovations were unique to them.

The Second Industrial Revolution (Technological Revolution) marked the beginning of a new wave of globalization and rapid industrialization thru the widespread adoption of rail and telegraph lines. Technologies such as the telegraph and railroad networks, gas and water supply, and sewage systems were no longer limited to a few cities. The Second Industrial Revolution also marked the early factory electrification and the production line.

The Third Industrial Revolution (Digital Revolution) represents the transition from mechanical and analogue electronic technology to digital electronics in order to automate production. The development and continuing enhancement of the microprocessor (described by Moore's law) enabled computer technologies to be embedded into a range of objects, most notably the smartphone.

The Fourth Industrial Revolution “is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres.”[2] It is not clear when the Fourth Industrial Revolution begins and some even argue that there is no Fourth Industrial Revolution, that what we are witnessing is the continuation of the Third Industrial Revolution.





Revolution	Year	Information	
	1	1784	Steam, water, mechanical production equipment
	2	1870	Division of labour, electricity, mass production
	3	1969	Electronics, IT, automated production
	4	?	Cyber-physical systems

Figure 1. Industrial Revolutions

Source: [2]

Professor Klaus Schwab believes that there three reasons that prove that in fact there is a Fourth Industrial Revolution has commenced:

- Velocity;
- Breadth and depth;
- Systems Impact.

In 2015 we got to witness the **velocity** of the Fourth Industrial Revolution; it was presented to us by Tesla. Starting 2014 Tesla started producing cars with ultrasonic sensors, cameras, front radar, and digitally controlled brakes all to prevent accidents or at least minimize damage. But more importantly it gathered data. From that data Tesla was able to create a software update that basically created self-driving cars, almost self-driving, it was still a giant leap toward full autonomy. The update can be transmitted to cars that had the necessary equipment, no changes to the car are needed, the update can be made over the air and it takes a couple of minutes to install. So in a couple of minutes without any physical changes to the car itself, it became a self-driving car, which was a great example of the velocity of the Fourth Industrial Revolution. The development of software took longer of course but for people driving the car that's how long it takes, and it highlights the dangers of Fourth Industrial Revolution, it is fast and we may not have a choice in the matter. Self-driving cars are in a legal grey area, but look at the way **Tesla gathered data**, not on closed roads with test cars but by using their customers to gather the data they needed, should the customers be compensated for it? For now everyone is just excited about the prospect and not the risks.

“Breadth and depth: It builds on the digital revolution and combines multiple technologies that are leading to unprecedented paradigm shifts in the economy, business, society, and individually. It is not only changing the “what” and the “how” of doing things but also “who” we are”. [1] The Fourth Industrial Revolution isn't as linear as the previous industrial revolutions, but rather evolving at an exponential rate.

“Systems Impact: It involves the transformation of entire systems, across (and within) countries, companies, industries and society as a whole.” [1] In the last six years over half of the fortune 500 companies have disappeared. **The Fourth Industrial Revolution is producing a number of victims** while also giving opportunities to new players who think differently.

Artificial intelligence is all around us and its starting to take full advantage of massive data that has been stored for years. It can predict future outcomes and help develop new drugs to cure diseases, the world will be changed forever.

Own vision on the problem and the results of research. All industrial revolutions have yielded improvements in income and quality of life, the Fourth Industrial Revolution will be no different from that point of view. Consumers have already felt those improvements in their daily lives from ordering a Uber to watching Netflix online. “In the future, technological innovation will also lead to a supply-side miracle, with long-term gains in efficiency and productivity. Transportation and communication costs will drop, logistics and global supply chains will become more effective, and the cost of trade will diminish, all of which will open new markets and drive economic growth” [2].

Economist such as Erik Brynjolfsson and Andrew McAfee are worried about a rise in level in inequality. Labour will be substituted by machines effectively destroying, or at least putting a big dent in the middle class. It is in fact the middle class that will suffer from the the Fourth Industrial Revolution, creating a job market divided into “low-skill/low-pay” and “high-skill/high-pay”. This could result in a sharp rise of already existing social tensions and feelings of injustice and inequality. But where will that “supply-side miracle” go to? Well with the number of jobs decreasing those gains will have to go welfare programs and maybe other adjustments, such as Sweden switching to a six hours working program. But Sweden is in lot of trouble even before the unprecedented influx of refugees and migrants. It is expected to become a third world country by 2030, and a monument for failed social policies, the Fourth Industrial Revolution could be its saviour. **The Fourth Industrial Revolution- killer of the middle class, saviour of welfare and socialism.**

The Fourth Industrial Revolution will change the job skills requirements for the next five years. Advanced made in:

- robotics;
- artificial intelligence;
- autonomous driving;

- machine learning;
- advanced materials;
- biotechnology;
- genomics.

All these developments will shell shock the job market, with a number of jobs disappearing and new ones that never existed before appearing. What is more important is to know what skills will be sought after in the future.

Top 10 skills

in 2020

1. Complex Problem Solving
2. Critical Thinking
3. Creativity
4. People Management
5. Coordinating with Others
6. Emotional Intelligence
7. Judgment and Decision Making
8. Service Orientation
9. Negotiation
10. Cognitive Flexibility

in 2015

1. Complex Problem Solving
2. Coordinating with Others
3. People Management
4. Critical Thinking
5. Negotiation
6. Quality Control
7. Service Orientation
8. Judgment and Decision Making
9. Active Listening
10. Creativity

Figure 2. Top job skills

Source: [3]

We notice that negotiation drops a couple of position as that will be handled, in part at least, by machines. Active listening will disappear completely, and emotional intelligence appears. The changes will depend on the industries with some like financial services and investment sector being behind others like media and entertainment, mobile internet and cloud technology. “The largest beneficiaries of innovation tend to be the providers of intellectual and physical capital—the innovators, shareholders, and investors—which explain the rising gap in wealth between those dependent on capital versus labour. Technology is therefore one of the main reasons why incomes have stagnated, or even decreased, for a majority of the population in high-income countries: the demand for highly skilled workers has increased while the demand for workers with less education and lower skills has decreased. The result is a job market with a strong demand at the high and low ends, but a hollowing out of the middle.”[2]

Which business model is best suited to take advantage of the Fourth Industrial Revolution? “Society is undergoing tremendous change right now — the sharing and collaboration practices of the Internet are extending to transportation (Uber), hotels (Airbnb), financing (Kickstarter, LendingClub) and music services (Spotify). The rise of the collaborative economy, of which the Open Source community is a part, should be a powerful message for the business community. It is the established, proprietary vendors whose business models are at risk, and not the other way around” [4].

Some of the current business models are inefficient and lead misallocation of human capital and financial capital, the methods used to measure are misleading. “Physical things do not scale quickly, easily or cost effectively. Building the U.S. interstate highway system took 35 years and an estimated USD 425 billion Facebook grew to 500 million users in a little more than six years” [4].

The researchers at Knowledge at Wharton have studied the subject extensively and have identified four business models:

“-**Asset builders** deliver value through the use of physical goods (physical capital). These companies make, market, distribute, sell and lease physical things.

-**Service providers** deliver value through skilled people (human capital). These companies hire and develop workers who provide services to customers for which they charge.

-**Technology creators** deliver value through ideas (intellectual capital). These companies develop and sell intellectual property, such as software, analytics, pharmaceuticals and biotechnology.

-**Network orchestrators** deliver value through relationships (network capital). These companies create a platform that participants use to interact or transact with the many other members of the network. They may sell products, build relationships, share advice, give reviews, collaborate and more” [4].

Business Model	Example Companies
Asset Builder	Ford, Walmart, Exxon, Boeing
Service Provider	Humana, Accenture, JP Morgan Chase
Technology Creator	Microsoft, Oracle, Medtronic, Pfizer
Network Orchestrator	eBay, Uber, Visa, Red Hat, TripAdvisor

Figure 3. Business models

Source: [4]

The researchers at Knowledge at Wharton have come to the conclusion that the companies' performances are not equal. “Network orchestrators, on average, grew revenues faster, generated higher profit margins, and used assets more efficiently than companies using the other three business models. These advantages resulted in remarkably higher enterprise values when compared with revenues” [4].

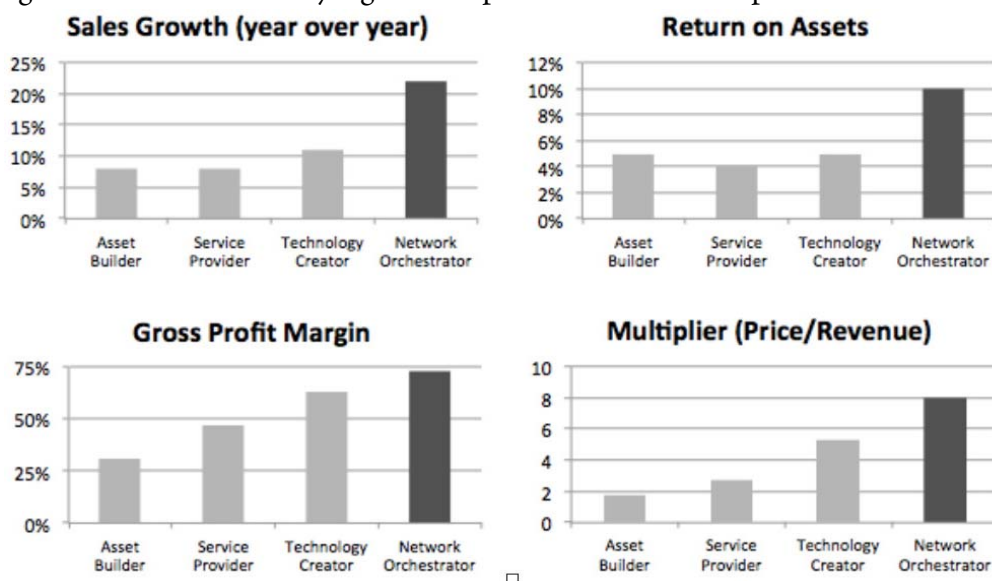


Figure 4. Business models performance

Source: [4]

The network orchestrators are in best position to take full advantage of the Fourth Industrial Revolution, a model that may contribute significantly to the economy of Republic of Moldova provided the necessary conditions are created to support it.

Thus, following the performed analysis, we can formulate the following **conclusions**:

- Next 5 years will shape the next millennium;
- The velocity of the changes will catch people by surprise;
- The fourth industrial revolution could lead to destruction of middle class;
- Inequality will rise and social could rise;
- Network orchestrators are in best position to take advantage of the fourth industrial revolution.

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INNOVATION AND ECONOMIC GROWTH

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This article aims to focus attention to the interrelation to qualitative economic growth and innovation and the need for a new concept of transition to economics targeting innovation in the developing countries, and in the Republic of Moldova in particular, under the impact of Globalization.

Key words: *qualitative economic growth, investment, innovation, national competitiveness, structural priorities, globalization*

Introduction

The problems of the quality of economic growth and innovation became the central topics of political and economic discussions in the Republic of Moldova.

The goal of EU membership is very likely to become a priority for Moldova in the not so distant future. However, currently Moldova is the poorest European state – GDP per capita is about 9.5% of the average level for the EU.

Thus, Moldova should work on integrating itself into the European economy while maintaining its current good relationship with its CIS partners. To satisfy EU entry requirements in the long-term it should sustain real growth of GDP between 6 and 10% per year. Is it real?

The answer to this question depends on whether Moldova to put their economies on the innovation basis.

Contemporary global society has been experiencing the process of radical transformation, the consequences of which is particularly difficult to foresee. One of the most crucial components effecting into this transformation over every country within the system of global economy is what we have come to know under the process of Globalization.

Innovation - as a factor of the quality of economic growth

In the conditions of globalization the movement of world economic system happens towards the innovative focused economy, to priority development of the knowledge-intensive, hi-tech productions. In recent years innovation has become more than a fashionable concept.

Why? The world practice shows that branches in which the greatest value added and which, with other things being equal, provide the maximum rate of return is created are production of new knowledge, creation of the high, innovative technologies. Innovations become the main means of increase in profit. Quite so they are also considered by large western campaigns.

The term “innovation” comes from Latin “*novatio*” that means “updating” (or “change”), and in the prefix which is transferred with Latin as “to Shumpeter as a result of the analysis of “innovative combinations”, changes in development of economic systems. the direction” if to translate literally “*Innovatio*” — “in the direction of changes”. The concept innovation has for the first time appeared in scientific researches of the 19th century. The concept “innovation” has received new life at the beginning of the 20th century in scientific works of the Austrian and American economist Y. Shumpeter this term in economy has been introduced [1] for the first time. Investments in the countries of the West not incidentally actively flow in the knowledge-intensive branches, and branches with low rate of return and ecologically harmful productions are transferred to the countries with the low level of economic development and to developing countries.

Today extent of development of the scientific and technical sphere defines borders between the rich and poor countries.

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In world practice the vast experience of realization of innovative strategy is saved up. So, for example, for, realization of the innovative strategy led in the Netherlands cluster approach has been used National economy has been broken into 10 “mega clusters”: assembly branches, chemical, power, agro-industrial complex, construction, mass media, health care, the commercial serving branches, the non-commercial

serving branches, transport.

On the basis of the analysis of “streams of knowledge” between clusters characteristic features of innovative processes have been revealed. It has turned out that three clusters (assembly, the commercial serving and chemical branches) are the main “net - export” knowledge in other clusters. The same function, but to a lesser extent, the health care and the non-commercial serving branches in which there are large establishments of the industry of knowledge carry out. Two clusters: construction and mass media - are net importers of knowledge. Three clusters (agro-industrial complex, power and transport) have the “closed” character and make knowledge generally for themselves. Such analysis has allowed receiving not only an overall picture of development of innovative processes, but also has defined the main priorities in national innovative policy

In order to survive under various pressures of the Globalization process each and every developing country, according to our view, must go with the stream remaining within the margins of global structural dynamics. And the direction of this movement is being determined by structural priorities which are based on the innovation in various branches of the economy.

The economic structure which is based on the innovation influences the real economic Growth and the level of popular welfare. Moreover, it determines the possibilities of access to international markets and the structure of the balance of payments and competitiveness of a country.

In our view, in order to change the quality of economic growth is necessary to alter the structural priorities.

Therefore, the problem of choice of these priorities under the impact of Globalization should be regarded as one of the crucial elements for every state, especially for the developing countries, such as Moldova.

Every effort to ‘catch up’ with the post-industrial world can easily be interrupted with technologic innovation in the developed countries. Hence, the general priority for the developing countries is to fit into current economic situation with maximal speed and to secure the new quality of economic growth.

For this purpose, it is necessary at least to be able to maintain the “reference” trajectory (established) of global structural dynamics.

The global structural dynamics itself has certain consistency in transition from the high share of labour-based and technologically primitive production to the capital-and-material based, and then to knowledge-based economic branches, which in our view reflects the trajectory of global structural development.

We suggest that the direction of global structural development in its turn should be regarded as a certain given (“reference”) trajectory of structural development for the national economies, determined by some priority outlines for the countries to follow, but with corrections according to national development, conditions and peculiarities.

The trajectory of global structural development within the process of Globalization characterizes the process of transition of global economic system to innovation oriented economy prioritizing the development of knowledge-based high-tech industries.

In its turn the economy based on prioritizing the development of high-tech economic industries creates the effective base for the real economic growth, for the increase in income of population, and the decrease in the level of poverty.

The movement of national economies across the global structural processes oriented towards innovation represents, to our view, the necessary condition for the enhancement of the level of national competitiveness, moreover, for the ability of the national economies to survive under the pressure of Globalization.

Global practice demonstrates that the development of new knowledge, and as the result the creation of knowledge-based innovation technologies, represents the spheres with the highest level of added value, which with other equal capacities ensure the maximal rate of profit.

Therefore, the level of development of the knowledge and technological spheres determines the borders between rich and poor economies. It is the absence of innovation priority in many developing countries, including Moldova, which causes the so called growth with no development. And it is the absence of innovation component in the structural development of these countries that increases the level of their backwardness compared to the developed economies.

The innovation economy can be characterized by following parameters:

- The share of spending on science and knowledge should approach 3% of the GDP (in Moldova only 0,42%)
- The stable high share of labour force concerned with research and development should be secured counting for 10000 engaged in the economy
- The level of wages for the engaged with research and development sectors much exceed about 1.5-2.0 times the overall level of wages in industry
- In the GDP input should prevail the intensive factors included into production process on the account of the development of innovation and new technologies
- The economy of the country should contain the companies capable of active innovation activity.

Innovation processes depend on the whole range of factors, as well as social and economic conditions. The major factor of the development in the sphere of innovation is the *intellectual capital* of the country.

That means that for each country, which is willing to improve the parameters of its economic growth and increase the level if its competitiveness within international markets the science must become a branch of priority in the economic structure.

In other words, if the government of a poor country decides to wisely invest in science that country acquires the chance to become increase its capital income, or to become rich. While the country with poor economy, which would ignore the science as a priority would more likely to step further backwards in its development.

Herein, it is important to perform the innovation process as a whole, meaning mutual interrelation of education, fundamental and applied science and the production sphere. Knowledge should not only act as an independent intellectual product, but should be reorganized into the goods, services and technology, as well as demanded both on the internal and external markets therefore should be profitable.

The question here arises whether it is realistic to orientate the structural priorities towards innovation economy in the developing countries, including Moldova?

Our answer to that is 'yes'. It is, indeed, realistic, due to the fact that as the outcomes of the research demonstrate, under the impact of Globalization simultaneous movement across several stages of the 'structural ladder' becomes possible for the developing countries: from the high share of labour-based and technologically primitive production in the GDP structure to the capital-and-material based, and then to knowledge-based economic branches (as mentioned earlier), which means from goods to the development of new knowledge, from the economy based on factors to the economy based on knowledge.

Conclusion

We suggest that the source for structural reorganization would be secured by the investment innovation and quasi-innovation types of activities. It gives Moldova an opportunity to develop a knowledge-based economy and a new competitive advantage, for example in low-cost high-skilled manufacturing for high-tech industries such as semiconductors or telecommunications. High-tech industries are needed in the economy, while entrepreneurship and the creation of high-tech business parks are encouraged by the State. This would allow Moldova to use effectively its remaining potential as one of the former Soviet centres for microelectronics its skilled and well-educated labour to develop its new competitive advantage in Europe. There is currently a good investment climate with tax concessions offered to foreign investors and small domestic businesses. There already exist several industrial (high-tech) business parks and five zones of "encouraged entrepreneurship".

Thus, ideally, Moldova could have a comparative advantage in knowledge-intensive products, like semiconductors. It could become a European base for cheap production of high-quality high-tech goods. It would then benefit from the transfer of knowledge and technology from the developed countries. Foreign investors in their turn would also benefit enjoying higher returns.

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TRADE ECONOMIC SANCTIONS AS A MECHANISM OF EXTERNAL PRESSURE ON ECONOMIC SECURITY OF THE REPUBLIC OF MOLDOVA

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One of the main characteristics of the economic security system of a country represents the degree of its exposure towards the foreign hostile influence, as well as its capacity to withstand this impact. The comprehension of this influence becomes a more actual task along with the popularity growth of economic levers used in international conflicts. This issue is especially important for the Republic of Moldova, which repeatedly has been a target for foreign economic sanctions. Also, despite the publication of multiple studies about this topic in Western Countries, as well as in South-East Asia, united in the framework of the economic sanctions theory, the item under discussion has not got the adequate attention of local researchers. Thus, in this context the goal of this thesis is to offer certain basic ideas about the economic weapons" and how they work, taking into account the sanctions theory, as well as the vulnerability assessment of the Republic of Moldova at the channel of external economic relations. In this research were used: statistical analysis methods, logical-historical argumentation, deductive and inductive conclusions, and economic models of sanctions theory.

Key words: *economic security, trade economic sanctions, foreign economic relations, sanctions theory, the model of "surplus analysis", terms of trade.*

After the end of The Second World War, the process of integration of national economies into regional ones has intensified, later forming a global economy, the phenomenon known as globalization. The growth of the volume of international exchange of capital, goods, services and technologies, in compliance with the theory models of international economic relations, that has been used as a rigorous engine of economic growth at the level of involved countries (Figure 1).

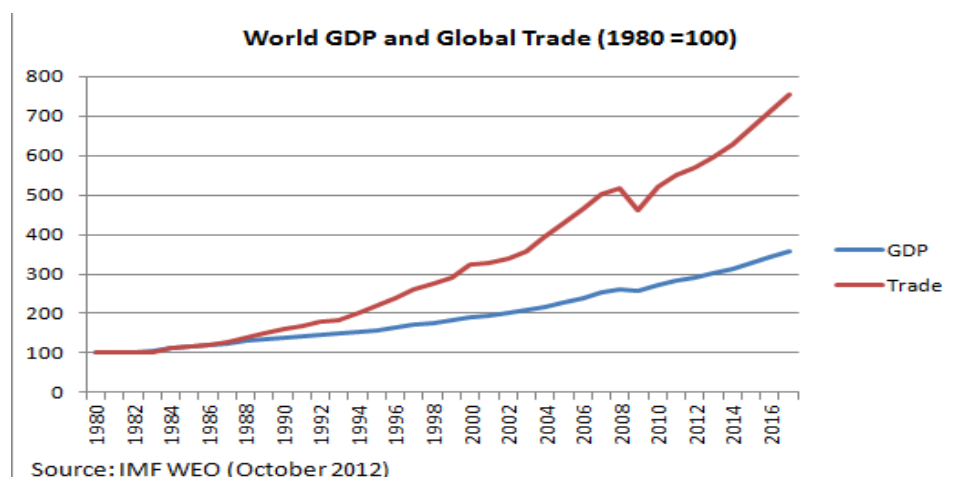


Figure 1. The correlation between World GDP and global trade

Although the process of globalization generally represents an undeniable opportunity for economic growth of its participants, therewith, the enhancing of the level of interaction and interdependence among national economies creates significant risks for these states. Along with the risks concerning opening of the national economies to the influence of negative phenomena occurring in other parts of world economy (a demonstrative example – the fast globalization of the crises on the real estate market in USA in 2007-2008), the respective phenomenon provides new means for the usage of economic dependence of the states towards the external partner states, putting pressure on their economies, as a base of national interests of a society within some international conflicts.

External pressure actions on a country's economy are called economic sanctions in specialty literature (although, not all of the actions of this kind, for various reasons, are called so). In this context, statistical data prove a stable growth of application of economic weapons in international conflicts (Table 1).

Table 1.

Initiated sanctions episodes, during 1915 - 2000

<i>Period</i>	<i>Number of cases</i>	<i>World exports</i>	<i>Period</i>	<i>Number of cases</i>	<i>World exports</i>
1910 – 1920	3	n.a.	1951 – 1960	15	215
1921 – 1930	2	55	1961 – 1970	19	480
1931 – 1940	6	n.a.	1971 – 1980	38	2700
1941 - 1950	9	115	1981 – 1990	35	5170
			1991 - 2000	47	11330

The Republic of Moldova has also suffered from the external economic pressure in the last decades. These have endangered the economic security of the country, and caused significant damage to the potential of the national economy. At the same time, the study of the sanctions theory from the domestic scientific literature hasn't got required attention until the present day.

It is necessary to examine the existing economic profile of the country as a degree of exposure towards external influences in general, in order to understand the practical importance of the capacity of the economy of the Republic of Moldova to resist the outside shocks.

The relatively small domestic market of the Republic of Moldova in the conditions of current reality, inevitably creates prerequisites for the formation of an economic model based on the export of a relatively limited number of types of goods and services as a way to obtain hard currency for the import of the majority of goods necessary for satisfying the demands of these markets. In other words, the national economy should naturally be specialized in the production of goods/services, proceeding from national comparative advantages, and actively involved in international economic relations.

The general analysis of the foreign trade of the Republic of Moldova confirms the initial assumption. Thus, for the year 2014, the exports of Moldovan goods and services amounted to 42.1% of the GDP, the imports reached 49,8%⁶⁶ respectively.

The main merchandise export products for the year 2013 (up till the considerable deformation of the structure of exports caused by Russian sanctions) amounted: fruits and vegetables – 12%, clothing and accessories – 10,7%, alcoholic and soft beverages – 10,4%, electrical equipment, machines and their spare parts – 9,8%, oilseeds – 6,8%, cereals and goods based on cereals – 5,7%. Thus, about 55,4% of the Moldovan exports are composed of merchandise only from 6 freight groups⁶⁷.

Another important source of currency represents the remittances of Moldovan workers, employed in the work field abroad, in other words – export of the labour force (Figure 2).

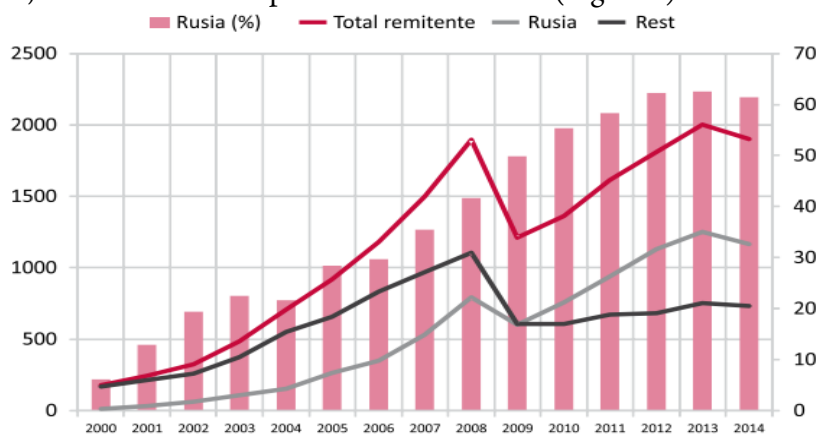


Figure 2. Remittances dynamics (mln USD, left axis)

The statistical data indicate that from this source the country gets 1.8-2 bln USD (as compared to 2,34 bln USD obtained from exports)⁶⁸. Another important conclusion is the fact that this source is divided into two main directions: Russian Federation and European Union countries (the index “rest” from Figure 2 generally de-facto reflects the remittances from EU countries).

A similar situation is relevant for the foreign market place for Moldovan merchandise. Statistics show that the major part of the exports are designed just for two directions and namely to EU and CIS countries (Figure 3).

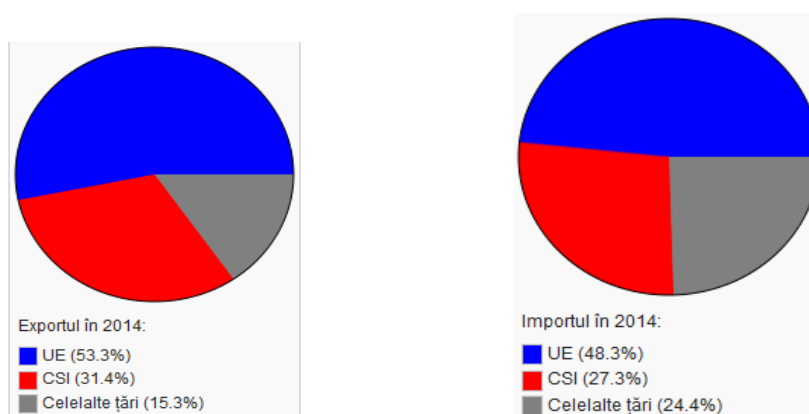


Figure 6. External trade of the Republic of Moldova, the main trade partners⁶⁹

⁶⁶ Expert – Group. the Republic of Moldova 2015, Report on the State of the Country , p. 18 (authors’ calculations based on the NBS data, NBM, Eurostat). http://crim.org/wp-content/uploads/2015/07/Raport_de_Stare_a_Tarii_2015.pdf

⁶⁷ The thesis does not have the aim to study the intended subject more deeply, highlighting the real added value volume, created on the countries territory.

⁶⁸ Expert – Group. the Republic of Moldova 2014, Report on the State of the country, p. 23 (authors’ calculations based on the NBM data). <http://www.expert-group.org/ro/biblioteca/item/1026-rst-2014&category=182>

⁶⁹ According to the National Bureau of Statistics: <http://www.statistica.md/category.php?l=ro&idc=336&>

At the same time, the quota of the Republic of Moldova in the general volume of trade (exports and imports) of the main trade partners from EU and EAU is insignificant. This fact does not impose effective costs for the economies of these countries in case of using the sanctioning policy towards Moldova.

Consequently, while the members of EU have a coordinated external trade policy, the main states of CIS tend to have a similar coordination policy through the EAU mechanisms. The economy of the Republic of Moldova remains extremely vulnerable towards the exercising of economic pressures from the main trade partners.

The next task is the analysis of the impact of economic trade sanctions on the economy of the Republic of Moldova, and namely the embargo on import.

The main models of the sanctioning theory suggest the main understanding of the nature of their impact on the economy of the target-country. The trade sanctions of various types represent exogenous shocks that deprive the external economic relations (especially the trade⁷⁰). They are characterized through the presence of the seeking revenues phenomenon and they face with the market incentives as the reorientation of trade. The relative economic influence of the sanctions on the economy of the target-country is reflected in the evolution of its terms of trade.

In this thesis is briefly described the impact of sanctions upon the trade as a result of the embargo on imports, through the economic model of **surplus analysis**⁷¹, which offers the basic framework for understanding of the general mechanism. The goal of the “sender” consists in “target’s” deprivation of benefits received from international trade.

Figure 2 presents the initial situation. The following assumptions are made:

(1) There are two countries engaged in trade of a given commodity: the “sender” and the “target”. The market of the one reflects the market of the other and vice versa.

(2) The prices are set by the world market (both countries are called as “price-takers”). Under the autarchy, the supply curves are expressed by lines S and demand curves by lines D. After initiating the trade, the demand curves remain unchanged, whereas the supply curves are given by lines PW.

(3) There is perfect competition.

(4) There are no transportation costs and trade impediments.

Figure 2 proves the effects of sanctions, which were applied to restrict imports, expressed through import quota. Suppose that in case of introduction by the “sender” of the sanctions on import, they will diminish the volume of demand for exports of the “target”.

Under free trade, the consumers of the “target” purchase the amount Q_D at price P_w . The producer supply Q_S and the difference between Q_D and Q_S constitutes the amount exported to “sender” by the “target” economy. The introduction of the import quota by the “sender” country against the “target” country will represent the dark vertical line in Figure 4. This step will decrease the global demand with the same amount, resulting in a shift in the quantity demanded from Q_D to Q_{D2} . The export market of the “target” reflects the import market of the “sender”, respectively the amount of supply in the “target” will correspond with Q_{S2} . Thus, the export quota has two effects:

1) Restriction of the volume of goods possible for export, in the “target” country. As a result, the price in “target” country decreases up to P_2 , which corresponds to the maximum sizable quantity to be sold Q_{S2} . Price P_2 is lower than price P_w under the free trade, respectively the sales from export diminish, in such a way reducing country’s revenues. Effectively, the amount of export after the application of sanctions is equal to $Q_{S2} - Q_{D2}$, as compared to $Q_S - Q_D$ before their introduction.

⁷⁰ In this thesis it is described the main model of the theory regarding to commercial sanctions, the aspects of financial sanctions exceed this framework.

⁷¹ On the basis of ideas from the “Economic Sanctions: International Policy Economy at Work”, Robert Eyler (2007)

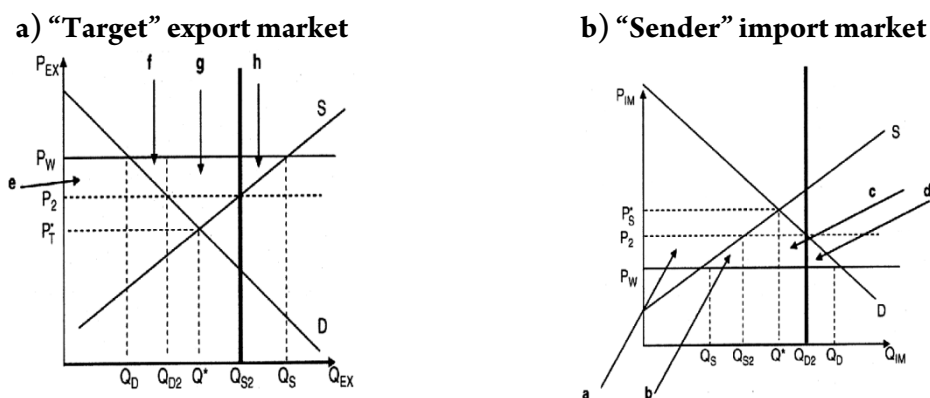


Figure 2. The effects of sanctions on imports

2) On the “sender” side the price raises from P_w to P_2 , thus reducing its market shortage from $Q_D - Q_S$ to $Q_{D2} - Q_{S2}$. At this price, the “sender’s” producers supply more, whereas “sender’s” consumers will record the reducing of consumption to Q_{D2} .

On the “sender’s” side, the surplus of consumption will decrease, losing the area *a* in favour of its producers. But, even in the case of the introduction of partial embargo on imports, the “sender’s” consumers are in a more favourable position, than under the autarchy. Also, it is important to mention that, the “sender” country in fixing the quota on import while planning process of the economic attack, must consider the negative effects which will reflect upon their own economy. Thus, the areas *b*, *c* and *d* correspond to the reduction of net wealth of the “sender”, conditioned by the impact of the sanctions regime.

In the case of application of the total embargo on target, the situation will be similar to the situation of autarchy equilibrium.

With reference to the surplus of consumption and the demand of the target, the consumers will obtain the area *e*, namely the losses of producers. Beside these areas, the producers also lose areas *f*, *g* and *h*, which represent the net loss of target country’s wealth.

The difference between prices for goods subjected to the embargo on the import, at the global and domestic level, corresponds to the size of revenue, which can be obtained from the “target” producers in the case of export avoiding the regime of applied sanctions. In this case the revenue will be divided between the producers of the “target” country, “smugglers”, as well as the consumers of “sender” country.

The application of the economic sanctions on import generates a range of risks for the economic security of the country afferent to the exposure to the external influences⁷². The main shock is due to the external demand and foreign trade balance, which would generate the diminishing of imports, simultaneous growth of inflation and unemployment, decreasing the volume of investments and domestic demand, putting pressure on the national currency rate, etc., which ultimately will turn into social-economic and political destabilization.

The power of the sanctions impact depends on the following factors: 1) the level of trade between sender-country and target-country; 2) supply elasticity of target-country.

Also, the distribution of adverse effects on different groups inside the economy differs for each country. In the case of Republic of Moldova, there will be groups, involved in export to each direction. In case of the Eastern direction these will be the producers of vegetables and fruits, alcohol and non-alcoholic drinks; in the case of Western direction-primarily are the machines, electronic equipment and their spare parts, cereals, as well as clothing and accessories.

⁷² ¹²This conclusion is confirmed by another model of the sanctions theory, **demand curve analysis**, which demonstrate that, the application of embargo, total and partial, will affect more the terms of trade of the countries with smaller economies, specialized in merchandise, which they export.

Based on the above information, the analysis of provisions of sanctions theory allows us to identify some recommendations for the case of the Republic of Moldova, in order to reduce the economic security risks as a result of use of trade sanctions' tools by foreign forces:

1. Diversifying the export directions
2. Using the external pressure for fulfilling the internal reforms
3. Gaining assistance from political opponents of the sender (a.n. "black knights")
4. Unofficial encouraging activities of avoidance of sanctions, inclusively through third parties
5. Developing an appropriate legal framework to involve the society and its elites
6. Establishing measures oriented towards the destruction of sender's coalitions (in case of their existence)

Conclusions

1. Due to a set of objective reasons (the main of which is the process of economic globalization), currently, the relations between states experience a growth of applied economic sanctions, as a pressure mechanism in international conflicts.
2. Economic model of the Republic of Moldova, based on a high level of involvement in international trade, generates substantial vulnerabilities towards the economic security, associated with the dependence on the external trade partners. One of them is the use of economic sanctions against the RM as a part of political pressure.
3. The application of these sanctions is made in compliance with the economic sanctions theory. Also the issue under discussion has not got relevant attention on behalf of the local researches.
4. The economic attack, under its main forms of financial and trade sanctions is oriented to the formation of exogenous shocks which worsen external economic relations of the target country ,thus generating negative repercussions on the social economic stability, and implicitly on domestic policy.
5. The sanctions on behalf of the main partners would create major shocks for national economy. To diminish these adverse effects in the conditions of the current economic model, the economic policy of the Republic of Moldova should be concentrated upon the diversification of the markets and goods for export.

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**CROWDFUNDING: INNOVATIVE INVESTMENT OF DIASPORA
IN THE COUNTRY OF ORIGIN**

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Emerged recently, as a technique for financing new projects, crowd funding, has evolved rapidly due to the development of the access to online resources and reorientation of the entrepreneurs to innovative ways of attracting investment. The article presents the forms through which migrants in the Diaspora can contribute through the platforms of crowd funding to finance projects in countries of origin. It also, mentions the good practices and evaluates the methods used by developing countries governments to harness this potential generator of positive economic outcome. Finally, it describes the stage Moldova currently holds and highlights aspects designed to boost the participation of Diaspora through crowd funding.

Key words: diaspora, remittances, crowd funding, investment, entrepreneur, platforms, online resources, development, contribution.

A growing source of financing used by small businesses in the West already made its presence **felt in Moldova. Crowd funding is a technique for project financing using online resources (forums, social platforms etc.)** cut out of crowdsourcing. At its core lies the idea to appeal to the community as a potential financier for the product. This is a method by which firms which are starting out can get funds based on the principle “little from as many as possible”.

By crowd funding, an entrepreneur asks for money from a large number of individuals or firms for a well-defined project. The procedure of fundraising is relatively simple: the project applicant (person, company, institution, NGO) addresses a crowdsourcing platform (social networks, forums, and twitter) to promote a project and collect needed money to start his initiative. Financing platforms act as intermediaries between entrepreneurs and investors, publishing on the internet project campaigns, including the necessary funds for the project, purpose of the project, fundraising period. Usually charges a fee if the proposed project has managed to attract the necessary funds.

Although it is known as a relatively new technique, crowd funding has gained proportions along with the Internet, but the method was used long before the advent of online community. In 1883, Joseph Pulitzer (American journalist and editor of Hungarian origin) had the idea to appeal to American pride and asked for small donations needed to raise the pedestal for the Statue of Liberty.

According to the World Bank statement published in 2013 report “Crowd funding’s Potential for the Developing World”, this form of capital accumulation appeared in an organized way with the global crisis in 2008. Entrepreneurs have begun to confront the unavailability of bank financing for their projects and therefore had to turn to other sources of capital. It is considered that this technique will explode in the near future and will represent an important part of large project budgets.

All the Internet did was to provide easier way to spread information and gather people willing to give money to support specific projects. In other words, it discusses an approach to varied scale. There is a much wider and sampled audience. In this context, the possibility of creating “community financing” becomes very high as long as the approach is global.

Crowd funding is essentially a marketing strategy implemented either before or during production of a cultural, social or political product (these are the most addressed niches, of course that this technique can be adapted and used in any field).

Covering the research topic “The Impact of Diaspora on the Economic Development of the Countries of Origin” in this article, we relied on the role that Diaspora communities play in channelling funds back to their home nations in the form of remittances. Because much of these funds avoid the formal transfer channels, we believe crowd funding is a good way to capture them and redirect them to formal remittances environment. Some crowd funding platforms have been created specifically to capture remittances; others are actively targeting Diaspora communities in order to connect investors with entrepreneurs and contribute to the accumulation of cash needed to run specific campaigns.

I chose to detail crowd funding experience in the developing countries, namely in the belief that the Diaspora can play an increasingly important role in channelling remittances to finance projects and new enterprises in Moldova.

Key figures on the international market of crowd funding soared in recent years. If 2013 global crowd funding platforms have harvested about USD 5 billion, In 2014 the figure was doubled, in 2015 we reached a market of USD 34 billion, and Forbes magazine estimated that crowd funding platforms will be able to collect USD 1000 billion over the next 10 years.

The swift development of these types of investments from remittances is due not only to the expansion of the means of socialization from on-line environment (projects promoted properly are more visible among potential supporters and can receive up to 75% more contributions than other similar projects that do not benefit from the same promotion) but also due to the consolidation of Diasporas in countries of destination of migrants, a constant and significant increase of their members as well as an increase in financial flows oriented to countries of origin in recent years. According to the UN in 2015, the number of migrants worldwide amounted to 244 million each sending in their home countries an average of USD 2,500 per person.

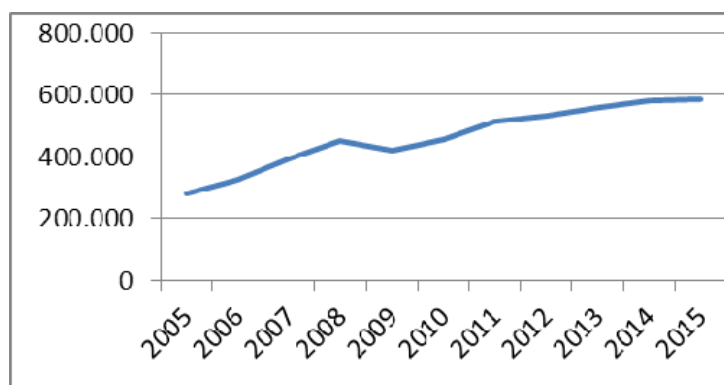


Figure 1: Migrant remittance inflows, world 2005-2015 (USD million)

Source: World Bank (2016). Annual Remittances Data.

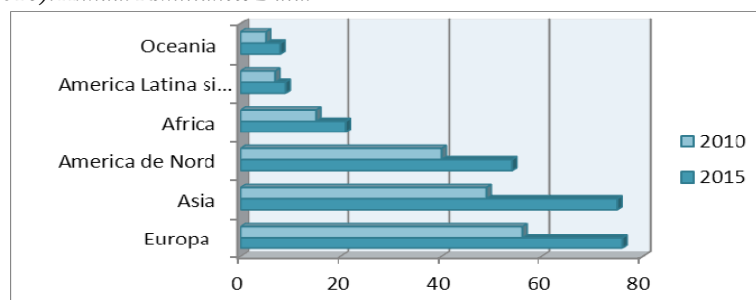


Figure 2: International migrants by major area of destination, 2000 and 2015 (millions)

Source: United Nations, Department of Economic and Social Affairs, Population Division (2015).

Trends in International Migrant Stock: The 2015 Revision;

When we mention the importance of Diasporas in promoting investment projects in countries of origin we mean not strictly the financial transfers, but also the transfer of knowledge, skills and best practices in development projects and involvement in the work of NGOs in the countries of origin and the support provided to them.

The specialized literature contains 4 methods of financing through crowd funding:

1. Donation: donating a sum of money without receiving anything in return. This method of financing is usually characteristic for social projects;

2. Donation with remuneration: donating a sum of money in exchange for goods or services proposed for implementation by the project founder or simply a symbolic remuneration (a shirt with logo, a ticket to the show, a postcard with thanks). The most famous project of this kind is Pebble project: for each minimum donation made, the donor was promised instead a smart watch. In just a few weeks it has accumulated a fund of USD 10,266,845. This type of financing is specific to creative and artistic projects;

3. Loan: loan of an amount of money that will be reimbursed within a set with or without interest. This type of financing is typical for projects launched by companies or personal projects;

4. Investing: financing of an enterprise/company in exchange for the right of ownership of its capital in order to become a shareholder. This type of financing is used for start-ups and enterprises;

However, there are several differences between crowd funding today and public subscriptions of non-profit type:

- Crowd funding pursues the profit both for the entrepreneur who raises money for the project as for investors;

- By crowd funding, investors get social parts or shares in the funded project;

- On-line platforms which mediate fundraising usually charge a commission from the total amount of the money;

- Various governments around the world have strictly regulated crowd funding as a specific method of financing. (For example in Romania, the State intends to regulate crowd funding through a bill initiated by the Department for SMEs of the Government, yet in September 2014);

Crowd funding is a real opportunity for countries of origin: remittances flows worldwide according to the World Bank in 2014 represented USD 580 billion. USD 440 billion was sent to developing countries (leaders are India, Brazil, Mexico, the Philippines, Kenya and Nepal). In nine of the receiving countries, remittance flows constitute over 10% of GDP. While remittances are commonly used on short term for necessities and personal consumption (eg in Moldova according to statistics only 7% of remittances are oriented to investments), the size of the market led to the decision of some governments to consider channelling funds on longer terms, by sustainable use such as companies and their funding initiatives which can lead to the development of the economic environment.

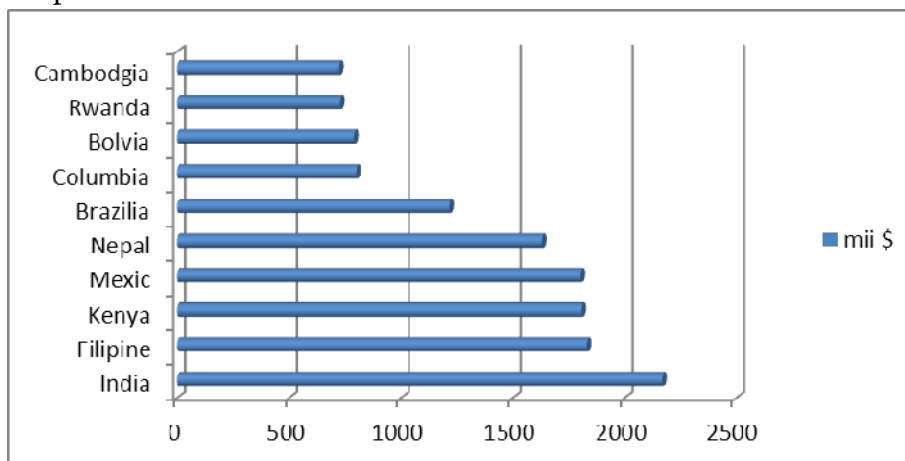


Figure 3: Crowd funding in developing countries, Top 10 (2015)

Source: AlliedCrowds (<http://alliedcrowds.com/global>, as of 17.04.16)

In Moldova, the fruition of this type of investment shows real advantages given that according to the study “Options on the exploit of remittances and savings of migrants for Moldova's development”, published in 2013 by the United Nations Development Programme in Moldova, in the last 20 years the volume of received remittances remains the most important source of financing of the current account in our country, clearly outpacing foreign direct investment, governmental transfers and loans.

Some developing countries have already explored this opportunity. One of the most popular crowd funding platforms for investments made by African Diaspora is Afrikwity. Thameur Hemdane – a crowd funding expert and professional in management, finance and information technologies decided in 2013, as a result of his experience working in financial services and also due to collaboration with numerous associations in the Diaspora, to launch a crowd funding platform that allow African Diaspora to finance businesses that have a positive social impact in their home country. The 30 million Africans living abroad is a vital economic source for Africa. Remittances to their home countries have reached USD 67 billion in 2014 which represents an increase of 250% over the past 10 years. Only a small portion of these funds, 5% are directed towards investments in African SMEs, even if they contribute with more than 45% of employment and 33% of the GDP of the continent.

FADEV is another investment company dedicated to the development of Francophone Africa. All residents of France who are willing to contribute to the development of entrepreneurship in their home countries can become members of society and can support the most innovative projects of African entrepreneurs, contributing to the economic growth of the continent, creating legal jobs and market launch of quality products and services. FADEV members also receive tax benefits from income tax payments and registration is accessible both within the organization for Africans in the Diaspora and for the residents of Africa.

Middle East and North Africa experienced a rapid increase in crowd funding. Even though in absolute terms the given region has not managed to accumulate more than USD 16.4 million in 2015, though the demographic trend and religious peculiarities predict a significant rise in crowd funding. Islam religion, predominant in the region is favourable for crowd funding in two respects. First, one of the fundamental pillars of Islam is zakat, or charitable donations. All Muslims who can afford wealthy are expected to donate 2.5 per cent of their wealth to charity. Estimations vary, but Integrated Regional Information Networks mention that the annual amounts from zakat range from USD 200 million up to USD 1 billion. If crowd funding would capture even a small percentage of the total market, it would strengthen a foothold for the financing mechanism in the region. But what makes crowd funding so attractive is that creditors are not allowed to collect the interest on loans granted, and the emphasis lies on risk sharing. There are already several platforms that take advantage of the compatibility between Islam and crowd funding, the most prominent being Cairo-based Shekra.

Crowd funding platforms often function as open markets allowing entrepreneurs and creators of projects to post their projects and potential donors to allocate funds as it deems appropriate. This market inherently facilitates access to information, a key obstacle which usually prevents foreign investors to invest in developing countries. Members of the Diaspora, who tend to get better information about the investment climate in their countries of origin, can provide an early financial contribution. This initial support may promote confidence to the company for other investors.

Another important thing for collectors of funds is to create an emotional connection with donors and often with specific Diaspora communities who better understand the ideas, the context and the importance of their financial attend without requiring a lot of unnecessary explanations. What remains to do is to generate convincing arguments that the accumulated funds, no matter how small they are, can make a difference and especially the transfer process is safe and accumulated resources will be used in an effective and transparent way. However, Diaspora communities are actually aware of scams and they often encountered and the political influence within management of financial resources.

In the Caribbean, Diaspora crowd funding also has a massive impact. ISupportJamaica is a crowd funding platform developed by the Jamaica National Building Society, one of the largest financial institutions in the country that aims to promote by crowd funding the flow of capital based on both donations and loans. Such initiatives help entrepreneurs' access new ways of capital that will help direct the nations to engage in forms of sustainable development on long term, and if governments create programs designed to support such initiatives, crowd funding offered by Diaspora can have profound effects on start-ups in developing countries.



Figure 4: crowd funding versus remittances in world, (2014)

Source: *Developing world crowd funding, Diaspora crowd funding. Special report oct.2015, Allied Crowds*

The relationship between remittances and crowd funding can be easily distinguished and it is expected that in the near future developing countries governments will begin to make from crowd funding a way of formalizing the remittance flows.

Such examples already exist, for example in Mexico and Mali there were created ministries or divisions designed to formalize money transfers from migrants. The most known program is 3x1 Program whereby every dollar of Diaspora was directed at governmental level. This program was spread to many other nations in the world. It's not only helping to finance community projects, but also ensures a stronger link between Diaspora communities and their families back home. The more connection between the Diaspora and the community of the countries of origin is closer, the more easily can be minimized the effect of brain drain, ensured long-term project financing and promoted entrepreneurship in these countries.

Diaspora contribution to the development of local projects through crowd funding was demonstrated by Lebanese ZOOMAAL. According to the statements of the responsible for platform, Andra Iacob more than 30% of funding comes from the Diaspora savings which support development projects with local impact.

Of course, there is the risk that the projects will not enjoy the support of the community. An analysis practice of the creators of Tunisian projects carried out on the main foreign crowd funding platforms revealed that in 2011 there were 100 Tunisian projects which have applied for funding of total 1.9 million Euros. Although the Tunisian Diaspora transfers annually more than 3.5 billion dinars, only 9 of them have managed to accumulate about 90 000 Euros. Tunisian success of the projects has been reduced due to the fact that foreign platforms are not oriented for Tunisia and therefore the message has not reached the communities of people who show real interest for the economic development of Tunisia. Creating a foreign platform for crowd funding in Tunisia would undoubtedly be a success factor for Tunisian project financing.

Crestemidei.ro is the only crowd funding platform from Romania which registered so far 14 fully funded projects in areas such as community, sports, technology, photography, design/graphics and publishing. From the release date – December 24, 2012 - and so far the total amount of funding obtained

through crowd funding on crestemidei.ro amounts to about 35,000 Euros. The most successful project “casino” has been funded with RON 44.225 (101%, by 259 supporters). The campaign managed to raise the largest amount so far on a Romanian platform of crowd funding (EUR 10,000) mobilizing the Romanian community in the country and the Diaspora. A transaction over EUR 4,700 came from abroad on the last day led the project to the stage “Financed”.

In Moldova, the establishment of crowd funding platforms for Diaspora is only in early stage. Even so it does not represent state controlled forms but only the result of individual private initiatives.

In September 2014, during the VI Congress of the Diaspora there were made suggestions by the 130 delegates and representatives of Diaspora from 15 countries on the establishment of such a platform related to the launching of special papers of value for Diaspora to attract investments in Moldova and at the same time to provide a profit to overseas savings they have accumulated and which represent a much higher proportion than the remittances that they benefit indirectly.

On March 21, 2016, the Office for Relations with the Diaspora in Moldova met with a team of experts from Columbia University, New York, where they discussed details of a joint study on crowd funding opportunities in Moldova.

Crowd funding platforms would revive the relationship between local and Diaspora within public-private partnerships.

Perhaps this mechanism would be fairer to taxpayers in Moldova because of these fees are paid the public works for the whole country, including for those who are not in the country. Finally, Diaspora’s primordial privilege would be the right to decide which local project to finance and which not. Thus, local authorities would receive a strong signal from the Diaspora, if the project is necessary.

In conclusion, following the analysis of crowd funding by the Diaspora remittances, we highlight some of the most favourable aspects of this type of investment:

1. Diaspora can come up with an early financial contribution in supporting projects in countries of origin;
2. Crowd funding offers information availability on the investment climate in countries of origin;
3. Diaspora’s participation within projects in the countries of origin can promote confidence in the given company to other investors;
4. It creates an emotional connection with donors from the Diaspora who can be assured of efficient and transparent use of resources;
5. LPA can turn to crowd funding platforms for public interest development projects that would absorb less money from the budget, because it would be covered by the Diaspora;
6. The success of a campaign of crowd funding is the best indicator about the need and viability of a project baseline;
7. Crowd funding promotes a sense of solidarity and belonging, common participation and civic engagement of Diaspora;

Studies on the phenomenon of international organizations show that the public is increasingly interested in information that helps them make decisions and better understand the world in which they live. This explains the success of crowd funding in the on-line environment and the active role it may play in the future.

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COMPARING AND CONTRASTING A PAPER OF RICHARD WILKINSON AND A PAPER OF ALAN DOLAN WITH SPECIAL EMPHASIS ON THE THEORETICAL AND METHODOLOGICAL ASSUMPTIONS UNDERPINNING THESE STUDIES AND THE TRADITIONS FROM WHICH THEY DERIVE

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This paper will argue that for Richard Wilkinson and Alan Dolan it is their epistemological considerations determined how the researchers saw their problems, what methods and research strategies they employed and eventually what type of results they produced. Despite the fact that Wilkinson and Dolan focused on the same topic – the relationship between income inequality and health – they used different research methods, and reached opposite conclusions.

Key words: *Health inequality, income inequality, epistemology, interpretivism, positivism, etc.*

The two studies that have been selected for comparison here are: "Income distribution and mortality: a 'natural' experiment" by Richard Wilkinson and "Good luck to them if they can get it': exploring working class men's understandings and experiences of income inequality and material standards" by Alan Dolan. The first section of this essay will focus on the epistemological considerations of the authors. Here I will argue that while Wilkinson pursues the positivist tradition of social research, Dolan adheres to the interpretivist tradition of social research. The second section of this paper will examine the relationship between problem, theory and method in these two studies. I will argue that while Wilkinson uses quantitative methods and the deductive approach, Dolan employs qualitative methods and the inductive approach. The third section of this essay will discuss the authors' findings and the role epistemology played in producing such results. In conclusion, I will argue that it is epistemological considerations that shaped the way Wilkinson and Dolan conceptualised their research problems and the way they approached them.

We believe that in terms of epistemological considerations Wilkinson's approach of studying social world was positivist. As a working definition of the positivist approach I use 'the application of the methods of the natural sciences to the study of social world' (Bryman 2004: 11). Wilkinson used extensively methods from natural sciences. Already in the title of his article Wilkinson claimed that his research is a 'natural experiment'; and an experiment is a tool used in natural sciences. It means that for Wilkinson official statistics (secondary data) and its analysis were of primary importance. Wilkinson is not interested in the qualitative interpretation at all: he did not pay attention to individuals and their sociological interpretations of income inequality. Instead Wilkinson was looking for certain causality and correlation, the notions that also belong to the field of natural sciences. Lastly, Wilkinson's research had another common feature of positivism – objectivity. Wilkinson claimed that his research was value-free because he used secondary data sources (official statistics) that are always available and accessible for everybody, which means that anyone can repeat Wilkinson's research and come up with the same findings (Wilkinson 2011). To conclude, according to Blaxter, the classic examples of positivism are 'quantitative approaches that use statistics and experiments' and all of this can be found in Wilkinson's research (Blaxter et al. 2010: 61). Therefore, I argue that Wilkinson's epistemological considerations are positivist.

We consider that in terms of its epistemological considerations Dolan's approach of studying social world was interpretivist. As a working definition of the interpretivist approach I use the definition of Max Weber, who defined it as 'the interpretive understanding of social action' (Weber 1997: 88). Dolan conducted twenty-two in-depth interviews in order to grasp interviewees' understanding of social inequalities in health. He concentrated 'on the participants' perceptions and experiences of their incomes and standards of living and their views on how these were affecting their health' (Dolan 2007: 712). Accordingly, Dolan's findings and conclusions were the product of participants' perceptions and participants' views, but not the product of the researcher's perceptions of data as it is in the case of Wilkinson. To sum up, Dolan followed the traditions of interpretivism and conducted a fieldwork to understand participants' views and their life context, whereas Wilkinson followed the traditions of positivism and conducted deskwork in order to explain participants' life context.

The way Dolan and Wilkinson conceptualised their research problems influenced their choice of methods. The positivist standpoint of Wilkinson made him choose quantitative methods of research, whereas the interpretivist approach of Dolan made him choose qualitative methods accordingly. Being a positivist, Wilkinson believed that he can detect some causality between income inequality and health inequality himself being detached from the object of his research (Wilkinson 2011). For this reason, he based his research on the analysis of official UK statistics (the occupational earnings and mortality rates between 1971 and 1981). Thus, Wilkinson chose the quantitative methods as the most appropriate ones for the way he conceptualised his research problem. By contrast, Dolan believes that it is the person's understanding of his or her relative income position which can give the income inequality its causal force in provoking health deteriorations (Dolan 2007: 728). For this reason in order to grasp the meaning that people attach to income inequality Dolan used qualitative methods of research. He carried out twenty-two in-depth interviews trying to find the psychosocial mechanism through which the interviewee's feelings about his absolute or relative income affected his health. Doing this, Dolan was looking for such feelings as anger, shame and resentment felt by a person as a result of being relatively poorer or relatively richer within his community. Dolan conducted his interviews in a part of Coventry with an 'affluent area' bordering a 'non-affluent area' with both 'affluent' and 'non-affluent' households within each area. During the interviews, Dolan focused on the interactions which were taking place between 'affluent' and 'non-affluent' households in the area. As one can see, in both cases Wilkinson and Dolan chose methods which were most appropriate for the way they conceptualised the research problems they faced. For Dolan meaning and interpretations were of primary importance and to grasp them he employed qualitative in-depth interviews.

For Wilkinson meaning was not important at all: he believed that a certain pattern of relationship between income inequality and health inequality can be detected through quantitative analyses of official statistics.

We think that Wilkinson's epistemological considerations about the social world led him to the deductive approach. Being a positivist, Wilkinson viewed the social world as being external. It means that he believed that he could study the social world by doing a deskwork without leaving his cabinet. Thus, Wilkinson first studied four existing case studies and produced a hypothesis that growing income inequality among British citizens causes some health deterioration and the growth of mortality rates. Consequently, he tested this hypothesis using the UK official statistics: earnings data, unemployment data and mortality data over a period between 1971 and 1981. Finally, he found that there existed a correlation between income inequality and health inequality in the UK. The fact that Wilkinson's approach was hypothesis-testing means that his research was mainly deductive in terms of the role of theory in relation to research. So, because of his positivist standpoint Wilkinson chose the deductive approach.

We also consider that Dolan's epistemological considerations about the social world influenced his choice of the inductive approach. Being an interpretivist, Dolan believed that to find causality between income inequality and health inequality one needs to study the way 'how people experience and perceive their relative (income) position' (Dolan 2007: 711). In order to grasp this perception he interviewed two groups of people living in contrasting socio-economic neighbourhoods of Coventry. His objective was to find out how they perceived their relative income position and how this perception, in its turn, was affecting their health. It means that Dolan had not had a hypothesis before he approached the problem. On the contrary his findings resulted from the conducted interviews. This means that Dolan generated his theory at the very end of his research. This demonstrates that Dolan's approach was mainly inductive in terms of the role of theory in relation to research. So, his interpretivist epistemological considerations influenced his choice of the inductive approach.

We argue that Wilkinson and Dolan had different and, to some extent, even contradicting findings because they had different epistemological considerations and methods of studying the social world. Wilkinson found out that there is a causal relationship between income inequality and health inequality. That is why, according to Wilkinson, the improvements in health can now be achieved not by economic growth (increase in absolute incomes) but through a fairer distribution of existing income (reduction in income inequality). This means that the economic growth is no longer that desirable in developed nations, because economic growth on its own no longer improves health. Wilkinson pointed out that a fairer distribution of resources within societies is much more desirable because it brings improvements in health. However, Dolan's findings undermine those of Wilkinson. Dolan argued that there is no causal relationship between income inequality and health inequality. He analysed an 'affluent' area of Coventry where a part of population had experienced a sharp drop in their incomes and standards of living. Following the logic of Wilkinson there had to be some evidence that these 'non-affluent' people experienced deterioration of health which resulted from the fact that the income gap between them and their 'affluent' neighbours had increased. However, Dolan did not find any such evidence: there was no 'evidence of shame and inferiority' (Dolan 2007: 711). No doubt, the findings of Wilkinson and Dolan conflict: can they both be right?

There is a weakness in Wilkinson's research which presents a key to the above question. This key is the lack of internal validity in Wilkinson's research which discredits the causal relationship assumed by him. In fact, Wilkinson found out there was a very strong correlation between income inequality and health. However, 'correlation on itself does not prove causality' (Wilkinson & Pickett 2010: 190). How did then Wilkinson ascend from correlation to causality? He just called upon common sense saying that there is 'a common intuition that inequality is divisive and socially corrosive' (Wilkinson & Pickett 2010: 195). However, as Bryman remarked 'if we suggest that x causes y, can we be sure that it is x that is responsible for variation in y and not something else that is producing an apparent causal relationship?' (Bryman 2004: 29). Undoubtedly, numerous factors (besides income inequality) were influencing health in the UK during

a decade between 1971 and 1981. Therefore, Wilkinson's research is not a true experiment. Firstly, the key variables of research were not isolated from the influence of external factors as it should be in a true experiment. Secondly, the research did not have a control group which means that there was no basis for comparison. To summarise, various external factors made their impact on health in the UK over a period of ten years; and for this reason one cannot conclude that it is income inequality, and not something different, that changed the state of health of the nation, even if there is a strong correlation between income inequality and health. As a result, Wilkinson was criticized for providing insufficient evidence of causality (see Muntaner & Lynch 1999, Coburn 2004). What is more, Dolan have not found any evidence of causality in his research. Indeed, if there was causality between income inequality and health, there would be a mechanism of transmission of the change in the level of social status and material conditions on the level of health. However, Dolan found out that 'non-affluent' men with 'lower financial and material assets' had not experienced 'negative emotions such as anger and frustration, as well as dents to their self-respect' in relation to their 'affluent' neighbours (Dolan 2007: 729). The following words of an interviewee clearly illustrated the lack of anger between the 'non-affluent' and 'affluent' members of the community: 'Good luck for them if they can get it' – it became the title of Dolan's paper. To conclude, the contradicting findings of Wilkinson and Dolan can be explained by the researchers' differences in epistemological considerations of studying the social world.

Conclusions

This study has shown that the contradicting findings of Wilkinson and Dolan are the outcomes of different epistemological considerations: the two authors approached the problem of socio-economic determinants of health using different traditions of social research. Wilkinson followed the positivist approach. His 'natural experiment' produced a solid correlation. It was straightforward and replicable: Wilkinson repeated the experiment a lot of times between 1990 and present, testing his theory on different data. However, the direction of causality has remained uneven, and the methods used by Wilkinson have been hardly useful to ascertain causality. The thing is that in order to prove causality one needs to find the way income inequality influences the health. In other words, one needs to identify phenomena such as anger, shame and resentment felt by relatively poorer individuals within society. Unfortunately, Wilkinson did not succeed in producing such qualitative judgments being armed with only quantitative tools from natural sciences. By contrast, Dolan's interpretivist approach was more fruitful when it came to qualitative judgments. However, he found out that there was no evidence of anger, shame and resentment. In other words, Dolan pointed out that there was no evidence of the mechanism through which income inequality was transformed into health inequality. Dolan claimed that the causality which was assumed by Wilkinson did not exist. Therefore the correlation between income inequality and health inequality could be the result of other factors (not discussed by Wilkinson and Dolan), for instance, it can be caused by simultaneous influence of neo-liberal welfare state on income inequality and health inequality, as suggested by Coburn (see Coburn 2000). Interestingly enough, the two researchers, who worked on the same topic within the nation, chose different methods and produced strikingly opposite and even contradicting findings. As Bulmer argues 'the sociologist's choice of methods is influenced by the way in which he conceptualises social reality, and the epistemological principles which underline those conceptions' (Bulmer 1984: 27). I believe that Wilkinson addressed the problem from the positivist point of view: he was objective and separated from the objects of his study whereas Dolan followed the interpretivist approach: he was subjective and attached to the objects of his study. Consequently, Dolan and Wilkinson produced opposite and contradicting findings. I argue that different findings are the result of the fact that the two authors conceptualised the social reality from the standpoints of different traditions of social research: for Wilkinson it was positivism, for Dolan – interpretivism. Therefore, epistemological considerations of Wilkinson and Dolan determined how they conceptualised the problem, and how they chose methods and eventually how they reached their different conclusions.

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SECTION 3:
DISCIPLINES:

- **523.01. CYBERNETICS AND ECONOMIC INFORMATICS**
- **523.02. ECONOMIC STATISTICS**
- **122.02. INFORMATION SYSTEMS**
- **154.01. SOCIAL AND ECONOMIC GEOGRAPHY**

SEASONAL FLUCTUATIONS OF PRICES IN THE REPUBLIC OF MOLDOVA

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Implementing effective inflation targeting strategy requires the knowledge of all the factors that are responsible for the inflationary process. The consumer price index includes sub-components, such as trend or seasonality that makes it difficult to analyse the inflationary pressures for the monetary policy decision making. The annual inflation indicator eliminates these deficiencies to a certain extent. However, in the decision making process and for communication purposes, monthly inflation is used as well which, first must be seasonally adjusted to provide information relevant for monetary policy. In this study we addressed the seasonality issues for both CPI, and for the main subcomponents of this indicator in Moldova to track the sources responsible for seasonal fluctuations. The study established that the seasonal factor has moderate positive values in the first 4 months of the year, and then in the summer months it becomes negative. During the fall and in December, the seasonal factor is back in positive territory. Furthermore, the largest impact on seasonal fluctuations is determined by the seasonal factor of food prices.

Key words: Seasonal factors, CPI inflation, monetary policy, inflation targeting strategy

1. Introduction

An efficient implementation of the inflation targeting strategy largely depends on knowing all the factors that are responsible for the inflationary process and the existence of a true and reliable indicator that would illustrate price developments. Although there are several indicators that are used to quantify price dynamics, in order to create and implement monetary policy, the consumer price index is usually used.

The analysis of its evolution, similar to other time series analysis is hampered by the diversity of components that the structure of a time series might include. It may typically include trend, seasonal factor, short-term irregularities caused by certain economic processes, as well as certain errors in data collection. Some of these sub components are impediments in the process of analysis, forecasting inflationary process and decision making. Therefore, before making any conclusions regarding the inflationary process one should first address issues like trend, seasonality and other items.

This study investigated the structure, evolution and the impact of the seasonal factors on the CPI. Given that the CPI, according to the methodology for calculating core inflation, includes 4 important subcomponents in terms of monetary policy, it was tried to study their seasonal factors. At the same time, to see the sources of seasonality more clearly, the incidence of homogenous subcomponents' seasonality within the CPI was studied.

2. Seasonal adjustment motivation

As it was stated above to initiate an analysis of inflation and the factors that had an impact on it, the primary data needs to be processed first. In this process, some related consumer price index subcomponents such as trend and seasonality need to be addressed to enable a proper analysis and forecast of inflation. A solution is given by calculating the inflation in annual terms. The way that annual variation is calculated eliminates to a large extent, trend and seasonality as factors. Therefore, with the purpose of inflation analysis and communication of the monetary policy the annual inflation indicator is usually used.

However, monetary policy decisions need to be based on recent data. But annual measure contains a large amount of information from previous period's developments. The events that have happened within the previous 12 months are reflected by the respective index. Therefore, in addition to annual inflation, the latest developments need to be analysed, events that occurred in the last 2-3 months. The monthly inflation

indicator provides a more accurate picture of the recent inflationary phenomenon, particularly true in case it is adjusted by excluding the less relevant information for the monetary policy decisions.

Therefore, before formulating any conclusions about the factors that determined the price dynamics it is necessary to eliminate certain irregularities in the data, one of the procedures in this direction is the seasonal adjustment. In this way monetary policy makers will avoid grounding its measures on seasonal fluctuations⁷³.

Seasonal adjustment is a statistical technique that eliminates the influence of seasons, holidays, the beginning of a new school year or other events that occur regularly throughout the year in a time series. This technique allows the observation and analysis of cyclical developments, trend and other non-seasonal components of time series. By removing seasonal fluctuations, the time series becomes smoother and it is easier to compare monthly information⁷⁴.

In addition, addressing seasonality is also an important issue for communicating monetary policy. The seasonal factor contained in the monthly inflation, which is publicly disseminated by the statistical authority, can create excessive inflationary expectations. The monetary authority is supposed to adjust these expectations and explain that often significant monthly price figures at certain times of the year are a result of seasonality and are to be diminished when the seasonal effect is negative.

3. Literature in the field

As G. Cecchetti concludes in "Measuring short run inflation for central bankers" monthly CPI variation contains so much "noise" irregularities that its added value for policy makers is low. For this reason this information should be processed or adjusted.

Bryan and Cecchetti investigated the presence of seasonality in the US data. They concluded that the amount of the seasonal factor depends largely on each element, which creates difficulty in generalizing conclusions on seasonal patterns. They also revealed the difficulty in identifying a readily determinable origin of seasonal variations in prices. According to them, the consumer price seasonality has an idiosyncratic nature, which is an outcome different from most studies that demonstrate a common seasonal cycle for the real sector variables. CPI aggregate index shows a reduced seasonal behaviour compared to the seasonal factor of the individual components. Adjusting components and their aggregation to obtain a seasonally adjusted index may result in the presence of a seasonal element in the adjusted series, justifying the seasonal adjusting of total gross series in some cases.

However, there are different opinions that think the seasonal fluctuations would retain useful information that should be considered in macroeconomic decision making. Although many macroeconomists believe that policymakers should not be influenced by seasonal patterns in decision making in the process of mitigating economic cycles, as this simplifies their work when there is no interaction between seasonal cycles and business cycles, and there are no social problems due to seasonal cycles, J. Miron in "The economics of seasonal cycles" shows that seasonal fluctuations contain important information about the business cycle and can have a considerable social impact. This way, seasonal fluctuations should be an important theme in macroeconomic analysis and not just a subcomponent of a time-series.

4. Methodology and data source

4.1 Methodology

The international practice uses many models and software applications for the decomposition of time series. The obtained results vary, depending on the method applied. The most popular methods are:

1. X12-ARIMA developed by the US Census Bureau;
2. TRAMO/ SEATS developed by Bank of Spain

⁷³ Stephen G. Cecchetti, 1996, Measuring short-run inflation for central bankers, National Bureau of Economic Research WP nr. 5786

⁷⁴ http://www.bls.gov/dolfaq/bls_ques25.htm

Generally, there are software programs that facilitate the use of seasonal adjustment models. One of the most known and used in statistics is Demetra which was developed by Eurostat, which has an easy to use interface for the methods mentioned above.

In the current study, the adjusting of the data series was conducted via the “Demetra +” application using the X12-ARIMA model.

It is worth mentioning that during the seasonal adjustment of the CPI, it's necessary to decide the approach used for presenting the seasonally adjusted series, from the following two:

1. The direct approach in which each component series of the CPI is seasonally adjusted. In this case statistical relationships are not respected, so the CPI is not equal to the sum of the seasonally adjusted components series;

2. The indirect approach, where the CPI is not directly seasonally adjusted, but it equals to the sum of the seasonally adjusted series, in this case respecting the statistical relations.

The estimation of the seasonal factors for CPI will use the second method, the indirect one, because it would present a much clearer picture of the magnitude of the seasonal factors.

4.2 Data

This study used monthly data on the CPI from January 2010 to October 2015. The seasonal factor has been studied for both the CPI and for its main subcomponents included in the table below (table 1). The subcomponents of the seasonal factor analysed make up over 85 per cent of the CPI structure. The other subcomponents have a negligible impact or are not affected by seasonal fluctuations.

Table 1.

Component	W, 2015	Component	W, 2015
Food products	3481	Core inflation (cont...)	
Meat	757	Construction materials	217
Grain mill products	650	Detergents	170
Dairy products	456	Furniture	166
Fresh vegetables	296	Public catering	165
Fish	272	Knitwear	131
Fat	222	Education and training	115
Others (food products)	185	Cigarettes	113
Alcoholic beverages	161	Cultural and entertainment services	109
Fresh fruit	127	Regulated prices	945
Non-alcoholic beverages	124	Drugs	457
Potatoes	100	Transportation services	206
Sugar	67	Household spending	139
Eggs	64	Health	134
Core inflation	3416	Housing payments	9
Textiles	554	Fuel prices	681
Shoes	380	Firewood	309
Vehicles, auto parts	367	Fuels	218
Others (core inflation)	364	Coal	78
Sanitary items, hygiene and cosmetics	299	Gas for vehicles	76
Household appliance	266	Total CPI adjusted	8523 (of 10000)

5. The seasonality of prices in the Republic of Moldova

The difference between the monthly inflation and the seasonally adjusted monthly inflation is significant in 2010-2015 (figure1) showing the fact that seasonal fluctuations affected CPI to a large extent in the sample provided.

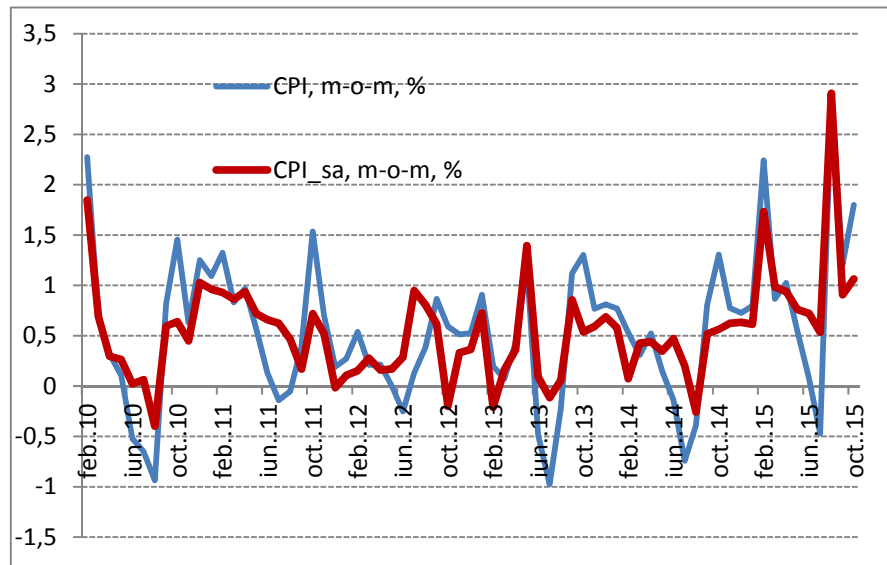


Figure 1. Seasonal fluctuations

The structure of the main subcomponents of the CPI seasonal factor (figure 2) certifies that the largest seasonal fluctuations occur in food prices. Seasonal factors of the other three sub-components of the CPI have significantly less impact on the total seasonal factor. In the first 2 months of the year the seasonal factor has a moderate positive magnitude of approx. 0.2 p.p. (figure 2). In March, the seasonal impact is neutral, and in April it is slightly positive (approx. 0.1 p.p.). Starting with May, the seasonal factor becomes negative and its intensity increases from minus 0.2 p.p. to a value of minus 0.8 p.p. in July.

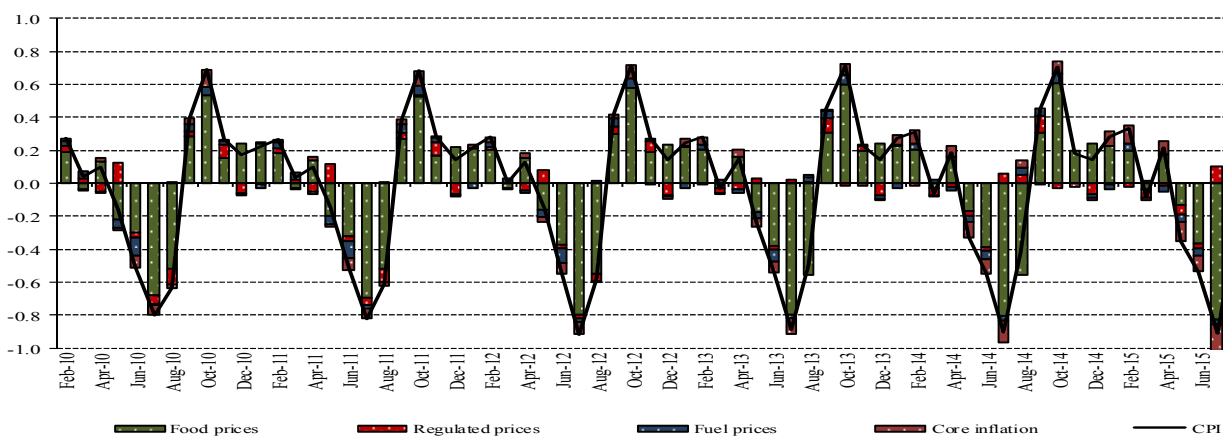


Figure 2. The dynamics of the CPI seasonal factor and the contribution of each component, p.p.

In August, it fades towards a value of approx. minus 0.5 p.p. In autumn, the seasonal factor returns to the positive territory and records the value of approx. 0.4 p.p., in October it reaches the maximum value of 0.8 p.p. In the last two months of the year, seasonal fluctuations lose intensity registering an average value of 0.2 p.p. The evolution of seasonal factors during the year is mostly due to the seasonal factor of food prices, the intensity of which, in turn, is strongly imprinted by the growing cycle, development, harvesting and storing local fruits and vegetables.

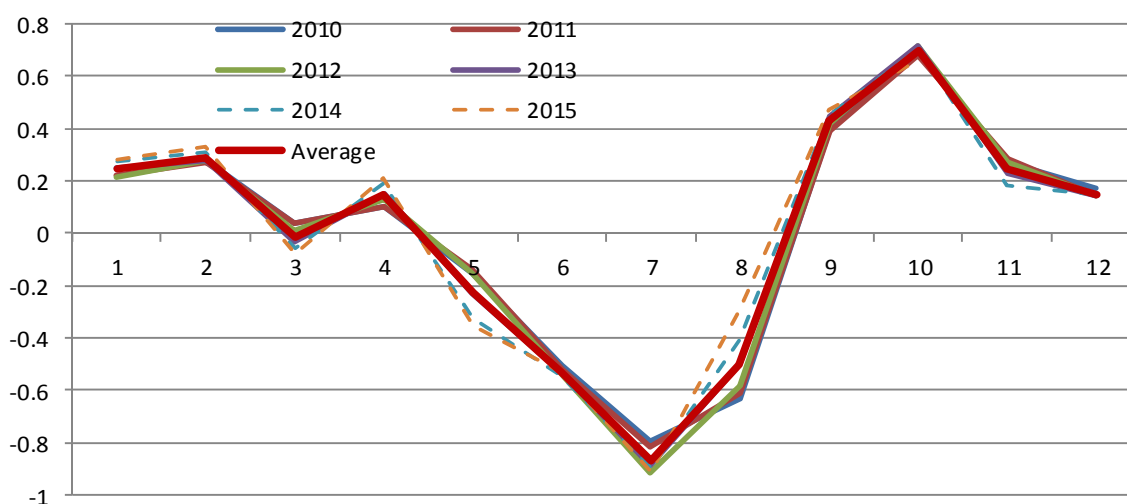


Figure 3. Monthly dynamics of the CPI seasonal factor, p.p.

Further, we analysed the seasonality of the subcomponents of the food prices, core inflation, regulated prices and fuel prices. It was determined that the seasonal factor of food prices is primarily determined by the vegetables, eggs and fruit, core inflation seasonality is determined largely by the prices of clothing and footwear, the regulated prices by the health and drugs components' prices and finally - the fuel component is determined by the prices of fuel, coal and wood.

6. Conclusions

Effective implementation of the inflation targeting strategy is largely conditioned by the availability of an effective indicator that would represent the inflationary process. In order to create and implement the monetary policy a commonly used indicator is the consumer price index. However its monthly variation includes certain subcomponents that are not so relevant for analysis of the inflationary process and for reasoning of the monetary policy decision making process. Some research confirms that the seasonal fluctuations should not be taken into account in the monetary policy decisions.

However, there are separate opinions that argue that the seasonal cycles may interact with the economic cycles and may even have some social impact, which would motivate taking them into count in making monetary policy decisions.

This study investigated the seasonal fluctuations of prices in Moldova to see what their origin is, but also to facilitate further analysis of the inflationary process. The Consumer Price Index and its major components: core inflation, food prices, regulated prices and fuel prices were seasonally adjusted to show the magnitude, meaning and evolution of the seasonal factors during the year. Additionally, it investigated their impact on the dynamics of the entire seasonal factor. The study has established that the seasonal factor has a moderate positive value for the first 4 months of the year, and then in the summer months it gets a negative value which gradually increases. In the fall and in December, the seasonal factor is back in positive

territory. Furthermore, the largest impact on CPI is determined by the seasonal fluctuations of the food prices.

The study also revealed that the seasonal factor of food prices is primarily determined by the vegetables, eggs and fruit, core inflation seasonality is determined largely by the prices of clothing and footwear, the regulated prices by the health and drugs components' prices and finally – the fuel component is determined by the prices of fuel, coal and wood.

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ANALYSIS OF ELECTRONIC COMMUNICATIONS NETWORKS MANAGEMENT SYSTEMS

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The article is dedicated to a comprehensive analysis of the issue of network management, which can be regarded as a process of monitoring (supervision) and control of a number of distributed systems of large, medium or small dimensions, where errors or defects occur normally. Currently, the local computer networks are using a centralized management based on SNMP (Simple Network Management Protocol). The evolution of telecommunications networks has put the spotlight on other architectures as well, such as TMN and CMIP, but which seem to have ceded their primacy to SNMP.

Key words: OSI, SNMP, FCAPS, TMN, MIB, SGMP, CMIP and CMOT

I. Introduction

The management of telecommunications networks means coordination of all the resources necessary for the design, planning, control, simulation, generation, implementation, analysis, supervision, measuring and testing of telecommunication networks, in order to guarantee that the end user is provided with a degree of cost-efficient services by means of an optimal distribution of capacity.

The management of networks can be regarded as a process of monitoring (supervision) and control of a number of distributed systems of large, medium or small dimensions, where errors or defects occur normally. We can say that network management may contain the following components: network control, monitoring, maintenance, operation.

In terms of the OSI (Open System Interconnection) reference model, the network management provides a way to maintain the network functioning and to operate within the established parameters. It also provides command and control facilities. The network management can be divided into the following components:

- *Management of defects*- all equipment may be subject to defects at a point of time and the connections and interfaces may stop. All these jointly may cause the appearance of erroneous information in the network. The events can be considered defective, though they do not necessarily mean that something has failed in the network. The events exist in order to inform the management system about any new things in the system

- *Management of configurations* – all the equipment seeks to obtain specific configurations or settings. The configuration settings can be read or entered into the equipment

- *Financial management* – the billing for provided services is an important component in the management system. This function is used to apply charges for the use of resources by each department, user, etc. and also to verify the correctness of charges sent by the service provider

- *Performance management*– as the number of users and the need for bandwidth is increasing, it is essential to be able to measure the performance, especially for the fulfillment of a specific SLA (Service Level Agreement). The performance verification may also be used for predicting eventual congestions

- *Management of security* – attacks against networks may include unauthorized access, modification of data or their theft, etc. Security is required to ensure that both the data and the network itself are protected.

All these categories actually describe what is considered in terms of the OSI model as functional areas of network management. An acronym that identifies these components of a management system, according to [14.1] is FCAPS (*Fault, Configuration, Accounting, Performance, Security*).

II. Critical analysis of the researched problem

Currently, the local computer networks are using a centralized management based on the SNMP (Simple Network Management Protocol). The evolution of telecommunications networks has also highlighted other architectures, such as TMN and CMIP, but which seem to have ceded their primacy to SNMP protocol. In addition, other types of networks, such as WPAN, WLAN, WAN, MAN, WMAN emerged, which fact raised the question whether SNMP can be generalized. In this article we intend to investigate the possibilities to implement SNMP in any type of electronic communications network.

During the development of electronic communications networks, new concepts emerged, such as distributed management, integrated management and intrinsic management. Therefore, it is additionally proposed to prove that once SNMP has been generalized, we can move on to the next phase, namely the integrated management.

III. Our vision on the problem and the results of research

The purpose of SNMP is to provide a simple set of operations (and information obtained through such operations) that enable the administrator to find out and change the status of certain equipment, provided they have implemented this protocol. There existed a predecessor called SGMP (Simple Gateway Management Protocol), which was designed only to control the Internet routers.

In contrast to it, SNMP can control various operating systems and devices. It is the central element of Internet Standard Management Framework (ISMF), which contains two types of SNMP entities (managers and agents), an information transfer protocol and the management information itself. The IETF designers have developed so far three major versions of the protocol.

Structure of the management information (SMI)

The management information is the information about the nodes and equipment subject to management. It can be organized into variables, everyone maintaining certain aspects or properties of the network element, according to [3.1] and [2.1]. Each item of information is conceived as an abstraction using the notion of a managed object. They represent physical or logical resources that are managed, while the properties of those objects represent the actual information. Since these are only conventions used between manager and agent, it became necessary to introduce rules. So far, there is a reduced number of possible data types.

If there are few possible data types, the implementations can be simplified. Secondly, every object must be identified.

Generally, a collection of managed objects is called management information base (MIB Management Information Base). The rules defining these objects, their behavior, the rules defining the MIB are called structure of management information SMI (Structure of Management Information). Until now, there have been two versions of SMI. SMI is dealing with the rules and conventions for data management, which are defined in MIB and transported by the protocol. The objectives of the first version of SMI are:

- Specification of the structure and ways of a MIB tree, with precise rules about the location of objects and places where new objects can be added. The MIB architecture was created using the ASN.1 conventions;
- Specification of the method of defining the managed targets. This means syntax, semantics, data types, attributes, encoding, etc. The textual definition of every object definition found in the MIB is called *macro*. The SMIV2 brought along many improvements. There was an increase in the number of data types in order to meet the demands of developers (several types of 32 and 64 bits) and the number of objects types.

Management Information Base (MIB)

The Management Information Base (MIB) is a virtual database, which contains the management information from the managed equipment. The MIB defines the managed objects, which a manager monitors at a SNMP agent, according to [4.1]. Each system in the network maintains a MIB that reflects the state of the system. The MIB does not contain static data; however it is an object-oriented database, which contains a logical collection of definitions of the monitored objects. The MIB defines the type of data and describes every object. The MIB has a tree-like shape, where the tree nodes represent the monitored targets.

The objects that are directly related to the SNMP are situated on the *Internet* branch that contains two main branches:

- *mgmt=2*, which is defined by the RFCs from the Internet Engineering Task Force (IETF) and is the same for all SNM objects;
- *private=4*, which is maintained by the Internet Assigned Numbers Authority (IANA) and is defined by companies and organizations to which each branch is assigned;
- *management(mgmt)*, it is the most used public branch, defines the network management parameters, which are common for all equipment from all manufacturers. As a continuation of this branch is MIB-II (*mib-2*) - a special MIB to be implemented by any equipment supporting SNMP.

Monitored objects

The definition of every object within the MIB, from the programming viewpoint, includes the following elements:

- a name of an object and an identifier (known as OID)
- the textual description of the object
- the definition of the type of object data
- the level of allowed access to the object
- restrictions related to dimensions

The SNMP accesses every variable from the MIB, using the OID (Object Identifier), which identifies the location of a given object in the MIB. The OID reflects the object's position in the MIB tree-shaped hierarchy, containing a sequence of identifiers, which begin with the root of the tree up to the object. The identifiers are separated by ".". Figure 1 shows a way to identify the object either by textual names of identifiers or by decimal representation.

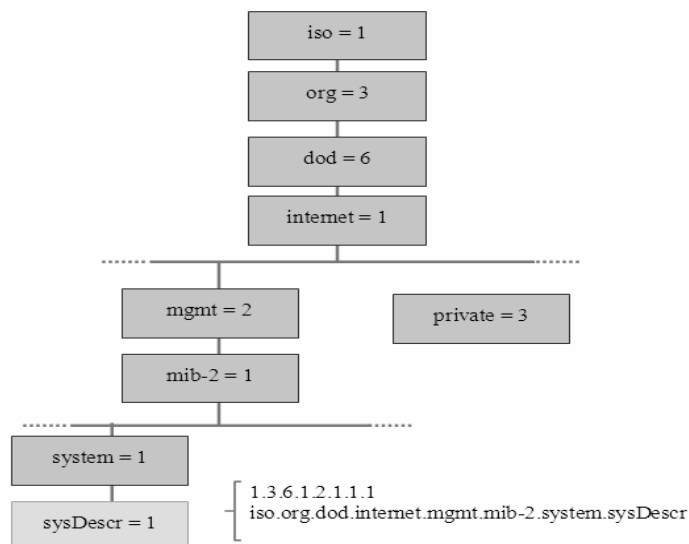


Figure 1. Identification of objects (OID)

Corresponding to every object identifier, we will find the value of that identifier, which identifies the current state of the object. SNMP uses the identifier in the point decimal format to access the current value of that particular object.

SNMP Architecture /- SNMP Manager

The SNMPmanager interacts cu the agent by producingthe commands „get” and „set” and by receiving „trap” messages, it can also interact with other managers through:

- emitting of a Inform Request PDU, which indicates the alarm;
- receiptof Inform Response PDU, which confirms Inform Request PDU.

ASNMP manager traditionally includes three catogores of applications:

- commandsgenerator, which monitors and manipulates data regarding the management for agents;
- notifications generator, which initiates asynchrone messages - Inform Request PDU;
- receptorof notifications: - Inform Request PDU and SNMP v2-Trap PDU; upon receipt ofInform Request PDU, Inform Response PDUemits.

The SNMP machine consists of:

- **a dispatcher** – a traffic managerfor the PDU generated by applications, the dispatcher determins the necessary type of processing (SNMPv1, SNMPv2, SNMPv3) and passes the PDU to the appropriate module from the message processing sub-system; after attaching the necessary header, the dispatched passes the message to the transport level. For the messages received from the transport level, the dispatcher ensures the passage to the appropriate processing module, which returns the PDU from the message; then the PDU is directed towards the destination application module;

- **message processing sub-system** ensures the packaging with the appropriate header for the messages originating from applications, while for the messages coming from the level of transport – the extraction of the PDU contained in these messages;

- **security sub-system** ensures authentication and encryption/decryption functions; can encrypt the PDU included in the message and possibly some of the header fields; an authentication code can also be generated, which is inserted into the message header. Similarly, the authentication code is tested upon the reception of the message, then the message is decrypted. The message processed in this way is returned to the message processing sub-system.

The SNMP machine for a traditional agent has all the components of the SNMP machine of a traditional manager, plus an access control sub-system. This sub-system ensures services for the control of

access to the MIB, as well as for reading and setting the status of the managed objects that can implement multiple models. RFC 2275 defines the VACM (View-Based Access Control) model.

Security-related functions are organized into two separate sub-systems:

- **security sub-system** processes the messages and provides authentication and confidentiality.
- **access control sub-sistem** processes the PDU from messages and the ensures the control of access to the management information.

SNMP arhitecture / SNMP agent

The traditional SNMPagent is represented in Figure 2. This Agent may contain three types of applications:

- a) Generator of responses to commands - ensures access to data management. These applications respond to the receipt of a request by emitting a PDU Response.
- b) Generator of notifications – initiates asincronic messages; for this application the SNMPv2 – Trap or the SNMPv3 – Trap are used.
- c) Proxy Forwarder Application–re-transmits messages between entities.

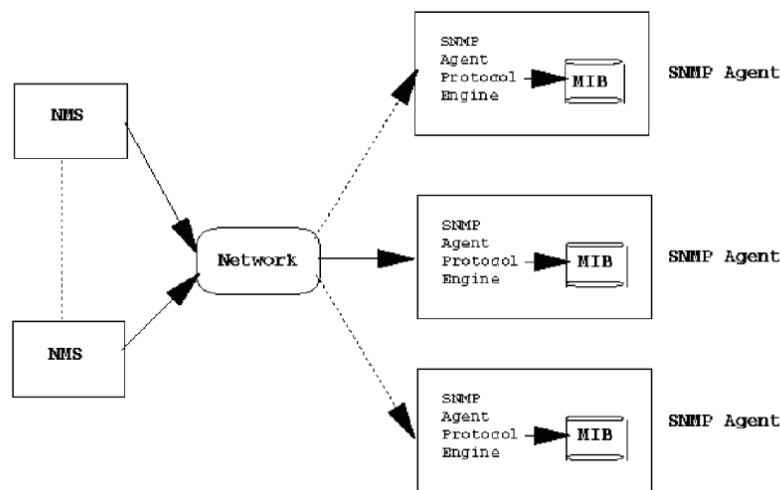


Figura 2. SNMP arhitecture / SNMPagentul

UserSecurity Model (USM)

The USM aims to counteract the following types of attacks:

- change of management parameters, including those related to configuration, commands, record.
- modification of identity (masquerade).
- modification of message flow. In this case the SNMP is designed to work over a connectionless transport protocol and there is the possibility that the messages may be reordered, delayed or duplicated to perform unauthorized operations management.
- interception of information to know the values for the administrated objects and the events which are notified.

The USM is not intended to counteract the following types of attacks:

- denial of access to services: the attack consists in preventing the exchanges of messages
- traffic analysis: the attack consists in observing the process of message exchange

The lack of action against the two types of attacks mentioned above is justified by the following considerations:

- denial of access to services cannot be distinguished from network failures;
- denial of access to services affects any exchange of information via the network, counteracting this type of attack is a matter of global network security;
- the succession of messages of a management protocol is predictable.

TMN architecture

The Telecommunication Management Network, or the TMN, was for many years one of the most complex management platform, designed to meet the demands of today's telecommunications networks. The TMN is a conceptual framework developed by ITU to interconnect various operating systems and telecommunications networks. It defines the infrastructure necessary for the implementation of telecommunications service management [5,3].

The TMN as an operational model is designed to achieve two important goals: interoperability between different platforms and improvement of network functionality, see [6,7]. The standard was published by the ITU-T in M.3000 recommendations series, which is based on the existing OSI standards. The TMN uses the concepts from the OSI management system and applies them in telecommunications management. This means that the TMN is based on the reference model OSI, CMIP and CMISE for management, GDMO as rules for the description of management information (similar to SMI from IETF), ASN.1.

It provides a centralized architecture for the management of multi-vendor systems, by the following:

- Concepts and definitions
- Networks principles, some of them already existing in OSI standards
- Functional management zones
- Informational model
- Physical architecture

Even if the TMN is conceptually a separate entity connected to the telecommunications network via interfaces, it can use a part of the network for its own communication, according to [6,17]. As noted earlier, the TMN concept includes computers, databases, terminals, communication networks. The TMN architecture is organized so as to be able to interconnect various network elements and the OSS.

The TMN specifies the standard interfaces and protocols used to exchange information between OSS and network elements and also everything needed for network management [7,1].

The TMN can be used for a simple connection between the OSS and NE, as well as for networks composed of multiple OSS and a big number of network elements. Figure 3 shows the relationship between the TMN and the telecommunications network. It consists of a number of management systems (OSS) and many network elements (NE) connected by means of the Q3 interface.

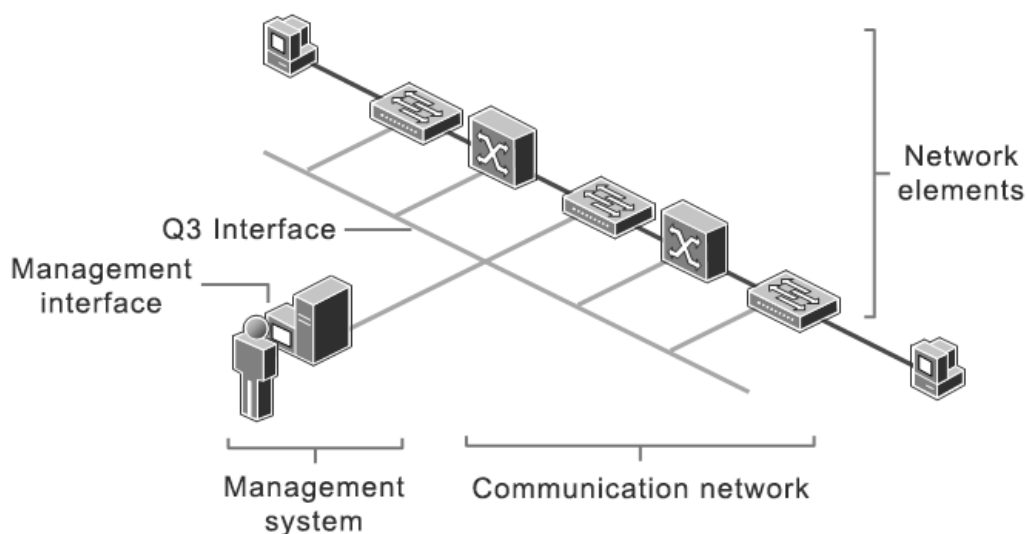


Figure 3. TMN architecture

In order to describe a management system schematically, the TMN recommendations defined an interface and a number of models;

- A logical model that defines or suggests different levels of management, which can be implemented starting with the highest level used for corporations management to the lowest level used for network resource management.
- A functional model that divides both the network and the management process in areas with specific functionalities. For each of these, the TMN specifies the interfaces and method of interconnection.
- A physical model, which deals with various types of equipment and their interconnection, using the transmission environment. For example, the physical model specifies the type of technology, which is best suited for the TMN (in the case of a link between OSS and NE using the Q3 interface, the recommended solution is packet switching X.25 or Frame Relay).

CMIP and CMOT architectures

The CMIP (Common Management Information Protocol) is a protocol for network management, offering implementations for services defined with the help of CMISE (Common Management Information Services), enabling the communication between network management applications and agents. The combination CMISE/CMIP is based on the OSI reference model (developed by ISO) and was defined in ITU-T X.700 standards series.

Management Models

Network management can be shaped in various ways. From the point of view of OSI, there are three models. The first model (organizational model) describes the ways in which the management part can be administratively distributed. The functional model describes the management functions and the connections between them, while the information model provides guidance on how to describe the monitored objects and the information associated with these objects.

For the operation of CMIP a set of protocols has been developed for the levels of the OSI reference model [8,9].

CMOT management architecture

The management of networks that use the TCP/IP set, using the CMIP is known as CMOT. The equipment compatible with this protocol needs to implement the following protocols: ACSE, ROSE, CMIP, LPP, UDP, TCP and IP.

IV. Conclusions

The research phase has evidently imposed reorientation to new concepts (distributed management, integrated management) along with new technologies emerging in the recent years (both in local networks and in personal networks). The special interest to this subject is also proved by its inclusion as a priority topic in FP7 international research projects. The project FP7-4WARD (pronounced like the word "Forward") is entitled "Architecture and Design for the Future Internet", being a response to the challenges of tomorrow's Internet. The current network architectures no longer allow any innovations other than in the applications part, when actually there is a need for radical changes in the structure and principles used. 4WARD is not aimed at creating evolutionary solutions, but rather at simply **rethinking the entire Internet philosophy**, given the increasing demands for mobility and wireless access.

Several types of networks will coexist on common platforms, on which virtualization will play an essential role. Networks should be self-managing, while applications should be focused on information objects rather than on network nodes. The solutions will include all types of networks, from fiber-based to wireless or sensor networks.

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APPROACHES AND DEVELOPMENTS OF PUBLIC PENSION SYSTEM IN THE REPUBLIC OF MOLDOVA

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This study aims to analyse the current public pension system in Moldova under the financial developments, demographic and political conjuncture. The prospect of effective development of alternative pension schemes in Moldova will be investigated into ensembles public pension systems operating effectively in some EU countries. The research will provide workable solutions to reform the public pension system in the country, to ensure fairness and to respond effectively to social and economic challenges.

Key words: *reform public pension system; public pension system, pensions, social security.*

Public pension systems are facing with various difficulties in recent years internationally due in large part to public debt caused by excessive social spending [1]. Pension reform is one of the biggest challenges facing governments around the world today, especially regarding traditional pension system based on solidarity between generations [2, page 5]. This type of system makes it increasingly difficult situation in which the number of retirees increases and the number of employed persons decreases and face difficulties in supplying the population with decent pensions.

The Republic of Moldova is no exception. Social Insurance Budget deficit at national level gradually increases each year. Among the causes that put pressure on this issue can be listed: the demographic crisis, labour migration, paying wages in envelopes, etc.

The pension system in Moldova has reached a time that requires fast changes to ensure its sustainability [3, p. 11]. Reforming the pension system is imperative, socio-economic and demographic context are deeply damaging, and any adjournment of cardinal changes translates into additional costs for

Moldova. Keeping the status quo puts viability of the pension system and thus even growth potential. At the same time, ensuring payment of pensions from foreign sources pension system, reduce financing other sectors and reduce the chances of successful implementation of other reforms, thus endangering the achievement of other development priorities [4, p. 3].

Thus, in Moldova, current and future sustainability of the pension system is one of the primary problems. They require a deep analysis of all the factors that generate imbalances in the system and initiate effective reforms meant to adjust properly economic cost sharing between different generations in the same generation.

Pension system in the Republic of Moldova is redistributive and based on the principle of solidarity between generations, according to which collected contributions are used immediately for payment of pensions (Pay-As-You-Go) [2, p.5]. The governing principle of redistributive pension systems make an active group in the labour market is steadily declining balance a population group withdrawn from the labour market is steadily increasing [8, p. 64].

At the same time, social insurance system is quite complex, as a result of multiple categories of beneficiaries. The size of the insurance tariff is differentiated by categories of payers: employers, employees and what operating on their own (individual entrepreneurs, patent holders, lawyers, notaries, etc.), and its size is adopted annually by Parliament. On the other hand, differ for different categories of payers and the tax base of which is paid insurance contributions [5].

Laws regulating pension system in Moldova are found in the following acts: [6].

1. Law on state social insurance pensions no.156-XIV of 14.10.98;
2. Law on public social insurance system No. 489-XIV of 08.07.99;
3. Laws annual state social insurance budget.

Table 1.

Rates of state social insurance contributions mandatory for 2015

Categories of payers and insurance	Contribution rate	The payment deadline
Employer to: persons employed by individual employment contract, contract projects, international institutions and organizations, officials elected or appointed to the executive authorities, judges, prosecutors, ombudsmen	23% in payroll and other payments	Monthly, until the 25th of the month following the reporting month
Employer for persons employed by individual employment contract or other contracts for execution of works or services operating in special working conditions, according to Annex 6 of this law	33% in payroll and Other payments	Monthly, until the 25th of the month following the Reporting month
Employer for persons employed in the execution of works or services that meet the conditions specified in Article 24 paragraph. (21) of Law no.1164-XIII of 24 April 1997	23% 2 average salaries in the economy projected for 2015	Monthly, until the 25th of the month following the reporting month
Employers in agriculture	22% in payroll and other payments	

The employer means	16% in payroll and other payments	Monthly, until the 25th of the month following the reporting month
From state budget	6% to payroll and other payments	
Individual entrepreneurs; lawyers, notaries, bailiffs and mediators who obtained the right to operate, regardless of the legal form of organization, the sole founder of entrepreneur patent holders	MDL 6372 per year for individual insurance	Monthly, every 1/12 of the annual amount by the 25th of the month following the reporting month
Entrepreneur patent holders, and persons who fall into the categories of payers referred to pct.1.1-1.5	MDL 6372 per year for one person, but not less than 1/12 of this Amount monthly.	At the time of application or patent extension

Source: State Social Insurance Budget Act 2015. (9)

For the period 2015-2017 provided for the maintenance of these allowances until 2017.

Making a foray into the history of the pension system in Republic of Moldova since 1999 showed an increase of revenue and expenditure budget of state social insurance by about 17% per year (the last 4 years - 10%) and 18% per year. This increase is mainly due to factors of population aging and the annual indexation of pensions [7].

Data from the National Social Insurance House (CNAS), certifying that from 1 January 2015 the average pension in Moldova amounted to 1,087 lei, by 67 lei more than in 2014 due to rises in pension indexation 6.45 %, which took place on 1 April 2014 the reduced pension does not cover currently no minimum required for survival.

The total expenditures of the State Social Insurance Budget (BASS) for 2014 amounted to about MDL 12 billion, about 11% of GDP. The budget deficit registered by the State Social Insurance of Moldova (BASS) in the previous year was about 1.1 billion or 1% of GDP. In 2015, it was estimated a deficit of about 1.4 billion MDL, which also would be fully covered by the state budget. Thus, it appears that loses features BASS independent budget based on self-financing and sustainable [7].

The redistribution of funds is exposed to several risks, both economic and demographic. These include: global economic and financial crisis, population aging, slowing income growth compulsory contributions (about 7.5% per year on average), says the report compiled by the Association of Actuaries from Moldova (AAM) [7].

The demographic parameters of Moldova deteriorate considerably sustainability of the pension system. Thus, in recent years, the social security system of Moldova faces an increase in the number of new retirees settled. During the period 2007-2010, the number of retirement-age grew an average of 1,700 people per year, while in the period 2011-2014, the number of pensioners increased by an average of 11,700 people per year. Another demographically negatively impact the pension system is the aging population. The ratio of population over 60 years and the total population was 15.2% in 2014, while according to international practice a population is considered "aging" when the share of elderly exceeds 12% [2, p .8]. According to forecasts for 2020 this percentage will reach 18.2% and 2050 at about 32%.

In **conclusion**, the current public pension system needs reform in Moldova. A pension system equitable and sustainable, providing a decent living after retirement, it is essential for social cohesion [10]. Current pension system reform should involve the implementation of a cumulative pension system under which social security contributions will be invested rather than spent immediately to pay benefits to current pensioners.

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CONFORMANCE OF UNIVERSITY WEBSITES FROM THE REPUBLIC OF MOLDOVA TO WEB CONTENT ACCESSIBILITY GUIDELINES

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It is presented a review of university websites in Republic of Moldova based on manual and tool-supported accessibility checking. A number of 5 websites is evaluated against WCAG 2.0 recommendations. They were taken into consideration only the accessibility techniques and rules for level A – the lowest accessibility level. As a result of analysis it is concluded that there is a preponderance of university websites that do not meet the legal requirements regarding the web accessibility. A lot of work and effort has to be done to make these websites accessible.

Key words: *university web site, web content, accessibility checking, WCAG 2.0 recommendations.*

1. Introduction. Active participation in society requires usable and accessible ICT tools. Unfortunately, for a large part of the population the web content is difficult to use if not unusable. The consolidation of an information society in Moldova requires equal access to the information technologies for all citizens. Most public web sites have barriers that affect the access to information for people with disabilities.

The accessibility of public web sites is a key quality attribute for the successful implementation of the Information Society. The purpose of this research is to present a review of accessibility of university websites in Republic of Moldova. The actuality of the theme derives from the regulations imposed by the European standards, and by the desire to grant equal access to web resources to every citizen. Development

and testing according to accessibility rules is both a trend and a necessity. The objective of research is to find the level of conformance with accessibility rules, in order to understand the current situation. This information could be further used to improve the websites, to have them more accessible, more user friendly for any type of end user. A number of 5 websites will be evaluated against WCAG 2.0 recommendations [1]. We will take into consideration only the accessibility techniques and rules for level A – the lowest accessibility level. The analysis of results will reveal the level of web accessibility of university web sites. As a result of test execution we will highlight the aspects found.

2. Preliminary considerations. According to statistical data provided by Moldovan National Bureau of Statistics [2], in 2012 there were approximately 183 thousand people with various disabilities. At 10 thousand inhabitants there are 516 people with disabilities, and every sixth person with disability falls into the category of severe disability. People with disabilities represent 5.2% of the total population and children with disabilities – 2.1% of all children in Moldova. Accessibility research is a relatively unexplored field in Moldova and there is little accessibility data related to public web sites.

Testing is the process of analysing a software product to detect the differences between existing and required conditions (that is defects/errors/bugs) and to evaluate the features of the software product.

Non-functional requirements (NFRs, or system qualities) describe system attributes such as reliability, maintainability, scalability, accessibility, usability (often referred to as the “ilities”). They can also be constraints or restrictions on the design of the system. Non-functional refers to aspects of the software that may not be related to a specific function or user action.

Accessibility testing is a type of non-functional testing designed to determine whether individuals with disabilities will be able to use the system in question, which could be software, hardware, or some other type of system.

Web accessibility aims at enabling all users to have equal access to information and functionalities on the web. More specifically, Web accessibility means that people with all abilities and disabilities can perceive, understand, navigate, and interact with the Web.

Web accessibility also benefits people *without* disabilities. For example, a key principle of Web accessibility is designing Websites and software that are flexible to meet different user needs, preferences and situations. This flexibility also benefits people *without* disabilities in certain situations, such as people using a slow Internet connection, people with “temporary disabilities” such as a broken arm and people with changing abilities due to aging.

A quick test to find out how does a website perform for people with disabilities, there is a list of 6 simple tests that anyone can do without any development knowledge:

- 1) Unplug the mouse and/ or turn off the track pad;
- 2) Turn on High Contrast Mode;
- 3) Turn off Images;
- 4) Check for Captions or Transcripts;
- 5) Click on Field Labels;
- 6) Turn off CSS.

When talking about web accessibility we need to refer at a concrete level, as Web Content Accessibility Guidelines (WCAG) has three **priority levels**:

Priority 1: Web developers **must** satisfy these requirements; otherwise it will be *impossible* for one or more groups to access the Web content. Conformance to this level is described as A. (People with some disabilities “will find it impossible to access information” in a document that does not pass level “A”).

Priority 2: Web developers **should** satisfy these requirements; otherwise some groups will find it *difficult* to access the Web content. Conformance to this level is described as AA or *Double-A*. (People with some disabilities “will find it difficult to access information” in a document that does not pass level “Double-A”).

Priority 3: Web developers **may** satisfy these requirements, in order to *make it easier* for some groups to access the Web content. Conformance to this level is described as AAA or *Triple-A*. (People with some disabilities “will find it somewhat difficult to access information” in a document that does not pass level “Triple-A”).

3. Web sites for testing. This research is reviewing the universities websites for accessibility. The sample consists of top 5 universities from Moldova according to the Ranking Web of Universities [3].

Below are the web resources for each of the 5 universities:

1. State University of Moldova, <http://usm.md/>
2. Technical University of Moldova, <http://www.utm.md/>
3. Free International University of Moldova, <http://ulim.md/>
4. Nicolae Testemițanu State University of Medicine and Pharmacy, <http://usmf.md/>
5. Academy of Economic Studies from Moldova, <http://ase.md/>

For testing purposes, we have chosen the home page and two other pages for each university, as shown in Table 1.

Table 1

List of pages that will be checked for accessibility

University name	Home page URL	Second page URL	Third page URL
USM	USM Home page	Bilateral Agreements and Affiliations	Research Units
UTM	UTM Home page	Faculty of Computers, Informatics and Microelectronics	Proposals and Suggestions
ULIM	ULIM Home page	Admission to master (virtual application)	Contacts
USMF	USMF Home page	Affiliations	Contacts
ASEM	ASEM Home page	Reclamation (Ethic Commission)	Admission to Master

From the hundreds of pages of documentation on WCAG and the multitude of success criteria and techniques, we had the challenge of identifying a certain number of techniques that will be suitable and applicable for all the websites under test. Also, as according to our scope, only techniques having Level A have been chosen.

After a good analysis and an accurate selection, we come with 11 tests. We have written our tests coming from success criteria and making it focused to catch a single problem. Also, for each test we have provided link to the corresponding technique:

TC 01 Ensure all images have a valid ALT attribute ([H37](#));

TC 02 Ensure caption/summary for a table element is provided ([H73](#));

TC 03 Ensure h1-h6 tags are used to identify headings ([H42](#));

TC 04 Ensure that when text is resized content is not lost or obscured ([G179](#));

TC 05 Check that all functionality can be accessed using only the keyboard ([G202](#));

TC 06 Ensure keyboard focus is not trapped in any of the content ([G21](#));

TC 07 Check that each web page has a descriptive title ([H25](#));

TC 08 Check that each link has a text that describes the purpose of the link ([G91](#));

TC 09 Ensure the primary language of the page is identified using the *lang* attribute ([H57](#));

TC 10 Ensure that user is informed which are the required fields and is informed which were not completed ([G83](#));

TC 11 Validating Web pages with Total Validator Tool ([G134](#)).

There are two major approaches to testing the accessibility of web pages. The traditional one is manual accessibility testing, using a browser, a text editor and our best judgment or intuition. The newer method is the use of automated web accessibility testing tools. However, it's not a good choice to use only one

method. Below we will explore the benefits of both approaches and will suggest how to combine both methods to achieve better results in a shorter amount of time.

4. Results of testing. Using both manual and automated techniques we have come to the below results. Regarding at the aggregated test results (figure 1) we can say that the website with the fewer number of defects – **27** for all three pages is UTM’s website. On the opposite, the most erroneous website is ULIM’s site with a total number of **248** defects.

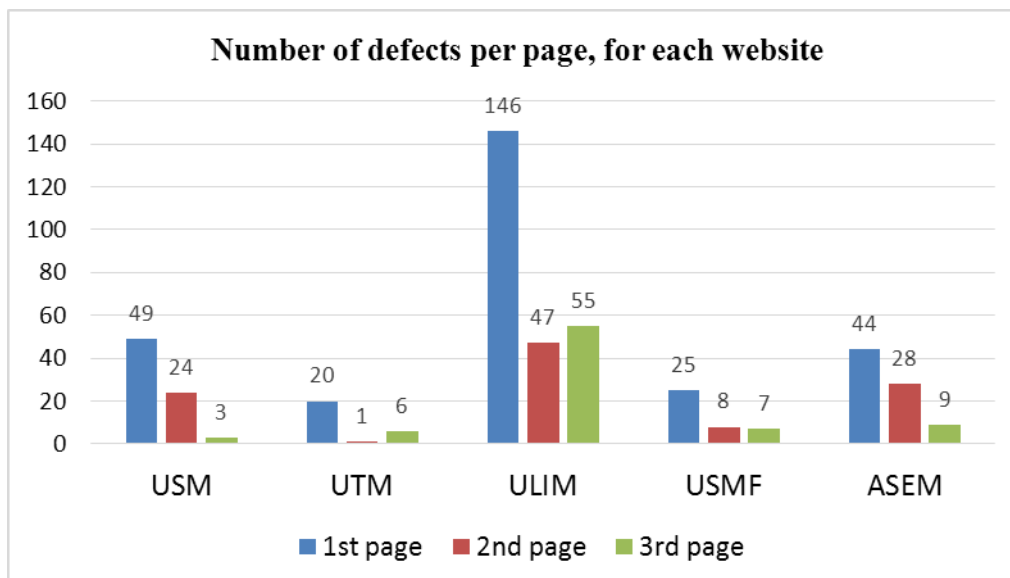


Figure 1. Bar chart showing the number of defects per page, for each website

As we can see, the highest number of errors is on the first page of each website, as for the other two pages, we have indicated the unique defects, not repeating the ones found on the first page.

In the next pie chart (figure 2) we can see the percentage of defects for each website very distinctively.

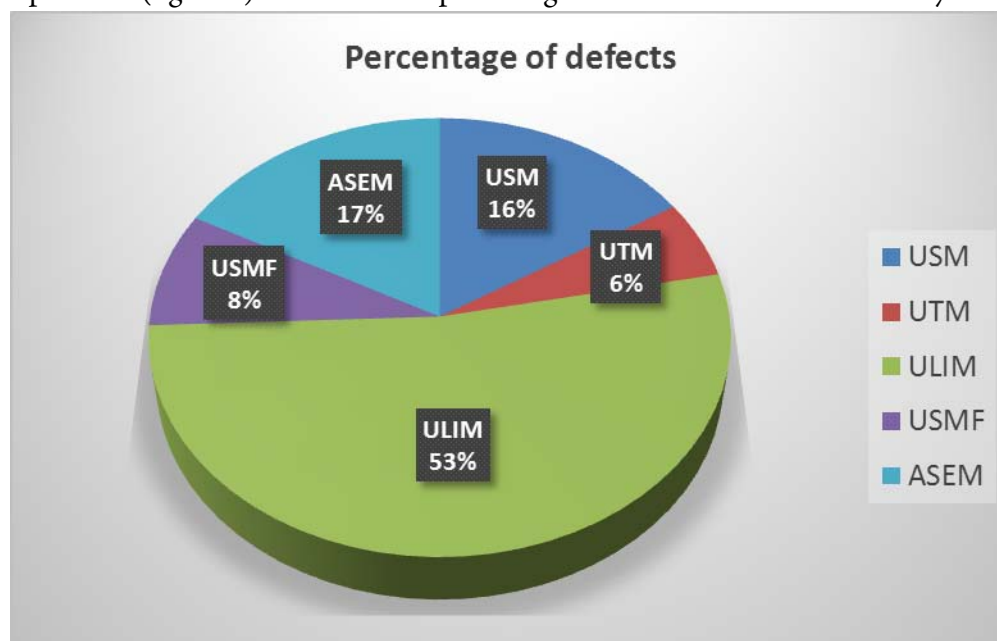


Figure 2. Pie chart showing the percentage of defects for each website

In order to be used by people with disabilities, the web sites content has to be perceivable. Although the accessibility level is low, the online space offers a lot of information on how to assure a good accessibility level for a website, with a lot of recommendations on how to make sure that the content is accessible and with a great availability of accessibility checking tools.

A very easy and totally free way to check website accessibility is validating the web page using a web validator tool. There are many tools available, besides the one that we used:

- AChecker;
- WAVE;
- EvalAccess, etc.

Another alternative is to use the *User testing approach*. This technique would consist in having students to test a beta version of the website before releasing in production a valid version. This testing could last for a certain period (a few weeks till 2-3 months) and the output – the defects, inconsistencies, any issues found should be used to improve the quality. This technique could be used when there are no resources allocated to test a certain website and in this way, it could be useful to have a common effort for having a better web solution.

5. Conclusion. This research contains the results of the evaluation of 5 university web sites for conformance with **WCAG 2.0 level A** requirements (lowest level of conformance). The future purposes are to extend the area of tested websites and to compare the progress in websites accessibility/the degree to which the web accessibility is maintained and improved in time. Also, it is further planned to test the web accessibility against level AA and AAA.

Overall, we have concluded that there is a preponderance of university websites that do not meet the legal requirements regarding the web accessibility.

We can assume that this aspect wasn't taken into consideration. Testing, in our case, accessibility testing should be performed during the entire implementation of an application and should start as early as possible [4]. The analysis should start before any line of code has been written. This is valid for all applications, not depending on the software delivery model, being Agile or Planned Iterative.

In the next future, we intend to carry on a second evaluation with a larger sample and on more pages for each website, in order to better assess the progress of web sites already evaluated and better describe their accessibility. This survey focused only on the high-level educational sector. The results show that a lot of work and effort has to be done to make websites accessible.

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POPULATION QUALITY – THE BASE OF DEMOGRAPHIC SECURITY IN THE REPUBLIC OF MOLDOVA

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Demographic changes in the Republic of Moldova encouraged the appearance of some problems as: birth rate decrease, mortality rate increase, negative natural balance and as consequence – limited population reproduction. Improving demographic crisis consequences, it is necessary to elaborate and implement a demographic functionally security strategy. The main idea of this security strategy should be a demographic policy based on improving population quality (health conditions, education and cultural level).

Key words: *demographic security, demographic policy, population quality, population aging.*

I. Introduction

Demographic development of a country represents one of social and national key priorities. These priorities require commitments of competent bodies and consistent policies, guided to problem's solution linked with population, joined authorities, institutions efforts and civil society, locally and regionally. Priorities and tasks are oriented to slowdown population rate decrease and raise human capital quality level (health conditions, education level, population abilities). In context of demographic transition from a situation when the population number was increasing numerically to another of stabilization and aging population, as in the case of Republic of Moldova, demographic strategy interferes in keeping on a demographic balance necessary to each country, according to problems that affect it. Demographic strategy is one of necessary elements to increase population quality and ensure optimum conditions for a durable development of a unique society, with a high level of education, culture and health. In order to achieve this goal, it is necessary to know actual demographic situation of the state, its problems and factors that caused occurrence and maintenance of existing problems. Their knowledge will help to elaborate a concrete plan of economic, social, political and demographic actions. These measures will help to improve negative impact of existing demographic problems.

This study has the goal to analyse actual demographic situation of the Republic of Moldova, the main demographic problems, factors that determine its occurrence and maintenance. These are necessary for elaborating a plan of actions in order to eliminate negative consequences of these problems, socially, politically and economically. For elaborating this plan, help measures that are targeted to improve qualitative aspects of population – human capital level which represents the base of a sustainable development of each country, also of the Republic of Moldova.

II. Critical analyses of the researching problem

The Republic of Moldova population, as in other countries, pass through important demographic changes. The situation is characterized of a set of demographic problems, as: birth rate decrease, mortality rate increase, infant mortality high rate, aging population, rapid change of social structure and the migration growth character. All these changes lead to decrease the number of population of the state. The demographic fall and the damage of the age structure are the most visible and concern aspects of the demographic situation in our country. After about two decade of demographic fall, in the lack of factors that could change the evolution, the state demographic future is gloomy and the elaboration of a national population strategy became one of the national priorities.

In this connection, can be mentioned the most important actual demographic problems in the Republic of Moldova:

- Rapid decreasing of the birth rate, infertility rate increase, and as consequence limited population reproduction;
- Mortality rate increase, maintaining high level of infant mortality and maternal mortality rate;
- Life expectancy at birth decrease (although, in the last years its value have been growing, but remain under the limit of many European countries);
- Divorce rate increase, especially of rural population;
- Increasing of age structure imbalance, decreasing the young population weight (up to 20 years old) and rapidly increasing of aging population (especially, over 60 years old);
- Intensification of aging population. If, during many decades, Republic of Moldova was having a favourable age structure (young population had a fixed percent, and aged population under 12%), in the last period, during 20-25 years, population passed aging limit (12 %), also some districts overrun the critic level of 20 % (Drochia, Donduşeni, Briceni);
- Emigration intensification, as result of economic crisis and of all economic, political and social inefficient changes. It is important to specify that preponderant emigrate young people, of reproduction years, with high level calcification and rich professional practice;
- Depopulation process intensification, especially of villages. At the same time, human potential are concentrated in Chişinău municipality and neighbouring districts and other towns (Bălţi, Orhei, Soroca, Cahul) are not attractive for intern and external migration;

At the base of these rapid and continuous demographic changes there are some groups of factors. In order to analyse the origin of a problem, its evolution and as a result to elaborate a plan of actions, it is strictly necessary to know factors that are responsible of these changes. Just knowing these factors, it will be possible to elaborate proposals of consequent and working demographic policies. Some of these factors, those caused quality changes are:

- Population income and living standards;
- The system and level of education;
- Reproductive health and health system;
- Sexual culture and sexual behaviour risks.

Analysing these factors, it could be mentioned that people's income contributes directly to increasing and decreasing their living standards. These have an important role in demographic development of the country. Radical economic changes, after Republic of Moldova become an independent country, worsened the demographic situation and stimulated emigration. The consequences of created situation had and continue to exert negative effects on demographic situation. The Republic of Moldova is situated the last position in Europe and on the 147th position in international ranking by PRB per capita – 1736\$, while other European countries its value overtakes some thousands USD (Luxembourg – USD 96269, Norway – USD 80749, Romania – USD 9570, Ukraine – USD 2002).

Education system has a determinate role in increasing human capital quality. Population education level, also as education opportunities which education system offers to children, have a significant impact on population reproductive behaviour. According to National Bureau of Statistics, student's number in institution of higher education is increasing continuously. The number was of 357 persons/ 10000 inhabitants in 2006, and 273 persons/ 10 000 inhabitants in 2014, the number diminished with 24 % over 8 years. Another demographic indicators from education category is school life expectancy, which had the value of 11,3 years for primary-higher education, while in other countries of European Union this value is of 16-17 years (for example Spain – 17,1 years, France – 16,3 years, Romania – 16,3 years). These aspects are only some examples in analysing demographic situation of education level of people in Republic of Moldova, necessary for acting in improving human capital quality.

Reproductive health and health system quality is a factor that also affects the creation of actual demographic situation. The reproductive health is defined as physic, mental and social health, linked with functionality and reproductive system. This is directly influenced by general level of population health. Some demographic indicators of health, as infant mortality, has high rate comparative with other countries, of 9,6 ‰ for 2014th year (Romania – 9,2 ‰ for 2013th year, Bulgaria – 7,3 ‰, the highest rate in European Union, and the lowest rate – Cyprus – 1,6‰, Finland – 1,8 ‰, Estonia- 2,1 ‰). This value is in process of decreasing, which means that the medical assistance quality is better. Mortality rate is a generalized indicator, but it's rate variation determine birth rate level, natural increase, life expectance. Mortality rate in Republic of Moldova has a downward trend, although its value remains higher than other developed countries. In 2014, it registered 11, 1 ‰, while developed countries, for example France has the mortality rate of 8 ‰.

Sexual culture and sexual behaviour represent other factors that influenced precarious demographic situation in our country. These factors determine directly birth rate, fertility, primary and secondary infertility. Sexual behaviour is represented of contraceptive method use with low effects and low information about modern contraceptive methods, and also about sexually transmitted diseases. This is influenced by the education level of people. It is known that persons with low education level prefer to use traditional contraceptive methods, while persons with high level of education use modern contraceptive methods. The effect of this inappropriate behaviour is experienced through high level of sexual transmitted diseases. Young people are the most affected group of persons, who are at risk of HIV/AIDS. The incidence of infections with human immunodeficiency virus (HIV) in the last years was reduced with 9 % compared to 2008 – 111 cases / 100 000 persons (2013), the value being higher than in other European countries [9, p.85].

III Own vision about problems and obtained results of research

Actual demographic problems of our country are well known by competent bodies, Government and society. It is important to know that the essence of a demographic policy is a working demographic management. The management should be a durable and permanent activity, necessary in the process of development and renovation of demographic policy elements and measures. Only having a qualitative and qualified demographic management it could be elaborated demographic policy and security demographic strategy. Fixed and removable demographic policy could help to reach standards of social and economic development for a long perspective. This policy should focus on increasing qualitative aspects of population. Republic of Moldova could cope to demographic challenge only focus on population quality, which represents: ... a category of population qualitative characteristics as: health, education, culture, which represents a minimum necessary to develop the society. Besides population social movements and health, some authors attach to qualitative characteristics of population a set of demographic indicators as natural population movement and ethnic structure [3, p.419]. Regional and global experience shows that countries have success when invest in health, education and work opportunities for people, especially young people. Fertility rate may increase when there are investments in health and education and also when there are lows and programs to support families, especially young one to reconcile work with the wanted number of children. Planning family programs, also, could contribute to a healthier and more productive society, and its numerical growth.

While fertility rate variation is influenced by many factors, infertility is a medical problem. In Republic of Moldova there is a high secondary infertility rate (one of five women who already have a child, could not have the second one) and this problem should be examined in order to permit families to have the wanted number of children. Planning family available programs and access to qualitative education and to adequate for age services it proved to be important for reducing sexual transmitted diseases, including HIV, and decrease infertility rate.

Young people could be the main important ring in the process of social changes if they are insured with health services, qualitative education and decent work opportunities. Their active and significant participation at public life are not fully realized. The realization of these objects could be possible through

elaboration of a demographic security plan. The demographic security represents the population conditions which express the protection from any risks in order to create demo-social-economic conditions for human interest promotion. In others words, demographic security represents the demographic protection from the potential and real threats, ensuring at least political, economic and ethnical preservation of the country and aims first of all demographic vital processes, linked with the society existence, which reflects its quality, the development level and functionality [1, p.63]. These are reproduction processes, formed by three forms of population shift: vital statistics (birth rate, death, fetal deaths, marriage and divorces), also, the qualitative characteristics of population (physic, psychological and social health). It is important to add that qualitative population characteristics are also of education and qualification, and culture. All these, ensure a minimum necessary for future society development, and of the state economy. The main important aim of demographic security consists of creating conditions necessary for demographic threat prevention and ensuring population stability, generally, the demographic security represents the depopulation resistance, keeping livestock population, including economical active population and ensures its reproduction.

In the Republic of Moldova already there is a project, named "National strategy of demographic security in the Republic of Moldova". According to The National Strategy Program of demographic security (2011-2025), approved by the Government Decision nr. 768 from 12.10.2011, the expected measures were planned in order to solve three domains of demographic problems: birth rate, death rate and migration, including many factors that influenced these processes. This strategy is in impasse because of the demographic politic lack; also it was elaborated without consulting specialists, based on identical elaboration of neighbour countries.

Generally, demographic security strategy should contain a set of measures, as laws and directives that have influence on the country demographic development in time. The Project of Demographic Security Strategy in the republic of Moldova that was discussed represents a symbiosis of the demographic political concept and economic, social and ecological one for future decades. The project is overloaded with a lot of information which are not prerogatives for the demographic security strategy.

According to expert's opinions, The Demographic Security Strategy of a country should trace activity directives of all economic, social, political, territorial actors in order to recover the demographic situation at some steps of the country development. It is necessary to elaborate some demographic development programs, considering the economic, social and demographic concrete situation for any step of the demographic projection.

A good demographic security project for the Republic of Moldova should be based on some simple and realizable actions as:

- The identification of an evaluation mechanism of the politics impact on population and population dynamics in sectorial politics in order to satisfy people necessities;
- Creating conditions which will permit families to decide how many and when to have children in order to balance professional and personal lives;
- Young people free access to information, education and healthcare, thus remain health and to contribute efficiently to country development. In order to improve on demographic aging, age people implication in public life represents a priority and for realizing this, it is necessary to elaborate new mechanism of cooperation through generation;
- The consolidation of Parliament and National Commission for Population and Development in the process of plans monitoring and existence strategies implementation, also the necessary fund allocation and new policies elaboration in line with European and international standards;
- The development of a stronger research and dates collection capacity in the Republic of Moldova institutions, to recommend to decision factors the process of success politics development;

These are only some of starting points in demographic strategy elaboration, based on the improving of population qualitative dimensions. Only, contributing with common efforts to increasing human quality,

the country will cope with demographic and economic provocations. The elaboration of a functional demographic policy and a national population strategy isn't the last step in improving of demographic crisis consequences. The strategy management and the institution's work in implementation of demographic strategy are also very important. The monitoring of the strategy application and results is indispensable for correcting ongoing, the priorities and means re-evaluating, the negative effects avoiding.

III. Conclusions

According to was said earlier, from the short approach about the most important demographic problems that affects the Republic of Moldova, factors that are the base of problems appearance and aggravation or melioration in time and human quality role in the process of sustainable development of the Republic of Moldova could be nominate the next conclusions:

1. Knowing the current demographic situation in the country, also the factors which affects this situation creation and its evolution represent the first step in the process of a demographic strategy elaboration;
2. The demographic crisis is one of the national problem of grate important with consequences on economic crisis;
3. Human capital quality is one of the most important national priorities in elaboration of a working and efficient demographic strategy;
4. The realization, implementation and correct running of the demographic strategy, based on the human quality improving represents the base of a sustainable development social and economic assurance.

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SPACIAL AND BRANCH ANALYSIS OF WATER CONSUMPTION IN THE RĂUT RIVER BASIN

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The water consumption in the Răut river basin is influenced by present status of water resources and by economic activities from respective zone. The objectives of this research are: the evaluation of abstracted and used water by usage categories and administrative-territorial units; identification of problematic situations in the water use and water management; the elaboration of recommendation for rational use of water resources in various economic and social activities.

Key words: water use, Raut, river basin, agriculture, household.

Introduction

Răut river is the right tributary of the Dniester River and the longest river (286 km) that is wholly in the Republic of Moldova. Raut River basin has an area of 7760 km², about 23% from country area. In the Raut river basin includes districts Dondușeni, Drochia, Florești, Sîngerei, Telenești, Orhei and Bălți municipality, as well as a significant part of Soroca and Rascani districts.

Along the time, changes exercised by people on the environment, through completed economic activities, affects water consumption from hydro graphic basin Raut, and insufficient presentation of statistical data in the region represent one of the most principal impediment of development and implementation, in the future, the projects focused on socio-economic sustainable development of human settlements activities and providing of its them with water. For this purpose are necessary activities of analysis and assessment of water resources management from basin Raut.

Results and discussions:

In period 2007-2014, from the Raut river basin was captured, on average 15,5 mln.m³ of water (table 1, figure 2) or 1,8% from total volume of water (854 mln.m³) captured in Moldova. From the Răut river bed was captured 4,6 mln. m³, most of which in Orhei, Floresti and Balti towns.

Table 1.

The volume of water captured in the river Raut (average 2007-2014)

Hydrographic basin	Total		of surface			undeground		
	mln. m ³	%	mln. m ³	%	% ⁷⁵	mln. m ³	%	%
Răut	15,5	1,8	2,4	0,32	15	13,1	10	85
Raut river bed	4,6	0,5	0,37	0,05	8	4,20	3	92
Total RM	854	100	728	100	85	128	100	15

Sources: tables 1-2 and figures 1-2 are developed by the author after Annual Reports (2007-2014) on Generalized Indices of water management in the Republic of Moldova. The Basin River Direction of Agency „Apele Moldovei”.

Until the connecting of Balti municipality at the water pipe Soroca-Balti-Râscani (2006), from local underground sources they were annual captured over 7 mln. m³ of water, which were destined priority for public water supply. Currently, from the groundwater sources are captured over 13 million. m³ of water or about 85% of the total volume of captured water.

⁷⁵ The share of total volume of water abstracted in the respective river basins

From underground sources is supplying Florești, Orhei, Drochia, Sângerei, Telenești, Mărculești and Ghindești towns, and the absolute majority of the rural areas from the perimeter of respectively river basin. Water supply to settlements from the territory is made from artesian wells, springs and wells.

In period 2007-2014, reduces the amount of abstracted water from 17 mln.m³ to 14,5 mln. m³, including groundwater from 13,3 mln. m³ to 13,0 mln. m³, and surface water from 4,3 mln. m³ to 1,5 mln. m³ (figure 2). Changing of hydro graphic regime basin and of the water abstracted is influenced by basin area, by intensification of human activities and changes in food sources as well as variation of the river course [3, p. 21].

As mentioned, majority volume of water is abstracted from groundwater sources, but the aquifer is closely linked to the amount of water extracted and used, which due to increased water consumption can generate aquifer instability. To reduce the excess of evaporation, regulation of surface runoff and groundwater and subsequent use of water for agriculture and industry should be built and landscaped artificial lakes. Otherwise degree of assurance and river basin water consumption will be reduced.

The average consumption of water in the river basin Raut is 13,7 mln. m³. About $\frac{3}{4}$ (10,3 mln. m³) of water captured is used for agricultural purposes, including 16% (2,1 mln. m³) for irrigation (table 2). In the household purposes are used, also, about 16% from the captured water in the Răut river basin. In addition, the communal companies provide public water supply services to budgetary organizations, industrial enterprises and to services sector. For technological purposes are used only 9% of captured water. The highest consumption of water used for technological purposes can be seen in food businesses, stations for commercialization of fuel, in the building industry, in the transport and service enterprises.

Table 2.

The volume of water consumption in the Raut river basin (mediate 2007-2014)

Hydro graphic basin	Total		Households		Technological		Irrigation		Agriculture	
	mln.m ³	%	mln.m ³	%	mln.m ³	%	mln.m ³	%	mln.m ³	%
Răut	13,7	100	2,26	16	1,19	9	2,15	16	10,3	75
Răut river bed	3,7	100	1,24	33	0,7	19	0,38	10	1,8	47

Due to the presence of Orhei, Bălți and Florești towns, in the Răut river bed the share of water used for household (33%) and technological purposes (19%) is much higher and the share of agriculture is much lower (47%) towards the summary share in the respective basin (table 2).

As a result of massive use for agricultural and household purposes a great impact on the water resources is caused by animal communal wastes, as well as by discharge of untreated wastewater. This has conditioned the massive pollution of the Prut river bed and its tributaries. The most polluted sectors from the Raut river basin are in downstream of Dondușeni, Florești, Bălți and Orhei, and the mouth of the Răut river into the Dniester river [1, p. 77].

Since 2007 until 2014, water consumption from Raut river basin decreased from 15,5 mln. m³ to 13,1 mln. m³ (fig. 1). Total water consumption decrease was due to the decline of industrial and agricultural activities, and to the massive destruction of irrigation systems and aqueducts. The main sources of water for irrigation are: Răut river bed, the largest tributaries of the upper and middle – Copăceanca, Cubolta, Căinari, Ciulucul Mic and from the lower course – Cula and Cogîlnic, as well as storage lakes Florești and Căzănești. Although, in the purpose of extending the agricultural land were undertaken the agro-technical works for arranging and expansion of the main river bed, during the last period is observed decrease amount of water used in the irrigation of land from 4,2 mln. m³ to 1,4 mln. m³.

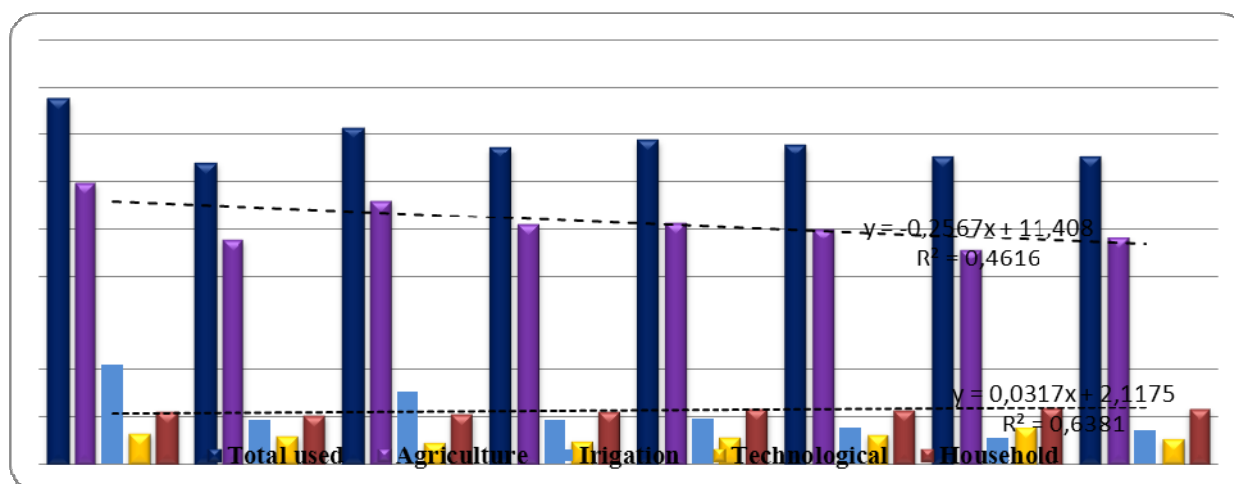


Figure 1. Dynamics, by category of use water in the basin Raut (mln. m³)

Răut river basin is based on Sarmatia limestone and clays rocks, which determine increasing of mineralization and hardness of water, and under these conditions the water is not recommended for irrigation [2, p. 110]. If exclude used water in the irrigation process, in the other agricultural activities showed an increase in water consumption (from 7,8 mln.m³ to 8,3 mln.m³). The decline in the agro-industrial complex determine slow reducing of volume water used for technological purposes (from 1,3 mln.m³ to 1,1 mln.m³). This situation is conditioned, a large extent, by economic and political instability and restricting of Moldovan exports to the Russian Federation, by the low competition of local products with imported goods, by restricted national retail market etc. These factors substantially limit the re-launch of the agri-food sector and other large industrial consumers of water resources.

The volume of water used for household purposes is growing slowly (from 2,2 mln. m³ to 2,3 mln. m³), conditioned by extension of the aqueducts from district centres and villages. These major projects were realized with financial support of the National Ecological Fund, Regional Development Funds and foreign partners in this field. The largest amount of water used for household purposes is registered in Balti municipality, and in districts Orhei and Florești, that a greater number of people. Also, the positive dynamics of household waste water consumption is due to use of water supplied through communal networks of supply centralized in various household activities, and the growth and processing of agricultural products.

Water losses are on average, by 5,0 mln. m³ (fig. 2) or by 32% of the total volume of water captured, inclusive 20% technological losses, which is much lower than else in the watershed of the Republic, except the Dniester River [4]. Technological water losses may occur in the case of technical failures, incidents and accidents. Household wastewater losses are directly depends on the size of municipalities and their water consumption. Therefore, the greatest loss of water is observed in Balti (2,4 mln. m³ of the total water abstracted by 7,1 mln. m³) and in district Orhei (578 thousand m³ from volume by 1,9 mln. m³ of captured water).

Along with reducing the amount of abstracted water is observed reduction and losses of water consumption. Total water losses were reduced in the studied period from 9,7 mln. m³ to 2,5 mln. m³ (fig. 2), what is due, mainly; to multiple reduce consumption and technological losses of water used for irrigation. Also frequent technological losses occurring in the drinking water supply by undertakings in the respective services.

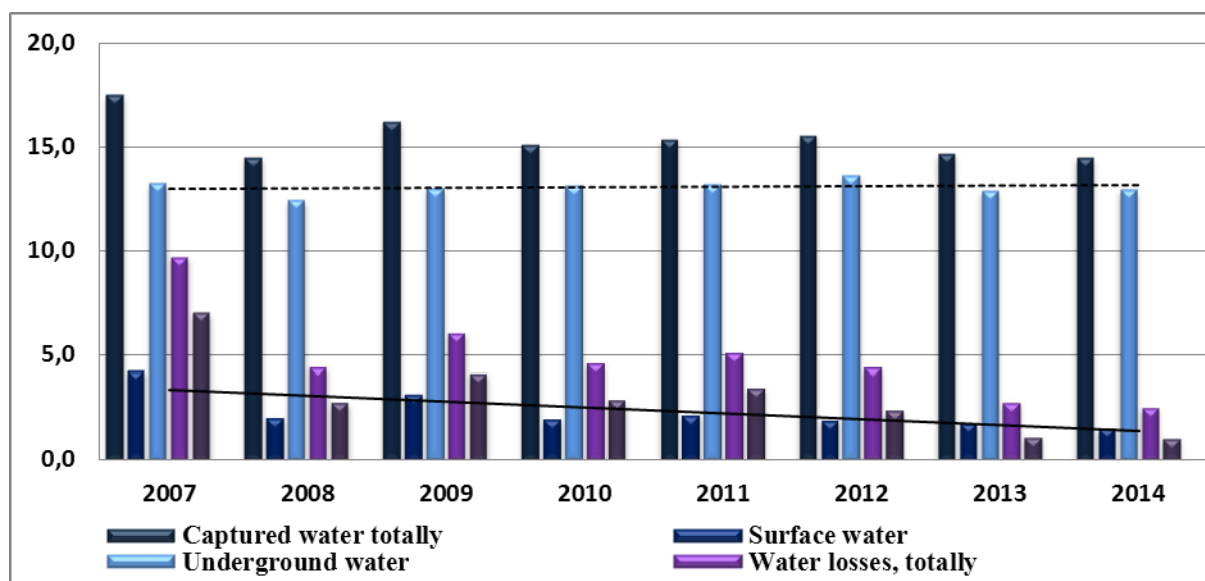


Figure 2. Dynamics of the volume of abstracted water and their losses in the basin (mln. m³)

The spatial distribution of water resources in the river basin is influenced by the amount and annual rainfall regime, by characteristics of relief, geological structure, groundwater character, number of tributaries, and by the influence of human activities. These factors, underlying water supply for Balti, urban and rural settlements from Raut river basin.

Superior Course of a hydro graphic basin Raut, has an area of 2,2 thousand km² and includes most of districts Dondușeni and Drochia. The Middle Course has an area of 3,4 thousand km² and includes Bălți city, Florești Sângerei and Râșcani districts. The Lower Course has an area of 2,2 thousand km² and includes districts Teleneshti and Orhei [2, p. 105].

In the Superior Course of the Răut river, were used, in average 2,3 mln. m³ or 17% the total volume of water used in the respectively basin. Providing of water is greater in the district Drochia, which is due to spring Cotova with relatively high flow, and the greater number of tributaries compared with Dondușeni district. According to reports of territorial ecological authorities, the largest consumers of water in the Superior Course are municipal enterprises "Apă-Canal" Drochia (435 thousand m³) and Dondușeni and (81 thousand m³), specializes in providing drinking water to the population and budget organizations. Also, large water consumers are sugar factories in Dondușeni (150 thousand m³) and Drochia (112 thousand m³), irrigation district associations (150 thousand m³), big agricultural companies, poultry plants and dairy processing. Among service businesses is remarkable hospital from Drochia, sanatorium from Târnova, Dondușeni, educational centres, administrative buildings and trade centres.

In the Middle Course, are used, on average, 8,2 mln. m³ or 62% the total volume of water used in the Raut river basin [4]. An important role in providing with water it has springs from Izvoare village, Florești district. In addition, some localities from this sector, including Bălți, are connected to the water pipe Soroca-Bălți, carrying abstracted water from the Dniester river. In the Middle Course is situated Bălți city - the most important urban and industrial centre from Răut basin with an annual consumption of about 5 mln. m³, as well as the towns Florești, Sângerei, Mărculești and Ghindești. As a result, the share of water used for household and technological purposes is higher compared to the other two sections of the respectively basin. In Bălți, the largest consumers of water are communal enterprises (4,1 mln. m³), food industry enterprises (445 thousand m³), North TEP (228 thousand m³), building (44 thousand m³), medical centers and transports [5]. In the food industry, the highest water consumption is observed in grain processing factories SA „Floarea Soarelui” (163 thousand m³) and SA "Produse cerealiere" (30 thousand m³), dairy plant SA "Incomlac" (133 thousand m³), sausage factory SA "Basarabia Nord" (80 thousand m³), brewery SA "Beermaster" (26,6 thousand m³), Bread Factory (15,3 thousand m³). Also, it is remark Psycho-

neurological Boarding (37 thousand m³), factory for production of gypsum articles SA "CMC-Knauf", transport enterprises and construction of civil buildings. Outside of the Bălți city, along with agricultural enterprises, large consumers and suppliers of water are the companies of Association "Apă-Canal" from Florești (359 thousand m³) and Sângerei (276 thousand m³), Users Associations of water from Biruința, Mărculești, Ghindești and in rural areas, mineral water bottling S.R.L "Rusnac-Moldaqua" (210 thousand m³) from district Florești and S.R.L "Gelibert" (20,1 thousand m³) from Sângerei. In Florești district water consumption for technological purposes is much higher and maximum volume of water used in the building industry (production of glass), processing of grains, dairy and beverages enterprises.

In Inferior Course, are used, on average about 3,2 mln. m³ or 23% of the total volume of water used in the basin of the river Raut [4]. The maximum volume of water is used for agricultural enterprises. Utility companies delivered about 1 mln m³ of water, inclusive 720 thousand m³ in Orhei city and 140 thousand m³ in Telenești city. In recent years, rapid increases of volume of water supplied by utility and water users associations in rural areas. The supply of drinking water to the city Orhei is ensured, especially by spring Jeloboc. The biggest consumers of the industrial sector are food companies, mining and building materials companies. In the food industry are remark wine factories, beverages and canned factory SA Orhei Vit (242 thousand m³), poultry wine factories and the dairy [5]. Most mining companies with large water consumption are located in Orhei and Brănești from the same district. Major consumers of the service sector are health centres, educational, commercial and transport enterprises.

In Inferior Course there has been a slow growth in the volume of abstracted and used water, which is explained by its proximity to Chisinau and to the main thoroughfares. In addition, in many places in this area there is a positive dynamics of species number of population and economic activities, which reflects directly on the increase in water consumption. In this time, in the Middle an Superior Course marked by a reduction of water consumption, especially in industry and communal sector. The causes of this negative trend are: reducing of the number of resident population in most localities in the North Region, reducing the volume of industrial and agricultural production, the deplorable status of many water pumping stations and water pipelines.

Conclusions

The current status of water resources and economic activity influence water consumption in the Raut river basin. Even if the water from the river basin return just 1,8% from total volume of water of the country(854 mln.m³), it provides water consumption for about 23% from surface of the Republic of Moldova, especially from Balti city, from Floresti and Orhei districts.

About $\frac{3}{4}$ of abstracted water is used in agriculture, including 16% in irrigation. For household purposes are used 16% of abstracted water, and in industry only 9%. In the last period is registered considerable decrease of volume abstracted and used water for irrigation and industry. This situation is influenced by economic decline at the republican level, by reducing the efficiency of water supply services, advanced wears of pumping and captures stations, which causes great losses of water. The volume of delivery water is conditioned by the number and size of urban and industrial centres, of big agricultural farms in the territory. In addition, water consumption is influenced by climate, soil and geology of the respectively basin.

For rational use and maintaining the balance between water resources and consumption of these in the Raut river basin, it is necessary the extension of water supplies infrastructure, effective monitoring of natural, geo-demographical and economic conditions from territory.

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THE CONCEPT OF STATE REGISTER OF ADMINISTRATIVE ACTS FOR LOCAL AUTHORITIES

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This paper addresses the conceptual aspects of the development and operation of management information system for administrative acts of local government. The research is based on the identification and formalization of the basic characteristics, information technology, architecture, conceptual and data flows, which will be the basis implementation of the State Register of Local Acts.

Key words: *State Register, regulation, access to information, decision transparency.*

I. General aspects

With the approval of the National Decentralization Strategy and Action Plan for implementation of National Decentralization Strategy [1], the Moldovan government has committed to ensure a genuine local autonomy for local public authorities (LPA). Unlike the central public administration (CPA), which has jurisdiction throughout the country, LPA has jurisdiction only within the territorial-administrative unit in which it operates. The legislative framework in Moldova under the law on administrative decentralization [2] defines local autonomy as a right and effective capacity of local governments to regulate and manage under the law, under their own responsibility and in the interest of the local population, an important part of public affairs. Also, under this law LPA has the right to adopt decisions freely under the law.

The primary concern of the State under the legal framework adopted in Moldova and international Declaration of Human Rights [3] LPA activity is transparent and it supposed to involve the needs and values of citizens in making and implementing decisions at all levels of government. Equally important is to ensure the supreme law in the process of decision-making at local level and carrying out administrative control over the legality of administrative and approved acts.

Legislation in force establishes a series of requirements on transparency and insurance of access to decision-making acts of LPA. Art. 68 par. (1) of Law No. 317-XV of 18.07.2003 on normative acts of the Government and other authorities of the central government and local [4] lays down that all legislative acts are made public through publications or by displaying them in authorized locations. The Law No. 436-XVI of 28.12.2006 on local government [5] and Law. 239 of 13.11.2008 on transparency in decision making [6] contain rules regarding the mandatory public consultations.

In these circumstances, LPA has no information mechanisms that would allow ensuring enforcement of the transparency and publication of the issued documents. As a result, the general public and businesses have no access to the documents issued by LPA. Some LPA place issued acts on their own website, publishes them in local newspapers or displays them in public places. Despite this, access to the acts in this case is problematic and documents are not systematized and updated. Also, with existing arrangements of publishing or public displaying acts, LPA allows abuses (non-publishing / displaying its acts, the subsequent amendment of the text, substituting documents etc.). Here, there is a lot of work with a great number of documents and records on paper, great documentation circuit, which is not managed efficiently, that

consumes resources of time for the whole workflow. Implementation of IT solutions will improve the management of the entire workflow and will permit the recording of documents issued locally, which would significantly increase the effectiveness and the speed of processing.

According to the advance towards electronic government, the transparent decision-making process at the local level can be successfully achieved only by building a modern information infrastructure and by using of effective methods and information technologies. Promoting and implementing modern information technologies at all levels of the government and democratic rule of law must be carried out jointly with a systemic analysis of the mechanisms of operation and interaction between state authorities. Usage of information and communication technologies at all stages of interaction of the society with the authorities ensures a level of quality achievement of governance and have a good reaction to possible irregularities [7].

After studying the legal framework and analysing the information space application it has been justified the idea of designing a concept system titled the State Registry of Local Acts (RAL) with the purpose of transparency in the decision-making process in LPA and reviewed by the State Chancellery (SC) the documents issued by LPA. Underlying the conceptual analysis of the state-legal legislation regulating the activity of LPA in Moldova, information infrastructure and mechanisms for access to existing information is the general experience gained from implementing the first version of RAL.

II. Objectives and principles of design

RAL will be an information resource for government and will operate according to the legal provisions in force. The primary destination of information system is to achieve inventory and to ensure record-keeping of all official documents issued at the local level in Republic of Moldova (such as decisions and orders) and providing the citizens with information on local acts and updating this information. The system must meet the operational requirements that assess the quantity and quality parameters of the platform in general, also the components and features that ensure user requirements. Information system objectives are reflected in the rational development of all functions to raise the level of operative awareness for organizational structures and citizens.

The main objectives of the informatics system are:

- providing evidence of documents locally issued by LPA through collecting, processing, storing and dissemination of information;
- ensuring transparency of decision-making at the local level;
- automation of workflow related to registration, modification and abrogation of normative acts of LPA;
- improving the work process in the Republic of Moldova LPA and between CPA involved in the information objects registration of the Registry and achieving the administrative control of documents issued by LPA;
- recording insurance task management on normative acts of LPA and controlling their fulfilment;
- providing easy, guaranteed access to data and information regardless of location.

Based on the study of critical activities in the field of strategic management, requirements analysis submitted to the system and stated objectives were outlined general principles for designing, development and implementation of Web solutions:

- *The principle of the architecture levels division:* is to design independently Web solution components in accordance with interface standards between levels.
- *The platform independence principle:* the user interface of the information system will not require a certain software and hardware platform for user computer.
- *The principle of reliable data:* provides data input and management in the information system only through authorized and authenticated channels.

- *The principle of information security:* means to ensure and to appropriate the level of integrity, selectivity, accessibility and effectiveness of information security in order to reduce losses, deterioration, damage and unauthorized access.

- *The principle of accessibility of public information:* which involves the implementation of procedures which ensure the citizens' access to public information provided by the information system and providing feedback functionality?

- *The Scalability Principle:* involves ensuring consistent performance of computing solution to the increasing data and application system.

Compliance with these principles in the design and development will help to enhance the efficiency and the processing of information, will ensure the high level of accuracy, and also will present information in a more suitable form for the end user, ensuring a high level of security.

III. The System Architecture

After the analysis of system components and highlighting a range of approaches, the general architecture was developed. Conceptual orientation was chosen to achieve reliable and scalable solutions to increase the number of concurrent users using the computer system resources, and with increasing the volume of information managed by it. RAL will support integration with other information subsystems and applications using Web services - technology method aligned to current trends to cooperate procedures for examination of applications or for dissemination of information.

As a result of the nature of the information processed and stored in the Database Information System with public and limited accessibility, RAL will allow secure connections between client stations and the application server using SSL or TLS protocol. RAL will be developed based on a client-server architecture with 3 levels that will ensure the independence of platform at the client level. Dependence on platform installed will disappear on the client computer (so users can work on UNIX stations and stations on Windows or MAC OSX).

As shown in Figure 1, to achieve RAL, is proposed the adoption of an architecture of MVC [8], or Model-View-Controller architectural pattern that is used in the industry for developing systems. This way of working is successful in isolating logical interface part of the project, resulting in enhanced development facility applications, maintenance and modification. In MVC organizing, the model represents the information needed by the application. The view corresponds to interface elements and the controller is communicative and decision-making layer that processes data information, linking model and view.

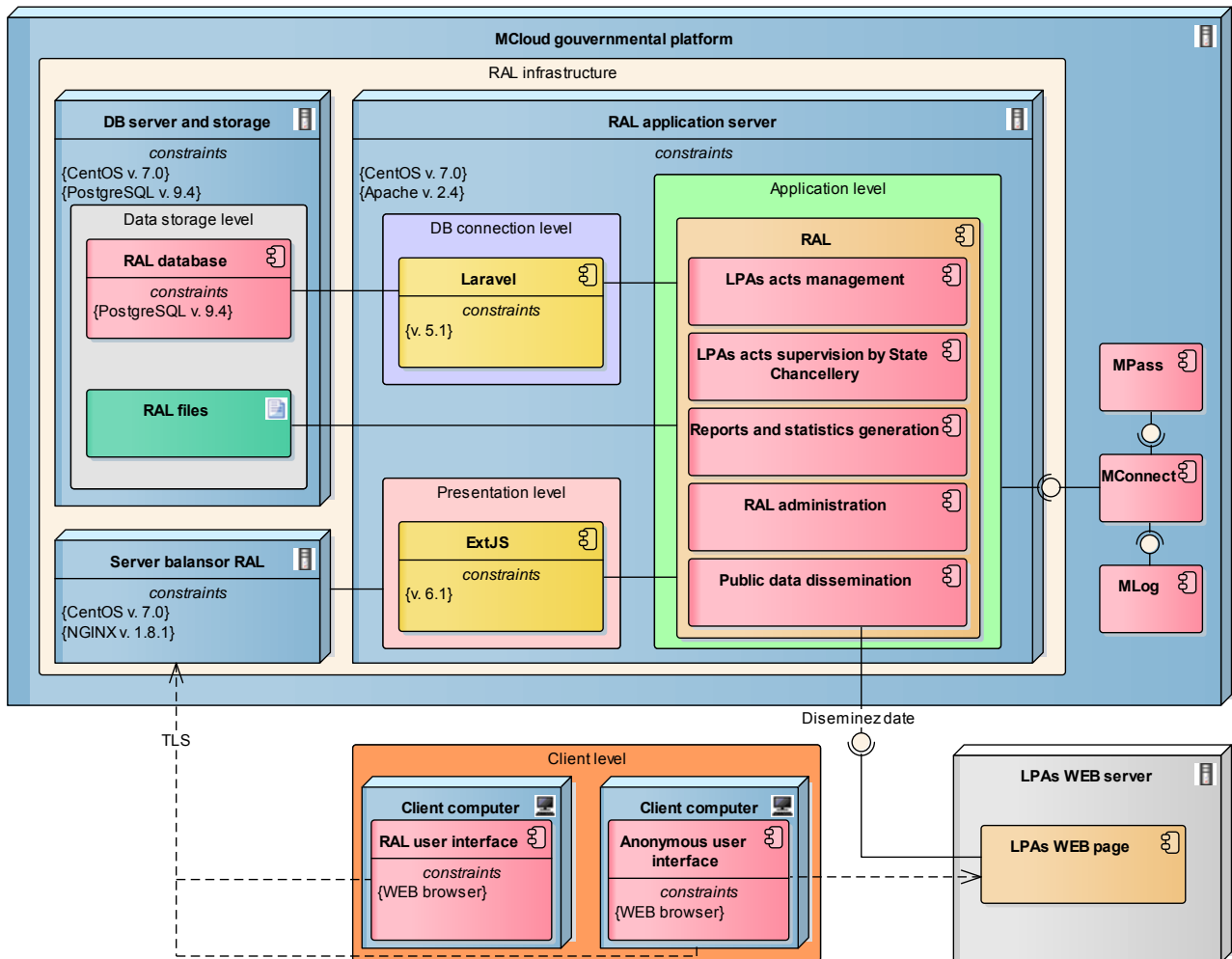


Figure 1. RAL components and

Due to the chosen architecture, in perspective it will facilitate the continuous development of the information system as a result of the division RAL computer system on different levels with relatively independent functionality. Thus the presentation level (which is the part of view of the application) must not know the mechanisms of implementation of connections to the database and algorithms for processing data but sets a series of templates that other levels must use to present properly interface and data. On the other hand, splitting the application from data creates a relative independence to the technology used for the storage and data management (system management databases), thus being possible to change if necessary management system database without affecting the application level. Taking into count the principle of ensuring transparency of local governments and the State Chancellery, the IT solution will provide a mechanism for publishing reports via the Web interface of RAL (<http://www.actelocale.md>).

IV. Use cases, actors and information flows of RAL

By analysing the modelled area objects, there could be defined all of the information objects that must be taken into account in system development. There are at least 12 categories of information objects: administrative act, record of the administrative act; request for rectification of administrative act, request for reviewing the legality of the administrative act, request correction of data concerning the control of legality, requests for user access to workflows, electronic forms of the documents, templates for documents, statistical reports and KPIs, report templates, nomenclatures and classifiers, log events.

According to "Regulation on the State Register of acts of local authorities" and "Regulations on the Register of documents subject to judicial review by the territorial offices of the State Chancellery" in Figure 2 have been identified and shown key players which interact with RAL. Authorized staff of LPA and APC

authorities has access to the database of RAL, as users in order to provide and view data in accordance with this Regulation. Depending on the functions and access rights they hold, users are classified in some categories as following:

- **Administrator Level.** State Chancellery (SC), a user with exclusive rights of system setup and adjustment workflows, user management and access rights to system functions.
- **Internet User Level.** The general public, citizens, non-governmental organizations, business units with the purpose of consultation documents issued by LPA.
- **Level A. Local authorities:**
 - *a user of the A1 level* - LPA staff, with rights of supplying and data visualization on documents issued by LPA;
 - *a user of the A2 level* - the mayor, the district chairman, with rights of visualizing data on documents issued by the local government authority concerned.
- **Level B. State Chancellery (SC):**
 - *a user level B1* - SC staff (Department Administrative Control) function of providing the acts rectification; LPA acts data viewing; data visualization on the administrative acts issued by the LPA;
 - *a user level B2* - offices of SC with data visualization function on LPA acts in the area of activity of the Territorial Office; providing administrative control and data visualization on documents issued by LPA, in the area of activity of the Territorial Office.
- **Level C. Subjects of the opportunity control, with the function of supplying and data visualization on the control of opportunity, within the limits of authority.**
- **Web Services Level.** Systems that exchange data with RAL:
 - *the Web page* www.actelocale.md - to interact with the public, RAL will expose Web services to be consumed by the official Web page of the Register of local acts;
 - *M-Sign Service* - service provided by M-Cloud platform for electronic signature application on normative documents published in RAL;
 - *M-Pass service* - service provided by M-Cloud Platform to authenticate users of RAL based on certificates and authorization data.

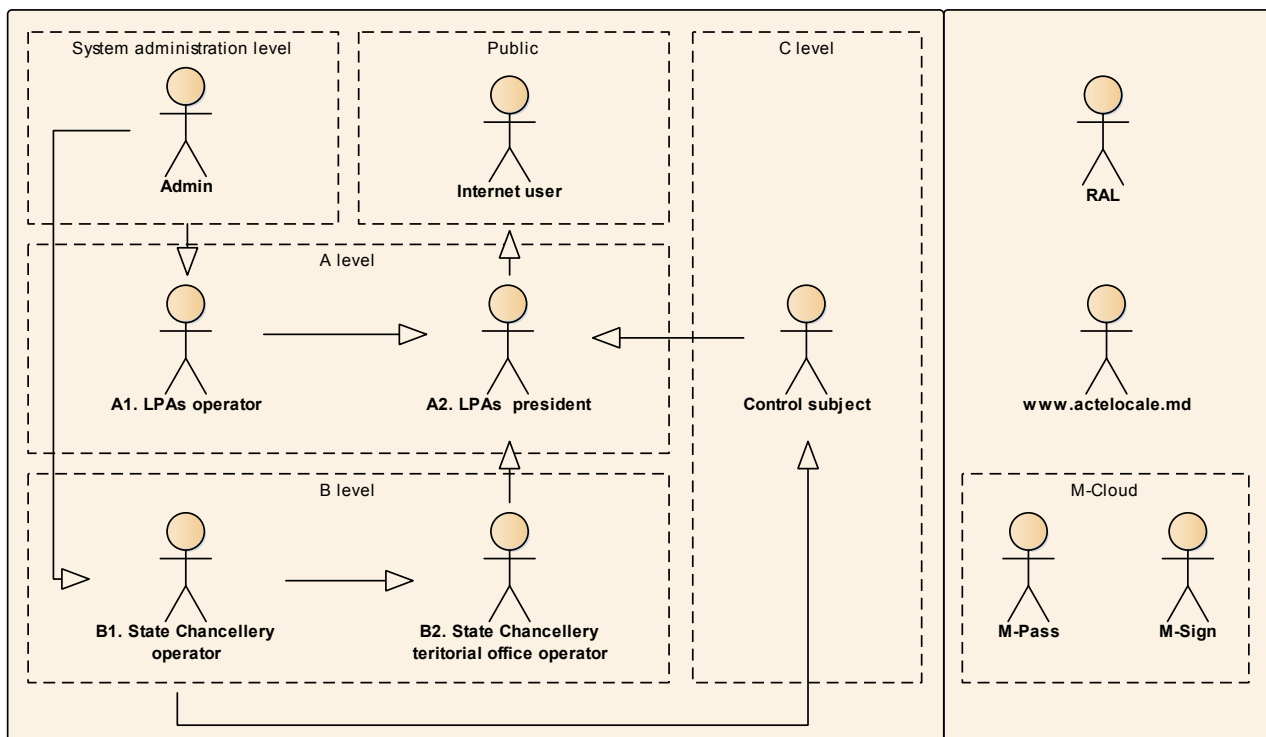


Figure 2. Actors and roles in RAL

Based on existing information system and requirements for improvement, they were identified components which should provide the main cases of using implemented in RAL:

- Component registration and publication of an administrative act that will provide all functionalities used by the operator of LPA needed to initiate the enrollment process and publication in the RAL. At this stage the sheet of normative act attached as PDF document and other relevant documents it will be populated with data;

- Component amending, supplementing or repealing an administrative act that will provide all functionalities used by the operator of LPA needed to initiate the process of amending, supplementing or repealing an act. To change the normative act in the RAL, it must be published an act that notes amendments. In the act of amendments, witch acknowledges the modifications will be referenced normative acts to be amended, supplemented or repealed;

- Acts search component will provide a modern search mechanism of acts in RAL based on search criteria. Filtering documents will be made by documents metadata, document type, date of publication, territorial administrative region which published the documents, the state of acts (published, legal, review, contesting, illegal) and other criteria that groups or takes part of the acts published in the RAL;

- Visualization component of the sheet of act evidence and related files download that will provide all necessary functionalities for accessing a document published in RAL and work process monitoring, from the publication in the register up to and including the stage of reviewing the legality;

- Component of administrative control initiation for an administrative act that will provide all functionalities used by the operator of the territorial office of the State Chancellery and LPA needed to initiate the process of legality control for an act. At this stage it will be completed with data the evidence file of control and monitoring on all stages of examination and judicial process.

Based on the use cases and identifying all the functionalities required to achieve from the RAL the above objectives, were documented the main information flows of the system:

- Registration and processing of the request for registration in RAL;
- Registration and publication of an administrative act (normative, or individual character);
- The rectification of an administrative act published in RAL;
- Amending, supplementing or repealing a normative act published in RAL;
- Initiating an administrative control for examination the legality of an act published in RAL;
- Running the trial process to examine the legality of an act published in RAL.

Using workflows, the main target is to increase participation in consistent activity processes and to improve organizational efficiency and productivity. This allows people performing activities to focus mostly on achieving proper work than to be concerned with workflow management.

V. The lifecycle of an administrative act published in RAL

Business events that occur in the management of RAL produce a number of cases treatment acts published in RAL. Life cycle of the administrative act starts with its registration in the RAL until the repealing as a result of the examination process or as a result of the issuance of another act stating repealing (Figure 3). In the lifecycle of an administrative act at different stages of management changes may occur with multiple users at different levels of access.

During the lifecycle of an administrative act it may occur the following business events:

- Registration and publication of the administrative act in RAL;
- Rectification of the administrative act;
- Changing of the administrative act;
- Completion of the administrative act;
- The repeal of the administrative act;
- Examination of the legality of the administrative act.

Local authorities and public records in the Registry of Local Acts provisions established by Law no.436-XVI of 28 December 2006 on local government. While recording act in RAL, the local government authority completes form to record the act. Upon registration, for each act of LPA is given a registration number (out) by computer system RAL. RAL text documents published by the LPA must be an exact reproduction of the document issued by the local government authority.

Amending and / or repealing the act published in the Register of Local Acts done by the RAL registration and publication of a new act on, as appropriate, modification, or abrogation of the act previously published, issued by LPA. RAL computer system will ensure access and viewing at any stage act amending and / or supplementing it, even after repealing.

If, after publication of the measure in RAL issuing authority finds errors or inconsistencies, it shall rectify the act. Correction act is done by the territorial office of the State Chancellery at the written request of the licensing authority, duly motivated rectification note, which will include the corrected text. RAL computer system will ensure access and view the document at any stage (before the correction and after correction), even after its repealing. RAL computer system will allow to authorized people of LPA operations to rectify the data previously included in the database of the Register only with the approval of the territorial office of the State Chancellery.

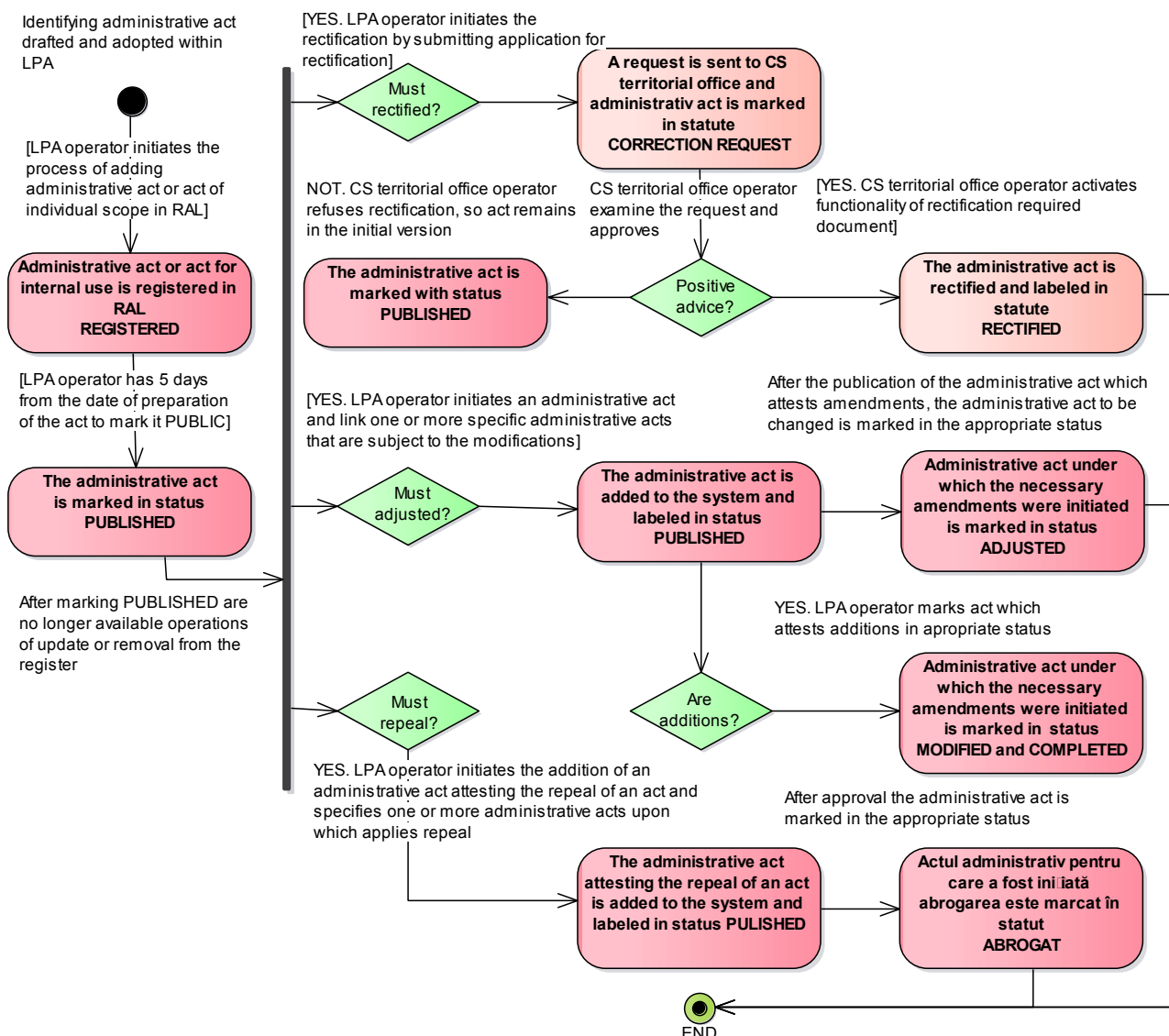


Figure 3. An administrative act lifecycle

Act published in RAL is registered to carry out administrative control after publication thereof in RAL from the LPA. The application for the legality, filed by the injured parties, the LPA or other interested person is registered in RAL of the territorial office of the State Chancellery.

Mandatory control involves the following steps:

1. upstart recording act to control or request for verification;
2. initiating administrative control;
3. performing administrative control;
4. issuing administrative control results;
5. initiating action contesting the act if they act contrary to the law subject to review.

VI. Ensuring information security

Information security measures will include all legal, organizational, economic and technological resources for preventing security threats and information infrastructure. All measures to ensure the information security will be carried out in accordance with ISO 27001 [9].

The following information security assurance problems that computer system will face can be separated:

- Ensuring confidentiality of information (preventing to the information by people who have no rights and powers in question);
- Ensuring the logical integrity of data (preventing unauthorized entering, updating and deleting of information or distorted data input);
- Ensuring information infrastructure security, preventing attempts to damage or alter its functionality.

The main information security mechanisms will be used:

- authentication and authorization of information;
- managing access to information;
- recording user actions on computer system;
- encryption of information;
- IT audit;
- restore procedures in case of disaster.

In order to ensure an adequate level of information security of the computer system should be developed and implemented an information security policy. This policy will detail all security aspects, roles, rights and obligations of each user of information system.

VII. Conclusion

Based on analysis of architecture, components, information objects, information flows, actors and primordial activities in the studied area, and highlighting a range of approaches, has been developed the general concept of the State Register of local acts coming to support operational activity and transparent decisions approved by LPA. RAL implementation will help to develop the institutional capacity of LPA in Moldova, but also will help to achieve the goal of long-term strategic objectives promoting. However, RAL aims to support the strategic objectives of the State Chancellery in a comprehensive, pragmatic and innovative way. RAL implementation has the purpose of ensuring transparency in the activity of LPA by ensuring free access of representatives of business, civil society and the general public to acts made by mayors and local councils and the Local Government Act as a whole.

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**SECTION 4:
DISCIPLINES:**

- 551.01. GENERAL THEORY OF LAW**
- 552.01. CONSTITUTIONAL LAW**
- 552.03. FINANCIAL LAW (BANKING, TAX,
CUSTOMS)**
- 553.01. CIVIL LAW**
- 553.04. FAMILY LAW**
- 554.01. CRIMINAL LAW AND CRIMINAL
EXECUTION**
- 562.01 THEORY AND METHODOLOGY OF
INTERNATIONAL RELATIONS AND DIPLOMACY**

INTERNATIONAL REQUIREMENTS FOR ASSURING THE RIGHT TO LEGAL CAPACITY FOR PERSONS WITH DISABILITIES

PhD student Eleonora ANDRIUȚA, USPEE

*Equality under the law is a basic general principle of human rights protection and is indispensable for the exercise of other human rights. It is reflected in a lot of international and regional treaties as the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights etc. The most important step in assuring the right to legal capacity for persons with disability was the adoption of the **Convention on the Rights of Persons with Disabilities**. Becoming a part of this Convention, our country should review the laws allowing for guardianship and trusteeship, and should take action to develop laws and policies to replace regimes of substitute decision-making by **supported decision-making**, which respects the person's autonomy, will and preferences.*

Key words: *equality; legal capacity; guardianship; trusteeship; persons with disabilities; supported decision-making; human rights; capacity of use; exercise capacity.*

Our internal regulations do not define the notion of legal capacity, but regulates the constituent parts of that concept, **exercise capacity** and **capacity of use**. In accordance with Article 18 of Civil Code, Nr. 1107 from 06.06.2002, the person's ability to have and exercise civil rights and obligations, represents the **capacity of use**. **Exercise capacity** represents the ability of person to acquire and exercise civil rights, by his own act, to assume civil obligations and execute them.

Proceeding from the regulations in force, we can conclude that the concept of legal capacity is a generic notion that covers the concepts of exercise legal capacity and legal capacity of use. The same approach regulates the laws of Romania, Russia, Ukraine and other countries. The capacity of use, so the ability of a person to have rights comes along with birth and lasts throughout life, no person may be limited or lacking in the capacity to use.

Unlike the capacity to use, the exercise capacity is conditioned by the person's age, starting with the age of 18 years old or after the age of 16 years old, according to Article 20, Civil Code of the Republic of Moldova⁷⁶. The exercise capacity of individuals may be limited or totally diminished, according to our internal legal regulations.

Dividing the concept of legal capacity in two constituents, capacity of use and exercise capacity, our legislation ensure the right to legal capacity to all the persons, explains our internal experts, but is there the simple existence of right enough for ensuring the right to legal capacity, without ensuring the free exercise of that rights?! Related to the right to legal capacity, the Commissioner for Human Rights explained that capacity to hold rights automatically entails the capacity to exercise them⁷⁷. In his opinion, human rights scholars argue convincingly that article 12 of the CRPD vests persons with disabilities with both of these aspects of legal capacity. In other words, the capacity to hold rights automatically entails the capacity to exercise them with appropriate supports acceptable to and chosen by each individual.

The equally recognition of the legal capacity for all the persons was developed through a lot of international instruments to which our country is party, such as Article 6 of the Universal Declaration of Human Rights, adopted by the United Nations General Assembly on 10 December 1948 at the Palais de Chaillot, Paris, proclaims that "*Everyone has the right to recognition everywhere as a person before the law*". Article 26 of the International Covenant on Civil and Political Rights, adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966, states that

⁷⁶Civil Code of the Republic of Moldova, No. 1107 of June 06, 2002

⁷⁷<https://wcd.coe.int/ViewDoc.jsp?id=1908555>

„All persons are equal before the law and are entitled without any discrimination to the equal protection of the law. In this respect, the law shall prohibit any discrimination and guarantee to all persons equal and effective protection against discrimination on any ground such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.”, Article 16 of the same act provides that *„Everyone shall have the right to recognition everywhere as a person before the law.”*.

Unfortunately, although our country ratified all of those international acts, some important steps on this field were not done. Most of all, our constitutional regulations⁷⁸ requires the priority of the international regulations as against national regulations, but our internal judicial practice goes on another road.

Our Civil Code, No. 1107 of June 06, 2002 and Civil Procedure Code⁷⁹No. 225-XV of May 30, 2003 No. 225 similar to the legislations from other countries, for example Russia, Ukraine, Romania etc., regulates the possibility to declare the judicial incapacity for the persons with disabilities on the bases of the judicial act.

Guardianship, as provided and applied under the Moldavian Civil Code was recognized as a form of protection for the persons with intellectual disabilities and mental illness, for preventing different of their rights abuse. Unfortunately this form of protection the right of persons declared incapable removes a person's legal personhood and places it with other person or institution (the guardian). The beneficiaries of guardianship are frequently placed into residential institution, and there is a direct link between institutionalization measures and establishing guardianship. Most of all, following the interviews with the specialists involved in the process of legal capacity deprivation and the persons which were declared incapable results the conclusions that the reasons of requesting the persons deprivation are: the deprivation of the person's patrimonial goods, for assuring the persons institutionalization, access to the pension and allowances entitled to the persons etc.⁸⁰

A person declared incapable, on the bases of a judicial act, is deprived of the possibility to engage in even basic socio-legal relationships, such as marriage, divorce, concluding a work contract, voting, having own property, claiming social benefits, consenting a medical treatment and even apply to the court for being restored in exercise capacity. These arrangements are directed to policies and practices of excluding the persons with mental and intellectual disabilities from society. The opposite of these positions was stated by the entry into force in 2007 of the **Convention on the Rights of Persons with Disabilities**.

The Convention on the Rights of Persons with Disabilities (hereinafter called CRPD) is an international human rights treaty adopted by the United Nations General Assembly on 13th December 2006 and came into force on 3rd May 2008 following ratification by the 20th State Party. Through the states which ratified⁸¹ the UN CRPD are Luxembourg, Maldives, Poland, Portugal, Romania, Bulgaria, Belgium, and the USA (signed by 16 states member) etc. The European Union signed the UN CRPD at 30 March 2007⁸², on that date the Convention was opened for signing. From that date, the Convention was signed by the entire EU member (27 states) and other 120 world's states, including our country.

As a result of Law No. 166-XVIII of 09.07.2010, the Republic of Moldova ratified the UN CRPD. The UN CRPD requires the states which ratified it to assure that the persons with disabilities can freely and fully exercise their right, in equal conditions with all the persons. That means that all the states have to assure the conformity of their legislation, policies and programs are consistent with the Convention on the Rights of Persons with Disabilities, within their competence. The countries that have ratified the Convention should take all necessary actions in the following areas: access to education, employment, transport, infrastructures

⁷⁸Constitution of the Republic of Moldova of July 29, 1994, Art.8.

⁷⁹ Civil Procedure Code of the Republic of Moldova No. 225-XV of May 30, 2003 No. 225

⁸⁰ Study: The system of guardianship in practice in the Republic of Moldova, Human rights and Vulnerability of Persons Declared incapacitated, coordinated by Ludmila Ciocan, with the support of the United Nation Office of the High Commissioner for Human Rights, Chisinau 2013.

⁸¹<http://indicators.ohchr.org/#>

⁸²http://europa.eu/rapid/press-release_IP-07-446_en.htm

and buildings open to the public, granting the right to vote, improving political participation and ensuring full legal capacity of all persons with disabilities. Inclusive, the convention parties must “review the laws allowing for guardianship and trusteeship, and take action to develop laws and policies to replace regimes of substitute decision-making by **supported decision-making**, which respects the person’s autonomy, will and preferences. Regimes of substituting decision-making can take many different forms, including plenary guardianship, judicial interdiction, and partial guardianship.

In order to adjust the provisions of the legislation in force, in particular, the provision of Civil Code and Civil Procedure Code, our country has to revise our internal legislation and to operate a lot of modifications, to create and pilot a lot of mechanisms for assuring a free exercising of legal capacity for persons with disabilities. Article 12 of the CRPD, produces a total change of the paradigm of internal regulations on legal capacity, the impact of the relevant provisions of the need for legal capacity to become more inclusive and tolerant of human diversity and flexible to the needs.

The essence of legal capacity does not result from the ability of the individual to realize or conduct his/her actions. Consequently, legal capacity as a concept does not merge with the concept or assessment of the mental capacity of a person, but rather *the essence of legal capacity results from the quality of being a person and subject of law and regulations need to be concerned about what kind of support requires the person to exercise legal capacity.*

Unlike there are no regulations in force, related to the institution of lacking the exercise capacity, to determine the limits of rights’ substitution of the person declared incapable with the guardians, on this conditions, we can consider that we are, not only in the presence of rights’ substitutions, but in the presence of full personality’s substitutions.

In other words, recognizing the right to legal capacity for all the persons with disabilities, the legislation will empower the credibility in viewing persons with disabilities from objects to subjects. Paragraph 1 of UN CRPD, emphasizes the importance of recognizing juridical personality for all the persons with disabilities⁸³, regardless of the deficiency’s severity. Most of all, High Commissionaire for Human Rights in the Council of Europe recommends that all the mechanisms which regulate the possibility of declaring the incapacity of person and guardianship should be cancelled and should recognize the juridical capacity to all the persons with disabilities. The psycho-social or intellectual disability shouldn’t be a reason for lacking them of the presumption of juridical capacity.⁸⁴

M. Bach remarks that, related to CRPD, any appreciation of a persons’ incapacity shouldn’t be based on the persons’ statute (the disability existence) or how much reasonable are the persons’ actions, but there should be recognized the persons’ independence in the process of deciding. He considers that the capacity of decision making is constituted of three components:

- a) Ability of decision making- the person understands the relevant information and can appreciate the nature and the consequences of his/her decision;
- b) Necessary support in the process of making decisions;
- c) Reasonable adaptation from hird parties in the process of decision making.

On the same point of view, M. Bach propose that in the process of appreciating the capacity of making decision, the level of support in exercising legal capacity should be evaluated⁸⁵. If we recognize that three constituents for the capacity of decision making process, represents a very important step to the transition from the substitutive decision making process to the support decision making.

⁸³The right to juridical capacity of persons with disabilities. Comparative study of Moldovan legislation and international standards. The Center of Legal Assistance for persons with disabilities, Chisinau 2013.

⁸⁴ High Commissionaire for Human Rights in the Council of Europe, Who gets to decide? Right to legal capacity for persons with psychosocial and intellectual disabilities, Strasbourg, 20 February 2012.

⁸⁵ Michael Bach and Lana Kerzner, A new paradigm for protecting Autonomy and the Right to Legal Capacit, October 2010.

On the specialized researches, the best practices in granting the support in exercising legal capacity to the persons with disabilities were recognized the legislation of **Sweden**, using the model of **ombudsman staff**, and **British Colombia**, using the model of **support networks**.

In Case Shtukaturon against Russia, the European Court of Human Rights decision from 27.03.2008, the Court finds a violation of article 8 of the European Convention on Human Rights. On that case, the applicant, who was deprived of legal capacity by the decision court at the request of his mother, became fully dependent of his tutor or guardian in almost all areas of life for an indefinite period. In his argument, the Court concluded that the interference with private life was not commensurate with the interests of the Russian Government to protect the interests and health of persons, violating article 8. Such legislation of the Republic of Moldova, Russian Federation declared incapable person cannot marry, cannot be a part of various contracts, cannot be employed, etc.

As in cases of our country⁸⁶ a person which incapacity was declared cannot be a part in a trial, his request is rejected by the aim of being submitted by an incapable person. Related to that right, the Court stated the violation of articles 6, paragraphs 1 (right to a fair trial), because the person was deprived of the possibility to appeal the Court's decision. On the same point of view, the Court stated the violation of the right of the respect for private life (article 8), because the person who was declared incapable became fully dependent of the guardian in all aspects of life, the same happens in our country and the person is deprived of the possibility to marry, to buy etc. The Court concluded that the intervention in the person's private life is not proportional with the Russian Government's interests of person's health and interests.

The recommendations of the European Commissioner for Human Rights highlight the need to make the procedures more affordable end of legal documents for people with disabilities. Moreover, it emphasizes the opportunity to develop an adequate and effective support for the free exercise of legal capacity by persons with disabilities. In accordance with the recommendations in national legal systems must provide people the necessary conditions for free exercise of legal capacity, including to recognize the right of individuals to seek support from others in their decision making, and communicating these decisions, this support must be differentiated adapted and fully meet the needs of the individual, but not in a form not actually missing person entitled to exercise such rights.

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⁸⁶ Article 24 (2) Civil Code of the Republic of Moldova, Nr.1107 of 06.06.2002.

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Links:

12. <https://wcd.coe.int/ViewDoc.jsp?id=1908555>
13. <http://indicators.ohchr.org/#>
14. http://europa.eu/rapid/press-release_IP-07-446_en.htm

METHODS OF REVISING THE CONSTITUTION OF THE REPUBLIC OF MOLDOVA

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1. *The principle of the Constitution stability is a distinct guarantee of the supreme law, alongside the lower provisions, which is necessary to ensure its supremacy. This principle can only be guaranteed by establishing clear and rigid review of the Constitution. There are two ways of revising the Constitution in the Republic of Moldova: the first one is the review made by the Parliament, which is regulated by the Constitution, and the other, is deduced by interpreting the Constitution - through a referendum. The later one is considered to be doubtful and risky, and the final decision should be taken by the Constitutional Court.*

Key words: Constitution, stability of the Constitution, review of the Constitution, ways of the Constitution review.

Given its indispensable quality, the supremacy of the constitution results in maximizing the responsibility and importance of applying it in social and legal relations on a daily basis. This responsibility should be imposed as an essential task first in the Parliament, which is supposed to interpret its provisions through organic law, and then amongst citizens or foreigners who are entitled to the fundamental right to report any inappropriate application of constitutional norms by competent public authorities.

For effective collaboration between the actors involved in the implementation of constitutional norms, it is necessary to take into account the fundamental principle, i.e. the stability of the constitution, established by doctrine and constitutional jurisprudence. The principle of constitutional stability imposes the rule, according to which constitution, as fundamental law, is immutable as an act that contains permanent provisions, aiming at the constancy of state power and ensuring the safety of legal relations. Therefore, having provided the principle of stability of Moldovan Constitution in the Decision No. 7 of 4 March 2016, the Constitutional Court of the Republic of Moldova stated that "the stability of Constitution is one of the preconditions for ensuring the continuity of the state. In addition, it is designed to respect the constitutional order and law as well as to ensure the implementation of objectives set in the Constitution, forming the foundation of the Constitution itself."⁸⁷

⁸⁷ Hotărârea Curții Constituționale privind controlul constituționalității unor prevederi ale Legii nr.1115-XIV din 5 iulie 2000 cu privire la modificarea și completarea Constituției Republicii Moldova (modul de alegere a Președintelui) (Sesizarea nr.48b/2015) nr. 7 din 04.03.2016. În: Monitorul Oficial nr.59-67/10 din 18.03.2016

To ensure public order, under the rule of law, the constitutional norms must be as constant as possible for people to shape their behavior, at least in accordance with these norms. This is because not every person who is under state jurisdiction has access to and knows legal norms. Moreover, not everyone has the capacity of interpreting the legal norms of legislative acts in the spirit of the legislation. It is thus not in vain that, as a rule, the constitution is written and systematized to become useful for the citizen in his relationships with the power. In this regard, Thomas Paine's postulate "A constitution does not exist if one cannot put it in one's pocket" is imposed.⁸⁸

Apart from being a principle of the Constitution, the stability of constitution is a feature of the supreme law by reference to lower provisions. This statement is based on the fact that constitutional regulation is substantially different from legal regulation or other provisions, stipulated by legislative acts that are not legally binding to ensure the permanence of social development. In this regard, the scientist I.Guceac claimed that "The stability of Constitution provides the possibility of forming a durable system of law for the respective state and society functioning."⁸⁹

The necessity of imposing legal procedures different from those of the law that needs being revised accounts for the guarantee and juridical consequence of the stability of the Constitution, as a constitutional principle. Depending on the form of the Constitution, these procedures are expressly set out in the text of the Constitution itself, provided that it is in written form. In its Decision No. 7 of 4th March 2016, the Constitutional Court stated that in order to provide a certain degree of rigidity of the Constitution, "various technical ways to protect the stability of the Constitution are inserted in fundamental laws. This is a basic feature of all written constitutions (unlike ordinary laws), which contain provisions that allow their revision".⁹⁰

While under doctrinal influence initially, the principle of the stability of the Constitution resulted in further becoming of significant value, and being established in the Republic of Moldova through constitutional jurisdiction. Although the principle of Constitution stability is expressly regulated neither in the Constitution, nor in regulations, the Constitutional Court formulated this principle for the first time in Decision No. 57 of November 3, 1999. At that time, the Court found that "as a written and systematic document of supreme law in legal system, the Constitution of the Republic of Moldova is relatively rigid, i.e. it admits the revision of only the technical system previously established, regarding revision initiative (Art. 141), revision limits (Art.142) and its procedure (Art. 143). The Constitutional Court claims that the amendment to some provisions of the Constitution, eluding the provisions of Articles 141, 142 and 143 of the Constitution, would actually constitute a default revision, regardless of the reasons and process used, which would be a violation of the Constitution."⁹¹

Subsequently, in the Decision No. 7 of March 4, 2016 the Constitutional Court assigned an entire section to this principle, resulting in claiming unconstitutional the Law 1115-XIV of 5 July 2000 on amendments to the Constitution of the Republic of Moldova.⁹² In the Decision mentioned above, the Court not only determined the essence of the principle of Constitution stability, but also gave a broader explanation of its essence, anchoring it to the constitutional revision procedure. Thus, according to the Court, "The significance of Constitution stability would not be taken into account if they intervened in the text whenever certain social relations subject to legal regulation are altered (e.g. technological possibilities

⁸⁸ Harvey J. Kaye, Thomas Paine And The Promise of America (New York: Hill and Wang 2005). ISBN 0-8090-9344-8, 43.

⁸⁹ Guceac Ion, *Constituția la răscruce de milenii*, Academia de Științe a Moldovei, Institutul Cercetări Juridice și Politice. – Chișinău, 2013 (I.S.F.E. – P. „Tipografia Centrală”). – 416 p., p.119.

⁹⁰ Hotărârea Curții Constituționale privind controlul constituționalității unor prevederi ale Legii nr.1115-XIV din 5 iulie 2000 cu privire la modificarea și completarea Constituției Republicii Moldova (modul de alegere a Președintelui) (Sesizarea nr.48b/2015) nr. 7 din 04.03.2016. În: Monitorul Oficial nr.59-67/10 din 18.03.2016

⁹¹ Hotărârea nr.57 din 3 noiembrie 1999 privind interpretarea art.75, art. 141 alin.(2) și art.143 din Constituție. În: Monitorul Oficial al R.Moldova nr.124-125/68 din 11.11.1999.

⁹² Legea nr.1115-XIV din 5 iulie 2000 cu privire la modificarea și completarea Constituției Republicii Moldova. În: Monitorul Oficial al R.Moldova nr.88-90/661 din 28.07.2000.

of certain types of activities expand to the extent that it was perhaps impossible to predict when drafting the text of the Constitution)".

The consequence of raising the respective principle to the level of a constitutional principle resides in the increase in the level of responsibility and political stability for parliamentary majorities set out in the Parliament of Moldova. This axiom is especially important for constitutional majorities with their political activities that can degenerate into neglecting the rules for the Constitution revision. However, revision of the Constitution of the Republic of Moldova, made by the Legislative Constituent of 5 July 2000 was not due to the adoption of rules that would contradict the basic provisions of the Constitution, but due to the constitutional majority's negligence at the time regarding proceedings of the Constitution revision.

With reference to the methods of revising the Constitution, as we have already mentioned in previous research, it should be mentioned that the revision of the Constitution is a procedure for modifying the constitutional norms by applying special procedures expressly provided in the Constitution and other legal acts to amend the fundamental normative rules.⁹³ As it is seen from the content, it should be mentioned that this definition is applicable to written constitutions because customary constitutions are revised according to rules for modifying ordinary laws due to the lack of document called "the Constitution".

At the time of its adoption, the Constitution of the Republic of Moldova, stipulated one method of revising the Constitution provided by Art.143 – within the Parliament. This method of revising the Constitution was recognized as the only one until 1999, when political differences related to awarding the President some additional tasks peaked and the Constitution could not be revised due to the lack of constitutional majority in the parliament for revising it in this regard. We believe that at the time appeared the initiative to give the Moldovans a try to revise the Constitution directly through referendum.

When the first application regarding the interpretation of the Constitution on "whether or not the President of Moldova can request, using his presidential decree, the approval by referendum of the draft law on revising the Constitution" was addressed to the Constitutional Court, the Court in its Decision no 57 of 3 November 1999 found that "the provisions of Article 75 para. (2) of the Constitution, according to which the decisions taken by Republican referendum have supreme legal power, do not affect the revision of the Constitution, established by art. 141-143 of the Constitution, and do not stipulate any possibilities of amending certain provisions of the Constitution approved by the Parliament by any other way then provided by these articles."⁹⁴ Thus, in 1999 the Constitutional Court did not see any other way to revise the Constitution.

Later, in 2010, another parliamentary majority, which did not have a constitutional majority, called for a new interpretation of the Constitutional Court rules on the constitutional right of the Moldovans to adopt a new constitution by referendum. It is to mention that those who applied for interpreting the Constitution referred only to the right to adopt a new constitution by referendum and not to revise the existing one. However, the Constitutional Court, without accepting notification, by the Decision of 05.05.2010 interpreted the Constitution to allow revising it through referendum. Thus, the Court reasoned "the right of subjects provided in article 141 para. (1) of the Constitution to initiate, through referendum, the revision of other rules from the Constitution, in compliance with art. 2. Para.(1), Article 38, para. (1), Article 39 para. (1), Article 66 b) and Article 75 para. (1) of the Constitution".⁹⁵

Therefore, currently, by less certain interpretation of the Constitutional Court, in Moldova was established the second method to revise the Constitution - through constitutional referendum. Although there have been attempts to revise the Constitution in this way in the referendum of 5 September 2010, this

⁹³ CRIGAN Dragoș, *Aspecte terminologice aplicate procedurilor juridice de modificare a constituțiilor*. Revista națională de drept, nr.1 2016, p.25.

⁹⁴ Hotărârea Curții Constituționale nr.57 din 3 noiembrie 1999 privind interpretarea art.75, art. 141 alin.(2) și art.143 din Constituție. În: Monitorul Oficial al R.Moldova nr.124-125/68 din 11.11.1999.

⁹⁵ Decizia Curții Constituționale din 05.05.2010 asupra sesizării privind interpretarea art.141, art.142 și art.143 din Constituția Republicii Moldova. În: Monitorul Oficial nr.72-74/14 din 14.05.2010

referendum failed because of massive absenteeism of the electorate. Less than a third of the electorate participated in the referendum.⁹⁶

In connection with the opportunity to revise the Moldovan Constitution by referendum, there should be noted the comments of the Venice Commission in the report on constitutional amendments (CDL-AD (2010) 001 of 19 January 2010). It states "The existence of procedures rigid constitutional revision is an important principle of democratic constitutionalism, which encourages political stability, efficiency, legitimacy and quality of decision making and the protection of rights and interests of non-majority. [...] The main arena for constitutional amendment procedures should be the national Parliament, as the institution mostly capable of discussing and considering such issues. [...] **The recourse to a popular referendum to decide on amending the Constitution should be limited only to those political systems where this is required by the Constitution itself**, which is applied in accordance with established procedure, and should not be used as a tool to avoid parliamentary procedures or undermine the fundamental democratic principles and human rights."⁹⁷

However, in the end, the Constitutional Court Notice No. 1 of 22.09.2014 stated that "the Fundamental Law regulates two types of national referendums. One is initiated by President of the Republic of Moldova or the Parliament on issues of national interest referred to Article 66, 75 and 88 and the one, through which is approved the revision of the Constitution, governed by Article 142 para. (1)."⁹⁸ We believe that the Court has not yet pronounced definitely for the possibility of revising the Constitution by referendum. It is because from the text referred to above, it can be understood that the second type of referendum is not required for the adoption of the Law on amending the Constitution, but for the approval of the revision of the Constitution, which also represents another procedure. Along with this, from subsequent interpretations, however it may be understood the possibility of recourse to a referendum on the future adoption of a law amending the Constitution.

Concluding the above, in Moldova there are two ways of revising the Constitution:

- 1) revision of the Constitution directly by the Parliament, and
- 2) revision of the Constitution by referendum, as the Parliament stated.

The first way to revise the Constitution of the Republic of Moldova is expressly provided in the Constitution and does not raise any doubts on the appropriateness and legitimacy of it. Moreover, this method corresponds to the criteria established by the Venice Commission, which is expressly provided in the Constitution. Since the adoption of the Constitution, this method has been already applied in eight laws amending the Constitution, one of which is partially recognized unconstitutional due to negligence caused by the constituent legislator related to revision procedure.

The second method, by referendum, we believe, is still unclear, for which the Constitutional Court of Moldova is supposed to state its last word in this field. The uncertainty of this method, as we have previously stated, not only did not pass the constitutionality test, but also the people's test, being rejected by the Moldovans in a popular referendum of 5 September 2010. Referring to its uncertainty, several national researchers expressed their views on the matter. Thus, V. Zaporozan opined that "If we read carefully art. 143 (of the Constitution a.n.), as a special norm that governs the procedure of revising the Constitution, it provides the only constituent assembly, namely the Moldovan Parliament, which can amend the supreme law by a vote of two-thirds majority. Recourse to referendum is an extreme measure,

⁹⁶ Hotărârea Curții Constituționale nr.22 din 23.09.2010 cu privire la confirmarea rezultatelor referendumului republican constituțional din 5 septembrie 2010. În: Monitorul Oficial 191-193/23, 01.10.2010

⁹⁷ Raportul Comisiei de la Veneția privind amendamentele constituționale (CDL-AD(2010)001 din 19 ianuarie 2010). In: [http://www.venice.coe.int/webforms/documents/default.aspx?pdf=CDL-AD\(2010\)001-e&lang=fr](http://www.venice.coe.int/webforms/documents/default.aspx?pdf=CDL-AD(2010)001-e&lang=fr)

⁹⁸ Avizul Curții Constituționale nr.1 din 22.09.2014 asupra inițiativei de revizuire a articolelor 78, 85, 89, 91 și 135 din Constituția Republicii Moldova prin referendum republican (Sesizarea nr.48c/2014) //Monitorul Oficial 325-332/39, 31.10.2014

which may be the reason for questioning the legitimacy of such revision of the Constitution".⁹⁹ In this context, it is necessary to pay attention to the opinion of the Venice Commission from the act to which we referred to above in connection with the procedure for revising the Constitution by referendum. This method should be applied only "in accordance with the established procedure and it should not be used as a tool for preventing the Parliament procedures".

Any method applied in relation to revision of the Constitution, however, must meet the principle set out at the beginning of this study, and namely - the stability of the constitution. It is an undeniable principle of the state of law, which should be applied to procedures for revising the Constitution of the Republic of Moldova in order not to end up with other laws on revision of the Constitution adopted in the future and declared unconstitutional.

CORRUPTION AS A PHENOMENON OF SOCIAL DEVIANCE IN IMPLEMENTING THE LAW

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Corruption is one of a large and diverse phenomenon both in form and content, but defined and reflected insufficiently in the legal system of the Republic of Moldova. The definitions provided by local researchers in the field of this phenomenon focuses more on the public sphere, on the official servant and his duties, whereas, the issue of corruption is a variety and complexity much greater than the one proposed in local literature. The author comes with an attempt to broaden the concept of corruption in legal field, Thereby trying to explain the deviant impact of corruption on different forms of realizing the right.

Key words: corruption, social deviance, realizing of law, corruption impact.

Corruption has always been the subject of studies by specialists. Corruption is probably the oldest social phenomenon that has developed in human society gradually and peaked with the advent of statehood. History shows that namely this phenomenon has been the catalyst for the various events that have stagnated, while in other cases, on the contrary, led to the development of society. Of course, the second aspect is quite debatable, but we can't disapprove that in the history were enough paradox moments and, in some cases, namely corruption in different periods gave the main impetus to faster development of the state [1, p.11].

Corruption in the understanding of some native researchers, widespread conception in the world of legal contemporary sciences, is abuse of power committed in public office by an employee of the public administration, regardless of status, structure or hierarchical position, in order to obtain a personal advantage, direct or indirectly, for himself or for another physical or legal person [2, p.187].

Here we can mention the relevant opinion of the Romanian author Mr. Dorin Ciuncan in whose concept "corruption is a phenomenon typical to the bureaucratic state, the budget state which governs/manages by itself directly or „from underground” all the energies of the nation by his permanent supply with resources and not by natural healthy and normal evolution [3].

However according to Romanian Language Explanatory and Etymologically Dictionary [4, p.171] the term [corruption] is a deviation from morality, of honour, of duty [<fr. Corruption, lat. Corruption, -onis].

In "The Oxford Modern English Dictionary [5, p.223]" the meaning explained in paragraph 2 and 4: <[corrupt] ... two or influenced by using bribery or 4. make fraudulent activity or become corrupt or

Veaceslav Zaporozjan, doctor în drept constituțional: Constituția Republicii Moldova nu prevede posibilitatea revizuirii Constituției prin referendum. FLUX, Ediția de Vineri Nr.20122 din 20 ianuarie 2012 În:
<http://archiva.flux.md/editii/20122/articole/12828/>

depraved>. Also the term [Corruption] in the same source says: <1. moral deterioration, widespread. 2 use of corrupt practices, esp. bribery or fraud.>

Corruption phenomenon is universal and it is proper to all societies. Democratic experience has shown that corruption has a direct impact on economic and social development, destroying the potential benefits of free market forces, market economy rules are distorted, and the companies „play on commission” to obtain an economically profitable contract.

It should be noted that corruption in the legal sphere is indispensable to organized crime and in fact it is a form of it. Mr. Valeriu Cușnir, D.Sc. in law, proposes the following meanings of the crime of corruption: "the act of a public officer or servant employed in the private sector, which consists of trafficking duties of the held position in exchange for favours, or speculation in the same purposes, of the influence on public servants, as stipulated in criminal law".

Same as his other colleague of his guild, criminologist Ilie S., which defines the phenomenon as follows: "Corruption is a negative social phenomenon, that consists in use of the position held and the possibilities related to it in by people that are in accountability positions of public administration in order to obtain illegal material goods or other benefits (profits) and personal advantages". An important aspect, proposed by Sergiu Ilie, is represented by the following forms of corruption:

1. Bribery;
2. Self-spoiling;
3. Protectionism.

Bribery is the "classic" form of corruption. Self-spoiling presupposes the existence of a single party that based on abuse of power from the office or contraband, harms the organization where they work. Protectionism is apparent from the influential position as an official that can influence decisions making factors in favour of someone using trophic of influence for example. The scientist claims that corruption should be treated not as just criminal act, but as a social phenomenon which manifests itself only through a sum of actions with the same essential idea (officials intentionally using their position for personal interests) and it constitutes a distinct entity.

In this regard, looking on corruption as a social phenomenon, we expand research area of it receiving legitimacy namely from the scientists in law and criminology, where each legal term needs concrete scientific support and have very precise definition, which means that, corruption is the object of study for several social sciences such as psychology and anthropology and sociology, all related to behaviourism.

International normative documents define corruption differently. From UNO documents about fighting corruption there is such a definition of this phenomenon: "abuse of power in order to gain private purposes"[6, p.10]. It follows that corruption goes beyond bribery. It subsumes itself bribery (reward in order to slip from the standpoint debt of service), nepotism (protection based on personal relationships) and appropriation of public funds for personal purposes. The statement released by the secretary UNO based on the experience of different countries in the notion of corruption include fraud, embezzlement (misappropriation), appropriation of state property by state officials, abuse of service to obtain illicit personal gain as a result of unofficial use of their status as officials. This is the conflict between civic duty and personal interest. As per forms or manifestations of corruption, the official website of the United Nations Office for the Fight against Drugs and Crime, we find the following list of behavioural conflict of interest, embezzlement, fraud, bribery, political corruption, nepotism, bureaucracy and extortion.

Respectively as key elements that underpin the workings of corruption are: the existence of two parties in the corruption, abuse of performing function that has one of the parties, offering a illicit good between the parties, facilitating an advantage of the one that offers. According to some authors only two elements are sufficient to develop the mechanism or corruption actions: narrow interest (personal or group) and use duties in their own interest or of the group.

Corruption represents a large typology variety, diverse as we have seen, manifesting itself all over the world, both in terms of behaviour tolerated (tips, offering gifts), manifestations blamed by society (fraud, nepotism, patronage, clientelism, favouritism, cronyism) [7], or corruption actions envisaged in the Criminal Law of most states (bribery, traffic of influence, money laundering, fraud, embezzlement, extortion, conflict of interest, fiduciary risk). There is also another category of typologies that address corruption as state macro-phenomenon (sporadic corruption and systematic corruption, big and small corruption, corruption and controlled and uncontrolled corruption, political corruption, bureaucratic corruption, captured state, kleptocracy).

The most typical manifestation of corruption is bribery of officials and political activists, protectionism, promoting workers on the principle of kinship, personal loyalty and friendship relations. Key here is the power category. Where no relations of state power there are cannot exist state corruption.

Institutions, organizations and businesses attacked by corruption can be alike private or public. They may have management functions (ministries, city halls etc.), provision of services (schools, hospitals etc.) or production (firms, factories, farms, etc.). To be effective and to be successful, the fight against corruption must be fought on several fronts: social - cultural; economic; legal; political.

Nowadays, corruption is regulated at national level by several laws. Depending on the nature of the actions and character of the sanctions set out can be distinguished following types of corruption regulations:

1. The general regulation;
2. Special regulation, which includes: a) criminal regulations; b) contravention regulations; c) institutional regulation.

The most important piece of legislation governing corruption in Moldova is the Criminal Code. Therefore we appeal to the criminal legal framework of corruption in Moldova.

Any criminal phenomenon is complex and is manifested in a bigger or smaller variety of private behaviours. Therefore, methods of counteracting that have a legal character and concerns human behaviour, cannot directly strike the phenomenon, but are geared toward particular events, human behaviour, individual or group.

In these circumstances, the need arises to reveal exactly behavioural manifestations of corruption, so that criminal repression to serve fully in counteraction. For a start it is necessary however, to determine precisely those behaviours corruption that have already been criminalized by the criminal law.

In intrinsic terms corruption is the use of function duties in private interest. In terms of extrinsic corruption is a socially morbid phenomenon that affects or even paralyzes the normal functioning of institutions, organizations and businesses.

Therefore, corruption acts are distinguished from the point of empirical sees from the other by the presence of two main elements, indissoluble related to: (1) use of function duties and (2) for personal interest. Through function duties we mean rights and obligations available to a person under the position they occupy and exercise in an institution, organization or business for personal interests. By personal interests we understand any form of using arbitrary function duties conducive to satisfy their needs, material or of other nature.

It is worth noting at the outset that in the chapters XV and XVI of the Criminal Code are for committed offenses related to corruption; however the definition of corruption is not given in these chapters, being stipulated in fact crimes related to bribery and abuse of power or abuse of office.

Performing a statistical analysis of articles that criminalize corruption, those related to them or those which may manifest as corruption reveals the following data: in total there are 62 articles that relate to the criminalization of corruption, of facts on corruption related and of those that may occur as corruption, which constitutes 24.1%, that counts almost 1/4 of the total (258) Articles of the special Part of the Criminal Code, and 15.78% of all Criminal Code (388 articles), which is about 1/6 of the total Moldovan

Criminal Code. Of the 62 items, seven criminalize corruption, ie 11.3%, 3 criminalises acts of corruption related, ie 4.8%, and 52 criminalize acts that may manifest as corruption, i.e. 83.9% [1, p.42].

So from a legal perspective corruption "is a concrete expression of a set of documents and illegal acts, illegal and immoral, which contrasts strongly with the social norms and existing legal and accepted in society values, being determined by a complex of social, economic and political causes and conditions" [8, p.127].

From the above data we can conclude that a considerable number of articles include criminality, direct or indirect, of some behaviours that have the character of corruption. These data confirm the assumption of more scientists that corruption manifests itself in a much wider variety of shapes than those considered traditionally called events "classic" of corruption but was never proven with empirical data. "In light of the extraordinary diversity of forms noticed, reveals the complexity and specificity of corruption phenomenon. The picture shows peremptory that corruption is an extremely poli-form, criminal and expanded phenomenon. It is, of course, incomplete as exposes only the criminal manifestations and not all of them, but just those incriminated, while corruption is a more complex social phenomenon, representing as well contraventional actions, as well as of disciplinary or civil liability "[9]. However, reviewing the manifestations of corruption incriminated in Criminal Code projects a relatively faithful picture to the criminal side of the phenomenon and makes possible a new approach to corruption.

As shown, de facto, anti-corruption legislation is very broad and includes crimes like more than a simple citizen could imagine. This legal and statistic aspect demonstrates how important is the law in preventing and combating corruption, and this is just one case, that of Moldova. While equally insistent is the Criminal Code of Romania, for example, where corruption is not included as a separate concept, but forms of corruption related to corruption are just as much, maybe even more than in the Moldovan legislation. So the European Commission and Council of Europe have adopted a whole set of laws, decisions and binding recommendations on preventing and combating corruption. One of the methods most innovative to improve anti-corruption legislation is the formation of Group of States against Corruption GRECO to which Moldova is a party and whose recommendations are binding on the national laws of member countries with financial support from the Council of Europe [11]. In this context, we can conclude that these anti-corruption committed institutions demonstrates how diverse and multidimensional in terms of institutional and behavioural corruption manifests. That is why some authors believe that the emergence at the ending of XX-th century of dozens of institutions and organizations that manage resources and capital is directly related to the diversification of offenses of corruption. Namely this explains the high number of indictments targeting job performing responsibilities and, accordingly, those aimed corruption, directly or indirectly. "If in the future society will know a different pattern of evolution, characterized by considerable reduction of institutions, organizations and of businesses, it is expected that the extraordinary diversity of forms of corrupt behaviour to know the same reduction, one relatively proportional" [10, p. 40].

Particularly the danger of corruption is that it is like a metastasis, destroy the state apparatus and its treatment is possible only "surgically". Most importantly however, that corruption is the catalyst (ie catalyst, and no generator) of organized crime, one of the components of "environment surrounding them". Acting together these two phenomena is the most serious threat to the state and society, especially in the incipient democracy [6, p.24].

Most often, corruption is seen as a deviation from norms: law, professional deontology or from generally accepted ethics. In this way, corruption ranks as deviant behaviour in society in general and in particular to the realization of law. However, realization of law is made through institutions of law, as executors and by applying the principles of law realization as an institution. Thus, corruption is a phenomenon that interacts directly with institution of realization of law and that of the rule of law. In particular, the corruption belonging to the „choice” domain, meaning narrow interest vs. legal integrity,

affects the realization of law through the forms of realization. Let's look at the types of action on law realization and the impact of corruption on them:

1. Law compliance, as a form and fundamental principle of releasing of the law is not applicable and cannot be achieved when corruption is present. Since the essence of this form of action is manifested by refraining from committing actions prohibited by law, and corruption manifest, as I concluded, just committing actions at the expense of equality and social justice and denotes social betray in favour of personal or group interests.

2. Execution of law, which provides active actions resulting from the mandatory provisions of legal regulations, and it, is also imperative vitiated by corruption. Corrupt officials being bribed, or favoured not taking enough "active measures" to bring the truth in light, but even the opposite, by not applying the law and not taking actions is trying to favour someone into detriment of the law and the spirit of regulations. By the way, in case of execution act of realization of the law, we are witnessing a form of corruption that often gives official a certain amount of psychological comfort, he not having to actually do anything. In fact, it includes lack of actions, actions which by law official was obliged to undertake, but he may not do them intentionally favouring his private interests. For example delaying or rejecting criminal prosecution or unfounded failure to execute the obligations in reasonable terms, for which of them sanctions envisaged are vague.

3. Use of law, assuming the realising some of the individual rights by its own will, it can also bump corruption when the individual will try to use its rights. For example, under certain procedural deviations of certain state officials, the individual will not be able to access or bring to life his right by using it. The deviant and corrupt official will not give him the possibility to do it and by that killing the spirit of law.

4. Application of law (implementing act), as complex activity of particular empowered subjects, is the most tempting action that fuels scourge development of corruption. Applying the law is the action that represents all law institutions regulating social relations, including the judiciary. The largest deviations and shortcomings are at the level of application of the law, because here officials of public institutions use their advantaged position compared to citizens, last being ready to maximal favouring officials within obtaining an expected personal interest in the detriment of law, no way talking here of social justice and equality in front of the law.

In conclusion the author is of the opinion that the greatest act of corruption itself is the social injustice. From here start all foibles of rule of law, of the nihilist legal consciousness, and disappointment of society, respectively the lack of credibility in public institutions in particular and in the rule of law in general. The crisis of credibility in public institutions leads to profound social unrest leading to internal disorder, legal anxiety and social disobedience. This anxiety serves some grounds for resignation or emigration, and for others, a way to survive and feed the system with the adage "the strongest survive" or the Machiavellian "the scope justifies the means". Therefore, the society becomes increasingly distorted, increasingly corrupted being driven, legally, by the legislation (Constitution, organic laws, special laws, rules) and de facto, is driven by interests and kin personal or group relationships on the basis of existing legal relationships. By the way, the law is itself an instrument of blackmail and fostering corruption because any penalty prescribed by law is dealt with by officials. Those who actually have to apply the law, namely those are in many cases generators and catalysts of corruption.

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COMPARATIVE ASPECTS BETWEEN THE NULLITY OF MARRIAGE AND DIVORCE

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The present article contains similarities and differences between the divorce and the nullity of marriage. It refers to the possibility when the divorce covers the nullity of a marriage, and my opinion about the existing law in this case.

Key words: marriage, divorce, dissolution, annulment, nullity of a marriage.

The family is a social phenomenon. Marriage is a civil legal act and its legality is an applicable condition every single time. We can accept the existence of a family without a formal regulation in this respect, but a legally binding marriage contracted without interference from the administrative organs of the state cannot exist.

The marriage is an *intuitu personae* act and the spouses must request its dissolution personally. Nowadays, contrary to previous conceptions, divorce does not constitute a matter of exceptionality, putting forward an alternative administrative solution for the dissolution of a marriage, which proves to be much more amiable than the judicial one.

Either spouse is entitled to demand the dissolution of the marriage that they believe to be impossible to carry on. Divorce is a right of the spouses, resulting from serious and irreparable damages caused to the relations between them, when the continuation of the marriage is no longer favourable to the development of family relationships. In today's society, the indissolubility of marriage ceases to have any logical or social-legal justification.

Namely, the point of the dissolution of a marriage highlights the issue arisen from the social character of the marriage. The marriage, as a family basis, is a matter of interest to both the spouses and the society. All family relationships are interfered by a social interest. Divorce suits have a highly educative impact, considering that future generations should appreciate the meaning and the scope of the marriage. The social character of the marriage determines the administrative state institutions to intervene and checking

the grounds for divorce, the will of a spouse or the common will both the spouses being insufficient to undo a marriage.

The State, through the legal provisions, has preserved itself the possibility of intervention in marriages that were contracted through violations of legal provisions. Thus, we mention the institution of the annulment, which derogates from the rules of common law under a specific sanction. The nullity of a marriage is more severe, compared to the dissolution of a marriage by divorce. Namely because sometimes, when contracting a marriage the requirement for the valid conclusion of a marriage are consciously violated, and the party who acts in bad faith disregards the sincerity and the legal intentions of the spouse acting in good faith. If in divorce suits the plaintiff spouse must prove that the wrongful acts of the defendant spouse affect family relationships and make it impossible to continue life together, then in cases of finding a marriage invalid, the person claiming the invalidity must prove that when contracting the marriage the spouse acting in bad faith has intentionally violated the legal provisions established for the conclusion of the marriage.

Legal provisions regarding the nullity of the marriage protect the enforcement of the law when contracting a marriage. They explain their reasoning on grounds of public policy, or the need to protect the interests of the bona fide spouse that needs to be protected.

Nullity intervenes to punish non-compliance with the legal provisions regarding the validity of marriage. However most of the times they do not affect family relationships. The nullity regards mostly the enforcement of social order and the personal interests of the spouses.

When one or both spouses have acted culpably when contracting the marriage, nullity occurs as a measure of punishment. However, even in cases when both spouses act in good faith, for example, two people who are getting married without knowing that they are linked by family ties, such a marriage would be invalid. In this case, the nullity is seen as a safeguard against unlawful conduct and warns society against such behaviour.

In family law, the nullity of marriage is a consequence of infringing the impediments to marriage. Because they are of a prohibitive nature, nullity is exactly what happens when legal prohibitions are not respected.

When the law or the doctrine refers to the dissolution of a marriage, we understand that it can take place only by divorce, by a court decision, or by a decision of the local civil status institutions. While the annulment of a marriage means bringing an action in court in order to annul a marriage. Unlike divorce, which may take place by means of an agreement between the spouses, nullity must be requested and demonstrated before the court and is found only by a judgment.

Next I want to emphasize that we cannot equate the nullity of a legal act and non-existent legal act, this takes on a special hue if marriage annulment. An action for the dissolution of a marriage is not and cannot be identical to that of the annulment of a marriage. We have differences regarding the reasons underlying the action as well as different legal effects in the future relations of former spouses. On the other hand, after an annulled marriage, the two people are believed to have not been married, and although they should not be considered as former spouses since they did not have the quality of spouses, in practice this particular appellation is still used. The more correct expression would be - parties whose marriage was annulled. Understand that legally the so-called former spouses were not actually spouses proves to be quite difficult for people outside the legal realm.

We note that unlike the in cases of divorce, the law exhaustively determines grounds for nullity of a marriage. We cannot invoke the nullity of the marriage for reasons other than those stipulated by the law, on the other hand, the grounds for divorce will be considered every time by the court which would decide on the continuation or dissolution of the marriage.

Once the grounds for nullity of a marriage are established, the court declares it invalid. In case of divorce, the court statutes on the reasons given and appreciates the possibility of continuing the marriage.

The law provides that in case of a dissolution of a marriage, there could be established a term for reconciliation, which is given to the spouses for any further possibility of maintaining and continuing the family. When it comes to the nullity of a marriage, no reconciliation term can be established. The grounds for nullity can either be ascertained by a judgment or confirmed; a reconciliation in this case not being admissible.

We may have a situation when a marriage is voidable but the spouses do not know the grounds for nullity. This marriage does not work exactly as expected by the spouses. However, no steps are taken towards a divorce. The spouses may agree themselves to take a probation period, make some compromises, without initiating any action. As such, no one would decide to verify the validity of the marriage. Thus, it is tacitly agreed on the continuation of a voidable marriage.

The nullity of a marriage, unlike the nullity of other legal documents can be validated, even in cases of absolute nullity. Thus, the Family Code provides for the possibility for the situation when the marriage was contracted by a minor who has not reached the matrimonial age if the minor's interests require it or if there's no agreement for the termination of the marriage.

Regarding fault in divorce, it belongs to at least one of the spouses. The fault, in cases of nullity may not belong to any spouse, and such a marriage cannot be considered valid.

If in cases of divorce we could drop the action, when we talk about an action in nullity, dropping it may not be possible in all the cases, or at least not at any procedural step. This would mean that the court should allow the law to be removed from the application, giving the request for waiver of action for nullity of a marriage without checking the proof. If the grounds for revocation put forward in the application cannot be proved, there is no risk that divorce may validate a void marriage. On the other hand, specific for an action in confirming the invalidity of a marriage is its confirmation even in situations of absolute nullity, of course when there are higher interests and values to the nullity.

The divorce implies ulterior motives to the contraction of a marriage and produces effects only for the future. When it comes to the action for the cancellation of a marriage, it may be requested by anyone who demonstrates an interest in this regard. The annulment of a marriage may be required for reasons that existed at the time of contracting the marriage and were not known to the prospective spouses or implied by other interested parties that ought to know them. Once a marriage has been found void, this decision would produce effects for the past as well. Naturally, due to the dissolution of a marriage, all future obligations cease to exist. When in cases of an annulment, it is considered that the obligations between the parties have never existed.

Divorce may prove to be a path more convenient to the parties. Specific for action for divorce is that it requires a validly contracted marriage.

We recognize that both the court and the representative of civil status institution may be convinced that the present spouses can no longer continue together their marriage for various reasons and the parties are thus issued divorce certificates. In such circumstances, the question that arises is what to do with such a marriage and what will be the fate of the judicial decision that has dissolved such a marriage; who is entitled to seek the annulment and request correction of the judicial error when final judgment has already produced its effects. We believe that such a jurisdiction, when the parties are not interested in the legal correctness (because we appreciate one when the divorce covers an annulment) may belong to the prosecutor, who comes most often to defend the interests of society, must be guided in his work by the triumph of the law. There are also no impediments to the representative of the civil status institutions, because he must be interested in the legal correctness as part of the exercise of his duties. However, we also disagree this time that *error communis facit ius* should distort reality since it is already too often far from equity.

The court cannot itself one-sidedly meet this demand for two reasons. Admittedly, say that by some possibility the court has found out about the family link between the former spouses whose marriage has been dissolved. Firstly, the court cannot one handily decide to review its own decisions. On the other hand,

it could easily send such a request to the prosecutor in order to adapt the judicial practice to the reality. The Family Code expressly stipulates that a marriage cannot be declared invalid after its dissolution, except when it was contracted between relatives whose marriage is prohibited or by a person who, upon registration of the marriage is already married.

However, if the parties do not press to prove such a reality, it is unlikely that the state bodies will intervene in such a situation.

From a procedural standpoint, such an action should not pose significant difficulties. The divorce that has been declared by the civil status institution is canceled with admission of the action for annulment. Admitting a nullity action, we understand that retroactively it puts the parties in their position previous to the conclusion of the legal act.

In **conclusion**, I can say that the marriage must be legally binding. The legality of marriage can be questioned throughout its duration, even after its dissolution, considering that the grounds for absolute revocation are imprescriptible. Since the law prescribes a specific behavior and there is no other reason to exclude its effects we cannot accept another attitude of the society towards the justice system.

Protecting family relationships that flow from a marriage does not mean keeping the marriage *in extremis* at any price. The divorce is a right of the spouses, the exercise of which may be required before the administrative bodies of the State. Nullity is a legal sanction if at the time of contracting the marriage not all the legal requirements have been complied with. If the requirements set by the law for the contraction of a marriage were not violated, its nullity cannot be required.

The divorce entails strong grounds for the impossibility of continuing a marriage, the causes not being limitative. On the other hand, the grounds for nullity are exhaustive and may not be extended.

Both the divorce and the nullity do not operate *de jure*. In both cases, we need a state decision to this effect, except that the judgment on the dissolution of a marriage takes effect *ex nunc* and the judgment that annuls a marriage has retroactive effects, taking effects *ex tunc*.

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ASPECTS OF EXERCISING THE OF CITEZENSCHIP RIGHTS IN COMPARATIVE LAW

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A member of a state participate within its individual capacity as well as equal practical participation, concurrent and alternatively with other members to exercise the state power and benefit from its legal system, rights and obligation to which they relate, advocates and promotes the state. Thus, citizenship appears as an expression of the principle of equality in social life, achievement of a democratic life and an expression of fight against attempts to diminish and defeat them.

Key words: *citizenship, state, principle of equality*

The need for organization and regulation, both on national and international arena has led the search for a term that could help to explain and define the concepts and theories in the sphere of nationality law. Citizenship is the term used to define the position or status of an individual in a particular country. Thus, the word "citizen" has different meanings depending on the legal discipline.¹⁰⁰

In constitutional terms "citizen" designates primarily a member that holds legal rights and privileges of the state of which it belongs, whereas in public or private international law the legal status of a citizen deviates from the original definition in terms of practice. Today, most constitutions and citizenship laws use the term to describe this association.¹⁰¹

The comparative research of nationality law through national legislature and comparative constitutional law demonstrates considerable theoretical and practical significance. It allows, on the one hand, the development of common principles and identifies theoretical and practical aspects regarding the exercise of citizenship rights and, on the other hand, in terms of legal techniques facilitates the drafting and completion of the constitutional mechanisms in this regard.

When we talk about citizenship law in Moldova, we cannot eschew referring to what we call plurality of citizens and its importance for citizens. Republic of Moldova has recognized the right of Moldovan citizens to have two or more nationalities by amending the constitution and a citizenship law.

The concerns of the international community in matters of citizenship, materialized in the treaties with respect to human rights, are focused on creating the right conditions for a person to get the citizenship in order to benefit from its and privileges.

In this article we will examine the institution of citizenship in the Republic of Moldova tangentially and compared with other states as well.

For example the American citizen is simultaneously a citizen of the federal entity and the State in which they reside. In fact, citizenship of the federal state are very flexible, therefore there is no requirement for permission for someone to move from one state to another, except those condemned to not to leave the state.¹⁰²

The Swiss nationality law stipulates in the Federal Law adopted on 09.29.1952 with effect from 01.01.1953 that the citizenship can be acquired based on the following principles: triple citizenship (Swiss confederation, canton and municipality), acquisition of citizenship by descent ("Jus Sanguinis"), prevention of statelessness.

Swiss law states that the acquisition of citizenship by birth is possible when both or one parent is of Swiss citizen, by adoption, marriage, naturalization and regaining. Switzerland does not apply the principle of Jus Soli; hence birth on Swiss territory does not confer citizenship.¹⁰³

Naturalization can be generally under (regular) and simplified regime (facilitated) for people who meet certain criteria.

Russian citizenship can be obtained: by birth, based on descent, either on the basis of Jus Soli, if born of foreign parents and did not get the citizenship of the parents or if the parents are not known, by granting, by regaining under other conditions provided by international treaties of the Russian Federation.

Portuguese law stipulates that its citizenship can be acquired through birth, descent or by "Jus Soli" principle, if the child has another citizenship or if parents are not known, by marriage, by regaining, by adoption and naturalization.

¹⁰⁰ Berceanu B. B. Citizenship: legal monograph . Bucharest: Editura ALL BECK 1999

¹⁰¹ T. Cîrnat, Constitutional Law (second edition revised and added) . Chişinău " Print - Caro " SRL , 2010

¹⁰² <http://www.manager.ro/articole/analize/analizele-managerro-o-modalitate-controversata-de-a-obtine-cetatenia-americana-16222.html>, visited on 04/18/2016

¹⁰³ http://casa-romanilor.ch/despre_cetatenia_elvetiana_si_obtinerea_ei, visited on 18/04/2016

According to Ukrainian legislation, citizenship is obtained by: birth in Ukraine and / or the parents of who at least one is a Ukrainian citizen, by naturalization, regaining, adoption, by establishing guardianship over the child or incapable person, affiliation, and other means provided by international treaties bilateral Ukraine. People who during the declaration of independence in August 24th, 1991, resided in Ukraine also have the right to Ukrainian citizenship.

Until the introduction of amendments entered into force on 1 January 2000, the German law did not recognize the principle of *Jus Soli*; therefore, the German citizenship can only be acquired by descent, both or one parent of German nationality, by marriage, by adoption and naturalization.

Naturalization is only provided for two classes of people: those entitled to apply for German citizenship under Art. 116 (2) of the Basic Law, i.e. those who were deprived of German citizenship for political, racial or religious grounds and their descendants, and through regulatory authority approval for those individuals who judge for the public interest and based on other criteria.

In light of the above examples, we can notice that the states have outlined several principles that constitute the main and most applied regulatory means to acquire a citizenship, which are as follows: based on descent ("*Jus Sanguinis*"), by birthplace (*Jus Soli*), by adoption, marriage, naturalization and by regaining.

Many states have special procedures regarding the acquisition of citizenship for individuals who have their historical origin in those countries. The basic requirements are the language and the ethnic identity; hence the states represent the roots and kin of the individuals' concerned. The special relationship between the individual and its homeland stems from the principle "*Jus Sanguinis*" that implies the «right of blood», which originally means recognizing the right of the child to obtain the citizenship of the parents.

Given the variety of specific situations that states have known throughout history, "*Jus Sanguinis*" principle was extended to people of the same ethnic group regardless of the status of their ancestors. Most countries that have lost territories or have passed through historical cataclysms have adopted legislation of this kind. For instance, according to art. 25 of the Constitution of Bulgaria, Bulgarian origin people acquire Bulgarian citizenship through access to a more favourable procedure. Previous relationships with the Bulgarian state do not constitute the grounds upon which the nationality is given, but the ethnic association with the community.

Finnish law contains similar provisions and ensures the right of repatriation of ethnic Finns from the former USSR; the only requirement is passing a test in Finnish.

Turkish law allows people of Turkish origin, their wives and children, to ask for Turkish citizenship without being forced to wait for five years, as provided for other immigrants.

Under Portuguese law, people who have reached the age of 18 can only be naturalized after 10 years of permanent residence in Portugal. It shall be reduced to 6 years if the person comes from a country where Portuguese is the official language. The provision is the same for children born of foreign parents. The child will become a Portuguese citizen if the parents have been resident in Portugal 10 years and 6 years if they come from a country where Portuguese is the official language.

It is known that the regulations on obtaining German citizenship targeting ethnic Germans from the former Eastern Europe and the former USSR, and later in the former Soviet republics, under a so-called «Right to Return». According to art. 116 (1) of the Basic Law, « Unless otherwise provided by a law, a German within the meaning of this Basic Law is a person who possesses German citizenship or who has been admitted to the territory of the German Reich within the boundaries of 31 December 1937 as a refugee or expellee of German ethnic origin or as the spouse or descendant of such person.». This applies to Germans lost territories, namely those in East Germany, under Soviet occupant.

According to the art. 116 (2) of the Basic Law of the Federal Republic of Germany "Former German citizens who between 30 January 1933 and 8 May 1945 were deprived of their citizenship on political, racial or religious grounds, and their descendants, shall on application have their citizenship restored. They shall

be deemed never to have been deprived of their citizenship if they have established their domicile in Germany after 8 May 1945 and have not expressed a contrary intention.

According to the Irish Nationality Act and Citizenship from 1956, any person born in Northern Ireland before 31 December 2004 shall be entitled to become a citizen of the Republic of Ireland if desired. The citizenship is granted directly by submitting an application for issuing a passport Irish.

Since January 1 2005 entered in force the Irish Act on Citizenship and Nationality in 2004. It provides that a person born on the island of Ireland after that date is not automatically a citizen or entitled to obtain citizenship, except for the situation where one of the parents is a citizen or entitled to obtain Irish citizenship or British citizen resident on the island of Ireland or the Republic or Northern Ireland without any time limit on that residence.

The Russian Federation nationality law establishes in art. 17 and 21 that if the international treaties adhered by Russian Federation change the regulations regarding the Russian borders, following that these territories are of another state or change their status; people living in those territories can claim the Russian citizenship.

According to art. 13 (2a) of Russian Federation Law, people who were born in Russia and had previously nationality of the Soviet Union, have to reside in Russia one year comparing the general rule that stipulates a period of 5 years. Art. 14 (1) eliminates the condition relating to the requirement of domicile for certain categories of people, including people who had citizenship of the Soviet Union, have been living in former Soviet states, unless they have obtained citizenship in these countries and are stateless persons.

It is necessary to pay close attention at the distinction between getting citizenship through legal means and regaining of it by means of ethnicity, since in some cases this distinction is ignored. Regaining is acquisition of dual or multiple citizenships. Likewise, regaining a citizenship in order to avoid cases of statelessness in situations where people lose the citizenship of a State.

The art. 9 of the European Convention with regard to citizenship provides that «each State party shall facilitate, in the cases and under the conditions provided for in its national law, reintegrating into his citizenship of persons who possessed it and residing legally and habitually within its territory».¹⁰⁴

Most States recognize by law a person who has lost or renounced citizenship of a State the right to claim the citizenship of that State. Thus, regaining does not represent anything other than an opportunity made available to the person who lost or renounced citizenship of a State to become a citizen on the basis of a simplified procedure.

Issues related to citizenship in the Republic of Moldova are regulated by the Citizenship Act No. 1024-XIV of 02.06.2000 with further amendments. Also, the Republic of Moldova has ratified the European Convention on nationality from 06.11.1997, Strasbourg, by the decision of the Parliament. 621-XIV of 14.10.1999.

In accordance with the article 10 of the Nationality Law of the Republic of Moldova the citizenship can be acquired through birth, reconnaissance, adoption, regaining and by naturalization.

Currently, the status of citizen is not conceivable without its universal character and without the existence of human rights to actively participate in the public arena.

A real citizenship includes a uniform set of rights and obligations in a state governed by the principle of supremacy.

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THE INTERFERENCE CONCERNING THE CONSTITUTIONAL COURT'S STATUTE OF UNIQUE AUTHORITY OF CONSTITUTIONAL JURISDICTION IN THE REPUBLIC OF MOLDOVA

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The Constitution did not define the place of Constitutional Court of the Republic of Moldova among all three powers of the state. It seems that the Constitutional Court doesn't administer the justice, it being excluded by the Constituent from the courts. In this study we analysed some deviation from the constitutional principle of the Constitutional Court status as the sole authority of constitutional jurisdiction. We concluded that these deviations are not in the spirit of the Constitution and the Constitutional Court is a jurisdictional court among judiciary authorities with a special status due to its obligation to oversee guaranteeing the supremacy of the Constitution.

Key words: *Constitutional Court, sole authority of constitutional jurisdiction, the judicial power, specialized courts.*

The competence or jurisdiction of the Constitutional Court is a subject of disputes between constitutionalists, as long as the Supreme Law itself has conferred to this public authority through Article 134 par. (1) a special status, that of sole authority of constitutional jurisdiction. Further, we will try to analyse this status of the Constitutional Court in terms of national legislation, aimed to develop the norms of Constitution in the limits set by the Basic Law.

Some Western doctrine as Louis Favoreu¹⁰⁵, considers that the Constitutional Court is a jurisdiction created specifically and exclusively to practice the constitutional litigation, which is situated outside the ordinary judicial apparatus and independent of it, as well as from other public powers. A supreme court or a supreme tribunal, or a constitutional chamber of the Supreme Court, may be constitutional jurisdictions, but are not constitutional courts. This opinion we support, is valid for the Republic of Moldova in the situation when the Constitution did not define the place of Constitutional Court of the Republic of Moldova among all three powers of the state.

In the system of German law, if the place of the Constitutional Court, among the state's powers is expressly regulated within judiciary power through article 92 of the Constitution from 1949¹⁰⁶, in the view of the German Professor A. Blankenagel, the Constitutional Court is the last supreme court that occurs when the other authorities are not capable to take a decision, otherwise there is not necessary a Court. Through its decisions, the Constitutional Court outlines the boundaries of the constitutional field. The Constitutional Court is an institution with specific functions and procedures that distinguish it from other institutions of law¹⁰⁷.

The Constitution of the Republic of Moldova from July 29, 1994 has devoted to the Constitutional Court a distinctly title, and namely the V Title. Under this title, formally, the Constitutional Court is neither part of the legislative authority (Title III, Chapter IV) nor of the executive authorities (Title III, Chapters V -VII) nor of the judicial authorities (Title III, Chapter IX). We have focused on the formal aspect of this statement, because on material plan we have another opinion.

The Judicial courts, as national institutions that constitute the justice act, can be divided into two types:

a) Judicial Courts of common law; and

¹⁰⁵ FAVOREU, L. ș.a., *Droit constitutionnel*, 18 edition, Paris: Dalloz, 2016, p.35.

¹⁰⁶ Constitution of Germany from May 23, 1949. In: <https://constitutii.wordpress.com/2013/02/01/legea-fundamentala-pentru-republica-federala-germania/> (Vizitated: 14.04.2016)

¹⁰⁷ BLANKENAGEL, A., *Den Verfassungsstaat nachdenken*. Berlin : Duncker & Humblot, 2014.

b) Specialized Courts in some jurisdictions.

The Constitution through article 115 par. (2) has stated the possibility of forming of specialized courts, which can be of different jurisdictions. Thus, in the Republic of Moldova are formed and expressly recognized by law the courts specialized in the military and commercial fields. Along with this, we believe that the constitution through article 134, has recognized to the Constitutional Court the status of a court specializing in matters of constitutional jurisdiction. Moreover, if the military and commercial jurisdiction may be exercised and by other courts, as well as by specialized colleges of Appeal Courts and of the Supreme Court, then the constitutional jurisdiction in accordance with article 134 par. (1) of the Constitution can be exercised only by the Constitutional Court.

Concerning the place of the Constitutional Court from the Republic of Moldova within the state power, considering the specific mode of regulating through article 115 of the Constitution of the courts that administer the justice, is created the impression that the Constitutional Court doesn't administer the justice, it being excluded by the Constituent from the courts. This impression is supported by a lawyer who does not see the place of the Constitutional Court in the process of justice administration in the Republic of Moldova.

This view, although it was not exposed in the literature of specialty, results from the official view of the Supreme Court of Justice from 2004 concerning draft law of amending the Constitution, through that was try to establish in Moldova the constitutional appeal (or, as it is named by some authors, individual). Thus, according to this view, the establishment of a new "national appeal" would mean "interference of authority of constitutional jurisdiction in the administration of justice"¹⁰⁸.

As we can see, the institution of a procedure of control to constitutionality of acts and actions of the courts was treated by the judges of the supreme court of common law as interference in the administration of justice. With this view we disagree, due to the fact that, in our view, in a State of law has no right to exist any public act, which would be in contradiction with the Supreme Law, including the acts the justice is pronounced through. This maximum has a foundation even more pronounced if we take into account that in the Republic of Moldova all documents of legislative and executive powers are subject and prone to constitutional review, except those issued by the judiciary. At least, it seems strange that the Supreme Court of Justice is considered more important than Parliament, as the Supreme Representative Body.

Analysing the legal nature of the Constitutional Court of the Republic of Moldova, we will opiate from the beginning that this is a Court of Law, having the name of "court" composed as other courts of judges, who enjoy the same status as the other judges, but, who administer a specialized justice – constitutional justice. Moreover, according to Article 140 of the Constitution, the acts of Constitutional Court, as acts of the Supreme Court of Justice have the name of decisions and are final and irrevocable.

Along with this, taking into account that the constitutional litigation is superior to administrative litigation, the formation mode of the Constitutional Court is different from that of ordinary courts, and some attributions are at the margins of politics, of course, the status of the Constitutional Court has its peculiarities. This last statement, however, does not contradict the previous one, because the Supreme Court also has a special status and a special law regulating its status differently than that of judges and courts of appeal. This, however, does not exclude the Supreme Court of Justice from the courts that pronounce the act of justice.

Studying some acts of the Supreme Court of Justice, concerning the status of the Constitutional Court and its relations with ordinary courts, since the beginning of the formation of the Constitutional Court, which did not exist in our system until the adoption of the Constitution in 1994, can be tracked and other acts of neglect of the last status of sole authority of constitutional jurisdiction. For example, this is observed from the Decision of the Plenum of the Supreme Court of the Republic of Moldova, No. 2 of January 30, 1996, where in the point 2 to the courts is recommended among others:

¹⁰⁸ The notification of Constitutional Court no.1 of 16.12.2004 on law project for completion of art.135 and amendment of art.136 from the Constitution of the Republic of Moldova //Official Monitor 241/32, 27.12.2004

„In accordance with Article 7, the Constitution is the Supreme Law and any other law or other legal act that contravenes to the provisions of the Constitution has no legal power. Proceeding from this constitutional provision, the courts administer justice, must assess the content of the law, or of other legal act that regulates the legal dispute reports. Moreover, where necessary, apply the Constitution as a legal normative act with direct action.

The court judging the cause, directly apply the Constitution in the cases:

- a) if the provisions of the Constitution, that follow to be applied does not contain information relating to the adoption of a special law that would regulate the application of these provisions of the Constitution;
- b) if the court determines that the law which was adopted before the entry into force of the Constitution – on August 27, 1994 contravenes to its provisions”¹⁰⁹.

We believe that through the first (lit.a), and the second situation (lit.b), the Plenum of the Supreme Court from that period, and now of the Supreme Court of Justice (because this Decision is in force) recommends to the courts to exercise the control of constitutionality of laws, contrary to the provisions of article 134 of the Constitution, which allows only to the Constitutional Court to exercise such control.

The first situation, on a superficial appreciation, is not referring to a constitutional review. Along with this, lit.a), in conjunction with the previous sentence "will appreciate the content of the law or of other legal act that regulates the legal dispute reports", allows us to deduce that if the court "considers the content of the law" and detects that a legal report is not regulated, and "the Constitution's provisions, that follow to be applied do not contain information relating to the adoption of a special law," then the court takes the attributions of a legislator and directly applies the Constitution by regulation of the legal dispute report in accordance with it. By this action, the court will exceed its jurisdiction and will violate the Constitution.

The situation is even worse if the court already will "appreciate the content ... of another legal act". From the general theory of law we know that in the case when the law, as an act of primary regulation, does not regulate a legal relationship, the acts subordinated to law cannot regulate this legal relationship, the contrary proceedings being nominated in constitutional law as a conflict of competence. In civil law, such an act would exceed the conditions of validity of the legal act, being considered absolute null, as act that does not correspond to the law in the light of Article 220 of the Civil Code¹¹⁰. The court in this case should take action from the office by an exception of illegality through administrative litigation procedure in accordance with Article 13 of the Law on administrative litigation¹¹¹ and declare this rule or act as illegal one.

For situations described in the previous two paragraphs, the courts have the legal rules under national law, which prescribes the obligation of applying the analogy of laws or, if unable, of the analogy law system under Article 5 of the Civil Code and article 12 of the Civil Procedure Code¹¹². We mention that in our Roman-Germanic legal system the courts cannot regulate the legal relations by issuing a legal precedent, this being possible only in the Anglo-Saxon system. Another application of exposed legal norms should result in substituting of the court to the Parliament or the Constitutional Court. We believe, that the court would substitute to the Constitutional Court if it would casual interpret the Constitution and would apply it directly to the legal dispute, action contrary to Article 134 para. (1) of the Constitution.

In this context, it is deserve to get to the reader's attention to the fact that there is jurisprudence of the constitutional courts of other states, in accordance with that, in cases where there are omissions in the legislation, they cannot be completed by decisions of courts, but declared as unconstitutional, thereby

¹⁰⁹ Decision of the Plenum of Supreme Court of the Republic of Moldova, *Concerning the practice of application by the Courts of some provisions of the Constitution of the Republic of Moldova*, no.2 of 30.01.1996. In: "Reports of Explanatory Decisions", Chisinau, 2002, page 9

¹¹⁰ Law no.1107 of 06.06.2002 of Civil Code. First Book – General Disposals (art.1-283) //Official Monitor 82-86/661, 22.06.2002

¹¹¹ Law no.793 of 10.02.2000 Law od admin istrative litigation //Official Monitor 57-58/375, 18.05.2000

¹¹² Law no.225 of 30.05.2003 Civil Procedure Code of the Republic of Moldova //Official Monitor 111-115/451, 12.06.2003

requiring from parliament to regulate the omitted legal relationship. At present, on the role of the Constitutional Court already is a referral, in which is required to recognize these legislative omissions as unconstitutional one¹¹³.

When applying the provisions of subparagraph b) of p. 2 from the Decision of the Plenum of Supreme Court of Justice, the courts should allow an action contrary to article 134 para. (1) of the Constitution, concerning the status of the Constitutional Court of sole authority of constitutional jurisdiction. We mention that this explanation of the Plenum is supported by the art. 4 line (2) of the Constitutional Jurisdiction Code, which prescribes to the Constitutional Court: "(2) is subject to the constitutionality control only the normative acts adopted after the entry into force of the Constitution of the Republic of Moldova on August 27, 1994."¹¹⁴.

We believe that the last norm was temporary one, necessary for one year from the entry into force of the Constitution of the Republic of Moldova on August 27, 1994. This conclusion derived from Article II, paragraph (2) of Title VII of the Constitution, in accordance with which "(2) the Standing Committees of Parliament, the Government, within one year from the entry into force of this Constitution, shall examine the compliance of legislation with the Constitution and will present to the Parliament these proposals". After this period (from August 27, 1995), it is presumed that all laws and other normative acts correspond to the Constitution and thus enter fully into force the article 134 par. (1) of the Constitution, which states that "(1) the Constitutional Court is sole body of constitutional jurisdiction in the Republic of Moldova".

Thus, both cited provisions of art. 4, par. (2) of the Code of Constitutional Jurisdiction and lit. b) of p. 2 of the Decision of the Plenum of the Supreme Court of Justice are unconstitutional. This finding can be solved by intimation to the Constitutional Court, except for the last (Plenary Decision), which cannot be examined by the Constitutional Court on the constitutionality.

Taking into account that the Decisions of Plenum of the Supreme Court of Justice have a character of recommendation, we hope that these recommendations have not been applied by the courts any time. Along with this, some moments talk about otherwise. This is because the recommendation of p. 2 of the Decision of Plenum of the Supreme Court of Justice was amended in 2008 and from the practice of legislating we know, that the rules that do not usually are applied, are not amended during time.

Interference in the quality of the Constitutional Court of unique authority of constitutional jurisdiction, which was applied until 2016, we believe it was that of the rejection of unconstitutionality exceptions by the Supreme Court of Justice. We do not have statistics of these rejections, but we can do a statistics on the number of exceptions submitted to the Constitutional Court after the adoption of the Decision of the Constitutional Court No. 2 of 02.09.2016 for the interpretation of Article 135 par. (1) lit. a) and g) of the Constitution of the Republic of Moldova (exception of unconstitutionality)¹¹⁵. Thus, if during the whole year of 2015 to the Constitutional Court have been raised by the Supreme Court 5 exceptions, then only during the period 09.02.2016-09.05.2016 (3 months) by courts were raised 32 exceptions of unconstitutionality.

We believe that this statistic is an eloquent demonstration of the fact that the Supreme Court of Justice, during previous years, has stopped this important procedure for the protection of human rights. Along with this, we believe that any rejection of the exception of unconstitutionality is a genuine constitutional control equated with declaring of the act as constitutional.

¹¹³ See: <http://www.constcourt.md/ccdocview.php?tip=sesizari&docid=417&l=ro>

¹¹⁴ Law no.502 of 16.06.95 Code of Constitutional Jurisdiction // *Official Monitor* 53-54/597, 28.09.1995

¹¹⁵ Decision of Constitutional Court no.2 of 09.02.2016 for interpretation of the article 135 line(1) lit.a) and g) from the Constitution of the Republic of Moldova (exception of unconstitutionality) (referral no.55b/2015) // *Official Monitor* 55-58/9, 11.03.2016

ON SOME PROBLEMS CONCERNING THE IMPROVEMENT OF LEGISLATION,
REGULATION OF INFRINGEMENT OF TAX LEGISLATION

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The administrative responsibility for infringement of tax laws established by Articles 253, 254, 254¹, 255-257, 257¹, 259, 260, 260¹, 262, 262¹, 263, 263¹ of the Tax Code of the Republic of Moldova №1163-XIII of 24.04.1997, and Articles 287, 287¹, 287², 293¹, 297, 301, 311 Offences Code of the Republic of Moldova.

The aim of the work is to highlight the shortcomings of the Offences Code of the Republic of Moldova and Tax Code of the Republic of Moldova and making proposals on the elimination of these shortcomings.

Key words: *administrative responsibility, administrative penalties, taxpayer, tax authority, Tax Code of the Republic of Moldova, Offences Code of the Republic of Moldova, tax infringement, customs official, customs payer's, collection, conventional units, enterprise, amendments, obligation.*

Tax Code of the Republic of Moldova contains a number of provisions promoting the infringement of the rights of taxpayers.

The aim of the work is to highlight the shortcomings of the Offences Code of the Republic of Moldova and Tax Code of the Republic of Moldova and making proposals on the elimination of these shortcomings.

Administrative responsibility for committing tax infringement set:

1. Offences Code of the Republic of Moldova №218-XVI of 24.10.2008. [3]
2. Tax Code of the Republic of Moldova №1163-XIII of 24.07.1997. [1]
3. The Customs Code of the Republic of Moldova №1149-XIV of 20.07.2000. [2]

The administrative responsibility for infringement of tax laws established by Articles 253, 254, 254¹, 255-257, 257¹, 259, 260, 260¹, 262, 262¹, 263, 263¹ of the Tax Code of the Republic of Moldova №1163-XIII of 24.04.1997, and Articles 287, 287¹, 287², 293¹, 297, 301, 311 Offences Code of the Republic of Moldova.

Most tax infringements entail administrative liability as a fine.

The exception to this rule is found in paragraph (2) of Article 287² and Article 297 Offences Code of the Republic of Moldova.

In accordance with paragraph (2) of the 287² Offences Code of the Republic of Moldova rendering of the access of a customs official in the office or the customs payer's premises for the purpose of enforcement of the customs debt implies the imposing a fine on individuals in the amount of 100 conventional units and on officials in the amount of 250 conventional units or in both cases, the penalty of arrest for a period of 15 days.

According to paragraph (1) of Article 297 Offences Code of the Republic of Moldova unlawful refusal of authority employee empowered to tax administration, in the taxpayer tax registration and in the issuance of the certificate of fiscal code assignment; in accordance with the legislation unlawful refusal to issue a document confirming registration of a bank account by the tax authority; unlawful refusal to inform a taxpayer of his rights and obligations, as well as of the existing taxes, fees and charges of the procedure and terms of payment and relevant regulations; failure to exercise proper and respectful relations to the taxpayer, his/her representative, another participant of tax attitude, i.e. neglect or willful derogation of rights, interests and dignity of the person; unlawful refusal to provide tax incentives provided by law; refusal to provide free taxpayer standard forms tax reports; unreasonable requirements on fulfilment actions and submission of tax reports; unjustified refusal to give or failure to or issue of the certificate of payment of tax liabilities; for in due time unjustified refusal to accept and register statements, reports, complaints and other

petitions shall be sanctioned by a fine from 20 to 30 conventional units with or without the deprivation the right to carry out certain activities for a period from 3 to 6 months.

The same types of administrative penalties are also established in paragraphs (2) and (3) of Article 297 Offences Code of the Republic of Moldova.

Part (2¹) Article 30 Offences Code of the Republic of Moldova set a 12-month limitation period for administrative liability for tax infringements.

Article 375 Offences Code of the Republic of Moldova establishes the presumption of innocence of the offender.

At the same time, some Offences Code of the Republic of Moldova rules, in our opinion, need to be improved, in particular, part (6) of article 16, and paragraph (2²) and (2³) Article 34 Article Offences Code of the Republic of Moldova.

The legal definition of "official" provided in paragraph (6) of Article 16 Offences Code of the Republic of Moldova, according to which the official (person exercising on the state enterprise, institution, organization, central or local public authorities on a permanent or temporary basis, by virtue of law, virtue of his appointment, election or in terms of a specific order, certain rights and responsibilities to implement the functions of a public authority or administrative action of administrative-organizational and economic nature) shall be liable for an infringement in the commitment of offenses provided for in this Code, in the case of:

- a) intentional use of its powers in derogation of duty;
- b) the apparent exceeding of the rights and powers provided by law;
- c) non-performance or improper performance of the official duties.

Under this definition business leader, non-government, including leaders are not included:

- 1) municipal enterprises;
- 2) enterprises with 100% state capital or mixed;
- 3) private enterprises.

In our opinion, it is necessary to supplement part (6) of Article 16 Offences Code of the Republic of Moldova including the number of officers and persons endowed with municipal enterprises and enterprises with 100% state or mixed capital rights and responsibilities for the implementation of actions of administrative and efficient, or organizational and economic character.

All of the enterprise (state, municipal, private), without exception, are taxpayers.

And the heads of all these companies must comply with the tax laws.

Consequently, all leaders, companies without exception should bear the same legal responsibility.

Expansion of the list of officials will allow, firstly, providing a more complete realization of the principle of equality before the law, established by Article 8 Offences Code of the Republic of Moldova.

Secondly, it will significantly replenish the state budget, since the fines collected from officials higher than the fines levied on individuals for the same tax offenses and the number of private enterprises in the hundreds of times the number of operating in the Republic of Moldova state-owned enterprises.

In order to improve the legislation, in our opinion, the following amendments are necessary:

1. To reduce significantly the number of by-laws regulating the tax relations.

Currently, the tax legislation includes a large number of by-laws: Resolutions of the Government of the RM, normative acts of the Ministry of Finance of the Republic of Moldova and Main State Tax Inspectorate, which imposes sanctions for infringement of tax legislation, combining normative and executive activities.

A significant limitation of standard-setting activities of the executive bodies of the state will provide the necessary stability and certainty of tax relations and create optimal conditions for ensuring the rights of taxpayers and ensure the legitimacy of the tax authorities' activities.

2. To change part (3) of Article 267 of the Tax Code of the Republic of Moldova, according to which the burden of proof of the failure of a decision reached by the tax authority, the responsibility of the person

who filed the complaint, finding that the burden of proof of the legality of a decision reached by the tax authority, vested in this body.

At the same time it should be noted that the presumption of innocence of the offender established by Article 375 Offences Code of the Republic of Moldova.

3. Change part (2) of Article 234 of the Tax Code, according to which the person held liable for a tax violation shall have the right to reduce the penalty by 50 per cent in strict compliance with the following conditions:

a) has no arrears on the date of the decision in the case of tax infringement or extinguishes it together with the conditions of paragraph b);

b) within three working days from the date of delivery of the judgment in the case of tax infringement shall pay the amount of taxes (duties), fees, fines and / or 50 per cent of fines specified in the decision;

c) is within the period stipulated for voluntary execution of the decision in the case of tax infringement, documents confirming payment of the amounts provided for in paragraphs a) and b).

Based on the submitted documents in accordance with paragraph c) of the body authorized to consider cases on tax infringements within 10 working days must take the decision to reduce the fines by 50 per cent.

In the event if after the decision to reduce the penalty established failure to comply with at least one of the conditions provided for in paragraphs a) and b), the relevant authority shall cancel the decision and the person cannot enjoy the right to have a 50 per cent reduction in fines.

It is necessary to give the taxpayer the right to pay a penalty of 50% without any additional conditions within 7 working days from the date of delivery of the copy of the decision of the tax authority.

4. Ensure that the individualization of administrative responsibility established by the Tax Code of the Republic of Moldova, taking into account the form of guilt of the taxpayer, the size of the tax arrears and damage caused to the budget, as well as other circumstances of the offense.

For this purpose it is necessary to change articles 253-257, 257¹, 259-262, 262¹, and 263 of the Tax Code of the Republic of Moldova, by setting lower and upper limits of fines.

5. To cancel part (4) of Article 254 of the Tax Code of the Republic of Moldova, according to which the repetition of breaches referred to in paragraphs (1), (2) and (2¹), punishable by a fine in the amount of 25,000 lei.

Committing infringements specified in subsections (1), (2) and (2¹), for the third time or more punishable by a fine in the amount of 50,000 lei for each case.

We believe that the repeated and the third time committed infringement should not entail increased responsibility.

6. To distinguish the obligation to pay tax from the obligation to pay fines and penalties, which is a measure of the tax liability, that is enforceable and has a different legal nature from the obligation to pay the tax.

You should also set a 3 year limitation period for the collection of the tax and a one-year limitation period for the application of the penalty by modifying accordingly Articles 236, 264 and 265 of the Tax Code of the Republic of Moldova.

7. In our opinion, it is necessary to supplement part (6) of Article 16 Offences Code of the Republic of Moldova including the number of officers and persons authorized to municipal enterprises and enterprises with 100% state or mixed capital rights and responsibilities for the implementation of actions of administrative and administrative or organizational – economic nature.

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CONSIDERATIONS ON THE LEGAL NATURE OF THE CONTRACT OF PUBLIC PROCUREMENT

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The legal nature of the public procurement contract determines the correct rules of its conclusion, realization and producing the corresponding effects. The importance of this study resides in the fact that it should be a clear distinction between the administrative and the civil contracts. Thus, the contracts of public administration have certain special characteristics, which are required by the public interest, underlying the conclusion and execution of their foundation and are considered public contracts.

Key words: *public procurement, contract, the legal nature, legal effect.*

Introduction. According to the legislation of the Republic of Moldova, the contract of public procurement is a contract on a reimbursable basis, concluded in writing between one or more economic operators and one or more contracting authorities, which aims at procuring of goods, performance of works or provision of services [1, art. 1]. The theory of the legal nature of the contract of public procurement shows two positions – first that affirms that this contract is an administrative contract, and the second which considers this contract a private law contract. Research has found that, most argue that from the point of view of the legal nature, the contract of public procurement is an administrative contract but not a private law contract.

One reason behind this is the opinion of V. Vedinaş [3, p.118]. The point is that the contract of public procurement is an “agreement of will between a public authority, located on a position of legal superiority, on the one hand, and other entities of public law, on the other hand (individuals, legal entities or other bodies subordinate to the other hand) which aims to satisfy a general interest by providing a public service, conducting a public work or enhancement of a public good, subjected to a public power”. The French author of the theory of administrative contracts, G. Jézéau, proposed the following definition [3, p. 117]: “the contracts, concluded by the administration to ensure the functioning of a public service, contracts that subjects to other rules than those that govern the relationships between people.”

When it comes to the particularities of the contract, it is governed both by the private and the public law. Here we can highlight some important aspects, namely the characteristic features of the public procurement contract:

- The public procurement contract is a type of an administrative contract, which has specific aspects;
- The compulsory contractual terms represents an expression of the public authority’s power, with the role of protecting the general interest.
- The compulsory character is relevant only to the extent that the terms in this case retain this purpose;
- In the context of the assigning procedures, the required conditions should ensure compliance with the principles of public procurement.

-The parties of the administrative contract don't have equal positions, the particular subordinates to a public authority;

- The conclusion, execution and termination of the administrative contract are subordinated to the principle of priority the public interest against the private interest;

- The administrative contract contains derogating from the common law terms, known as exorbitant clause, which cannot be subject to any negotiations;

- The disputes that spring from administrative contracts refers to the jurisdiction of the administrative court [4].

- Contracting authorities are required to respond to the requests of clarification/negotiation/modification on the terms of the contract.

- The terms of the contract can be specified or agreed by the parties, and also challenged when they are considered illegal or unjust by comparison with the principles that underpin the public procurement system.

Consequently it should be noted that before exploring the possibility of negotiating the contractual terms of a public procurement contract, should be analysed the legal character of the compulsory conditions that the procuring authority is forced to specify in the documentation award.

As a result, these provisions are designed to fix the necessary scope for the implementation and execution of the contract. Therefore, to guarantee the protection of the public interest associated with the implementation/execution of the project. The compulsory conditions can also contain aspects which give exercising power without equivalent to the public authority, denying the reciprocity of contractual terms, to the contracting party, which defines the inequality between the parties (the so-called exorbitant clauses). These types of clauses aren't ordinary in private law relations, where prevail the principles of equality and the balance.

Considering the derogatory nature, the doctrine showed that the compulsory clauses of the administrative contracts may be liable to revocation. Returning to the public procurement contract, by signing it, the parts, and, in particular, the private partner, admit that these conditions, should be placed, as the contractual position, outside the orbit of classical civil legal relationship [2, p. 132].

Obviously, the contracts concluded by local authorities have special characteristics, imposed by the public interest that lie at the basis of the conclusion and execution of them, and are considered public contracts. Thus, a direct consequence may be that the public procurement contract was qualified as an administrative contract.

Despite that a part of the doctrine argues that by combining two categories of clauses, namely binding clauses (regulatory) and negotiable clauses, this administrative contract takes on both specific elements of the unilaterally administrative act and specific elements of a contract of private law, which involves dialogue and negotiation [5].

Even though the contracting authority has the right to set mandatory clauses specific to a particular contract, it may still raise the question about the limits to which this right may be exercised, and even the legal-administrative opportunities in case of solving different disputes. That's because the public procurement domain involves a number of specific issues that lie on the nature of the administrative contract. Such aspects result from the principles underlying the award of public procurement contracts and of the whole system, has led to the principles, which violation cannot be justified by the public interest. Here we mean the need of the contracting authority to obtain within each award procedure, the optimum value for the spent money (best value for money), goal that can only be achieved by attracting the best marketing offers / tenders. That's why it's necessary to respect the interplay between the public interest with the insurance of commercial attractiveness of the public project.

In the practice of procurement, however, the powers mentioned above, may lead (and often leads) to the introduction of some inappropriate/abusive contractual clauses, that exceed the prerogatives of the

public authority, clauses that cannot lead to ensuring compelling framework envisaged by the legislator, but remove actors from the economic competition, actors that can ensure optimal value in exchange for the expended public funds, which leads to the violation of the principle of effectiveness. That's why appeared the question regarding the measure relating to the appropriateness of introducing such clauses by the authority. Certainly, the interpretation of the unfair/inadequate character of compulsory clauses is a subjective one, that's why a possible reason for conflict in this matter will be necessary concluded with the authorities, which have an administrative- jurisdictional role.

All things considered we can affirm that if the principle of the primacy of public interest is an indisputable sovereign one in this matter, we cannot absolutely extend this concept when we analyze the work and decisions of a public authority which acts as a contracting authority.

For instance, the current Moldovan legislation, regarding to public procurement, has as the main normative act the Moldovan Law on public procurement No. 96 of 13.04.2007, the Official Gazette no. 107-111 from 27.07.2007 from 01.05.2016, repealed by the Law of the Republic of Moldova nr. 131 of 03/07/15, MO197-205 / 07.31.15 article 402), had as main objective the EU's new directives [1].

On top of that, we want to mention that the new law on public procurement will seek to ensure full harmonization with the *communautaire acquis*, through the perspective of the acceleration of the process of European integration of Moldova. According to the European legislation, the acquisition of goods and services and awarding a contract by public authority, whether by national administration, local administration or subordinate organizations represents a public contract.

The opening of these markets, which are an important part of the EU's GDP, will lead to increased competition between economic operators from the European Union, reducing prices and guaranteeing the best quality of services for citizens.

In the meantime, the European Union has introduced regulations that modernize and simplify the process of rewarding. The EU has improved the transparency, fairness and collaboration in this area through a number of tools, such as database TED (the Bartender Electronic Daily), classification system (materialized by common on public procurement) and the information system on public procurement (SIMAP).

My own view on this matter is that I truly believe that, analysing its decisive characteristics, the public procurement contract is an administrative contract and not a private law contract. The public interest and public authorities play an important role in the smooth implementation of these contracts.

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TENDENCIES IN REGULATING FUNDAMENTAL DUTIES IN THE INTERNATIONAL CONTEXT

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The research aims at revealing the essential issues related to the examination of fundamental human rights and duties ratio of the individual citizen and the state, comparatively, interdisciplinary; elucidating the concept of "fundamental duties" from a legal perspective, politics, psychological and sociological. A separate accent is placed on the analysis of international trends in research regulating fundamental duties and correlation of internal regulations and international on fundamental duties.

Key words: *Global Ethic, fundamental duties, the Valencia Declaration of Human Duties and Responsibilities, the Constitution, the holder of rights and duties, homeland defence, financial contributions, protection environment and protection of the monuments.*

In the first decades of the twentieth century, John Dewey, one of the most important exponents of pragmatic philosophy from America, attracted attention in his work *Democracy and Education*, that "morality is as comprehensive as the actions related to our relations with others, and the aspect of moral and social conduct are ultimately identical"¹¹⁶. Moreover, at the end of the twentieth century ethics under various aspects such as duties, responsibilities, civic education, returns to the foreground. Large projects appear as those aiming global ethics, and ethical debates on, particularly those regarding *Applied Ethics*¹¹⁷, take an unprecedented scale. Foundations and research centres in the field of ethics are set up, such as the Foundation for Global Ethics, led by Hans Kung, a Catholic theologian, or the Centre for Global Ethics in the United States of America, that proliferate the ethical and Deontological Codes, ethics committees and commissions. Thus, one can talk about a real resurgence of interest in moral and ethical issues.

Gilles Lipovetsky has noticed this tendency, arguing that "until recently, our societies were electrified by the idea of individual and collective release, but that era has passed. The 21st century will be ethical or will not be at all"¹¹⁸.

A number of important initiatives have been undertaken in recent decades in order to identify the individual rights and responsibilities, supporters being those who aim to establish a global ethic. There is a widespread perception by many actors in the political spectrum, that a human rights approach, which includes the duties and responsibilities, might provide an answer to a number of contemporary social issues.

A major initiative in seeking a global ethics was assumed by the InterAction Council¹¹⁹, an organization of former heads of State and Government. On the 50th anniversary of the Universal Declaration of Human Rights, there was presented a draft of the Universal Declaration of Human Responsibilities¹²⁰, based on the work of a group of high-level experts chaired by Helmut Schmidt and Hans Kung. This Statement contains obvious references to the basic principles underlying the Declaration toward a Global Ethic (Every human being must be treated humanely and The Golden Rule of Ethics) and the Universal Declaration of Human Rights. The aim of the Declaration was to complete the Universal Declaration of Human Rights.

¹¹⁶ J. Dewey, *Democrație și educație*. București, Editura Didactică și Pedagogică, p. 302

¹¹⁷ Parliament of the World's Religions, "Declaration Toward a Global Ethic", Chicago (USA), 4 September 1993, http://www.parliamentofreligions.org/_includes/FCKcontent/File/TowardsAGlobalEthic.pdf

¹¹⁸ G. Lipovetsky, *Amurgul datoriei*, București: Editura Babel, 1996, p.17

¹¹⁹ <http://www.interactioncouncil.org>

¹²⁰ InterAction Council, *A Universal Declaration of Human Responsibilities*, 1 September 1997. <http://www.interactioncouncil.org>

The United Nations Commission on Human Rights requested the Sub commission for the Promotion and Protection of Human Rights, a body composed of independent experts, to study the question of human rights and human duties.

The draft declaration contains 19 articles in which a certain number of tasks are specified, under the following titles: "Fundamental Principles of Humanity" (articles 1-4), "Non-violence and Respect for life" (articles 5-7), the "Justice and Solidarity" (articles 8-11), "Truth and Tolerance" (articles 12-15) and "About Mutual Respect and Partnership" (articles 16-18). Important is the fact that the last article (art. 19) provides that no regulation in the Declaration may be interpreted as justifying the destruction of any of the rights or freedoms contained in it or in the Universal Declaration of Human Rights. The draft declaration was not adopted by the General Assembly of the United Nations. It remains, however, a reference document in the field.

About the same time, in 1998, was elaborated the Valencia Declaration of Human Duties and Responsibilities¹²¹, by a group set up by the Foundation Third Millennium, chaired by Richard Goldstone (former head of the United Nations Tribunal for the former Yugoslavia and Rwanda). The Declaration recognizes the significance of universal, global coverage and indivisibility of fundamental rights set out in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

The issue of human rights has gained a wide recognition and affirmation in recent decades as a result of its deep moral content, of the fundamental values on which it is based, and mostly of verifying a long historical experience that has revealed that without respect for human rights there is not possible any assurance of peace nor maintaining relationships worthy of trust, and collaboration between peoples¹²².

Rene Cassin emphasized that the main goal of the state political organization is the inalienable human rights. Together with Anna Eleonor Roosevelt, Rene Cassin has elaborated the Universal Declaration of Human Rights.

While preparing the Universal Declaration of Human Rights of 1948, heated debates were held on the role and place of duties of the international instruments relating to human rights. A general opinion was that the present rights could not exist without the obligations, however, taking into account the context of the adoption of the Declaration, in particular Western Nations perceived the inclusion of duties in international documents along with rights and freedoms as a threat to the protection offered to individuals, a fact for which the Soviet Union criticized this legal international act.

The subject of fundamental duties as well as their relationship with fundamental rights is a continuous and discussed the problem. Attempts have been made to outline the fundamental duties and moral responsibilities on the basis of the main arguments presented in public debate and in domestic and international instruments which, in one way or another, have dealt with this topic.

Based on these findings, a list of tasks, which can be considered as fundamental in the European context, was presented to the Parliamentary Assembly of the Council of Europe¹²³.

Therefore, at the end of the 20th century a vast attention was paid to the fundamental duties, as well as to social responsibilities, due to public and private initiatives. Supporters believe that individual rights were emphasized in excess, and neglecting the individual responsibilities led to individualism, which is detrimental to human in general, and the community, in particular. This decline was perceived in the public and private morality as a catalyst of many social problems. Therefore, it is not surprising that the issue of duties, powers and responsibilities has undergone multidimensional and complex investigation, which led to a concern for a "global ethic".

¹²¹ Valencia Declaration of Human Duties and Responsibilities (text). <http://unesdoc.unesco.org/>

¹²² V. Duculescu, *Protecția juridică a drepturilor omului*. București, Lumina Lex, 1998, p.238

¹²³ Report: Fundamental rights and responsibilities

<http://assembly.coe.int/Documents/WorkingDocs/Doc11/EDOC12777.pdf>

It is true that there is also a fierce opposition against the idea of putting a greater emphasis on the duties and responsibilities of the members of the society. Most people agree that probably everyone has - at least some - responsibilities towards family, towards others, community and state. However, there is a need for a mechanism of protection against arbitrary interference of the State. From a historical perspective, on behalf of duties there were violated, abused and cancelled too often the human rights by authoritarian regimes.

Therefore, opponents argue, the most appropriate way to protect fundamental rights and freedoms is to keep the regulation of fundamental duties only in the domestic legal systems, and ensuring the realization of fundamental rights and freedoms to be coordinated at international and supranational levels. These fears are not entirely unjustified, thus requiring neutralization the risk of abusing human rights.

As shown in specialized literature¹²⁴, it would seem that the fundamental duties and responsibilities of members of communities are widely recognized both in international and regional instruments on human rights, and national legal systems. While this may be considered an argument against a greater emphasis on the duties and responsibilities at international level, also it should be seen as an argument to allow better development regulations regarding the duties and responsibilities, as long as individual rights protection is guaranteed.

Regardless of whether or not agree with the argument of a moral crisis and a loss of awareness of community it has become increasingly evident in recent years that the question of fundamental duties and responsibilities occupies an important place in the political debate across Europe.

In some European societies there is a perception that many people have lost touch with the community the members of which they are, and that there is a need to identify core values and to update them automatically. In the Netherlands, for example, Ministry of Internal Affairs launched in 2009 a discussion on the implications of citizenship in order to develop responsible citizenship Charter. It was commissioned a report, published in January 2010, identifying a number of core values that were considered important in Dutch society. The authors identified a number of such values, around the followings elements related to responsible Citizenship "to live together in a positive atmosphere," "use care for one another," "to build a common future" and "commitment to society"¹²⁵.

In Great Britain, the government launched in 2009 a debate on developing a bill of rights and fundamental duties¹²⁶. The title indicates that the government has sought to highlight the importance of duties.

In a Green Charter presented to the Parliament, the authors have perceived it as a social and economic change, considering it necessary to change public attitudes. The Government emphasized the fact that the rights of the European Convention on human rights cannot be pursued legally exercising the duties and responsibilities correlatively on every citizen. This charter has led to an intense debate on the role of rights and duties in Great Britain.

Identification of fundamental duties is a highly sensitive issue. There is a danger that values appreciated by the existing majority perceived to be unduly imposed as norms of conduct for all members of society. This risk is especially presented when the idea of responsible citizenship and fundamental duties are applied in the context of the integration of newcomers, especially immigrants, in a given society. The society that receives, undoubtedly can legitimately expect from newcomers to respect certain fundamental values, but it is necessary for society to respect the fundamental rights of all persons, including those belonging to a minority, requiring mutual respect. Fundamental duties and social responsibilities cannot be therefore disconnected from fundamental rights.

¹²⁴ Баглай М. В., Габричидзе Б. Н. Конституционное право Российской Федерации. Москва, 2002. с.231

¹²⁵ Rights and Responsibilities: developing our constitutional framework, report commissioned by the Dutch Ministry of the Interior, November 2009, Amsterdam, <http://www.rijksoverheid.nl/onderwerpen/democratie-en-burgerparticipatie/documenten-en-publicaties/rapporten/2010/01/20/onderzoek-bouwstenen-van-burgerschap.html>

¹²⁶ The Relationship between Rights and Responsibilities, United Kingdom Ministry of Justice Research Series 18/09, London, Ministry of Justice, 2009, <http://www.justice.gov.uk/publications/docs/research-rights-responsibilities.pdf>

The difference between duties and responsibilities. Different meanings are assigned to notions of duties and responsibilities. Responsibilities are ethical or moral obligations and duties are obligations imposed by law. In this regard, we subscribe to the distinction made by Mr. Martelli since 1998 in the report requested by the Parliamentary Assembly of the Council of Europe 'duties are obligations towards the state and others, and responsibility are ethical and moral obligation.'¹²⁷

The responsibilities, being of moral and ethical nature, require a different approach to duties and human rights, which have a distinct legal character. As Mr. Martelli stated: "If a state dictated rules for all human actions, it would represent a negation of freedom and human rights, because everyone should be responsible for his behaviour. The result would be a totalitarian state, incompatible with the principles and values of the Council of Europe. Moral attitudes should remain in an individual's free choice."¹²⁸

Placement of moral rights and obligations on the same level involves the risk of reducing the effectiveness of these rights by ignoring their legal force, which is stronger than a matter of morality. This is also the reason why it is not acceptable that to every fundamental right to be placed a fundamental duty, being at the same time a sensitive issue listing individual responsibilities to society, because their failure involves a judicial approach and a State cannot and should not prescribe a moral and ethical attitude of its citizens.

At the same time, concern was expressed that exercising of human rights should be conditional upon obedience of responsibilities.

Thus, the fundamental duties will be transformed into a tool that allows every authoritarian regime to establish social morality as the norm and intervene in all aspects of people's lives. Therefore, the concern of international organizations to propose and adopt a series of fundamental responsibilities must be subordinated to protection of fundamental rights concern. By regulating fundamental duties, protection of fundamental rights should not be threatened in any way.

As can be inferred from the above, there is no obligation for States Member of the Council to transform the fundamental responsibilities proposed in the draft resolution into fundamental duties from legal point of view. Whether and to what extent national authorities may wish to do so, it is something that is part of their discretion, provided, of course, that their action respects individual human rights.

The duties, which are imposed by law, shall be subject to the principle of proportionality. When a load is placed on a person, on behalf of the general interest or for the protection of the rights and interests of others, a fair balance must be found between the different interests at stake. A disproportionate burden is inadmissible.

The Universal Declaration of Human Rights and Duties was intended to have the character of ethical appeal, lacking binding of international law¹²⁹. However, it was hoped that, eventually, the Declaration of Duties should never be as difficult that assuming they would place individual rights in the danger zone. The responsibilities should remain in any time reasonable.

Specific trend of the 20th century was to leave the competent national authorities to deal with the relationship between the individual and the State. There are several different ways to proceed, if a State wishes to identify duties considered fundamental. A State may be inspired by moral considerations, religious, political or otherwise, but was committed to respect and protect human rights.

Addressing the fundamental human rights and duties is identified on the basis of existing provisions in international human rights texts, being sources of inspiration for doctrine and other legal acts.

¹²⁷ Education in the responsibilities of the individual, report of the Committee on Culture and Education, Doc. 8283, rapporteur: Mr. Valentino Martelli. <http://www.justice.gov.uk/publications/docs/research-rights-responsibilities.pdf>

¹²⁸ Ibidem

¹²⁹ H. Schmidt, "A Universal Declaration of Human Responsibilities by the InterAction Council; Introduction" in H. Küng and H. Schmidt (eds.) <http://www.interactioncouncil.org>

Sometimes international human rights instruments specifically refer to the existence of such responsibilities. This is the case, for example, Article 10, paragraph 2, of the European Convention of Human Rights, which states that freedom of expression "involves duties and responsibilities".

An indication of the existence of fundamental responsibilities is provided by the fact that States have positive obligations inherent in effective respect for human rights, in particular the extent to which these obligations involve the adoption of measures aimed at ensuring respect for human rights in the sphere of relations between individuals, between individuals and the State.

Legal obligations, called "duties" as well as pre-existing obligations, moral and ethical, called "responsibilities", often overlap. The human rights, based on fundamental duties, are intended to ensure that individual duties are seen as a necessary complement to individual rights. In this way, the fundamental responsibilities do not only contribute to a more accurate description of the status of the person in society, but also contributes to strengthening democratic framework in which rights are protected.

All studies, research projects and reports submitted not only duties but also fundamental obligations. Finally, it should be pointed out that the fundamental duties, as well as fundamental rights are not absolute. This means that there may be exceptional situations, for example, one cannot expect from someone who is ill to fulfil his unaltered duties correlative to his rights.

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FEATURES CONCERNING THE DEFINITION AND LEGAL BINDING OF CONSUMER CONTRACT OF PURCHASE AND SALE

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The research aims to analyze the theoretical and legal aspects of consumer contract of purchase and sale. Currently the contract of purchase and sale is the most common contract that provides both civil and commercial circuit. The consumer contract of purchase and sale is a genuine contract, a manifestation of will, however, affected by a special legal regime ruled by the Civil Code, Law on Consumer Protection and other regulatory acts.

Key words: Civil Law, contract, contract of purchase and sale, consumer contract of purchase and sale, civil circuit, goods

Knowing a century-old trend, the contract of purchase and sale still today is one of the main traditional institutions of civil law. Currently the contract of purchase and sale is the most common contract that provides both civil and commercial circuit. The existence and usefulness of it is determined by the action of economic laws of society which reduce to the movement of goods from manufacturer/owner to consumer. A special importance of the purchase and sale institution lies in the broad scope of the purchase and sale contract. Through this agreement are satisfied people's material and spiritual needs. It noted that the importance of this agreement to the citizens is not simply to purchase necessary goods of daily life such as: food products, clothing and other goods for personal use, garages, apartments, houses etc. Based on this contract the citizens have the opportunity to sell the excess of goods or goods that have become unnecessary for owners for various reasons over time.

The topicality of the subject results from that, making an analysis of doctrine and national jurisprudence, we find that the contract of purchase and sale is the object of a series of studies and scientific publications at home and abroad, the consumer contract of purchase and sale is paying less attention. This contract was not investigated until now in an apart scientific publication, so the presence of scientific and practical sources in this field is absolutely essential. The more that this contract is the most used of all subjects of law and to facilitate its application in practice requires the development of scientific articles.

At the same time, the aim in view at the elaboration of this article is to operate a general search of the institution of the consumer contract of purchase and sale in terms of the essence, legal nature and specific features thereof, and the obtained results to be laid down as conclusions and recommendations.

In the specialty literature referring to the consumer purchase and sale contract so far there is little scientific works, so the given will be the subject of a deeper research in the future.

In the specialty literature this subject is widely discussed, treated essence, causes, conditions, effects of these relations. The institution of the contract of purchase and sale is analyzed but maybe not enough, in the following manuals which have been consulted in this work, written by civilists who studied on this issue: Gh. Chibac, I. Trofimov, A. Baiesu, A. Blosenco, D. Chirica, M. Muresan, T. Thomas, Motiu Fl. Boro G., L. Stanciulescu, Chirica D.

The present period of time supports radical changes in all sectors of national economy, changes that necessarily require creating an appropriate legal framework, and a rigorous legal foundation. Civil Code will surely allow adaptation of the civil relations to the new reality and establishment of a good order in its relations. Civil Code should be the main regulatory instrument of civil relations of alienation of consumer goods, setting lucidity and rule. Somewhat special nature of these relations requires an increased focus from both the subjects and the legislator at the same time.

Initially, with the emergence of private property, it appears with a special extent, the contract that was meant to ensure the movement of goods through the exchange of a household to another. With no currency as a unit of exchange needs of the early Roman society to be satisfied through exchange contract which was to be transition from the natural household to household based on relations exchange [2, page 23]. As time went by this contract has gained the authority which is the foundation of emergency and development of contract of purchase and sale. From the economic point of view, the sale presents itself as a more evolved version. Sale purchase has taken the form of exchange contract, which of two things, one of them has the equivalent value overall. Later after the appearance of the currency sale purchase takes the meaning of change a thing instead of value called price.

Classical Roman law included the sale purchase contracts that had a consensual character. Based on the contract of purchase and sale a part called, the seller shall submit to an other part, called, buyer a good, and the buyer shall submit to pay an amount of metal called, price. Gaius considered that the agreement of purchase and sale is formed by the will of the parties on the object of the contract and its price, clauses which referred to good and price are being considered essential conditions of the price. It is practiced contract of purchase and sale under suspensive condition, the contract being future goods like next harvest [1, page 32].

Roman society in everyday life often used rules of law which were initially applied exclusively to the sale purchase, then began to be used more widely gaining a general character following benchmarks for the regulation of other types of contractual relationships. Despite this fact or in virtue of this sale purchase institution had a considerable role in the way of formation of contract law in all legal systems.

Multisecular evolution of the contract of purchase and sale as far represents one of the main traditional institutions of civil law. Currently the evolution of economic life is conditioned by the role and importance of the contract of purchase and sale that ensures both the commercial and civil circuit. The existence and usefulness of action is determined by economic laws of society, the impact of economic life that take shape, particularly, in the movement of goods from manufacturer to consumer. The main tool to ensure the movement of goods remains contract of purchase and sale.

The specific role of the institution of the sale purchase is taking shape in field where the contract purchase and sale applies. Through this agreement is ensured material and spiritual needs of people. Remarkably is that the need and importance of the contract is not limited to the purchase of goods for daily needs such as food products, clothing, goods for personal use, garages, apartments, houses. Based on this contract the citizens have the opportunity to sell the excess of goods or goods that have become unnecessary for owners for various reasons over time.

The contract of purchase and sale is widely used by all types of business. Each organization ensures its pursuit of the activity through contract, regardless of its legal form of organization. The contract is the main instrument for achieving the business, a tool that facilitates pursuit of the activity at a high level ensuring raw and technical material purchasing. If technical basis and raw materials can be acquired through donation then the sale of goods produced is not conceivable without the existence of the contract of purchase and sale [7, pag.123]. Through the contract of purchase and sale is ensured both wholesale trade and retail trade, being provided with raw material manufactures with final products for individual consumption. Scientific and technical progress, diversification of economic society, globalization not only outlines new forms of civil-legal contract, but it also affects some traditional institutions such as the sale and purchase.

The contract of purchase and sale is also the main instrument for perfecting the relationships that form the international circuit of goods and values. In the same context through the contract of purchase and sale are established, consolidated and strengthened the relations on international level outlining the trend of unification. In this regard in 1980 had been signed United Nations Convention on Contracts for the International Sale of Goods in Vienna, by this convention the way is smoothing to the international sale. The Convention was ratified by Moldova on October 13, 1994.

The contract of purchase and sale is presented as a generic concept in relation to other varieties of contract, such as: the contract of purchase and sale of immovable property, the contract of purchase and sale

of the company with a unique patrimonial complex, the contract for supply of natural gas and electricity, auctioning. This wide variety of contracts need to be included separately in the Civil Code of the Republic of Moldova, these ones being determined by the particular legal relationships that those contracts form aiming to facilitate and optimize the regulation thereof.

According to the Moldovan Civil Code art. 753 par. (1), the contract of purchase and sale, one party (seller) undertakes to deliver a good to the property to the other party (buyer) and he is obliged to take the good and pay the price [3, art. 753]. The doctrine defines the contract of purchase and sale as a contract whereby one party seller shifting right to property of a good to the other side, buyer that shall pay the price. [6, page 19].

Any legal phenomenon, process or work "begins" with the concept. Also, the contract of purchase and sales begins with the concept. For definition of contract of sale it is necessary to define the conceptual thinning of the term "treaty". And on this basis, we can talk about the concept of "contract of sale". The contract of sale is one of the types of treaties governing the obligation to transfer the property. This explains the widespread use of contract - the sale of property turnover.

Legal definition of the contract reveals that the sale and purchase is a mutually binding contract for consideration, consensual, ownership transfer. **Legal characteristics of the contract of purchase and sale:**

- The sale-purchase is a mutually binding contract because by concluding it gives birth to mutual obligations for both contracting parties, the seller is obliged to deliver the goods and to ensure the buyer, and the buyer shall pay the price. Being by its nature mutually binding for the contract of sale apply special provisions regarding mutually binding contracts such as termination for non-performance or improperly execution of duty or exception of non-performance.

- The sale-purchase is a contract for consideration. By this act a part purchase a patrimony in exchange of another good patrimonial (art 197, paragraph 2 CC) [3 art. 197]. The pecuniary nature implies the interest of both parties at achieving a material interest in exchange for benefit to which undertakes, the legal cause obligations of each party contracting with the essential consideration that undertakes the other party, the consideration consists in the receipt by the buyer of the property and the receiving by the seller a reward in cash from the buyer.

- Once the contracting parties have made an agreement on all essential terms of the contract it is considered valid. According to art. 679, paragraph (2) CC, are essential clauses established as such by law or contract resulting from the nature of which, the requirement of a party should be made an agreement. The contract can be achieved by simple agreement between the parties without fulfilling any formality and without remission of sold good and the price at the time of conclusion. Selling is not a solemn and real contract. An exception from the principle of mutual consent in special cases provided by law the selling becomes a solemn contract. For example, land - whether they are located in incorporated area or outside the built-up areas and irrespective of the surface - can be sold (acquired) by legal acts between vivos under absolute nullity (virtual) only if the transaction was concluded in authentic form.

- Sale purchase is a commutative contract. The Civil Code establishes the legal character. Commutative contract is considered as the existence and extent of the services are known by the parties from signing the contract and that contract does not depend on allies a future and uncertain element that would be unlikely to succeed and losses for both parties.

- The sale-purchase is a contract of transferring the property since it was concluded. This means that through the effect of the agreement of willingness (consensu solo) and independently of the handing over the sold good and payment of the price, not only produces the conclusion of the contract, but operate the transfer of ownership from seller to buyer. In this regard in the Roman law the contract of purchase and sale does not have an ownership transfer character, it generated just a juridical relation of obligations, resulting from the transfer of ownership right. In modern law the contract of purchase and sale is transferring the property. The laws of the Member states governing different timing of ownership, Moldovan legislation like the Russian one assigned time of occurrence of ownership to the buyer when submitting goods to the buyer, while regulations of Romanian

Civil Code establishes the time of transmission of ownership at the time of the agreement will, whether held or not delivery of the asset sold if the price was paid.

During the Soviet period the contract of civil law of sale was only applied mainly between citizens and between citizens and retail outlets. The developing relationships between "socialist" organizations related to sale of products and goods, regulated contracts for the supply, contracting, power supply, which had a planned base is considered an independent contractor. In the legal literature of the period, this was due to the fact that "under socialism, the law of value is combined with the law of balanced - balanced development and basic economic law of socialist society. Following the law of value loses its meaning universal, and therefore limited and the scope of the sales contract, mainly used for the implementation of consumer goods, and only a relatively small scale for the implementation of means of production."

By developments in the society, consumerism has emerged as a reaction to the excesses of consumer society and abuse of professionals. He answers to the idea that the consumer is manipulated through advertising and marketing operations, generating artificial needs and illusions of a false abundance [1, p.30]. Consumerism is justified by the fact that traders' freedom competition is not sufficient to regulate the market and requires a security / protection for consumers [7, page 78].

Considering the special regulations, exceptional of the consumer contract of purchase and sale, in the doctrine they were put various questions such as: is the contract consuming a legal operation as understood the contract under civil law or it is a new contract, and in what relation is this agreement with the special classic contracts [9, page 82]?

In specialty literature there are opinions that the consumer contract sale purchase is made, in fact, of two distinguished contracts [9, page 84]: a fund contract and a contract for consumption.

A professional can be any individual or legal entity acting in its commercial activity. And the consumer is any individual or group of individuals constituted in associations acting for purposes outside the commercial activity.

In other words, the fund contract has its own legal regime, by legal overlapping of juridical regime of consumptions. In case of sell consumer will be applied the legal regime of the contract of purchase and sale to the parties of the contract by applying mandatory rules of the law of consumption.

Transition of ownership includes the buyer's account fortuitous risk of destruction or damage of property. Since acquiring the property right buyer bears the risk destruction or damage of property. According to art. 759, paragraph (1) NCC. the risk of accidental destruction or damage of good is transferred to the buyer when the seller has achieved contractual obligations concerning the delivery of good to the purchaser unless the contract provides otherwise. According to art. 760, paragraph (1) CC. surrender obligation of good is considered executed when: a) at the delivery of the asset to the buyer or the person indicated by him; b) at putting good to the buyer or the person specified if the good is to be handed over to his whereabouts [1, page 56]. Putting good to the buyer at the time of individualization is achieved by marking good or otherwise, and if he is ready to surrender deadline and the buyer is informed about it.

According to this concept, the institution "agreement consumption" has the following characteristics: a) "the agreement consumption is not a legal operation" but "a legal ambiguous concept", a mixture of rules of public and private law; b) "agreement consumption" has no legal nature; c) it is not a legal document but a legal regime applicable to specific commercial relationships; d) "agreement consumption" does not require consent, it is an objective legal institution.

A second group of authors argue that "consummation contract" is a real contract, an outgrowth of the manifestation of will, however, affected by a special legal regime. We support this view because: a) there are no general contracts, but only a general theory of contract; b) the right of consummation use the legal institution of classic contracts, in our case of the contract of purchase and sale [9, page 82]. In addition, the right consumption was meant to regulate special contracts when they are concluded between professionals and consumers.

In conclusion we mention that the contract consumption can be found only in the form of a special contract (sale purchase, loan, lease, etc.) where the professional and the consumer are the parties and are covered by specific provisions in the field. So we can not talk about a contract namely consumption, but only about a sale of consumption, a consumption loan, etc. [10, p.16]. The general framework of consumer protection is governed by the Law on Consumer Protection [5 page 132].

Peculiarities of consumption contract cover the following areas: freedom of contract, equality of contractual wills and contractual fraternity [9, page 84].

The consumer contract of purchase and sale has the consumer as a buyer - an individual who has a special position. Besides the general rights that the buyer have, as part the contract of purchase and sale, he also has a number of special rights, such as the guard against the risk of purchasing a product that might affect life, health, heredity and security; the organization in public associations for consumer protection, etc.

Another specific point for this contract is its adhesion character. The totality of the essential causes of the contract is established equally for all buyers.

Another feature of the consumer contract of purchase and sale is that its conclusion is made pursuant to the public offering, which according to art.807 of Civil Code is to expose good label on the storefront, the advertising for goods.

Civil Code establishes special rules regarding conversion of consumer goods [3 page.808].

Generalized the approached information we conclude that the consumer contract of purchase and sale play an important role both in the civil circuit and in entrepreneurial activity. The consumer contract of purchase and sale is a genuine consumer, a manifestation of wills, however, affected by a special legal regime ruled by the Civil Code, Law on Consumer Protection and normative acts. Unfortunately, the Civil Code of the Republic of Moldova does not define distinct the consumer contract of purchase and sale. Moreover, in doctrine and in different normative acts this contract is called differently: the contract sale purchase for consumption, the contract sale purchase of goods for personal use, the contract sale purchase retail. In this context, to avoid the ambiguities regarding the multiple names for the same term we recommend using the concept of "consumer contract of purchase and sale " and propose the following definition of its "the consumer contract of purchase and sale is a sale where the unit retail trade undertakes to convey ownership of goods of adequate quality to the consumer, to provide information and services under the contract, to ensure service level and the consumer undertakes to pay the price set for this good or goods. The object of the retail contract is goods purchased for personal use, household or family".

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THEORETICAL AND LEGAL ASPECTS OF TRANSACTION CONTRACT

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This work analyses some theoretical and legal aspects of transaction. A transaction is a very efficient tool for resolving disputes between the parties. By a transaction contract the judiciary instances may reduce substantially their work load and save time and money in a judiciary process.

Key words: contract, amicable solution, mediation, civil process, litigation, procedural capacity

The laws of substantive law acknowledge the subjective civil rights of the private individuals and corporate entities, corresponding to the correlated liabilities. Often the rules of law are observed and the subjective rights are satisfied and the liabilities are honoured, there being no need for enforcement. Happily, there exists an immense domain of application of law in conditions of no infringement. However, the people cannot live in a society without entering disputes by virtue of their interests and passions. This is why the rules of objective law are not observed, as well as the subjective civil rights and liabilities. In such circumstances the legal remedy is the solution of dispute in court.

By virtue of the principle of availability, the conflicting parties have the possibility to resolve their problems by amicable way before applying to court, or, if either party has already triggered the process, to end it by a judiciary conclusion based on a voluntary settlement [20, page 14]. The norms regulating the transactions are found in the Civil Code [8] and Code of civil procedure [9]. Before 2003, according to the Code of civil procedure in old edition (presently abrogated) [10] the voluntary settlement was provided as a basis for terminating a process by the judiciary instance (art.218). It stipulated that if an instance approves the voluntary settlement between the parties, it must issue a conclusion to terminate the process, or, if the transaction is not approved, it must issue a grounded conclusion (art.166). At the same time, the conclusions approving the voluntary settlements between the parties were not susceptible to appeal (art.278 (33) clause (3)).

The scientific works published before 2003 mentioned that the „transaction norms of the civil procedural law are insufficient and there appeared a need to regulate the transaction contract in the Civil code” [24, page 17], so, after the enactment of new Civil Code the legislation of the Republic of Moldova is considered as the most efficient in the matters of regulation of transaction contract, our country being the only one from the entire ex-soviet space where the transaction is regulated by the norms of the Civil Code [9]. The law on mediation no.134/2007 also has an impact over the process of amicable solution of disputes between the parties, although this legal act is applied in rare cases [20, page 14], the statistics of the other states (such as Russian Federation, Byelorussia, Ukraine, etc.) shows that the number of suits ending with voluntary settlements constitutes 6-8% of total [6, page 32].

The actuality of this theme resides in the fact that having made an analysis of national doctrine and jurisprudence, we determined that the transaction contract has not been examined until now in a separate scientific publication, therefore the presence of scientific-practical sources in this domain is absolutely indispensable. Moreover, as the law faculties of the universities of the Republic of Moldova study the civil and the civil procedural law where the transaction contract is viewed from different points, the elaboration of scientific articles is required for a better assimilation of knowledge by the students, master’s and doctor’s degree candidates, as well as for the facilitation of practical application.

The practical application of this contract raises certain problems, such as homologation of transaction at the pre-judiciary phase, as there are no procedural norms for these scopes. Moreover, the Code of civil procedure provides for the confirmation of transaction in a civil process.

At the same time the scope of this article consists in making a general research of the institute of transaction contract from the point of view of its essence, legal nature and its specific characteristics with subsequent formulation of obtained results in the form of conclusions and recommendations.

Critical analysis of the examined problem. The specialty literature relating to the transaction contract provides very few scientific works dedicated to this theme, therefore there is a perspective for conducting a deeper research in the future.

Over the last years this domain has been considered by the Russian professors Палера В., Гукасян Р., Абдрашитов А., Скуратовская М., Орлова И., the Romanian ones – Deak Fr., Durac Gh., Toader C., while only Al. Cojocari, A. Bloşenco and Iu.Mihalachi have attempted to make an insight into this domain in Moldova.

As already mentioned above, the legislation of the Republic of Moldova defines the transaction contract in the Civil Code. According to the art.1331 of the Civil Code, the transaction is a contract concluded by the parties before a initiating a process, ending an already on-going process or resolving any difficulties appearing in the process of execution of a judiciary decision. A similar definition of transaction is provided in the doctrine – there the transaction is interpreted as a conciliation implemented in order to resolve the dispute in an amicable way, so as to terminate the process, or if the process has not yet begun, to avoid it at all [16, page 6]. Or, from another point of view, the transaction represents a bilateral convention of mutual concessions between the parties, in order to end up or to avoid a process [24, page 301]. So, by concluding a transaction contract the parties waive their right to seek a judiciary decision and assume a series of additional obligations in order to terminate the process in an amicable way [19, page 14].

The national authors also mention that a transaction is a private judgment of dispute made by the conflicting parties [19, page 15]. The transaction is the real fruit of discussions; it is the most efficient method of resolving any controversies. The transaction contract represents an amicable solution of process – better than a judiciary decision, its scope being the termination of litigation. In this manner the parties assume mutual liabilities – not to initiate process in exchange for certain concessions made by the other party. A simple waiver or acknowledgement of claims by either party represents a unilateral act with no obligations whatsoever for the counterpart [4, page 213]. For these considerations one must make delimitation between the transaction contract on one side and the waiver or acknowledgement of claim on the other side. Although both cases end with termination of process, the waiver and the acknowledgement of claim are unilateral acts, while the transaction is a contract concluded based on reciprocal concessions of the parties [23, page 18].

The legal nature of the transaction contract consists in the fact that a transaction resides on the following grounds: a) existence of a disputed and/or doubted right capable of giving rise to a process; b) firm intention of the parties to terminate the dispute after it has been referred to the court or to terminate the conflict before referring it to the court; c) both parties make concessions (waivers) in connection to the object of dispute. The concessions may not always be equal. They must only be reciprocal [14, page 484]. In the absence of at least one of the elements mentioned above the contract is no longer a transaction contract. Namely for this consideration one may sometimes find the opinion in the specialty literature that the transaction would be disadvantageous for one of the parties, for example, for the victims of a traffic accident. The insurance company proposes them to sign the transaction contract and they have but to options: to sign or not. In such circumstances the transaction becomes a true contract of adhesion where the persons may choose to adhere or not to adhere, being not at liberty to discuss the contractual terms [25, page 19].

The legal nature of transaction is discussed in the specialty doctrine. Another contradictory moment is the determination if the transaction is of material or procedural nature. Some authors consider that the institute of transaction has a procedural nature as the transaction is regulated by the norms of procedural law; the transaction may be used for terminating a suit; the transaction must be confirmed by a judiciary instance in order to give effects [17, page 146; 12, page 187-196; 19, page 16].

Other authors consider that the transaction is an ordinary civil contract [4, page 133, 13, page 12] and invoke the legislation of numerous European states (Germany, Greece, Spain, Italy, France) as grounds for so thinking, as the transaction there is regulated by the civil codes.

There is one more group of authors who believe that the transaction contract has a double nature and represents not only a material, but a procedural act at the same time [20, page 34]. „The essence of transaction may not be reduced only to the material law (in the sense of civil contract) or procedural law (actions aimed at termination of process) as the transaction represents a complex legal phenomenon requiring a complex analysis for understanding it” [1, page 17]. The transaction must comply, on one hand, with the requirements applicable to the legal acts, and on the other hand, it must observe the sequence of actions established by the norms of civil procedural law [3, page 77].

In another vision that may not be accepted in the Republic of Moldova, the transaction (the judiciary one) is the agreement between the parties concluded in the form of judiciary contract expressed before the instance that without intervening, states only the existence of the said agreement [15, page 6]. The national legislation does not provide for the concept of judiciary contract.

At the same time some researchers perceive the legal nature of transaction in an erroneous way. They consider that the transaction represents a judiciary decision as it is tightly connected with the activity of judiciary instance: it is confirmed by the judiciary instance and results in the termination of process [23, page 17]. This approach is considered by most researchers as absolutely erroneous as the transaction and the judiciary decision are two different legal acts. The transaction may replace a judiciary decision but may not be confused with it. As the instance confirms (homologates) the transaction contract, one should not consider that the instance would issue a new decision on the same case [19, page 16]. The decision has already been made by the parties using the transaction and the judiciary instance only confirms that fact – the decision of the parties to conclude peace, without intervening into their agreement.

Another criticized opinion in the national doctrine of civil procedural law is that the transaction is considered as an *act of disposal*. It is mentioned that by virtue of the principle of availability the plaintiff or the parties to the process may decide to terminate the process by acts of disposal, such as abandonment of claim by the plaintiff or conclusion of voluntary settlement transactions” [11, page 63-64]. The opponents to this opinion consider that the assimilation of a transaction with an act of disposal is totally erroneous, since not the transaction serves as an act of disposal but the judiciary conclusion disposing to confirm the transaction contract and to terminate the process.

In Roman law the transaction was part of the category of unnamed contracts and was a convention between two persons to put an end to a dispute (*litigation*) [18, page 222]. The term „transaction” originates from the Latin word *transactio* where *trans* means „over”, and *actio* - „action”; a procedural tool one may use for protecting his subjective rights”. At the end of classical epoch *transactio* became a separate contract from the category of unnamed contracts (*contractus innominatus*), and in the Justinian’s law *transactio* became fully acknowledged [19, page 15]. In Roman law the transaction itself represents an institute of material law (contract) with consequences of procedural order (termination of a process) [13, page 159].

By analysing the legislation of other states one may conclude that the institute of transaction is to a significant extent regulated by the material law [19, page 16]. Therefore, we share the opinion of foreign and national authors considering that the transaction is a civil contract with elements setting it at the border between the material and procedural law.

The civil code treats the transaction as a contract, a clear written will of the parties to terminate a conflict while the regulation given in the Code of civil procedure is focused first of all on the judiciary conclusion confirming the transaction concluded between the parties and terminating a process. The very fact of examination of the transaction by the judiciary instance does not mean that it is an act of disposal. The instance only acknowledges (approves, homologates) the will of the parties and confers it a compulsory legal power without altering its essence and the nature of civil contract in any manner

whatsoever. We consider this approach to the transaction as the most correct one compared to the ones described in the specialty literature.

Conclusions. We conclude that the transaction represents a very efficient tool for resolving disputes between the parties. By transaction contracts the judiciary instances may reduce substantially the work load, save the time and the money associated with the judiciary process.

Presently the cases of termination of processes by transaction are very rare in the Republic of Moldova, due to the erroneous understanding of the institute of transaction by the participants to process. Although it is regulated by the Civil Code and Code of Civil Procedure, some participants misunderstand the transaction as an exclusive tool for civil disputes inapplicable to the Labour law, Ecologic law, Administrative or Family law. Namely in order to avoid such situations in the future, taking as example the legislation of other states (Romania, France, Italy, Germany) we consider it appropriate to include special mentions regarding the right of the parties to a dispute to conclude a transaction contract as an alternative method to resolve the conflict into the most relevant normative acts (Administrative offence code, Labour code, Family Code, Elections Code, etc.).

Another factor of sporadic application of transaction contract resides in the fact that both the Civil and the Code of Civil procedure do not make any delimitation between the transaction concluded for the termination of a conflict not yet referred to a judiciary instance and the transaction concluded for the termination of a judiciary process. For example, in Romania there are notions of *usual transaction* and *judiciary transaction*; in Russian Federation there is a *voluntary transaction* („мировая сделка”) and *voluntary settlement* („мировое соглашение”). At the same time it is necessary to give the parties a possibility to conclude judiciary transactions to regulate even a part of the possible claims. We believe that the transaction, even the partial one, will contribute to achievement of trade-offs in connection with other clauses not yet covered by the transaction.

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JURIDICAL REGLEMENTATION OF PRIVACY AND PERSONAL DATA IN THE REPUBLIC OF MOLDOVA

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Privacy Law is a branch of the law that deals with the relations between individuals or institutions, rather than relations between these and the state.

Personal data shall mean any information relating to an identified or identifiable natural person; an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity.

Key words: privacy, privacy laws, personal data, processing of personal data shall, National Centre for Personal Data Protection.

Privacy is a fundamental human right, enshrined in numerous international human rights instruments. It is central to the protection of human dignity and forms the basis of any democratic society. It also supports and reinforces other rights, such as freedom of expression, information and association. The right to privacy embodies the presumption that individuals should have an area of autonomous development, interaction and liberty, a private sphere with or without interaction with others, free from arbitrary State intervention and from excessive unsolicited intervention by other uninvited individuals.

Privacy Law is a branch of the law that deals with the relations between individuals or institutions, rather than relations between these and the state.

Privacy and Open Data and have long been considered contradictory terms, with privacy getting in the way of releasing and opening up more data.

If we want make analyse of open data we must say about Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data, no. 108 Strasbourg, 28.01.1981 (opening of the treaty), data of ratifications (entry into force) 01.10.1985.

This Convention is the first binding international instrument which protects the individual against abuses which may accompany the collection and processing of personal data and which seek to regulate at the same time the trans-frontier flow of personal data.

In addition to providing guarantees in relation to the collection and processing of personal data, it outlaws the processing of sensitive data on a person's race, politics, health, religion, sexual life, criminal record, etc., in the absence of proper legal safeguards. The Convention also enshrines the individual's right to know that information is stored on him or her and, if necessary, to have it corrected. The Convention also imposes some restrictions on trans-border flows of personal data to States where legal regulation does not provide equivalent protection.

Also we must say about *Directive 1995/46/EC* of the European Parliament and of the Council of 24 October 1995 *on the protection of individuals with regard to the processing of personal data and on the free movement of such data*.

This Directive has definitions as:

1. Personal data shall mean any information relating to an identified or identifiable natural person; an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identification number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity.

2. Processing of personal data shall mean any operation or set of operations which is performed upon personal data, whether or not by automatic means, such as collection, recording, organization, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, alignment or combination, blocking, erasure or destruction.

3. Personal data filing system shall mean any structured set of personal data which are accessible according to specific criteria, whether centralized, decentralized or dispersed on a functional or geographical basis.

4. Controller shall mean the natural or legal person, public authority, agency or any other body which alone or jointly with others determines the purposes and means of the processing of personal data; where the purposes and means of processing are determined by national or Community laws or regulations, the controller or the specific criteria for his nomination may be designated by national or Community law.

5. Processor shall mean a natural or legal person, public authority, agency or any other body which processes personal data on behalf of the controller. Third party shall mean any natural or legal person, public authority, agency or any other body other than the data subject, the controller, the processor and the persons who, under the direct authority of the controller or the processor, are authorized to process the data. Recipient shall mean a natural or legal person, public authority, agency or any other body to whom data are disclosed, whether a third party or not; however, authorities which may receive data in the framework of a particular inquiry shall not be regarded as recipients. The data subject's consent shall mean any freely given specific and informed indication of his wishes by which the data subject signifies his agreement to personal data relating to him being processed.

The legal ground for the protection of personal data in the Republic of Moldova.

The Republic of Moldova adopted the Law no. 17-XVI of 15.02.2007 on the personal data protection after almost eight years from the date of ratification of the Convention no. 108 for the Protection of Individuals with regard to Automatic Processing of Personal Data. After this fact, the instruments of ratification of the Convention no. 108 were deposited on 28 February 2008 and the treaty entered into force for the Republic of Moldova on 01.06.2008.

On 8 July 2011 the Parliament of the Republic of Moldova passed Law No. 133/2011 on personal data protection in Moldova (Act No. 133). Act No. 133 will enter into force from 15 April 2012 and implements new norms on the protection of individuals with regard to the processing of personal data, registration procedures (notification) for processors of personal data, and rules on the cross-border transfer of personal data.

On 15 April 2012, Law no. 133 will entirely replace the current Law no. 17/2007 on personal data protection. The new legislation is intended to align the country with EU norms, in particular Directive 95/46/EC of the European Parliament and Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (Directive 95/46/EC).

Law no. 133 follows a strong legislative initiative by the National Center for Personal Data Protection of Moldova (NCPDP) to convince the legislator to vote to restructure the existing system. The reform has been underway for some time. For example, under Government Decision No. 1123/2010, current processors of personal data must implement by 25 December 2011 the published requirements on ensuring the protection of personal data upon its processing in personal data information systems.

Further, all local processors of personal data performing processing when Act no. 133 enters into force must notify the National Centre for Personal Data Protection of Moldova of such operations within 30 days.

Law no. 133 defines the processing of personal data as any operation or set of operations upon the personal data of individuals.

Notification procedure. Different from the old legislation, Law no. 133 requires all processors of personal data to notify the National Centre for Personal Data Protection of Moldova of an intended processing operation before it is performed. Moreover, a supplementary processing operation may not be performed until a new notification is submitted.

After giving notification, processing operators will receive a registration number that must be reflected on all acts by which personal data is collected, stored or, transferred.

Processors carrying out certain operations – such as the processing of personal data by electronic means within systems that generate individual decisions about the solvency or professional competence of individuals – will have to pass supplementary preliminary checks by the National Centre for Personal Data Protection of Moldova on whether the operations comply with the new legislation. These preliminary checks may not exceed 45 days from submission (in complex cases, plus an additional 45 days). Processing personal data without the NCPDP's authorisation is prohibited. The NCPDP will keep a register of all personal data processors in Moldova.

Compared to Directive 95/46/EC, Law no.133 provides for a slightly different definition of the personal data subject's consent. So, except for the cases listed by law as not requiring consent, consent must be freely given, express, unconditional, and in written or electronic form. This requirement of written or electronic consent may raise practical difficulties for the processors, so a corresponding practical approach will be required from processors in order not to cause breaches of law.

Consent is not necessary if the processing of personal data is required: 1. for the execution of an agreement to which the personal data subject is a party; 2. to take certain measures before entering into such agreement, at the subject's request; 3. to protect the life or health of the personal data subject; or 4. to fulfil a legal obligation of a processor.

Under Law no. 133 all processors must ensure free access by personal data subjects to their personal data. Similar to the current legislation, the trans-border transfer of personal data must be authorised by the NCPDP, who will give authorisation only if the destination country ensures adequate protection of the data. This will be decided on a case-by-case basis.

In those cases listed by law, however, the NCPDP may authorise the cross-border transfer of personal data even if the destination country does not ensure an appropriate level of protection, but subject to the condition that the processor present sufficient guarantees to ensure protection (an agreement signed between the processor and persons processing the personal data abroad). The new legislation brings new rules to an important domain. Let's hope the Moldovan authorities implement them well in practice.

According to the Law no. 17 of 15.02.2007 on personal data protection, the authority responsible for the control over the compliance of personal data processing with the present law provisions in the Republic of Moldova is the National Centre for Personal Data Protection. For the implementation of this law, there was adopted the Law no. 182 of 10.07.2008 regarding the approval of the Statute, structure, staff-limit and financial arrangements of the National Centre for Personal Data Protection.

Article 3 of the Law on personal data protection stipulates that the legislation in the field of personal data processing consists of the Constitution of the Republic of Moldova (Chapter II: Fundamental Rights and Freedoms, Article 28), Convention no. 108, Additional Protocol to the Convention no. 108, other international treaties the Republic of Moldova is party to, the present law and other normative acts.

The legal position of the National Centre for Personal Data Protection. The National Centre for Personal Data Protection, hereinafter named as the Centre, is an autonomous public authority, independent of other public authorities, natural persons and legal entities.

In order to carry out the control in the field of personal data processing, legislation establishes the following competences for the Centre:

- supervises the observance of the legislation on information protection and controls its enforcement, in particular the right to information, access, correction, appeal or removal of data;
- offers necessary instructions for adjusting the personal data processing in accordance with the present law's principles, without affecting the field of competence of other bodies;
- examines the personal data subjects' addresses on compliance of the personal data content and the processing methods with the processing purposes and undertakes the relevant decisions;
- presents information to personal data subjects on their rights regarding their personal data processing;
- requires necessary information for the performance of its duties and receives free of charge this information from legal entities and natural persons;
- realizes the control of information on personal data processing or involves in such kind of control other public authorities within their competence;
- requires from the personal data holder the adjustment, blocking or destruction of the invalid or illegally obtained personal data;
- undertakes necessary measures, in the way provided by the law, on suspension or stopping of the personal data processing, performed by violation of the present law's requirements;
- addresses requests to judicial authorities for protecting the rights of the personal data subjects and represents their interests in the courts;
- keeps the register of the personal data holders;
- obtains from the personal data holders the necessary support and information for carrying out the Centre's attributions;
- draws up reports on the violation of the present law, in the way established by the law;
- transmits to prosecuting bodies and other law enforcement bodies the materials for decision making on beginning criminal prosecution in case of delinquency indicators presence regarding the violation of the rights of personal data subjects according to competences;
- informs the public authorities, as well as personal data subjects, on the basis of their petitions and interpellations, on the existing situation in the field of protection of personal data subjects right;
- informs periodically the institutions and society about its activity, about the priority problems and concerns in the field of rights protection of the person;
- other functions provided by the law.

Limitations of the National Center for Personal Data Protection Authority. When depositing the instrument of ratification of the Convention no. 108 by the Permanent Representative of the Republic of Moldova to the Council of Europe on 28 February 2008, Declarations were noticed regarding the area of enforcement of this treaty and the competent supervisory authority, which were reflected, subsequently, in the Law on personal data protection.

Thus, it has been declared that in accordance with Article 3, paragraph 2.a, of the Convention no.108, the Republic of Moldova will not apply the provisions of the Convention to the following categories of personal data:

- which are processed by individuals exclusively for their personal and family use provided that the rights of the personal data subjects are not violated;
- which are subject, in the established way, to the legal regime on information which constitutes a State's secret.

Conclusion. The Law on personal data protection has individualized the status of the competent national authority in order to exercise the control in the field of personal data protection, including, among other skills, the power to establish minutes of the law infringement, in the manner prescribed by law.

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**PROVISIONAL REMEDIES IN CIVIL LAWSUITS - AN ESSENTIAL
TOOL FOR PROTECTING CIVIL RIGHTS**

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Provisional remedies in civil lawsuits consist of a number of procedural measures with the purpose of safeguarding the effective enforceability of a judgment if the plaintiff's claims are recognised eventually. The importance of this specific part of the law is accentuated furthermore by the problem that exists in the minds of people, the issue of distrust, especially when they are a part of a lawsuit. The purpose of this research is to bring clarity to the issues frequently encountered in day-to-day application of this part of the law to guarantee the enforcement of the civil decision, and furthermore, to prove the effectiveness and importance of this part of the law.

Key words: *civil rights, provisional remedies in civil lawsuits, interdiction, suspension, judgement, enforceability, enforcement, trial.*

Introduction

Being a democratic country with high aspirations for European and international values, Moldova guaranteed in its Constitution free access to a trial and makes available all necessary legal measures in order to provide an effective protection of human rights and liberties, as well as a sufficient protection of people's legal interests.

The Moldovan Supreme Court of Justice, in its Plenum Decision No. 32 from 24th of October, 2003, including all later updates, *underlined that provisional remedies in civil lawsuits has its tangible effect in guaranteeing the later on court judgments and thus it is an effective instrument for protection of the rights of those involved in the lawsuit.*

Analysis of the investigated topic

The fundamental tool created for the state protection of the individuals' rights is **the civil lawsuit**.

In its broad understanding, the civil lawsuit represents all the procedural means by which a person guarantees his civil rights, which includes the provisional remedies. By submitting a claim to a court, the person wants, first of all, the reinstatements of its rights, which may sometimes be impossible without applying provisional remedies. Such situations may occur when after being summoned to appear in a court, some people, act in bad-faith, and as a result of their actions makes it impossible for the claimant to reinstate its rights. In such circumstances, the applicant may submit a claim to the court, asking for provisional measures, which includes the imposition of certain measures that have the goal to prevent the plaintiff to obstruct him in reinstating the claimed right.

The legal precedent of the European Court of Human Rights, back in 1979, found that the court is not guaranteeing theoretical or illusory rights, but efficient and useful rights. The same path is promoted by the national courts. By its judgment, a court must grant the person a real and effective possibility to enjoy its right. The written precedent of the ECtHR can serve as a foundation for arguing the necessity of existence of the provisional remedies, because quite often, it is precisely these remedies guarantee the efficient and correct rights, and not the theoretical or illusory ones.

Following the above – mentioned line of ideas, we can conclude that provisional remedies in civil lawsuits constitute an instrument used by a participant to a lawsuit to guarantee the enforcement of its claim.

We think that the best definition of provisional remedies in civil lawsuits can be found in the "Judge's Handbook", and the provisional remedies of civil lawsuits is defined by E. Beleï and S. Filincova as "a constituting part of civil procedure, consisting from a number of measures ordered by a judge or a court, having the goal of guaranteeing the effective enforcement of a final judgment".

The main regulatory body for this can be found in the Civil Procedural Code of Republic of Moldova, which in article 174 provides that "Following a request from the lawsuit participants, the judge or the court may take measures to guarantee the claims. This guarantee can be granted at any stage of the trial, up to the point when the judgment becomes enforceable, and in the case when non-application of provisional remedies might make impossible the enforcement of the judgment". By interpreting this article, we can conclude that provisional remedies is an act taken by the court, by which it, as a result of the trial participants' request, grants provisional remedies in situations when non-application of provisional remedies might make impossible the enforcement of the judgment. Without going too much into details in analysing the definition provided by law, by applying the literal interpretation, we can observe that it has an incomplete expression. Thus, given the current existing definition of the noun "judgment" in Article 174, in case of application of provisional remedies in the lawsuit, it is presumed that the judge knows what the final judgement will look like in the case, and only afterwards he or she would be able to assess if the lack of provisional remedies will make the enforcement of the judgement impossible. The effects of such a reality would not be quote acceptable in civil lawsuits and is likely to result in challenging of judges for the reason that they already made their mind and expressed it publicly, in other words they had in mind the future judgment and precisely the judgement that might be under the risk of non-enforcement in case the provisional remedies will not be applied.

Other definitions of the concept in question can be found in the legal provisions of other laws – Article 64 of the Law No. 161 of 12th of July, 2007 on Protection of Industrial Designs and Models; Article 68 of Law No. 38 of 29th of February, 2008 on Trademark Protection; Article 78 of the Law No. 39 of 29th of February, 2008 on Protection of Plant Varieties; Article 80 of the Law No. 50 of 7th of July, 2008 on Patents; Article 54 of the Law No. 66 of 27th of March, 2008 on Protection of Geographical Indications, Origin

Names and Protected Traditional Specialties; Article 22 of the Law No. 64 of 23rd of April, 2010 on Freedom of Expression.

The provisional remedies in civil lawsuits is an element of law that is intended to guarantee that the issued judgment in one case will be possible to enforce, even in the case when the respondent is acting in bad-faith. The legal essence of this concept and its legal characteristics are determined, first of all, by its objective.

The regulation of provisional remedies in civil lawsuits are not providing expressly for any legal characteristics as it happens often in case of other legal concepts of civil procedural law, but this results in the method of application and the objective formulated by the law.

Point 1 of the Supreme Court of Justice Plenum Decision No.32 from 24th of October, 2003 mentions four elements of the provisional remedies: 1. they are urgent; 2. they are temporary; 3. they are aimed to protect the pecuniary rights of the applicant; 4. Must be related to the claims brought in the lawsuit.

1. The **urgent** character of the provisional remedies are caused, obviously, by the their objective and are caused by the tight deadlines courts are facing for the decision on applying or not the preventive remedies. For example, Article 177 (part 2) of the Civil Procedural Code states that *“The claim for provisional remedies is examined by the judge or the competent court **within a day from the moment the claim was registered...** If the claim for provisional remedies is submitted at the same time with the basic application to court, it shall be examined **in the same court hearing that will decide on the acceptance the lawsuit for trial...**”*. If the claim for preventive remedies is submitted at the same time with the main application to the court, it will have more time to decide upon the acceptance of the application to court for trial, but if it decided to accept the main application for trial, it has to decide on the claim of the provisional remedies on the same day. We can notice that in both cases the court has one day to examine the claim for provisional remedies. It is relevant to mention that the procedure for the provisional remedies decision is taking place in the absence of the parties to the trial (Article 177 (part 2) of the Civil Procedural Code, Article 21 together with Article 24 of the Law on Insolvency). It makes it possible to decide rapidly on the claim, because all formalities regarding the summons of the parties, as well as it become impossible delay the examination of the claim for provisional remedies.

2. Provisional remedies have a **temporary** character, and as in the case of the previous point, this is not expressly mentioned by the law, but can be easily drawn from the pertinent legal provisions. Thus, according to art.180 of the Civil Procedural code, preventive remedies have a strictly determined period that depends on certain factors. According to part 3 of the Article 180 of the Civil Procedural Code, preventive remedies will be maintained: a) in case the claimant application will be accepted – until the enforcement of the judgment; b) in case the claim of the applicant is dismissed – until the judgment comes into force. The limitation in time of the provisional remedies is caused by the goal of applying these remedies – that is the guaranteeing of the applicant’s claim. Thus, if we take the first case, when the claim was accepted and the decision was issued and enforced, therefore there is no more need for guarantees. In the second case, when the claim was dismissed by a judgment that came into force, it will be unfair and abusive to restrain the other party rights based on an action that was dismissed by a final and enforceable judgment.

3. **They have the goal to protect the pecuniary rights of the applicant.** This idea is mentioned, as mentioned above, in the Plenum Decision of the Supreme Court of Justice No.32 from 2003, is entirely reasonable from the point of view of the applicant, because in a civil process every person is fighting for to defend its rights. At the same time, since the claim for provisional remedies is submitted by an interested person, this concept stands in line with the principle of availability of rights in the civil process. However, in our opinion, these arguments cannot be applied to justify the intention of the law to introduce such an instrument, as well as the intention of the court that accepts the applicant's request. In the both cases, the rationale for creating such a legal concept and its application does not come to defend the interests of any particular person, because otherwise it would be biased, but is more to guarantee that any judgment issued

by a court will be enforceable. The Judges' Handbook for civil cases, states that *any provisional remedy in civil lawsuits present a serious discomfort to the person it was applied to, that is why the judge or **the court must consider the legal objective and not the applicant's goal**, as well as the total value of the claim.* This idea confirms the opinion expressed above. As a result, we are positive that the analysis of the goal must be conditioned by the party: the claimant has its own goals in looking for provisional remedies, while the court and the law must be impartial and look after a more general objective, which is the guarantee the possibility of an effective enforcement of judgements.

4. Another characteristic of provisional remedies that is mentioned by the Plenum Decision of the Supreme Court of Justice No.32 from 2003 is the fact that **it must be related to the claim**. Furthermore, this element is a mandatory requirement for accepting the claim for applying provisional remedies as it will be explained below. According to article 174 of the Civil Procedural Code *as a result of the trial participants' claim, the judge or the court may apply provisional remedies to guarantee **the claim**.* The claim is very specific – a claimant's right that is allegedly violated. Based on that, the provisional remedies must guarantee the fact that the claimant will be reinstated in its rights if his claims will be sustained by the court. *Per a contrario* if the provisional remedies are not related to a right that is claimed in the litigation, then, the provisional remedies are not guaranteeing the litigated claim, but an alleged right that is not in litigation. This situation would question the core of the concept that allows the guarantee only of the **claim**, meaning an efficient possibility of reinstatement of an alleged violated right that is the reason for litigation in court.

We believe that the four described features in the Plenum Decision of the Supreme Court of Justice should be completed with the following ones: 5. Provisional remedies are mandatory and enforceable; 6. Provisional remedies are applied exclusively by the court; 7. Provisional remedies are exceptional. 8. Provisional remedies are secondary in relation to the main litigation claim.

5. A specific feature of the provisional remedies in civil lawsuits that we are considering is the fact that provisional remedies **are mandatory and enforceable** regarding all persons to which these have been applied. This feature is based on Article 178 of the Civil Procedural Code and assumes that no person may oppose any exception in order to avoid the enforcement of applied provisional remedies. According to the above – mentioned rule *the decision on provisional remedies is to be enforced immediately according to the procedure related to enforcement of court decisions*, and the Constitution of Republic of Moldova, in Article 120 says that – *The enforcement of court judgements is mandatory....* There can be no exceptions from this peremptory norm and persons affected by the application of provisional remedies behave in strict compliance with the court decision, and in the case that the affected person will not comply this behaviour will be forced on them by means of a bailiff that will take all necessary actions for that.

6. **Provisional remedies are applied exclusively by the court.** By analysing the law regulating provisional remedies it is impossible to conclude that there are other private or public authorities that are competent to apply provisional remedies for the parties to the litigation besides the court.

7. **The application of provisional remedies is exceptional.** In conformity to Article 55 of the Constitution, *"... any person is exercising its constitutional rights and freedoms in good faith without violating the rights of others"*. According to Article 513 of the Civil Code of Republic of Moldova *"The debtor and creditor must act in good faith and with due diligence at the time of the creation of the obligation, during its existence and at the time of the execution and termination of an obligation."* Under Article 9 of the Civil Code the good faith of persons is presumed, thus everyone is presumed to act in good faith, unless the contrary is proven, and this rule is applicable also in civil procedure. In this line of ideas, the rule consists in the fact that all participants acting in good faith, while acting in bad faith are a mere exception. Accordingly, the need for the usage of provisional remedies constitutes an exceptional measure. Having in mind that the application of provisional remedies involves certain restrictions to individual rights, it must be applied only when the situation asks for it, which is that the person against whom provisional remedies are claimed is acting in bad faith and he or she will impede the further enforcement of the judgement.

8. Provisional remedies **are secondary** in relation to the main litigation claim. This feature has been underlined by the Romanian professor of Civil Procedure, Ioan Les, but his idea was not developed by the Moldovan or Russian legal doctrine. In our opinion, the Romanian author correctly found that provisional remedies are secondary in relation to the claim submitted by the claimant against the respondent, because the lack of provisional remedies is not influencing directly the settlement of the case and not even the enforcement of the judgment. The non-application of provisional remedies does not jeopardize the legality and validity of the actions and documents of the court or of other participants to the trial. This tool is only necessary only in the situations, as mentioned above, which are exceptional, when the respondent is acting in bad-faith and will take steps to render impossible the later enforcement of a court judgement.

The procedure of application of provisional remedies in civil lawsuits

Based on the principle of availability of rights in the civil procedure and article 174 of the Civil Procedural Code, the application of provisional remedies is conditioned by submitting a written request, signed by a participant to the trial. The right to ask the judge to grant any provisional remedies is a subjective one and the person concerned is free to decide on the usage or not of this privilege. An exception from this rule are the situations when the law grants court the power to apply provisional remedies without a special claim, *ex officio*, as for example are the cases provided by Article 21 of the Law on Administrative Disputes and the Law on Insolvency. The claim for granting provisional remedies must contain *the reasons and circumstances for which a party asks for provisional remedies to be applied* - as provided expressly by article 177 (part 1) of the Civil Procedural Code. As well for special cases, the application of provisional remedies might need additional information. For example, the request for the application of sequester on goods, which are the property of the respondent, the claim must include the list of goods that have to be sequestered.

The jurisdiction examines the claim for provisional remedies exclusively in the hands of the judge or the panel of judges that examine the main litigation claim. The claim cannot be examined before the court decided on whether it has jurisdiction in the case and no later than the final judgment is issued. However, in certain types of lawsuits the interested person has the right to submit a claim for provisional remedies before filing a complete application on the main litigation to the court.

The period of time the court has to examine the claim on provisional remedies civil action is provided in part 2 of Article 177 of the Civil Procedural Code. Thus, if the claim for provisional remedies was included in the main full application to the court placed in the action, the court will decide on it at the same time it decides whether it has or not jurisdiction in the case. However, if the application was submitted separately, the court has a day in order to decide on the claim.

The provisional remedies concept is an exceptional one and is applied only when certain circumstances that are required by the law are proven to be present. Thus, in order to admit the claim of a participant and grant the application of provisional remedies, the court has to verify whether there is sufficient evidence and arguments that the application of provisional remedies are in conformity with the purpose prescribed by the law and that the requested measure is consistent within the main litigation claim. In absence of arguments or evidence, or in case there are not sufficient, the court shall reject the application of provisional remedies.

After examining the claim for provisional remedies in a civil lawsuit, the court issues a writ, by which decides on applying or refusing to apply the provisional remedies. Thus, in both cases, the court will issue a writ.

The writ on applying provisional remedies will be enforced immediately, as expressly provided by Article 178 (part 1) of the Civil Procedural Code and this fact once again proves the urgent nature of provisional remedies.

During the examination of the case, some circumstances may change and this could render the already applied provisional remedies as inefficient or useless. For these cases, the law provided in articles 179 and 180 of the Civil Procedural Code the method of substitution or cancellation of the applied provisional remedies. According to the above-mentioned rules, the substitution and cancellation of provisional remedies are carried out as a result of a request of the participants, by the court which examines the main

litigation claim, during a court hearing, after summoning the parties, but whose absence does not prevent the examination of the claim. According to article 180 of the Civil Procedural Code, the cancellation of provisional measures may be ordered *ex officio* by the court without needing an application in this regard.

The interested participant, usually the person against whom the provisional remedy was applied, has the right to appeal the writ that applied the provisional remedies. As stated in point 39 of the Plenum Decision of the Supreme Court of Justice No.32, from 24.10.2003, this writ can be of the following types: accepting the application of provisional remedies; rejecting the application for provisional remedies; cancelling provisional remedies that were previously applied; substituting of one type of provisional remedies with another. By interpreting the above-mentioned judgment and the Supreme Court of Justice Recommendation No.35 from 19th of March, 2013 all these writs can be appealed. The jurisdiction to examine the appeals against the above-mentioned writs is in the hands of the higher court in relation to the court issuing the writ.

According to the general rule mentioned in article 425 of the Civil Procedural Code, *the deadline for appeal against the writ is 15 days from its issuance*. We want to mention an important aspect provided by part 2 of article 181 of the Civil Procedural Code, which states that regarding *the writ issued without the knowledge of the appellant, the period is calculated from the day the person found out about the issuing of the writ*. Having this in mind that this last rule is special in relation with the one from article 425 of the Civil Procedural Code, it is used for calculating the appeal deadline instead of the general one.

According to article 435 of the Civil Procedural Code, the appeal will usually not suspend the enforcement of the writ, but the law provides specific exceptions from this rule. Regarding the appeal of the writ, which granted the application of the provisional remedies, this rule is provided by the first sentence of part 2 of article 181. But the situation is different concerning the appeal against the writ for the cancellation or substitution of provisional remedies that were earlier applied, for which the law expressly stipulates in the second sentence of part 3 of article 181 of the Civil Procedural Code, that *the appeal against writs for cancellation or substitution of provisional remedies will suspend its enforcement*.

The person who is not a participant to the trial, but whose goods were affected by sequester or any other provisional remedy, cannot appeal, because it is not a participant to the trial and is not mentioned in article 423 of the Civil Procedural Code. For these people, the law provided a separate method called *Sequester Removal* and it is provided by Article 164 of the Enforcement Code.

The application of provisional remedies creates some discomfort, and sometimes even serious limitations in the exercise of the respondent rights. It is possible that someone might use provisional remedies in bad faith in order to create damage to the respondent. For such cases, Article 182 of the Civil Procedural Code expressly permits the respondent to seek compensation for damages caused by provisional remedies. The authors of the "Judges' Handbook in civil lawsuits" – S. Filincova and E. Belei found four conditions that have to be met in order to fill a claim for the damages caused by provisional remedies: 1. The granting of the application for provisional remedies against the respondent and maintaining it until the judgement is final; 2. The existence of cause effect relationship between the applied provisional remedies and the caused damages; 3. The rejection of the applicant's main litigation claim by pronouncing a judgment, and; 4. The judgement in the main litigation claim must become final. It is important to note that in conformity to Article 182 (part 2); the claimant will be responsible for damages caused by provisional remedies *regardless of his intention*.

Another aspect that is in a strong relationship with the claimant's compensation for the damage caused by granting provisional remedies is the possibility of asking the court, in conformity to with Article 182 (part 1) of the Civil Procedural Code, to ask the claimant to deposit a guarantee for the damages that might be caused to the respondent. We believe that this action is similar to provisional remedies, but it will guarantee a future possible claim that still has to be submitted by the respondent to seek compensation for the damages caused by initial provisional remedies in the first case. The Supreme Court of Justice Plenum

Decision No.32 on 24th of October, 2013 provided in point 41 that *courts must interpret restrictively these provisions (meaning related to the respondent's guarantee) and apply them only when this is mentioned by the special law (for example in cases when special laws on intellectual property provides the obligation to deposit a guarantee); in other cases, courts are not bound to ask for a guarantee and the discretionary application of this procedural aspect only in specific cases may create doubts about the impartiality of the court.* We believe that this explanation offered by the Supreme Court of Justice basically means that the guarantee will be required only when the law asks specifically for that. It makes sense, because otherwise the court will guarantee a possible future claim that is still not submitted and it is still unknown if it will be ever submitted, which in the end would violate the principle of availability of the procedural rights to the parties.

Once submitted, as required by Article 182 (part 4) of the Civil Procedural Code, the guarantee will be returned only if the respondent has not filed a claim asking for damages caused by provisional remedies in a period of two months after the case when provisional remedies were applied was decided.

In addition to the civil procedure prescribed by the Civil Procedural Code that is applicable to most civil cases, there are a number of lawsuits which settlement and examination procedure, including on provisional remedies, is provided by special laws and which, in certain aspects, differs from the general procedure provided by the Civil Procedural Code. Examples of that are insolvency cases, arbitration cases, cases related to freedom of expression, cases concerning intellectual property protection. The procedure for guaranteeing provisional remedies in these types of cases is provided by the rules fixed by the Civil Procedural Code, but with the exceptions provided by special laws.

The analysis of legal precedent proved that provisional remedies are often applied by participants to civil lawsuits. This fact should trigger an increased degree of attention to the correct application of the existing rules. Nonetheless the courts must be careful not to permit trial participants to take advantage and abuse their rights, including the possibility of asking for provisional remedies. The current facts prove that courts sometimes neglect its obligations without any reason. One of the most common violation we can mention the failure to examine the claim for provisional remedies within the period provided by law and the failure to justify or the presence of insufficient arguments for the decision grant provisional remedies. The current laws do not provide any fines for delays and in the second case – the interested party has the possibility appeal the writ granting provisional remedies. We conclude that the settlement of these cases can only be achieved through self-discipline of the courts.

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