THE ROLE OF THE REGIONAL FINANCIAL POLICY IN PROMOTING SUSTAINABLE DEVELOPMENT OF PRIVATE PUBLIC PARTNERSHIP IN THE REPUBLIC OF MOLDOVA

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Abstract

In the context of increasing interregional competition and the impact of globalization processes, central and regional authorities are confronted with the issue of improving the regional management system aimed at identifying effective mechanisms and methods for regulating territories that will contribute to their competitiveness. The basis for efficient regional management should be implemented in line with the special regional policy aimed at transforming the region's competitive potential into a sustainable development factor capable of ensuring the transition of the economic system to a new, high-quality operation.

Keywords: regional financial policy, regional fiscal policy, regional investment policy, public private partnership

JEL Classification: R11, A11

1. Introduction.

Regional development policy is one of the most important and most complex policies of the European Union, which stems from the fact that, through its objective of reducing the existing economic and social disparities between the different regions of Europe, it is active in areas of significant development such as economic growth and the SME sector, transport, agriculture, urban development, environmental protection, employment and training, education, gender equality, etc. [1] Conceived as a policy of solidarity at European level, regional policy is based mainly on financial solidarity, i.e. redistribution of part of the Community budget made by contributing to less prosperous regions and social groups.

Regional development policy can be defined as a set of governmental measures aimed at supporting economic growth and improving living conditions by making effective use of regional and local potential. Regional development also called the Economic and Social Cohesion Policy is one of the current fundamental objectives of the European Union and is thus defined in the Treaty on the Functioning of the EU (Title XVIII): Cohesion is necessary to promote overall harmonious development, the overall objective of reducing existing disparities between levels the development of the various regions and the backwardness of less developed regions or islands, including rural areas.

The objectives of regional development policy can be defined as follows:

A. Reducing existing regional imbalances, with a focus on stimulating balanced development and revitalizing depressed areas (with delayed development) and preventing new imbalances;

B. Preparing the institutional framework to meet the criteria for integration into EU structures and access to the Structural and Cohesion Funds;

C. Integration of sectoral policies at regional level and stimulation of interregional cooperation (internal and international) for sustainable economic and social development.

At the basis of the development and implementation of the regional development policy there are several principles listed in figure 1.

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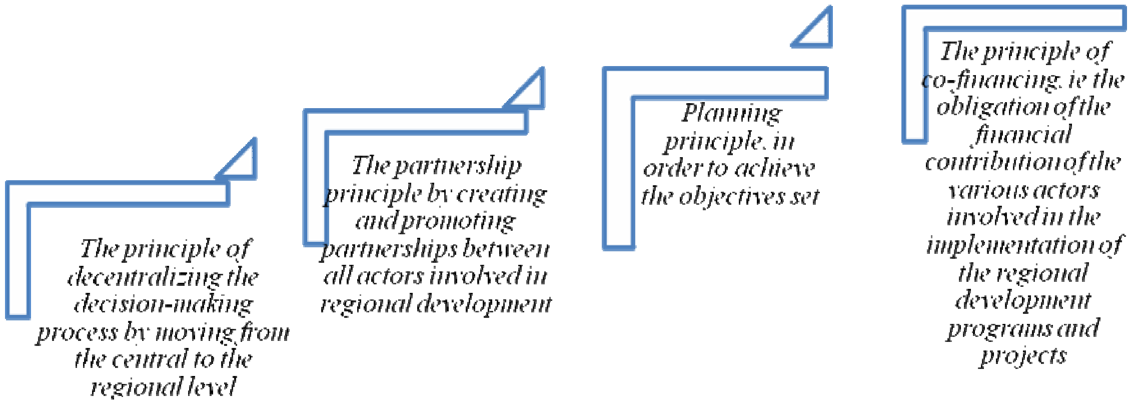
Figure 1. Principles of development and implementation of regional development policy

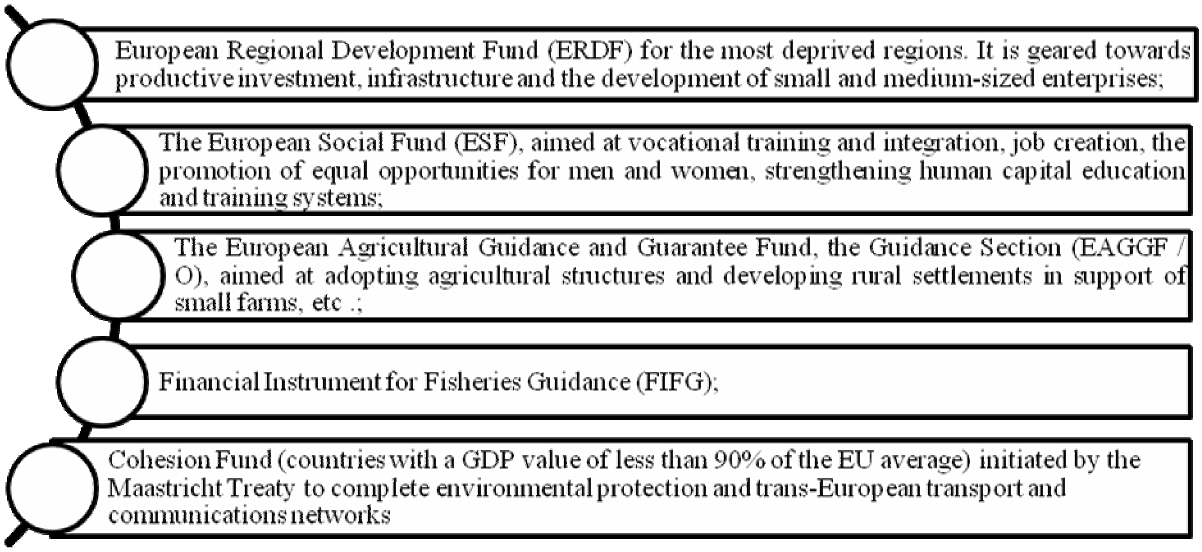


Source: elaborated by the author

2. Description of the problem

From the perspective of developing a competitive economy, it is necessary to harmonize the rigors of macroeconomic stability with the objective of sustainable growth through financial policy. Financial policy must be addressed from the perspective of fiscal policy and budgetary policy. In the next period, both fiscal policy and budgetary policy must be subordinated to the central economic policy objective set out in the Governance Program, to relaunch economic growth, to achieve the convergence criteria, to continue and accelerate the economic and financial development process of the Republic of Moldova. Financial instruments are sources of funding through the so-called structural funds, shown in figure 2.

Figure 2. The tools of the regional development financial policy



Source: written by the author on 22, p. 96

The funds come from agricultural import taxes, customs duties, VAT, percentage contributions of each Member State, according to the Gross National Product and loans granted by the European Investment Bank and the European Bank for Reconstruction and Development.

One of the primary objectives of regional development policies is to increase the economic competitiveness of the regions and thus to stimulate economic and social development in the regions. In relation to economic issues, it is another principal objective, namely to ensure the social cohesion of the population and institutions. The third indispensable objective of the two is to ensure territorial cohesion. All three primary elements contribute to reducing disparities and development gaps, within regions and between regions.

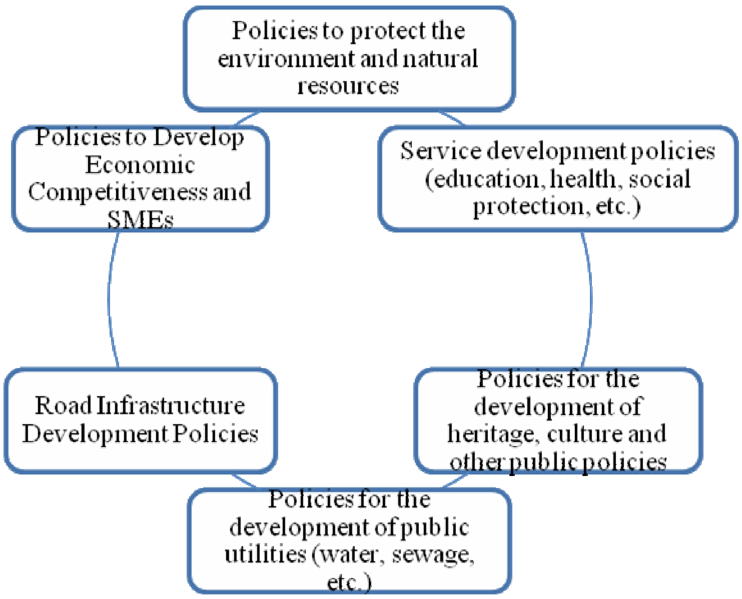
From the above mentioned, it is observed that in the Republic of Moldova there are currently all necessary legal, institutional and support premises to ensure a sustainable and effective process of regional development in line with the European requirements and approaches in the field, namely:

- the necessary legal and normative framework is approved;
- is the institutional framework at different levels of administration;
- the conceptual strategic and programming framework is approved and implemented;
- there is established a financing mechanism and a cooperation framework for external financial support for regional development projects and programs.

Under the current conditions, the Moldovan leadership has implemented in the regional development policy program budgeting, focusing on the main areas where improvements are needed.

Thus, according to the National Regional Development Strategy 2016 - 2020 at the level of regional development, regional development policies have been identified included in figure 3.

Figure no.3. The main components of regional development policy



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3. Methodology

The region's financial strategy is based on the efficient use of own funds, loans and transfers from the central budget. The main purpose of the strategy is to ensure the quality of life of the population, as well as access to financial autonomy. Thus, the financial policy of the region is the basis for the implementation of economic policy and the basis for improving the quality of life of the population - the main objective of any public policy.

In this context, we note that, depending on the nature of each type of financial policy, we need to identify the main objectives of regional financial policy according to its types. The objectives of the regional financial policy are presented in table 1.

The European Union's assistance to the Republic of Moldova is largely in the form of Annual Action Programs under the European Neighborhood Policy Instrument (ENPI). Other sources of funding are thematic assistance programs, such as human rights or civil society.

Table 1

The aims of regional financial policy according to its types

Types of financial policy	**Objectives**
Regional tax policy	Ensuring the balance between centralized and decentralized financial resources. Creating the conditions for the use of decentralized financial resources for the social and economic development of the region
Regional budget policy	Identify rational distribution and use of centralized financial resources
Regional investment policy	Organizing regulation and stimulating investment activity, creating conditions for increased investment attractiveness
Regional tariff policy	Organization of tariff regulation taking into account the specificity of the region
Regional policy of state property management	Ensure conditions for effective use of state property

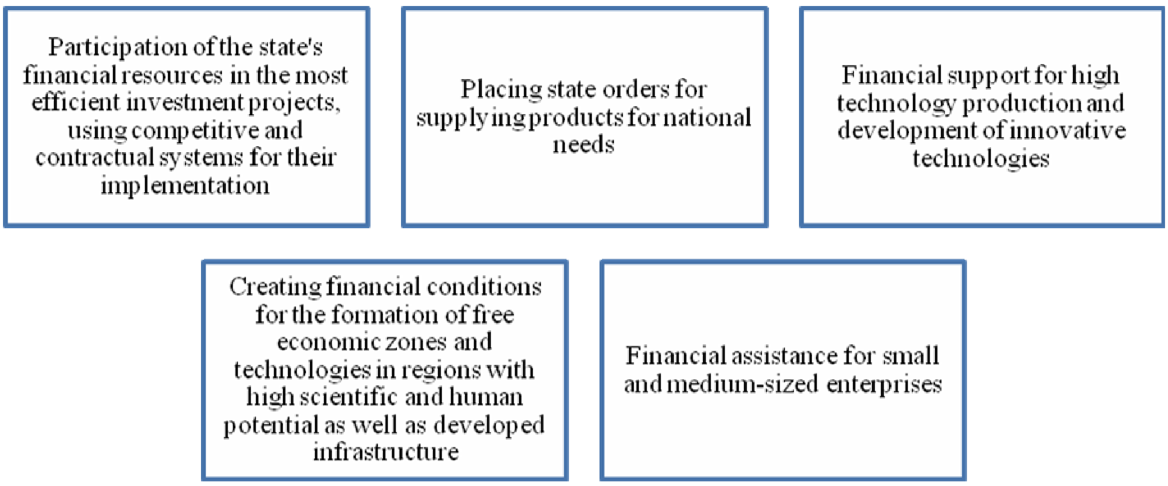
Source: elaborated by the author

The Neighborhood Investment Facility (NIF) provides additional investment funds. The main objective of EU assistance to Moldova is to support the development of EU and Moldova relations in the context of the European Neighborhood Policy and the Eastern Partnership.

Through the National Regional Development Strategy for the years 2016-2020, the regional development policy in the Republic of Moldova will be achieved through an integrated and unitary planning, management and coordination intersectorial process, and the regional development process will be intercorrelated with the provisions of the Association Republic of Moldova - European Union, with the Government Program and Sectoral Policy Documents.

The main forms of implementation of regional financial policy are reflected in figure 4.

Figure no.4. Methods of implementing regional financial policy



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The main challenge of regional policies in the Republic of Moldova is to ensure a sustainable and balanced development at a sub-national level, as well as to solve problems related to regional disparities. For these reasons, sustainable regional development is an imperative commitment assumed by the Government, which has also confirmed its commitment to equally and equitably distribute opportunities for regional development across the country. In this respect, these activities can only be achieved in the presence of reliable and good regional statistics to provide an adequate basis both for the analysis of regional development and for the well-informed elaboration of economic and policy decisions in the field. Taking into account the European integration aspirations, it is very important that the regional statistics, relevant for the country, be compiled in accordance with the standards and good practices of the European Union, taking into account the peculiarities of the Republic of Moldova. The basis for compiling relevant and comparable statistics is provided by the application of appropriate classifications, including the classification of territorial statistical units in accordance with the provisions of Regulation (EC) No. No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics. These activities are decisive both for ensuring the spatial and temporal comparability of the Republic of Moldova's sub-national statistical data with EU statistics during the country's integration into the European Community and for providing reliable evidence in the process of financing regional development, especially from EU sources .

The prospects for the implementation of regional financial policy are first and foremost the formulation of the tools used for its successful implementation. Thus, the tools presented in table 2 have been determined from those studied so far.

Table 2

Regional financial policy instruments

Types of financial policy	Instruments
Regional tax policy	- introduction of regional taxes; - establishing differentiated rates; - establishing additional benefits for regional taxes; - setting deadlines for paying regional taxes; - the change in the payment term of taxes
Regional budget policy	1) the determination of the spending direction of the budgetary funds; 2) allocation of financial assistance in the form of grants; 3) identifying additional standards for income tax deductions for regional budgets; 4) offering state guarantees; 5) attracting budget credits, loans from credit institutions; 6) the issue of securities
Regional investment policy	1) granting tax incentives to investors; 2) the provision of state guarantees; 3) implementation of capital expenditures; 4) allocation of subsidies
Regional tariff policy	1) allocation of subsidies; 2) establishing additional benefits; 3) tariff regulation
Regional policy of state property management	1) privatization; 2) granting budget credits; 3) granting state guarantees; 4) introduction of paid services; 5) regulation of prices and tariffs; 6) establishing additional benefits

Source: elaborated by the author

The country's regional division aims to provide a unique and coherent territorial distribution for the collection and compilation of regional statistics, harmonized with EU standards. Moreover, from an economic point of view, this will ensure eligibility for assistance from the European funds for regional development of the Republic of Moldova.

Improving financial and fiscal relations between the center and districts, as well as between state authorities and local self-government aims to increase the level of budgetary sufficiency of regions and municipalities. To this end, in our view, it is necessary to strengthen the permanent financial sources and, above all, the sources of taxation for state subjects to create budgets independently. This will reduce unnecessary financial flows between different levels of budgets, reduce the financial support granted by the state to regions that are able to self-finance.

4. Results obtained

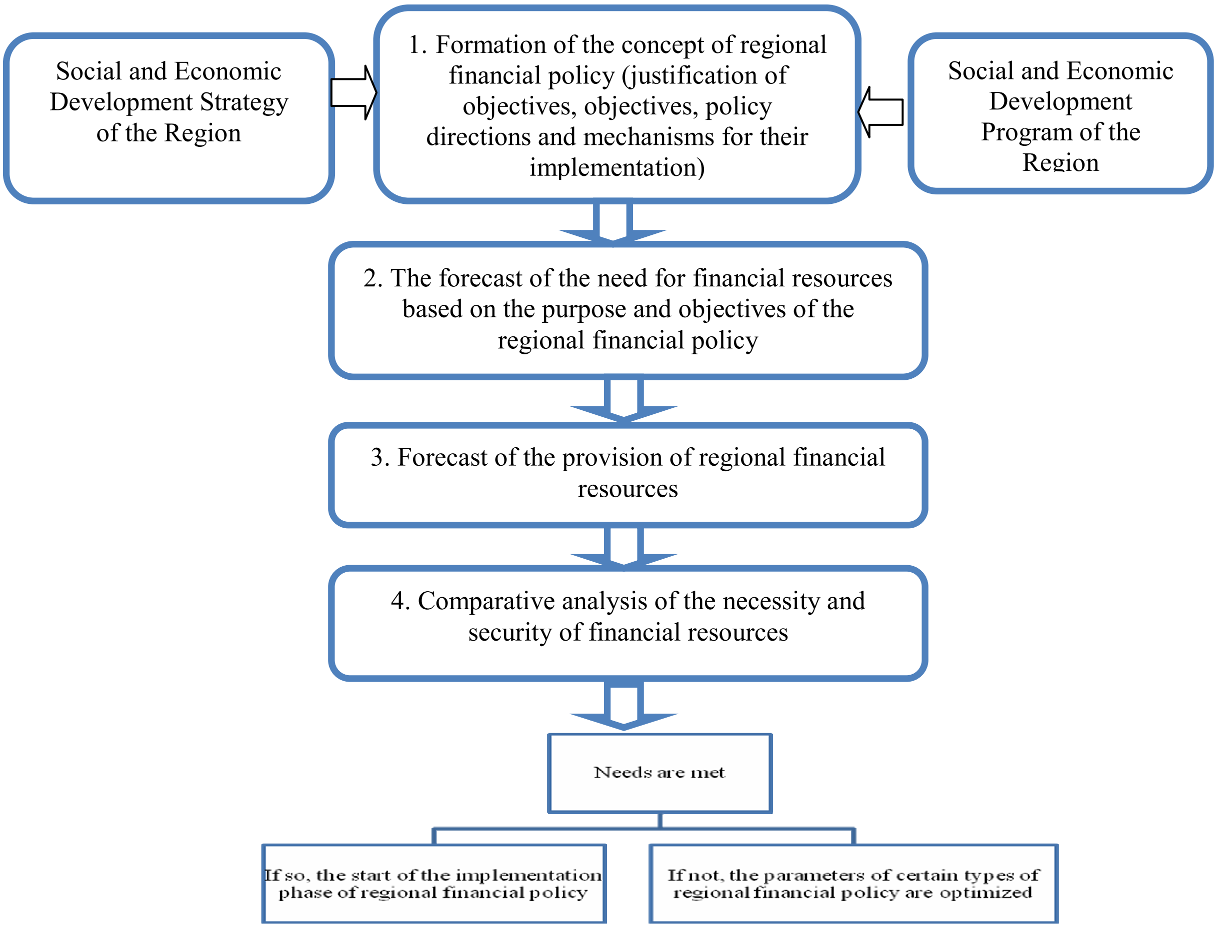
The formation of a regional financial policy should be based on a certain methodology, which will determine its further realization. The logic of the formation of any kind of regional policy can be represented by the following steps:

1. Identification of public issues and policy objectives (policy initiation);
2. Development and regulation of public policy (policy-making);
3. Public policy implementation and monitoring (policy implementation);
4. Public policy assessment and adjustment (feedback).

Regional financial policy should, first of all, logically integrate into the region's strategic planning system and, secondly, it is called upon to form the financial basis for the implementation of medium-term strategic plans for social and economic development.

The formation of a regional financial policy can be represented in the form of the conceptual scheme in figure 5.

Figure no.5. Staging of regional financial policy formation



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The development of a regional financial policy should be based on the region's social and economic development strategy and program. These documents should primarily reflect the tasks of regional financial policy. The first step in the formation of regional financial policy is to develop a policy concept whose main sections are: the reasoning of objectives, goals, policies and policy implementation mechanisms.

The concept formulated allows for the definition of the need for regional financial resources (Phase 2) and the provision of regional financial resources (Phase 3). In the fourth stage, a comparative analysis of the needs and availability of regional financial resources is required. If the demand is satisfied, the implementation phase of the regional financial policy begins, taking into account the attributes indicated in the concept. If there is a shortage of regional financial resources, then it is necessary to adjust the policy concept. Adjustment is possible due to a review of the objective or objectives (especially of their quantitative characteristics), revision of the applied policy instruments (changes in tax rates, benefits, the value of certain types of budget expenditures, etc.).

The need for feedback in the conduct of regional financial policy activities is conditioned by changes in both external and internal circumstances. In the course of implementation, the results obtained must be monitored and possible changes to the target parameters of the concept may be possible.

The main objective of the regional financial policy is to provide financial support for the socio-economic economic growth of the regions of the Republic of Moldova and to increase the standard of living of the population through the optimal and efficient distribution and redistribution of regional financial resources.

At the core of regional financial policy there should be a holistic and clear concept to elaborate it. In such a concept it is necessary to reflect the main tools, the areas of impact and the expected results. The concept would answer the following questions:

- how and with what financial instruments central government may influence territorial development;
- what is the degree of regulation of the regional economy and of the social sphere, the intensity of the influence of the state, the degree and possibilities of self-regulation of the financial sphere;
- what are the financial levers and incentives for public influence and how to use them;
- which regions will be able to implement the proposed financial policy.

Infrastructure of the region is a very complex category, for its presentation we can use the following two approaches:

1) the region's infrastructure can be considered as a set of sub-industries, business units, institutions and organizations that ensure the free movement of goods and services on the market in the region;

2) the region's infrastructure is defined as an economic system that ensures the sustainable development of the entire economic system in the region. In this case, the infrastructure in the region comprises, on the one hand, its economic potential and a set of economic relations related to the activities of the market participants.

It should be noted that market infrastructure contributes significantly to the development of the company's productive forces by improving the efficiency of the goods circulation processes in the economy and providing complex market services to the economic entities in order to create favorable conditions for the development of the industry and sectors of the economy regional. The state of the regional infrastructure should correspond to the level of production development in the region at all stages of its development.

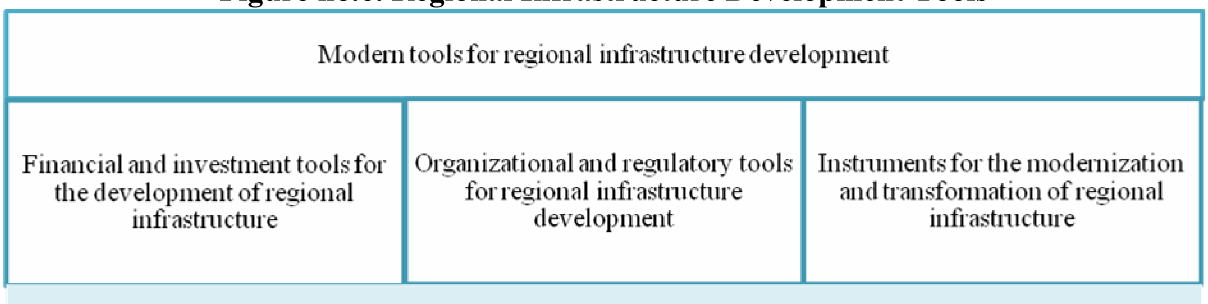
With the help of private-public partnerships, local private sector representatives, non-governmental organizations, leaders of other informal associations or just active citizens can cooperate with local authorities to promote and implement all relevant initiatives for the region's inhabitants. The partnership activities typically aim at tackling economic and employment policy issues, supporting socially vulnerable groups, strengthening regional identity, ensuring long-term development and reasonable consumption of natural resources, developing local production and promoting products in the markets foreign. This form of cooperation increases the responsibility of citizens to improve the living conditions in the region, ensures maximum participation of the inhabitants in the processes of self-government.

It should be noted that traditional management spheres barely perceive and adapt the managerial, technological, technical, social, and cultural innovations introduced. The success of regional development depends on the extent to which it was possible to reconcile the idea of development with management technology, i.e. the effectiveness of communication between stakeholders.

A major role in achieving the long-term economic growth of the region is played by infrastructure investments, which are the most important instrument for creating the conditions for the economic development of the territories. Infrastructure investments are an ideal route for redistributing resources and labor from stagnant sectors of the economy that can ensure long-term stable economic growth. Regional development management tools can be divided into several groups, each being geared to its impact on a particular area.

Current tools for regional infrastructure development are shown in figure 6.

Figure no.6. Regional Infrastructure Development Tools



Source: elaborated by the author

5. Conclusions

Modernization of the regional infrastructure is necessary both for the growth of the economies of the underdeveloped regions and for the needs of the developed regions. There is the opportunity to implement the innovations, the information and the presence of the scientific factor in the formation of the necessary level of infrastructure support at the regional level.

The successful achievement of the aforementioned ones is also in keeping with the principles on which the optimization of regional financial policy is based:

1. Objectivity - in documents that are methodological support for regional financial policy, the objective of a policy that has a quantitative dimension needs to be clearly defined. In addition to the overall objective, it is necessary to develop a system of quantitative targets, the implementation of which must be implemented at different stages of the implementation of regional financial policy;

2. Systematically - all the implemented directions of the regional financial policy must be coordinated with each other and according to the declared purpose;

3. Complexity - regional financial policy must be implemented in all directions of its formation;

4. Sufficient information - developed policy should be based on a qualitative analysis of the socio-economic situation of the region, its problems and its prospects;

5. Transparency - the main policy provisions should be open to all interested groups; in addition, these stakeholders (business environment, population) can be involved in policy-making;

6. Feedback principle - during the implementation of regional funding, its main provisions (the system of measures) can be adjusted based on the analysis and monitoring of

policy implementation. In this respect, the transition to the developed methodological support phase must be a prerequisite.

Thus, it is necessary to emphasize the special importance of the processes of formation and implementation of the financial policy at regional level as a link between other types of economic policy in the region. This correlation, firstly, is due to the fiscal function of financial policy. At the same time, in the conditions of limited powers, the implementation of this type of policy is associated with significant difficulties in ensuring the equilibrium of financial resources.

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